

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 803
Pensions & Retirement and Aging Committee Substitute Adopted 6/6/12

Short Title: Retirement Administrative Changes.

(Public)

Sponsors:

Referred to:

May 17, 2012

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

The General Assembly of North Carolina enacts:

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

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

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

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

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

As of December 31, 1971, an increase in retirement allowances shall be calculated and made effective July 1, 1972, in the manner described in the preceding paragraph. As of December 31 of each year after 1971, the ratio (R) of the Consumer Price Index to such index one year earlier shall be determined, and each beneficiary on the retirement rolls as of July 1 of the year of determination shall be entitled to have his allowance increased effective on July 1 of the year following the year of determination by the same percentage of increase indicated by the ratio (R) calculated to the nearest tenth of one per centum (1/10 of 1%), but not more than



1 four per centum (4%); provided that any such increase in allowances shall be contingent upon
2 the total fund providing sufficient investment gains to cover the additional actuarial liabilities
3 on account of such increase. The determination of whether there are sufficient investment gains
4 to cover the possible postretirement increase in allowance shall reside exclusively within the
5 discretion of the Board of Trustees and shall be informed by the findings within the annual
6 actuarial valuation reports.

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

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

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

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

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

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

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

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

44 ...
45 (3) The "accrued liability contribution" shall be set for each employer on the
46 basis of the prior service credits allowable to the employees thereof, who are
47 entitled to prior service certificates, and shall be paid for a period of
48 approximately 30 years, provided that the length of the period of payment
49 for each employer after contributions begin ~~shall be the same for all~~
50 ~~employers and~~ shall be determined by the Board of Trustees as the result of
51 actuarial valuations.

...."

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

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

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

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

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

"§ 128-38.3. ~~Deduction for payment to certain employees' associations~~ payments allowed.

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

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

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

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

(a) Any beneficiary who is a member of a domiciled employees' or retirees' association that has at least 2,000 members, the majority of whom are active or retired employees of the State may authorize, in writing, the periodic deduction from the beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees' association. The

1 authorization shall remain in effect until revoked by the beneficiary. A plan of deductions
2 pursuant to this section shall become void if the employees' or retirees' association engages in
3 collective bargaining with the State, any political subdivision of the State, or any local school
4 administrative unit.

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

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

16 "**§ 135-75. Deduction for payments to certain employees' or retirees' associations allowed.**

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

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

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

37 "(b) After the commencement of benefits under this section, the benefits payable under
38 the terms of this section during the first 36 months of the long-term disability period shall be
39 equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable
40 to the participant or beneficiary prior to the beginning of the short-term disability period as may
41 be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent
42 (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would
43 be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced
44 by any primary Social Security disability benefits and by monthly payments for Workers'
45 Compensation to which the participant or beneficiary may be entitled. When primary Social
46 Security disability benefits are increased by cost-of-living adjustments, the increased reduction
47 shall be applied in the first month following the month in which the member becomes entitled
48 to the increased Social Security benefit. The monthly benefit shall be further reduced by the
49 amount of any monthly payments from the federal Department of Veterans Affairs, any other
50 federal agency or any payments made under the provisions of G.S. 127A-108, to which the
51 participant or beneficiary may be entitled on account of the same disability. Provided, in any

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

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

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

1 a benefit effective date within the first 36 months of the long-term disability period. In such
2 event, the long-term disability benefit shall be restored retroactively to the date of cessation."

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

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

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

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

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

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