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SENATE DRS35310-LL-180 (04/16)

Short Title: Retirement Administrative Changes.

(Public)

Sponsors: Senator Stevens.

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO MAKE CHANGES TO ADMINISTRATION OF THE STATE RETIREMENT  
3 SYSTEMS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 120-32.01(c) reads as rewritten:

6 "(c) Consistent with subsection (a) of this section and notwithstanding any other law  
7 relating to privacy of personnel records, the Retirement Systems Division of the Department of  
8 State Treasurer shall furnish the Fiscal Research Division direct online read-only access to  
9 active and retired member information or records maintained by the Retirement Systems  
10 Division in online information systems. Direct online read-only access shall not include access  
11 to medical records of individual ~~members~~. members or to tax records and other tax-related  
12 documents of members and beneficiaries. Nothing in this subsection shall limit the provisions  
13 of subsection (a) of this section."

14 **SECTION 2.** G.S. 128-27(k) reads as rewritten:

15 "(k) Post-Retirement Increases in Allowances. – As of December 31, 1969, the ratio of  
16 the Consumer Price Index to such index one year earlier shall be determined. If such ratio  
17 indicates an increase that equals or exceeds three per centum (3%), each beneficiary receiving a  
18 retirement allowance as of December 31, 1968, shall be entitled to have his allowance  
19 increased three per centum (3%) effective July 1, 1970.

20 As of December 31, 1970, the ratio of the Consumer Price Index to such index one year  
21 earlier shall be determined. If such ratio indicates an increase of at least one per centum (1%),  
22 each beneficiary on the retirement rolls as of July 1, 1970, shall be entitled to have his  
23 allowance increased effective July 1, 1971, as follows:

Increase In Index	Increase In Allowance
1.00 to 1.49%	1%
1.50 to 2.49%	2%
2.50 to 3.49%	3%
3.50% or more	4%

30 As of December 31, 1971, an increase in retirement allowances shall be calculated and  
31 made effective July 1, 1972, in the manner described in the preceding paragraph. As of  
32 December 31 of each year after 1971, the ratio (R) of the Consumer Price Index to such index  
33 one year earlier shall be determined, and each beneficiary on the retirement rolls as of July 1 of  
34 the year of determination shall be entitled to have his allowance increased effective on July 1 of  
35 the year following the year of determination by the same percentage of increase indicated by



1 the ratio (R) calculated to the nearest tenth of one per centum (1/10 of 1%), but not more than  
2 four per centum (4%); provided that any such increase in allowances shall be contingent upon  
3 the total fund providing sufficient investment gains to cover the additional actuarial liabilities  
4 on account of such increase. The determination of whether there are sufficient investment gains  
5 to cover the possible postretirement increase in allowance shall reside exclusively within the  
6 discretion of the Board of Trustees and shall be informed by the findings within the annual  
7 actuarial valuation reports.

8 The allowance of a surviving annuitant of a beneficiary whose allowance is increased under  
9 this subsection shall, when and if payable, be increased by the same per centum.

10 Any increase in allowance granted hereunder shall be permanent, irrespective of any  
11 subsequent decrease in the Consumer Price Index, and shall be included in determining any  
12 subsequent increase.

13 Notwithstanding the foregoing linkage between increases in the Consumer Price Index and  
14 correlative contingent increases in retirement benefits determined by the availability of  
15 sufficient investment gains to cover the additional actuarial liabilities arising from those  
16 increased benefits, the Board of Trustees may in any year, regardless of any increase or  
17 decrease in the Consumer Price Index, fund a cost-of-living increase in a percentage amount,  
18 measured in tenths of one per centum (1/10 of 1%), of up to four percent (4%), provided that  
19 the Board may use only investment gains to fund such an increase.

20 For purposes of this subsection, Consumer Price Index shall mean the Consumer Price  
21 Index (all items – United States city average), as published by the United States Department of  
22 Labor, Bureau of Labor Statistics."

23 **SECTION 3.** G.S. 135-1(20) reads as rewritten:

24 "(20) "Retirement" means the termination of employment and the complete  
25 separation from active service with no intent or agreement, express or  
26 implied, to return to service. A retirement allowance under the provisions of  
27 this Chapter may only be granted upon retirement of a member. In order for  
28 a member's retirement to become effective in any month, the member must  
29 render no service, including part-time, temporary, substitute, or contractor  
30 service, at any time during the six months immediately following the  
31 effective date of retirement. For purposes of this subdivision, service as a  
32 member of a school board or as an unpaid bona fide volunteer in a local  
33 school administrative unit or in a State-funded educational attraction shall  
34 not be considered service. A member who is a full-time faculty member of  
35 The University of North Carolina may effect a retirement allowance under  
36 this Chapter, notwithstanding the six-month requirement above, provided the  
37 member immediately enters the University's Phased Retirement Program for  
38 Tenured Faculty as that program existed on May 25, 2011."

39 **SECTION 4.** G.S. 128-30(d) reads as rewritten:

40 "(d) Pension Accumulation Fund. – The pension accumulation fund shall be the fund in  
41 which shall be accumulated all reserves for the payment of all pensions and other benefits  
42 payable from contributions made by employers and from which shall be paid all pensions and  
43 other benefits on account of members with prior service credit. Contributions to and payments  
44 from the pension accumulation fund shall be made as follows:

45 ...  
46 (3) The "accrued liability contribution" shall be set for each employer on the  
47 basis of the prior service credits allowable to the employees thereof, who are  
48 entitled to prior service certificates, and shall be paid for a period of  
49 approximately 30 years, provided that the length of the period of payment  
50 for each employer after contributions begin ~~shall be the same for all~~

1 employers and shall be determined by the Board of Trustees as the result of  
2 actuarial valuations.

3 ...."

4 **SECTION 5.(a)** G.S. 120-4.32 reads as rewritten:

5 **"§ 120-4.32. Deduction for payments to certain employees' or retirees' associations**  
6 **allowed.**

7 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association  
8 that has at least 2,000 members, the majority of whom are active or retired employees of the  
9 State or public school employees, may authorize, in writing, the periodic deduction from the  
10 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'  
11 association. The authorization shall remain in effect until revoked by the beneficiary. A plan of  
12 deductions pursuant to this section shall become void if the employees' or retirees' association  
13 engages in collective bargaining with the State, any political subdivision of the State, or any  
14 local school administrative unit.

15 (b) Any beneficiary eligible for coverage under the State Health Plan may also  
16 authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a  
17 designated lump sum to be paid to the State Health Plan for any dependent whom the  
18 beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own  
19 State Health Plan coverage is contributory, in whole or in part, the beneficiary may also  
20 authorize a designated lump sum to be paid to the State Health Plan on behalf of the  
21 beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental  
22 voluntary insurance benefits, provided that the deduction is authorized by the Department of  
23 State Treasurer and is payable to a company with which the Department of State Treasurer has  
24 or had an exclusive contractual relationship. Any such authorization shall remain in effect until  
25 revoked by the beneficiary."

26 **SECTION 5.(b)** G.S. 128-38.3 reads as rewritten:

27 **"§ 128-38.3. Deduction for payment to certain employees' associations allowed.**

28 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association  
29 that has at least 2,000 members, the majority of whom are active or retired employees of  
30 employers as defined in G.S. 128-21(11), may authorize, in writing, the periodic deduction  
31 from the beneficiary's retirement benefits a designated lump sum to be paid to the employees'  
32 or retirees' association. The authorization shall remain in effect until revoked by the  
33 beneficiary. A plan of deductions pursuant to this section shall become void if the employees'  
34 or retirees' association engages in collective bargaining with the State, any political subdivision  
35 of the State, or any local school administrative unit.

36 (b) Any beneficiary eligible for coverage under the State Health Plan may also  
37 authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a  
38 designated lump sum to be paid to the State Health Plan for any dependent whom the  
39 beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own  
40 State Health Plan coverage is contributory, in whole or in part, the beneficiary may also  
41 authorize a designated lump sum to be paid to the State Health Plan on behalf of the  
42 beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental  
43 voluntary insurance benefits, provided that the deduction is authorized by the Department of  
44 State Treasurer and is payable to a company with which the Department of State Treasurer has  
45 or had an exclusive contractual relationship. Any such authorization shall remain in effect until  
46 revoked by the beneficiary."

47 **SECTION 5.(c)** G.S. 135-18.8 reads as rewritten:

48 **"§ 135-18.8. Deduction for payments to certain employees' or retirees' associations**  
49 **allowed.**

50 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association  
51 that has at least 2,000 members, the majority of whom are active or retired employees of the

1 State may authorize, in writing, the periodic deduction from the beneficiary's retirement  
2 benefits a designated lump sum to be paid to the employees' or retirees' association. The  
3 authorization shall remain in effect until revoked by the beneficiary. A plan of deductions  
4 pursuant to this section shall become void if the employees' or retirees' association engages in  
5 collective bargaining with the State, any political subdivision of the State, or any local school  
6 administrative unit.

7 (b) Any beneficiary may also authorize, in writing, the monthly deduction from the  
8 beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan  
9 for any dependent whom the beneficiary wishes to cover under the State Health Plan. In the  
10 event that the beneficiary's own State Health Plan coverage is contributory, in whole or in part,  
11 the beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on  
12 behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for  
13 supplemental voluntary insurance benefits, provided that the deduction is authorized by the  
14 Department of State Treasurer and is payable to a company with which the Department of State  
15 Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain  
16 in effect until revoked by the beneficiary."

17 **SECTION 5.(d)** G.S. 135-75 reads as rewritten:

18 "**§ 135-75. Deduction for payments to certain employees' or retirees' associations allowed.**

19 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association  
20 that has at least 2,000 members, the majority of whom are active or retired employees of the  
21 State or public school employees, may authorize, in writing, the periodic deduction from the  
22 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'  
23 association. The authorization shall remain in effect until revoked by the beneficiary. A plan of  
24 deductions pursuant to this section shall become void if the employees' or retirees' association  
25 engages in collective bargaining with the State, any political subdivision of the State, or any  
26 local school administrative unit.

27 (b) Any beneficiary eligible for coverage under the State Health Plan may also  
28 authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a  
29 designated lump sum to be paid to the State Health Plan for any dependent whom the  
30 beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own  
31 State Health Plan coverage is contributory, in whole or in part, the beneficiary may also  
32 authorize a designated lump sum to be paid to the State Health Plan on behalf of the  
33 beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental  
34 voluntary insurance benefits, provided that the deduction is authorized by the Department of  
35 State Treasurer and is payable to a company with which the Department of State Treasurer has  
36 or had an exclusive contractual relationship. Any such authorization shall remain in effect until  
37 revoked by the beneficiary."

38 **SECTION 6.** G.S. 135-106(b) reads as rewritten:

39 (b) After the commencement of benefits under this section, the benefits payable under  
40 the terms of this section during the first 36 months of the long-term disability period shall be  
41 equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable  
42 to the participant or beneficiary prior to the beginning of the short-term disability period as may  
43 be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent  
44 (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would  
45 be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced  
46 by any primary Social Security disability benefits and by monthly payments for Workers'  
47 Compensation to which the participant or beneficiary may be entitled. When primary Social  
48 Security disability benefits are increased by cost-of-living adjustments, the increased reduction  
49 shall be applied in the first month following the month in which the member becomes entitled  
50 to the increased Social Security benefit. The monthly benefit shall be further reduced by the  
51 amount of any monthly payments from the federal Department of Veterans Affairs, any other

1 federal agency or any payments made under the provisions of G.S. 127A-108, to which the  
2 participant or beneficiary may be entitled on account of the same disability. Provided, in any  
3 event, the benefit payable shall be no less than ten dollars (\$10.00) a month. However, a  
4 disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in  
5 lieu of long-term disability benefits; provided such election shall not extend the first 36  
6 consecutive calendar months of the long-term disability period. An election to receive any  
7 salary continuation for any part of any given day shall be in lieu of any long-term benefit  
8 payable for that day, provided further, any lump-sum payout for vacation leave shall be treated  
9 as if the beneficiary or participant had exhausted the leave and shall be in lieu of any long-term  
10 benefit otherwise payable. Provided that, in any event, a beneficiary's benefit shall be reduced  
11 during the first 36 months of the long-term disability period by an amount, as determined by  
12 the Board of Trustees, equal to a primary Social Security retirement benefit to which the  
13 beneficiary might be entitled.

14 After 36 months of long-term disability, no further benefits are payable under the terms of  
15 this section unless the member has been approved and is in receipt of primary Social Security  
16 disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of  
17 1/12th of the annual base rate of compensation last payable to the participant or beneficiary  
18 prior to the beginning of the short-term disability period as may be adjusted for percentage  
19 increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual  
20 longevity payment to which the participant or beneficiary would be eligible, to a maximum of  
21 three thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security  
22 disability benefits and by monthly payments for Workers' Compensation to which the  
23 participant or beneficiary may be entitled. When primary Social Security disability benefits are  
24 increased by cost-of-living adjustments, the increased reduction shall be applied in the first  
25 month following the month in which the member becomes entitled to the increased Social  
26 Security benefit. The monthly benefit shall be further reduced by the amount of any monthly  
27 payments from the federal Department of Veterans Affairs, for payments from any other  
28 federal agency, or for any payments made under the provisions of G.S. 127A-108, to which the  
29 participant or beneficiary may be entitled on account of the same disability. Provided, in any  
30 event, the benefit payable shall be no less than ten dollars (\$10.00) a month.

31 ~~Notwithstanding the foregoing,~~ foregoing, but subject to an additional integration with the  
32 five-year and 10-year retirement vesting provisions as set forth in this paragraph, the long-term  
33 disability benefit is payable so long as the beneficiary is disabled and is in receipt of a primary  
34 Social Security disability benefit until the earliest date at which the beneficiary who became a  
35 member prior to August 1, 2011, is eligible for an unreduced service retirement allowance from  
36 the Retirement System, at which time the beneficiary would receive a retirement allowance  
37 calculated on the basis of the beneficiary's average final compensation at the time of disability  
38 as adjusted to reflect compensation increases subsequent to the time of disability and the  
39 creditable service accumulated by the beneficiary, including creditable service while in receipt  
40 of benefits under the Plan. In the case of any long-term disability beneficiary who became a  
41 member on and after August 1, 2011, and ordinarily would not be eligible for a retirement  
42 benefit without 10 years of membership service, for purposes of this conversion from long-term  
43 disability to service retirement, and for that purpose only, noncontributory creditable service  
44 granted while in receipt of disability benefits under this Article shall be deemed to be  
45 membership service, through the completion of 10 years of combined membership and  
46 noncontributory service on short-term and long-term disability benefits in total. In the event the  
47 beneficiary has not been approved and is not in receipt of a primary Social Security disability  
48 benefit, the long-term disability benefit shall cease after the first 36 months of the long-term  
49 disability period. When such a long-term disability recipient begins receiving this unreduced  
50 service retirement allowance from the System, that recipient shall not be subject to the  
51 six-month waiting period set forth in G.S. 135-1(20). However, a beneficiary shall be entitled

1 to a restoration of the long-term disability benefit in the event the Social Security  
2 Administration grants a retroactive approval for primary Social Security disability benefits with  
3 a benefit effective date within the first 36 months of the long-term disability period. In such  
4 event, the long-term disability benefit shall be restored retroactively to the date of cessation."

5 **SECTION 7.** G.S. 147-69.2(b)(8) reads as rewritten:

6 "(8) With respect to assets of the Teachers' and State Employees' Retirement  
7 System, the Consolidated Judicial Retirement System, the Firemen's and  
8 Rescue Workers' Pension Fund, the Local Governmental Employees'  
9 Retirement System, the Legislative Retirement System, the North Carolina  
10 National Guard Pension ~~Fund~~ Fund, and the Retiree Health Benefit Fund  
11 (hereinafter referred to collectively as the Retirement Systems), and assets  
12 invested pursuant to subdivision (b2) of this section, they may be invested in  
13 equity securities traded on a public securities exchange or market organized  
14 and regulated pursuant to the laws of the jurisdiction of such exchange or  
15 market and issued by any company incorporated or otherwise created or  
16 located within or outside the United States; provided the investments meet  
17 the conditions of this subdivision. The investments authorized for the  
18 Retirement Systems under this subdivision cannot exceed sixty-five percent  
19 (65%) of the market value of all invested assets of the Retirement Systems.

20 The assets authorized under this subdivision may be invested directly by  
21 the State Treasurer in any equity securities authorized by this subdivision for  
22 the primary purpose of approximating the movements of a nationally  
23 recognized and published market benchmark index. No more than one and  
24 one-half percent (1.5%) of the market value of the Retirement Systems'  
25 assets that may be invested directly under this subdivision can be invested in  
26 the stock of a single corporation, and the total number of shares in that single  
27 corporation cannot exceed eight percent (8%) of the issued and outstanding  
28 stock of that corporation.

29 So long as each investment manager has assets under management of at  
30 least one hundred million dollars (\$100,000,000), the assets authorized under  
31 this subdivision may also be invested through any of the following:

- 32 a. Investment companies registered under the Investment Company Act  
33 of 1940; individual, common, or collective trust funds of banks and  
34 trust companies; and group trusts that invest primarily in investments  
35 authorized by this subdivision.
- 36 b. Limited partnerships, limited liability companies, or other limited  
37 liability investment vehicles that are not publicly traded and invest  
38 primarily in investments authorized by this subdivision. Investments  
39 under this sub-subdivision shall not exceed six and one-half percent  
40 (6.5%) of the market value of all invested assets of the Retirement  
41 Systems.
- 42 c. Contractual arrangements in which investment managers have full  
43 and complete discretion and authority to invest assets specified in  
44 such contractual arrangements in investments authorized by this  
45 subdivision."

46 **SECTION 8.** This act becomes effective July 1, 2012.