

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**SESSION 1993**

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**2**

HOUSE BILL 1695\*  
Committee Substitute Favorable 6/13/94

Short Title: Increase Retirement Allowance.

(Public)

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Sponsors:

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Referred to:

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May 26, 1994

1                                   A BILL TO BE ENTITLED  
2 AN ACT TO CHANGE THE METHOD FOR CALCULATING THE REDUCTION  
3 FOR EARLY RETIREMENT IN THE TEACHERS' AND STATE EMPLOYEES'  
4 RETIREMENT SYSTEM; TO INCREASE THE RETIREMENT FORMULA  
5 WITH AN ADJUSTING INCREASE TO RETIREES OF THE TEACHERS' AND  
6 STATE EMPLOYEES' RETIREMENT SYSTEM AND OF THE LOCAL  
7 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM; TO PROVIDE AN  
8 INCREASE TO RETIREES OF THE TEACHERS' AND STATE EMPLOYEES'  
9 RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES'  
10 RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM AND  
11 THE JUDICIAL RETIREMENT SYSTEM; TO MAKE CHANGES IN THE  
12 LEGISLATIVE RETIREMENT SYSTEM AND TO ALLOW RECIPROCITY  
13 BETWEEN THE DISABILITY INCOME PLAN OF NORTH CAROLINA AND  
14 THE DEATH BENEFIT PLAN FOR MEMBERS OF THE LEGISLATIVE  
15 RETIREMENT SYSTEM AND THE CONSOLIDATED JUDICIAL  
16 RETIREMENT SYSTEM; TO REMOVE THE EXCLUSION FOR WAR-  
17 RELATED DISABILITIES FROM THE DISABILITY INCOME PLAN; TO SET  
18 THE SALARY-RELATED CONTRIBUTIONS/EMPLOYERS; AND TO FREEZE  
19 THE LIQUIDATION PERIOD IN THE TEACHERS' AND STATE EMPLOYEES'  
20 RETIREMENT SYSTEM.

21 The General Assembly of North Carolina enacts:

22                   Section 1. G.S. 128-24(5) reads as rewritten:

1           "(5) The provisions of this subdivision (5) shall apply to any member  
2           whose membership is terminated on or after July 1, 1965, and who  
3           becomes entitled to benefits hereunder in accordance with the  
4           provisions hereof.

5           a. Notwithstanding any other provision of this Chapter, any  
6           member who separates from service prior to the attainment of  
7           the age of 60 years for any reason other than death or retirement  
8           for disability as provided in G.S. 128-27(c), after completing 15  
9           or more years of creditable service, and who leaves his total  
10          accumulated contributions in said System shall have the right to  
11          retire on a deferred retirement allowance upon attaining the age  
12          of 60 years; provided that such member may retire only upon  
13          written application to the Board of Trustees setting forth at what  
14          time, not less than one day nor more than 90 days subsequent to  
15          the execution and filing thereof, he desires to be retired; and  
16          further provided that in the case of a member who so separates  
17          from service on or after July 1, 1967, the aforestated  
18          requirement of 15 or more years of creditable service shall be  
19          reduced to 12 or more years of creditable service; and further  
20          provided that in the case of a member who so separates from  
21          service on or after July 1, 1971, or whose account is active on  
22          July 1, 1971, the aforestated requirement of 12 or more years of  
23          creditable service shall be reduced to five or more years of  
24          creditable service. ~~Such deferred retirement allowance shall be  
25          computed in accordance with the provisions of G.S. 128-27(b1),  
26          provided that such benefits will be computed in accordance with  
27          subsection (b2) on or after July 1, 1967, but prior to July 1, 1969; and  
28          provided further that such benefits will be computed in accordance  
29          with subsection (b3) on or after July 1, 1969.~~ Such deferred  
30          retirement allowance shall be computed in accordance with the  
31          service retirement provisions of this Article pertaining to a  
32          member who is not a law enforcement officer or eligible former  
33          law enforcement officer.

34          b. In lieu of the benefits provided in paragraph a of this  
35          subdivision, any member who separates from service prior to  
36          the attainment of the age of 60 years, for any reason other than  
37          death or retirement for disability as provided in G.S. 128-27(c),  
38          after completing 20 or more years of creditable service, and  
39          who leaves his total accumulated contributions in said System  
40          may elect to retire on an early retirement allowance upon  
41          attaining the age of 50 years or at any time thereafter; provided  
42          that such member may so retire only upon written application to  
43          the Board of Trustees setting forth at what time, not less than  
44          one day nor more than 90 days subsequent to the execution and

1 filing thereof, he desires to be retired. Such early retirement  
 2 allowance so elected shall be equal to the deferred retirement  
 3 allowance otherwise payable at the attainment of the age of 60  
 4 years reduced by the percentage thereof indicated below.

5	Age at	Percentage
6	Retirement	Reduction
7	59	7
8	58	14
9	57	20
10	56	25
11	55	30
12	54	35
13	53	39
14	52	43
15	51	46
16	50	50

17 b1. In lieu of the benefits provided in paragraphs a and b of this  
 18 subdivision, any member who is a law enforcement officer at  
 19 the time of separation from service prior to the attainment of the  
 20 age of 50 years, for any reason other than death or disability as  
 21 provided in this Article, after completing 15 or more years of  
 22 creditable service in this capacity immediately prior to  
 23 separation from service, and who leaves his total accumulated  
 24 contributions in this System, may elect to retire on a deferred  
 25 early retirement allowance upon attaining the age of 50 years or  
 26 at any time thereafter; provided, that the member may  
 27 commence retirement only upon written application to the  
 28 Board of Trustees setting forth at what time, as of the first day  
 29 of a calendar month, not less than one day nor more than 90  
 30 days subsequent to the execution and filing thereof, he desires  
 31 to commence retirement. The deferred early retirement  
 32 allowance shall be computed in accordance with the service  
 33 retirement provisions of this Article pertaining to law  
 34 enforcement officers.

35 b2. In lieu of the benefits provided in paragraphs a and b of this  
 36 subdivision, any member who is a law enforcement officer at  
 37 the time of separation from service prior to the attainment of the  
 38 age of 55 years, for any reason other than death or disability as  
 39 provided in this Article, after completing five or more years of  
 40 creditable service in this capacity immediately prior to  
 41 separation from service, and who leaves his total accumulated  
 42 contributions in this System may elect to retire on a deferred  
 43 service retirement allowance upon attaining the age of 55 years  
 44 or at any time thereafter; provided, that the member may

1 commence retirement only upon written application to the  
2 Board of Trustees setting forth at what time, as of the first day  
3 of a calendar month not less than one day nor more than 90  
4 days subsequent to the execution and filing thereof, he desires  
5 to commence retirement. The deferred service retirement  
6 allowance shall be computed in accordance with the service  
7 retirement provisions of this Article pertaining to law  
8 enforcement officers.

9 c. Should a beneficiary who retired on an early or service  
10 retirement allowance be reemployed by an employer  
11 participating in the Retirement System on a permanent full-  
12 time, part-time, temporary, or on fee-for-service basis, whether  
13 contractual or otherwise, the retirement allowance shall be  
14 suspended if the beneficiary receives or earns any of the  
15 following:

- 16 1. Salary or fees or both in excess of one thousand five  
17 hundred dollars (\$1,500) per month;
- 18 2. Salary or fees or both in excess of thirteen thousand five  
19 hundred dollars (\$13,500) during any consecutive 12  
20 calendar months;
- 21 3. Salary or fees or both during any consecutive 12  
22 calendar months, which is greater than fifty percent  
23 (50%) of the reported compensation during the 12  
24 months of service preceding the effective date of  
25 retirement; or
- 26 4. Salary or fees or both during any month, which when  
27 added to the retirement allowance at retirement exceeds  
28 the monthly compensation earned immediately prior to  
29 retirement, if reemployed by the same employer within  
30 90 days of the effective date of retirement.

31 The suspension of the retirement allowance shall be  
32 effective as of the first day of the month in which the  
33 beneficiary meets the conditions set forth in conditions 1 or 4 of  
34 this paragraph and effective as of the first day of the next  
35 succeeding month following the month in which the beneficiary  
36 meets the conditions set forth in conditions 2 or 3 of this  
37 paragraph. The retirement allowance shall be reinstated the  
38 month following termination of reemployment or the month  
39 following the month in which the conditions set forth in this  
40 paragraph are no longer met. The Board of Trustees may adjust  
41 the monetary limits in this paragraph by an amount equivalent  
42 to any across-the-board salary increase granted to employees of  
43 the State by the General Assembly. Each employer shall report  
44 information monthly to the Board of Trustees on forms

1 provided by the Board on each reemployed beneficiary  
2 sufficient for the effective enforcement of this paragraph.  
3 Notwithstanding the foregoing, any beneficiary may irrevocably  
4 elect to recommence membership in the Retirement System  
5 immediately upon being restored to service, whereupon the  
6 retirement allowance shall cease.

- 7 d. A beneficiary whose retirement allowance is suspended in  
8 accordance with the provisions of paragraph c and who is  
9 restored to service shall become a member of the Retirement  
10 System and shall contribute thereafter as allowed by law at the  
11 uniform contribution payable by all members.

12 Upon his subsequent retirement, he shall be paid a  
13 retirement allowance determined as follows:

- 14 1. For a member who earns at least three years' membership  
15 service after restoration to service, the retirement  
16 allowance shall be computed on the basis of his  
17 compensation and service before and after the period of  
18 prior retirement without restriction; provided, that if the  
19 prior allowance was based on a social security leveling  
20 payment option, the allowance shall be adjusted  
21 actuarially for the difference between the amount  
22 received under the optional payment and what would  
23 have been paid if the retirement allowance had been paid  
24 without optional modification.
- 25 2. For a member who does not earn three years'  
26 membership service after restoration to service, the  
27 retirement allowance shall be equal to the sum of the  
28 retirement allowance to which he would have been  
29 entitled had he not been restored to service, without  
30 modification of the election of an optional allowance  
31 previously made, and the retirement allowance that  
32 results from service earned since being restored to  
33 service; provided, that if the prior retirement allowance  
34 was based on a social security leveling payment option,  
35 the prior allowance shall be adjusted actuarially for the  
36 difference between the amount that would have been  
37 paid for each month had the payment not been suspended  
38 and what would have been paid if the retirement  
39 allowance had been paid without optional modification."

40 Sec. 2. G.S. 128-27 is amended by adding a new subsection to read:

41 "(a1) Early Service Retirement Benefits. – Any member may retire and receive a  
42 reduced retirement allowance upon written application to the Board of Trustees setting  
43 forth at what time, as of the first day of a calendar month, not less than one day nor  
44 more than 90 days subsequent to the execution and filing thereof, he desires to be

1 retired: Provided, that the said member at the time so specified for his retirement shall  
2 have attained the age of 50 years and have at least 20 years of creditable service."

3 Sec. 3. G.S. 128-27(b13) reads as rewritten:

4 "(b13) Service Retirement Allowance of Members Retiring on or after July 1,  
5 1992-1992, but before July 1, 1994. – Upon retirement from service in accordance with  
6 subsection (a) above, on or after July 1, 1992, but before July 1, 1994, a member shall  
7 receive the following service retirement allowance:

8 (1) A member who is a law enforcement officer or an eligible former law  
9 enforcement officer shall receive a service retirement allowance  
10 computed as follows:

11 a. If the member's service retirement date occurs on or after his  
12 55th birthday, and completion of five years of creditable service  
13 as a law enforcement officer, or after the completion of 30 years  
14 of creditable service, the allowance shall be equal to one and  
15 seventy hundredths percent (1.70%) of his average final  
16 compensation, multiplied by the number of years of his  
17 creditable service.

18 b. This allowance shall also be governed by the provisions of G.S.  
19 128-27(b8)(2).

20 (2) A member who is not a law enforcement officer or an eligible former  
21 law enforcement officer shall receive a service retirement allowance  
22 computed as follows:

23 a. If the member's service retirement date occurs on or after his  
24 65th birthday upon the completion of five years of creditable  
25 service or after the completion of 30 years of creditable service  
26 or on or after his 60th birthday upon the completion of 25 years  
27 of creditable service, the allowance shall be equal to one and  
28 seventy hundredths percent (1.70%) of his average final  
29 compensation, multiplied by the number of years of creditable  
30 service.

31 b. This allowance shall also be governed by the provisions of G.S.  
32 128-27(b7)(2a), (2b), and (3)."

33 Sec. 4. G.S. 128-27 is amended by adding a new subsection to read:

34 "(b14) Service Retirement Allowance of Members Retiring on or after July 1,  
35 1994. – Upon retirement from service in accordance with subsection (a) or (a1) above,  
36 on or after July 1, 1994, a member shall receive the following service retirement  
37 allowance:

38 (1) A member who is a law enforcement officer or an eligible former law  
39 enforcement officer shall receive a service retirement allowance  
40 computed as follows:

41 a. If the member's service retirement date occurs on or after his  
42 55th birthday, and completion of five years of creditable service  
43 as a law enforcement officer, or after the completion of 30 years  
44 of creditable service, the allowance shall be equal to one and

1                    seventy-one hundredths percent (1.71%) of his average final  
 2                    compensation, multiplied by the number of years of his  
 3                    creditable service.

4                    b. This allowance shall also be governed by the provisions of G.S.  
 5                    128-27(b8)(2).

6                    (2) A member who is not a law enforcement officer or an eligible former  
 7                    law enforcement officer shall receive a service retirement allowance  
 8                    computed as follows:

9                    a. If the member's service retirement date occurs on or after his  
 10                    65th birthday upon the completion of five years of creditable  
 11                    service or after the completion of 30 years of creditable service  
 12                    or on or after his 60th birthday upon the completion of 25 years  
 13                    of creditable service, the allowance shall be equal to one and  
 14                    seventy-one hundredths percent (1.71%) of his average final  
 15                    compensation, multiplied by the number of years of creditable  
 16                    service.

17                    b. This allowance shall also be governed by the provisions of G.S.  
 18                    128-27(b7)(2a), (2b), and (3)."

19                    Sec. 5. G.S. 135-3(8) reads as rewritten:

20                    "(8) The provisions of this subsection (8) shall apply to any member whose  
 21                    membership is terminated on or after July 1, 1963 and who becomes  
 22                    entitled to benefits hereunder in accordance with the provisions hereof.

23                    a. Notwithstanding any other provision of this Chapter, any  
 24                    member who separates from service prior to the attainment of  
 25                    the age of 60 years for any reason other than death or retirement  
 26                    for disability as provided in G.S. 135-5(c), after completing 15  
 27                    or more years of creditable service, and who leaves his total  
 28                    accumulated contributions in said System shall have the right to  
 29                    retire on a deferred retirement allowance upon attaining the age  
 30                    of 60 years; provided that such member may retire only upon  
 31                    written application to the Board of Trustees setting forth at what  
 32                    time, not less than one day nor more than 90 days subsequent to  
 33                    the execution and filing thereof, he desires to be retired; and  
 34                    further provided that in the case of a member who so separates  
 35                    from service on or after July 1, 1967, or whose account is active  
 36                    on July 1, 1967, or has not withdrawn his contributions, the  
 37                    aforesated requirement of 15 or more years of creditable  
 38                    service shall be reduced to 12 or more years of creditable  
 39                    service; and further provided that in the case of a member who  
 40                    so separates from service on or after July 1, 1971, or whose  
 41                    account is active on July 1, 1971, the aforesated requirement of  
 42                    12 or more years of creditable service shall be reduced to five  
 43                    or more years of creditable service. ~~Such deferred retirement~~  
 44                    ~~allowance shall be computed in accordance with the provisions of~~

1 G.S. 135-5(b1); provided that such benefits will be computed in  
 2 accordance with (b2) on or after July 1, 1967, but prior to July 1,  
 3 1969; and provided further that such benefits will be computed in  
 4 accordance with (b3) on or after July 1, 1969. Such deferred  
 5 retirement allowance shall be computed in accordance with the  
 6 service retirement provisions of this Article pertaining to a  
 7 member who is not a law enforcement officer or an eligible  
 8 former law enforcement officer. Notwithstanding the  
 9 foregoing, any member whose services as a teacher or  
 10 employee are terminated for any reason other than retirement,  
 11 who becomes employed by a nonprofit, nonsectarian private  
 12 school in North Carolina below the college level within one  
 13 year after such teacher or employee has ceased to be a teacher  
 14 or employee, may elect to leave his total accumulated  
 15 contributions in the Teachers' and State Employees' Retirement  
 16 System during the period he is in the employment of such  
 17 employer; provided that he files notice thereof in writing with  
 18 the Board of Trustees of the Retirement System within five  
 19 years after separation from service as a public school teacher or  
 20 State employee; such member shall be deemed to have met the  
 21 requirements of the above provisions of this subdivision upon  
 22 attainment of age 60 while in such employment provided that  
 23 he is otherwise vested.

24 b. In lieu of the benefits provided in paragraph a of this  
 25 subdivision (8), any member who separates from service prior  
 26 to the attainment of the age of 60 years, for any reason other  
 27 than death or retirement for disability as provided in G.S. 135-  
 28 5(c), after completing 20 or more years of creditable service,  
 29 and who leaves his total accumulated contributions in said  
 30 System, may elect to retire on an early retirement allowance  
 31 upon attaining the age of 50 years or at any time thereafter;  
 32 provided that such member may so retire only upon written  
 33 application to the Board of Trustees setting forth at what time,  
 34 not less than one day nor more than 90 days subsequent to the  
 35 execution and filing thereof, he desires to be retired. Such early  
 36 retirement allowance so elected shall be equal to the deferred  
 37 retirement allowance otherwise payable at the attainment of the  
 38 age of 60 years reduced by the percentage thereof indicated  
 39 below.

Age at	Percentage Retirement Reduction
59	7
58	14



1	57	20
2	56	25
3	55	30
4	54	35
5	53	39
6	52	43
7	51	46
8	50	50

b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law-enforcement officer at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law-enforcement officers.

b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law-enforcement officer at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred early retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law-enforcement officers.

1           **b3.**    Vested deferred retirement allowance of members retiring on or  
2           after July 1, 1994. – In lieu of the benefits provided in  
3           paragraphs a. and b. of this subdivision, any member who  
4           separates from service prior to attainment of age 60 years, after  
5           completing 20 or more years of creditable service, and who  
6           leaves his total accumulated contributions in said System, may  
7           elect to retire on a deferred retirement allowance upon attaining  
8           the age of 50 years or any time thereafter; provided that such  
9           member may so retire only upon written application to the  
10          Board of Trustees setting forth at what time, not less than one  
11          day nor more than 90 days subsequent to the execution and  
12          filing thereof, he desires to be retired. Such deferred retirement  
13          allowance shall be computed in accordance with the service  
14          retirement provisions of this Article pertaining to a member  
15          who is not a law enforcement officer or an eligible former law  
16          enforcement officer.

17          **c.**    Should a beneficiary who retired on an early or service  
18          retirement allowance be reemployed by an employer  
19          participating in the Retirement System on a permanent full-  
20          time, part-time, temporary, or on fee-for-service basis, whether  
21          contractual or otherwise, the retirement allowance shall be  
22          suspended if the beneficiary receives or earns any of the  
23          following:

- 24           1.    Salary or fees or both in excess of one thousand five  
25           hundred dollars (\$1,500) per month;
- 26           2.    Salary or fees or both in excess of thirteen thousand five  
27           hundred (\$13,500) during any consecutive 12 calendar  
28           months;
- 29           3.    Salary or fees or both during any consecutive 12  
30           calendar months, which is greater than fifty percent  
31           (50%) of the reported compensation during the 12  
32           months of service preceding the effective date of  
33           retirement; or
- 34           4.    Salary or fees or both during any month, which when  
35           added to the retirement allowance at retirement exceeds  
36           the monthly compensation earned immediately prior to  
37           retirement, if reemployed by the same employer within  
38           90 days of the effective date of retirement.

39           The suspension of the retirement allowance shall be  
40           effective as of the first day of the month in which the  
41           beneficiary meets the conditions set forth in conditions 1  
42           or 4 of this paragraph and effective as of the first day of  
43           the next succeeding month following the month in which  
44           the beneficiary meets the conditions set forth in

1 conditions 2 or 3 of this paragraph. The retirement  
2 allowance shall be reinstated the month following  
3 termination of reemployment or the month following the  
4 month in which the conditions set forth in this paragraph  
5 are no longer met. The Board of Trustees may adjust the  
6 monetary limits in this paragraph by an amount  
7 equivalent to any across-the-board salary increase  
8 granted to employees of the State by the General  
9 Assembly. Each employer shall report information  
10 monthly to the Board of Trustees on forms provided by  
11 the Board on each reemployed beneficiary sufficient for  
12 the effective enforcement of this paragraph.  
13 Notwithstanding the foregoing, any beneficiary may  
14 irrevocable elect to recommence membership in the  
15 Retirement System immediately upon being restored to  
16 service, whereupon the retirement allowance shall cease.

- 17 d. A beneficiary whose retirement allowance is suspended in  
18 accordance with the provisions of paragraph c and who is  
19 restored to service shall become a member of the Retirement  
20 System and shall contribute thereafter as allowed by law at the  
21 uniform contribution payable by all members.

22 Upon his subsequent retirement, he shall be paid a  
23 retirement allowance determined as follows:

- 24 1. For a member who earns at least three years' membership  
25 service after restoration to service, the retirement  
26 allowance shall be computed on the basis of his  
27 compensation and service before and after the period of  
28 prior retirement without restrictions; provided, that if the  
29 prior allowance was based on a social security leveling  
30 payment option, the allowance shall be adjusted  
31 actuarially for the difference between the amount  
32 received under the optional payment and what would  
33 have been paid if the retirement allowance had been paid  
34 without optional modification.
- 35 2. For a member who does not earn three years'  
36 membership service after restoration to service, the  
37 retirement allowance shall be equal to the sum of the  
38 retirement allowance to which he would have been  
39 entitled had he not been restored to service, without  
40 modification of the election of an optional allowance  
41 previously made, and the retirement allowance that  
42 results from service earned since being restored to  
43 service; provided, that if the prior retirement allowance  
44 was based on a social security leveling payment option,

1 the prior allowance shall be adjusted actuarially for the  
2 difference between the amount that would have been  
3 paid for each month had the payment not been suspended  
4 and what would have been paid if the retirement  
5 allowance had been paid without optional modification.

- 6 e. Any beneficiary who retired on an early or service retirement  
7 allowance as an employee of any State department, agency or  
8 institution under the Law Enforcement Officers' Retirement  
9 System and becomes employed as an employee by a State  
10 department, agency, or institution as an employer participating  
11 in the Retirement System shall become subject to the provisions  
12 of G.S. 135-3(8)c and G.S. 135-3(8)d on and after January 1,  
13 1989."

14 Sec. 6. G.S. 135-5 is amended by adding a new subsection to read:

15 "(a1) Early Service Retirement Benefits. – Any member may retire and receive a  
16 reduced retirement allowance upon written application to the Board of Trustees setting  
17 forth at what time, as of the first day of a calendar month, not less than one day nor  
18 more than 90 days subsequent to the execution of and filing thereof, he desires to be  
19 retired: Provided, that the said member at the time so specified for his retirement shall  
20 have attained the age of 50 years and have at least 20 years of creditable service."

21 Sec. 7. G.S. 135-5(b14) reads as rewritten:

22 "(b14) Service Retirement Allowance of Members Retiring on or after July 1,  
23 ~~1993-1993~~, but before July 1, 1994. – Upon retirement from service in accordance with  
24 subsection (a) above, on or after July 1, 1993, but before July 1, 1994, a member shall  
25 receive the following service retirement allowance:

- 26 (1) A member who is a law enforcement officer or an eligible former law  
27 enforcement officer shall receive a service retirement allowance  
28 computed as follows:

- 29 a. If the member's service retirement date occurs on or after his  
30 55th birthday, and completion of five years of creditable service  
31 as a law enforcement officer, or after the completion of 30 years  
32 of creditable service, the allowance shall be equal to one and  
33 seventy-one hundredths percent (1.71%) of his average final  
34 compensation, multiplied by the number of years of his  
35 creditable service.

- 36 b. If the member's service retirement date occurs after his 50th and  
37 before his 55th birthday with 15 or more years of creditable  
38 service as a law enforcement officer and prior to the completion  
39 of 30 years of creditable service, the allowance shall be  
40 computed as in G.S. 135-5(b14)(1)a., but shall be reduced by  
41 one-third of one percent (1/3 of 1%) thereof for each month by  
42 which the retirement date precedes the first day of the month  
43 coincident with or next following his 55th birthday.

- 1 (2) A member who is not a law enforcement officer or an eligible former  
 2 law enforcement officer shall receive a service retirement allowance  
 3 computed as follows:
- 4 a. If the member's service retirement date occurs on or after his  
 5 65th birthday upon the completion of five years of creditable  
 6 service or after the completion of 30 years of creditable service  
 7 or on or after his 60th birthday upon the completion of 25 years  
 8 of creditable service, the allowance shall be equal to one and  
 9 seventy-one hundredths percent (1.71%) of his average final  
 10 compensation, multiplied by the number of years of creditable  
 11 service.
- 12 b. If the member's service retirement date occurs after his 60th  
 13 birthday and before his 65th birthday and prior to the  
 14 completion of 25 years or more of creditable service, the  
 15 retirement allowance shall be computed as in G.S. 135-  
 16 5(b14)(2)a. but shall be reduced by one-quarter of one percent  
 17 (1/4 of 1%) thereof for each month by which his retirement date  
 18 precedes the first day of the month coincident with or next  
 19 following his 65th birthday.
- 20 c. If the member's service retirement date occurs before his 60th  
 21 birthday and prior to the completion of 30 or more years of  
 22 creditable service, the service retirement allowance shall be the  
 23 actuarial equivalent of the allowance payable at the age of 60  
 24 years as computed in G.S. 135(b14)(2)b [G.S. 135-5(b14)(2)b].
- 25 d. Notwithstanding the foregoing provisions, any member whose  
 26 creditable service commenced prior to July 1, 1963, shall  
 27 receive not less than the benefit provided by ~~G.S.~~ G.S. 135-  
 28 5(b)."

29 Sec. 8. G.S. 135-5 is amended by adding a new subsection to read:

30 "(b15) Service Retirement Allowance of Members Retiring on or after July 1,  
 31 1994. – Upon retirement from service in accordance with subsection (a) or (a1) above,  
 32 on or after July 1, 1994, a member shall receive the following service retirement  
 33 allowance:

- 34 (1) A member who is a law enforcement officer or an eligible former law  
 35 enforcement officer shall receive a service retirement allowance  
 36 computed as follows:
- 37 a. If the member's service retirement date occurs on or after his  
 38 55th birthday, and completion of five years of creditable service  
 39 as a law enforcement officer, or after the completion of 30 years  
 40 of creditable service, the allowance shall be equal to one and  
 41 seventy-three hundredths percent (1.73%) of his average final  
 42 compensation, multiplied by the number of years of his  
 43 creditable service.

- 1                    b. If the member's service retirement date occurs on or after his  
2                    50th birthday and before his 55th birthday with 15 or more  
3                    years of creditable service as a law enforcement officer and  
4                    prior to the completion of 30 years of creditable service, his  
5                    retirement allowance shall be equal to the greater of:
- 6                    1. The service retirement allowance payable under G.S.  
7                    135-5(b15)(1)a. reduced by one-third of one percent (1/3  
8                    of 1%) thereof for each month by which his retirement  
9                    date precedes the first day of the month coincident with  
10                   or next following the month the member would have  
11                   attained his 55th birthday; or
- 12                   2. The service retirement allowance as computed under  
13                   G.S. 135-5(b15)(1)a. reduced by five percent (5%) times  
14                   the difference between 30 years and his creditable  
15                   service at retirement.
- 16                   (2) A member who is not a law enforcement officer or an eligible former  
17                   law enforcement officer shall receive a service retirement allowance  
18                   computed as follows:
- 19                   a. If the member's service retirement date occurs on or after his  
20                   65th birthday upon the completion of five years of creditable  
21                   service or after the completion of 30 years of creditable service  
22                   or on or after his 60th birthday upon the completion of 25 years  
23                   of creditable service, the allowance shall be equal to one and  
24                   seventy-three hundredths percent (1.73%) of his average final  
25                   compensation, multiplied by the number of years of creditable  
26                   service.
- 27                   b. If the member's service retirement date occurs after his 60th and  
28                   before his 65th birthday and prior to his completion of 25 years  
29                   or more of creditable service, his retirement allowance shall be  
30                   computed as in G.S. 135-5(b15)(2)a. but shall be reduced by  
31                   one-quarter of one percent (1/4 of 1%) thereof for each month  
32                   by which his retirement date precedes the first day of the month  
33                   coincident with or next following his 65th birthday.
- 34                   c. If the member's early service retirement date occurs on or after  
35                   his 50th birthday and before his 60th birthday and after  
36                   completion of 20 years of creditable service but prior to the  
37                   completion of 30 years of creditable service, his early service  
38                   retirement allowance shall be equal to the greater of:
- 39                   1. The service retirement allowance as computed under  
40                   G.S. 135-5(b15)(2)a. but reduced by the sum of five-  
41                   twelfths of one percent (5/12 of 1%) thereof for each  
42                   month by which his retirement date precedes the first day  
43                   of the month coincident with or next following the  
44                   month the member would have attained his 60th

1 birthday, plus one-quarter of one percent (1/4 of 1%)  
 2 thereof for each month by which his 60th birthday  
 3 precedes the first day of the month coincident with or  
 4 next following his 65th birthday; or

5 2. The service retirement allowance as computed under  
 6 G.S. 135-5(b15)(2)a. reduced by five percent (5%) times  
 7 the difference between 30 years and his creditable  
 8 service at retirement; or

9 3. If the member's creditable service commenced prior to  
 10 July 1, 1994, the service retirement allowance provided  
 11 by G.S. 135-5(b14)(2)c.

12 d. Notwithstanding the foregoing provisions, any member whose  
 13 creditable service commenced prior to July 1, 1963, shall not  
 14 receive less than the benefit provided by G.S. 135-5(b)."

15 Sec. 9. G.S. 135-5(m) reads as rewritten:

16 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the  
 17 principal beneficiary designated to receive a return of accumulated contributions shall  
 18 have the right to elect to receive in lieu thereof the reduced retirement allowance  
 19 provided by Option 2 of subsection (g) above computed by assuming that the member  
 20 had retired on the first day of the month following the date of his death, provided that all  
 21 ~~three~~ of the following conditions apply:

22 ~~(1) The member had attained such age and/or creditable service to be~~  
 23 ~~eligible to commence retirement with an early or service retirement~~  
 24 ~~allowance or had attained 20 years of creditable service.~~

25 (1) a. The member had attained such age and/or creditable service to be  
 26 eligible to commence retirement with an early or service retirement  
 27 allowance, or

28 b. The member had obtained 20 years of creditable service in  
 29 which case the retirement allowance shall be computed in  
 30 accordance with G.S. 135-5(b15)(1)b. or G.S. 135-5(b15)(2)c.,  
 31 notwithstanding the requirement of obtaining age 50.

32 (2) The member had designated as the principal beneficiary to receive a  
 33 return of his accumulated contributions one and only one person who  
 34 was living at the time of his death.

35 (3) The member had not instructed the Board of Trustees in writing that he  
 36 did not wish the provisions of this subsection to apply.

37 For the purpose of this benefit, a member is considered to be in service at the date of  
 38 his death if his death occurs within 180 days from the last day of his actual service. The  
 39 last day of actual service shall be determined as provided in subsection (l) of this  
 40 section. Upon the death of a member in service, the surviving spouse may make all  
 41 purchases for creditable service as provided for under this Chapter for which the  
 42 member had made application in writing prior to the date of death, provided that the  
 43 date of death occurred prior to or within 60 days after notification of the cost to make  
 44 the purchase. The term 'in service' as used in this subsection includes a member in

1 receipt of a benefit under the Disability Income Plan as provided in Article 6 of this  
2 Chapter."

3 Sec. 10. G.S. 120-4.22A is amended by adding a new subsection to read:

4 "(i) In accordance with subsection (a) of this section, from and after July 1, 1994,  
5 the retirement allowance to or on account of beneficiaries whose retirement commenced  
6 on or before January 1, 1994, shall be increased by three and one-half percent (3.5%) of  
7 the allowance payable on January 1, 1994. Furthermore, from and after July 1, 1994,  
8 the retirement allowance to or on account of beneficiaries whose retirement commenced  
9 after January 1, 1994, but before June 30, 1994, shall be increased by a prorated amount  
10 of three and one-half percent (3.5%) of the allowance payable as determined by the  
11 Board of Trustees based upon the number of months that a retirement allowance was  
12 paid between January 1, 1994, and June 30, 1994."

13 Sec. 11. G.S. 128-27 is amended by adding two new subsections to read:

14 "(mm) Increase in Allowance as to Persons on Retirement Rolls as of June 1,  
15 1994. – From and after July 1, 1994, the retirement allowance to or on account of  
16 beneficiaries on the retirement rolls as of June 1, 1994, shall be increased by six-tenths  
17 of one percent (.6%) of the allowance payable on June 1, 1994. This allowance shall be  
18 calculated on the allowance payable and in effect on June 30, 1994, so as not to be  
19 compounded on any other increase payable under subsection (k) of this section or  
20 otherwise granted by act of the 1993 General Assembly, 1994 Regular Session.

21 (nn) From and after July 1, 1994, the retirement allowance to or on account of  
22 beneficiaries whose retirement commenced on or before July 1, 1993, shall be increased  
23 by two and eight-tenths percent (2.8%) of the allowance payable on July 1, 1993, in  
24 accordance with G.S. 128-27(k). Furthermore, from and after July 1, 1994, the  
25 retirement allowance to or on account of beneficiaries whose retirement commenced  
26 after July 1, 1993, but before June 30, 1994, shall be increased by a prorated amount of  
27 two and eight-tenths percent (2.8%) of the allowance payable as determined by the  
28 Board of Trustees based upon the number of months that a retirement allowance was  
29 paid between July 1, 1993, and June 30, 1994."

30 Sec. 12. G.S. 135-5 is amended by adding two new subsections to read:

31 "(xx) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1994. –  
32 From and after July 1, 1994, the retirement allowance to or on account of beneficiaries  
33 on the retirement rolls as of June 1, 1994, shall be increased by one and two-tenths of  
34 one percent (1.2%) of the allowance payable on June 1, 1994. This allowance shall be  
35 calculated on the allowance payable and in effect on June 30, 1994, so as not to be  
36 compounded on any other increase granted by act of the 1993 General Assembly, 1994  
37 Regular Session.

38 (yy) From and after July 1, 1994, the retirement allowance to or on account of  
39 beneficiaries whose retirement commenced on or before July 1, 1993, shall be increased  
40 by three and one-half percent (3.5%) of the allowance payable on July 1, 1993, in  
41 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1994, the  
42 retirement allowance to or on account of beneficiaries whose retirement commenced  
43 after July 1, 1993, but before June 30, 1994, shall be increased by a prorated amount of  
44 three and one-half percent (3.5%) of the allowance payable as determined by the Board



1 of Trustees based upon the number of months that a retirement allowance was paid  
2 between July 1, 1993, and June 30, 1994."

3 Sec. 13. G.S. 135-65 is amended by adding a new subsection to read:

4 "(o) From and after July 1, 1994, the retirement allowance to or on account of  
5 beneficiaries whose retirement commenced on or before July 1, 1993, shall be increased  
6 by three and one-half percent (3.5%) of the allowance payable on July 1, 1993.  
7 Furthermore, from and after July 1, 1994, the retirement allowance to or on account of  
8 beneficiaries whose retirement commenced after July 1, 1993, but before June 30, 1994,  
9 shall be increased by a prorated amount of three and one-half percent (3.5%) of the  
10 allowance payable as determined by the Board of Trustees based upon the number of  
11 months that a retirement allowance was paid between July 1, 1993, and June 30, 1994."

12 Sec. 14. (a) Effective upon the convening of the 1995 Regular Session of the  
13 General Assembly, G.S. 120-4.8(5) reads as rewritten:

14 "(5) 'Compensation' means salary and expense allowance paid for service  
15 as a legislator for service in the North Carolina General Assembly,  
16 exclusive of travel, per diem and expense allowances. travel and per  
17 diem."

18 (b) This section applies to expense allowance paid on or after January 1, 1994.  
19 Effective August 1, 1994, payroll deductions of compensation, as redefined by  
20 subsection (a) of this section, shall be made. Payroll deductions for expense allowance  
21 to cover the period from January 1, 1994, through July 31, 1994, shall be made prior to  
22 December 31, 1994.

23 Sec. 15. Effective January 1, 1995, through December 31, 1996, any current  
24 member or former member of the General Assembly may purchase any legislative  
25 service for which the member does not have credit in the Legislative Retirement System  
26 by paying an amount equal to seven percent (7%) of the compensation on the last date  
27 of eligibility as provided for in G.S. 120-4.16, plus interest compounded annually equal  
28 to the average yield on the pension accumulation fund since that date.

29 Sec. 16. Effective February 1, 1995, G.S 120-4.21 reads as rewritten:

30 "**§ 120-4.21. Service retirement benefits.**

31 (a) Eligibility; Application. – Any member ~~in service~~ may retire with full benefits  
32 who has reached 65 years of age with five years of creditable service. Any member ~~in~~  
33 ~~service~~ may retire with reduced benefits who has reached the age of 50 years with 20  
34 years of creditable service or 60 years with five years of creditable service. The member  
35 shall make written application to the Board of Trustees to retire on a service retirement  
36 allowance on the first day of the particular calendar month he designates. The  
37 designated date shall be no less than one day nor more than 90 days from the filing of  
38 the application. During this period of notification, a member may separate from service  
39 without forfeiting his retirement benefits.

40 (b) Computation. – Upon retirement from service in accordance with subsection  
41 (a) of this section before July 1, 1990, a member shall receive a service retirement  
42 allowance computed as follows:

43 (1) For a member whose retirement date occurs on or after his 65th  
44 birthday and upon completion of five years of creditable service, four

1 percent (4%) of his 'highest annual salary,' multiplied by the number of  
2 years of creditable service.

3 (2) For a member whose retirement date occurs on or after his 60th and  
4 before his 65th birthday and upon completion of five years of  
5 creditable service, computation as in subdivision (1) of this subsection,  
6 reduced by one-fourth of one percent (1/4 of 1%) for each month his  
7 retirement date precedes his 65th birthday.

8 (b1) Computation. – Upon retirement from service in accordance with subsection  
9 (a) of this section on or after July 1, 1990, but before February 1, 1995, a member shall  
10 receive a service retirement allowance computed as follows:

11 (1) For a member whose retirement date occurs on or after his 65th  
12 birthday and upon completion of five years of creditable service, four  
13 and two-hundredths percent (4.02%) of his 'highest annual salary,'  
14 multiplied by the number of years of creditable service.

15 (2) For a member whose retirement date occurs on or after his 60th and  
16 before his 65th birthday and upon completion of five years of  
17 creditable service, computation as in subdivision (1) of this subsection,  
18 reduced by one-fourth of one percent (1/4 of 1%) for each month his  
19 retirement date precedes his 65th birthday.

20 (b2) Computation. – Upon retirement from service in accordance with subsection  
21 (a) of this section on or after February 1, 1995, a member shall receive a service  
22 retirement allowance computed as follows:

23 (1) For a member whose retirement date occurs on or after his 65th  
24 birthday and upon completion of five years of creditable service, four  
25 and two-hundredths percent (4.02%) of his 'highest annual salary,'  
26 multiplied by the number of years of creditable service.

27 (2) For a member whose retirement date occurs on or after his 60th and  
28 before his 65th birthday and upon completion of five years of  
29 creditable service, computation as in subdivision (1) of this subsection,  
30 reduced by one-fourth of one percent (1/4 of 1%) for each month his  
31 retirement date precedes his 65th birthday.

32 (3) For a member whose retirement date occurs on or after his 50th  
33 birthday and before his 60th birthday and upon completion of 20 years  
34 of creditable service, computation as in subdivision (2) of this  
35 subsection, reduced by the same percentage as provided for in Article  
36 1 of Chapter 135 of the General Statutes.

37 (c) Limitations. – In no event shall any member receive a service retirement  
38 allowance greater than seventy-five percent (75%) of his 'highest annual salary' nor  
39 shall he receive any service retirement allowance whatever while employed in a position  
40 that makes him a contributing member of any of the following retirement systems: The  
41 Teachers' and State Employees' Retirement System, the North Carolina Local  
42 Governmental Employees' Retirement System, ~~the Law Enforcement Officers' Retirement~~  
43 ~~System, the Uniform Judicial Retirement System of North Carolina, the Uniform Solicitorial~~  
44 ~~Retirement System of North Carolina or the Uniform Clerks of Courts Retirement System.~~ or

1 the Consolidated Judicial Retirement System. If he should become a member of any of  
2 these systems, payment of his service retirement allowance shall be suspended until he  
3 withdraws from membership in that system."

4 Sec. 17. (a) Effective July 1, 1994, Article 6 of Chapter 135 of the General  
5 Statutes is amended by adding a new section to read:

6 **"§ 135-114. Reciprocity of membership service with the Legislative Retirement**  
7 **System and the Consolidated Judicial Retirement System.**

8 Only for the purpose of determining eligibility for benefits accruing under this  
9 Article, membership service standing to the credit of a member of the Legislative  
10 Retirement System or the Consolidated Judicial Retirement System shall be added to the  
11 membership service standing to the credit of a member of the Teachers' and State  
12 Employees' Retirement System. However, in the event that a participant or beneficiary  
13 is a retired member of the Legislative Retirement System or the Consolidated Judicial  
14 Retirement System whose retirement benefit was suspended upon entrance into  
15 membership in the Teachers' and State Employees' Retirement System, such  
16 membership service standing to the credit of the retired member prior to retirement shall  
17 be likewise counted. Membership service under this section shall not be counted twice  
18 for the same period of time."

19 (b) Effective July 1, 1994, G.S. 135-5 is amended by adding a new subsection to  
20 read:

21 "(11) Reciprocity of Death Benefit Plan. – Only for the purpose of  
22 determining eligibility for the death benefit provided for in  
23 subsection (l) of this section, membership service standing to the  
24 credit of a member of the Legislative Retirement System or the  
25 Consolidated Judicial Retirement System shall be added to the  
26 membership service standing to the credit of a member of the  
27 Teachers' and State Employees' Retirement System. However, in  
28 the event that a participant or beneficiary is a retired member of the  
29 Legislative Retirement System or the Consolidated Judicial  
30 Retirement System whose retirement benefit was suspended upon  
31 entrance into membership in the Teachers' and State Employees'  
32 Retirement System, such membership service standing to the credit  
33 of the retired member prior to retirement shall be likewise counted.  
34 Membership service under this section shall not be counted twice  
35 for the same period of time. In no event shall a death benefit  
36 provided for in G.S. 135-5(l) be paid if a death benefit is paid under  
37 G.S. 135-63."

38 Sec. 18. G.S. 135-101 reads as rewritten:

39 **"§ 135-101. Definitions.**

40 The following words and phrases as used in this Article, unless a different meaning  
41 is plainly required by the context, shall have the following meanings:

42 (1) 'Base rate of compensation' shall mean the regular monthly rate of  
43 compensation not including pay for shift premiums, overtime, or

- 1 other types of extraordinary pay; in all cases of doubt, the Board of  
2 Trustees shall determine what is 'base rate of compensation'.
- 3 (2) 'Beneficiary' shall mean any person in receipt of a disability  
4 allowance or other benefit as provided in this Article.
- 5 (3) 'Benefits' shall mean the monthly disability income payments made  
6 pursuant to the provisions of this Article. In the event of death on  
7 or after the first day of a month, or in the event the short-term  
8 disability benefit ends on or after the first day of a month where the  
9 beneficiary is eligible and applies for an early service or a service  
10 retirement allowance the first of the following month, the monthly  
11 benefit shall not be prorated and shall equal the benefits paid in the  
12 previous month.
- 13 (4) 'Board of Trustees' shall mean the Board of Trustees of the  
14 Teachers' and State Employees' Retirement System as provided in  
15 G.S. 135-6.
- 16 (5) 'Compensation' shall mean any compensation as the term is defined  
17 in G.S. 135-1(7a).
- 18 (6) 'Disability' or 'Disabled' shall mean the mental or physical  
19 incapacity for the further performance of duty of a participant or  
20 beneficiary; provided that such incapacity was not the result of war,  
21 ~~whether declared or not, armed or unarmed military or paramilitary~~  
22 ~~conflict~~, terrorist activity, active participation in a riot, committing  
23 or attempting to commit a felony, or intentionally self-inflicted  
24 injury.
- 25 (7) 'Earnings' shall mean all income for personal services rendered or  
26 otherwise receivable, including, but not limited to, salaries and  
27 wages, fees, commissions, royalties, awards and other similar items  
28 and self-employment; in all cases of doubt, the Board of Trustees  
29 shall determine what are 'earnings'.
- 30 (8) 'Employee' shall mean any employee as the term is defined in G.S.  
31 135-1(10).
- 32 (9) 'Employer' shall mean any employer as the term is defined in G.S.  
33 135-1(11).
- 34 (10) 'Medical Board' shall mean the board of physicians as provided in  
35 G.S. 135-102(d).
- 36 (11) 'Member' shall mean any member as the term is defined in G.S.  
37 135-1(13).
- 38 (12) 'Membership service' shall mean any service as defined in G.S.  
39 135-1(14).
- 40 (13) 'Participant' shall mean any teacher or employee eligible to  
41 participate in the Plan as provided in G.S. 135-103.
- 42 (14) 'Plan' shall mean the Disability Income Plan of North Carolina as  
43 provided in this Article.

- 1 (15) 'Retirement' shall mean the withdrawal from active service with a  
2 retirement allowance granted under the provisions of Article 1 of  
3 this Chapter.  
4 (16) 'Retirement System' shall mean the Teachers' and State Employees'  
5 Retirement System of North Carolina as defined in G.S. 135-2.  
6 (17) 'Service' shall mean service as a teacher or employee as defined in  
7 G.S. 135-1(10) or G.S. 135-1(25).  
8 (18) 'State' shall mean the State of North Carolina.  
9 (19) 'Teacher' shall mean any teacher as the term is defined in G.S. 135-  
10 1(25).  
11 (20) 'Trial Rehabilitation' shall mean a return to service in any capacity,  
12 if the return occurs within the waiting period as provided in G.S.  
13 135-104 and shall mean a return to service in the same capacity  
14 that existed prior to the disability if the return occurs within the  
15 short-term disability period as provided in G.S. 135-105.  
16 (21) 'Workers' Compensation' shall mean any disability income benefits  
17 provided under the North Carolina Workers' Compensation Act,  
18 excluding any payments for a permanent partial disability rating."

19 Sec. 19. G.S. 135-105 reads as rewritten:

20 "**§ 135-105. Short-term disability benefits.**

21 (a) Any participant who becomes disabled and is no longer able to perform his  
22 usual occupation may, after at least 365 calendar days succeeding his date of initial  
23 employment as a teacher or employee and at least one year of contributing membership  
24 service, receive a benefit commencing on the first day succeeding the waiting period;  
25 provided that the participant's employer and attending physician shall certify that such  
26 participant is mentally or physically incapacitated for the further performance of duty,  
27 that such incapacity was incurred at the time of active employment and has been  
28 continuous thereafter; provided further that the requirement for one year of contributing  
29 membership service must have been earned within 36 calendar months immediately  
30 preceding the date of disability and further, salary continuation used during the period  
31 as provided in G.S. 135-104 shall count toward the aforementioned one year  
32 requirement.

33 Notwithstanding the requirement that the incapacity was incurred at the time of  
34 active employment, any participant who becomes disabled while on an employer  
35 approved leave of absence and who is eligible for and in receipt of temporary total  
36 benefits under The North Carolina Workers' Compensation Act, Article 1 of Chapter 97  
37 of the General Statutes, will be eligible for all benefits provided under this Article.

38 (b) The benefits as provided for in subsection (a) of this section shall commence  
39 on the first day following the waiting period and shall be payable for a period of 365  
40 days as long as the participant continues to meet the definition of disability. However, a  
41 disabled participant may elect to receive any salary continuation as provided in G.S.  
42 135-104 in lieu of short-term disability benefits; provided further, such election shall  
43 not extend the 365 days duration of short-term payments. An election to receive any  
44 salary continuation for any part of a given day shall be in lieu of any short-term benefit

1 otherwise payable for that day, provided further, any lump-sum payout for vacation  
2 leave shall be treated as if the beneficiary or participant had exhausted the leave and  
3 shall be in lieu of any short-term benefit otherwise payable.

4 (c) The monthly benefit as provided in subsection (a) of this section shall be  
5 equal to fifty percent (50%) of 1/12th of the annual base rate of compensation last  
6 payable to the participant prior to the beginning of the short-term benefit period as may  
7 be adjusted for percentage increases as provided under G.S. 135-108 plus fifty percent  
8 (50%) of 1/12th of the annual longevity payment to which the participant would be  
9 eligible, to a maximum of three thousand dollars (\$3,000) per month reduced by  
10 monthly payments for Workers' Compensation to which the participant may be entitled.  
11 The monthly benefit shall be further reduced by the amount of any payments from the  
12 federal Veterans Administration, any other federal agency, or any payments made under  
13 the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled  
14 on account of the same disability. Provided, that should a participant have earnings in  
15 an amount greater than the short-term benefit, the amount of the short-term benefit shall  
16 be reduced on a dollar-for-dollar basis by the amount that exceeds the short-term  
17 benefit.

18 (d) The provisions of this section shall be administered by the employer and  
19 further, the benefits during the first six months of the short-term disability period shall  
20 be the full responsibility of and paid by the employer; Provided, further, that upon the  
21 completion of the initial six months of the short-term disability period, the employer  
22 will continue to be responsible for the short-term benefits to the participant, however,  
23 such employer shall notify the Plan, at the conclusion of the short-term disability period  
24 or upon termination of short-term disability benefits, if earlier, of the amount of short-  
25 term benefits paid and the Plan shall reimburse the employer the amounts so paid.

26 (e) During the short-term disability period, a beneficiary may return to service  
27 for trial rehabilitation for periods of not greater than 40 continuous days of service.  
28 Such return will not cause the beneficiary to become a participant and will not require a  
29 new waiting period or short-term disability period to commence unless a different  
30 incapacity occurs. The period of rehabilitative employment shall not extend the period  
31 of the short-term disability benefits.

32 (f) A participant or beneficiary of short-term disability benefits or his legal  
33 representative or any person deemed by the Board of Trustees to represent the  
34 participant or beneficiary, or the employer of the participant or beneficiary, may request  
35 the Board of Trustees to have the Medical Board make a determination of eligibility for  
36 the short-term disability benefits as provided in this section or to make a preliminary  
37 determination of eligibility for the long-term disability benefits as provided in G.S. 135-  
38 106. A preliminary determination of eligibility for long-term disability benefits shall not  
39 preclude the requirement that the Medical Board make a determination of eligibility for  
40 long-term disability benefits.

41 (g) The Board of Trustees may extend the short-term disability benefits of a  
42 beneficiary beyond the benefit period of 365 days for an additional period of not more  
43 than 365 days; provided the Medical Board determines that the beneficiary's disability is  
44 temporary and likely to end within the extended period of short-term disability benefits.

1 During the extended period of short-term disability benefits, payment of benefits shall  
2 be made by the Plan directly to the beneficiary."

3 Sec. 20. G.S. 135-106 reads as rewritten:

4 **"§ 135-106. Long-term disability benefits.**

5 (a) Upon the application of a beneficiary or participant or of his legal  
6 representative or any person deemed by the Board of Trustees to represent the  
7 participant or beneficiary, any beneficiary or participant who has had five or more years  
8 of membership service may receive long-term disability benefits from the Plan upon  
9 approval by the Board of Trustees, commencing on the first day succeeding the  
10 conclusion of the short-term disability period provided for in G.S. 135-105, provided  
11 the beneficiary or participant makes application for such benefit within 180 days after  
12 the short-term disability period ceases, after salary continuation payments cease, or after  
13 monthly payments for Workers' Compensation cease, whichever is later; Provided, that  
14 the beneficiary or participant withdraws from active service by terminating employment  
15 as a teacher or State employee; Provided, that the Medical Board shall certify that such  
16 beneficiary or participant is mentally or physically incapacitated for the further  
17 performance of duty, that such incapacity was incurred at the time of active employment  
18 and has been continuous thereafter, that such incapacity is likely to be permanent;  
19 Provided further that the Medical Board shall not certify any beneficiary or participant  
20 as disabled who is in receipt of any payments on account of the same incapacity which  
21 existed when the beneficiary first established membership in the Retirement System.  
22 The Board of Trustees may extend this 180-day filing requirement upon receipt of clear  
23 and convincing evidence that application was delayed through no fault of the disabled  
24 beneficiary or participant and was delayed due to the employers' miscalculation of the  
25 end of the 180-day filing period. However, in no instance shall the filing period be  
26 extended beyond an additional 180 days.

27 The Board of Trustees may require each beneficiary who becomes eligible to receive  
28 a long-term disability benefit to have an annual medical review or examination for the  
29 first five years and thereafter once every three years after the commencement of benefits  
30 under this section. However, the Board of Trustees may require more frequent  
31 examinations and upon the advice of the Medical Board shall determine which cases  
32 require such examination. Should any beneficiary refuse to submit to any examination  
33 required by this subsection or by the Medical Board, his long-term disability benefit  
34 shall be suspended until he submits to an examination, and should his refusal last for  
35 one year, his benefit may be terminated by the Board of Trustees. If the Medical Board  
36 finds that a beneficiary is no longer mentally or physically incapacitated for the further  
37 performance of duty, the Medical Board shall so certify this finding to the Board of  
38 Trustees, and the Board of Trustees may terminate the beneficiary's long-term disability  
39 benefits effective on the last day of the month in which the Medical Board certifies that  
40 the beneficiary is no longer disabled.

41 As to the requirement of five years of membership service, any participant or  
42 beneficiary who does not have five years of membership service within the 96 calendar  
43 months prior to conclusion of the short-term disability period or cessation of salary

1 continuation payments, whichever is later, shall not be eligible for long-term disability  
2 benefits.

3 Notwithstanding the requirement that the incapacity was incurred at the time of  
4 active employment, any participant who becomes disabled while on an employer  
5 approved leave of absence and who is eligible for and in receipt of temporary total  
6 benefits under The North Carolina Workers' Compensation Act, Article 1 of Chapter 97  
7 of the General Statutes, will be eligible for all benefits provided under this Article.

8 (b) After the commencement of benefits under this section, the benefits payable  
9 under the terms of this section shall be equal to sixty-five percent (65%) of 1/12th of the  
10 annual base rate of compensation last payable to the participant or beneficiary prior to  
11 the beginning of the short-term disability period as may be adjusted for percentage  
12 increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the  
13 annual longevity payment to which the participant or beneficiary would be eligible, to a  
14 maximum of three thousand nine hundred dollars (\$3,900) per month reduced by any  
15 primary Social Security disability benefits and by monthly payments for Workers'  
16 Compensation to which the participant or beneficiary may be entitled, ~~but the benefits~~  
17 ~~payable shall be no less than ten dollars (\$10.00) a month.~~ entitled. The monthly benefit  
18 shall be further reduced by the amount of any monthly payments from the federal  
19 Veterans Administration, any other federal agency or any payments made under the  
20 provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on  
21 account of the same disability. Provided, in any event, the benefit payable shall be no  
22 less than ten dollars (\$10.00) a month. However, a disabled participant may elect to  
23 receive any salary continuation as provided in G.S. 135-104 in lieu of long-term  
24 disability benefits; provided such election shall not extend the first 36 consecutive  
25 calendar months of the long-term disability period. An election to receive any salary  
26 continuation for any part of any given day shall be in lieu of any long-term benefit  
27 payable for that day, provided further, any lump-sum payout for vacation leave shall be  
28 treated as if the beneficiary or participant had exhausted the leave and shall be in lieu of  
29 any long-term benefit otherwise payable. Notwithstanding the foregoing, upon the  
30 completion of four years from the conclusion of the waiting period as provided in G.S.  
31 135-104, the beneficiary's benefit shall be reduced by an amount, as determined by the  
32 Board of Trustees, equal to a primary Social Security disability benefit to which the  
33 beneficiary might be entitled had the beneficiary been awarded Social Security  
34 disability benefits. Provided that, in any event, a beneficiary's benefit shall be reduced  
35 by an amount, as determined by the Board of Trustees, equal to a primary Social  
36 Security retirement benefit to which the beneficiary might be entitled.

37 Notwithstanding the foregoing, the long-term disability benefit is payable so long as  
38 the beneficiary is disabled until the earliest date at which the beneficiary is eligible for  
39 an unreduced service retirement allowance from the Retirement System, at which time  
40 the beneficiary would receive a retirement allowance calculated on the basis of the  
41 beneficiary's average final compensation at the time of disability as adjusted to reflect  
42 compensation increases subsequent to the time of disability and the creditable service  
43 accumulated by the beneficiary, including creditable service while in receipt of benefits  
44 under the Plan.



1 (c) Notwithstanding the foregoing, a beneficiary in receipt of long-term disability  
2 benefits who has earnings during the long-term disability period shall have his long-  
3 term disability benefit reduced when the sum of the net long-term disability benefit and  
4 the earnings equals one hundred percent (100%) of monthly compensation adjusted as  
5 provided under G.S. 135-108. The net long-term benefit shall mean the long-term  
6 benefit amount payable as calculated under (b) above, after the reduction for Social  
7 Security benefits to which the beneficiary might be entitled. The net long-term disability  
8 benefit shall be reduced dollar-for-dollar for the amount of earnings in excess of the one  
9 hundred percent (100%) monthly limit. Any beneficiary exceeding the earnings  
10 limitations shall notify the Plan by the fifth of the month succeeding the month in which  
11 the earnings were received of the amount of earnings in excess of the limitations herein  
12 provided. Failure to report excess earnings may result in a suspension or termination of  
13 benefits as determined by the Board of Trustees.

14 (d) Notwithstanding the foregoing, a participant or beneficiary who has applied  
15 for and been approved by the Medical Board for long-term disability benefits may make  
16 an irrevocable election, within 90 days from the date of notification of such approval,  
17 and prior to receipt of any long-term disability benefit payments, to forfeit all pending  
18 and accrued rights to the long-term disability benefit including any ancillary benefits  
19 and retire on an early service retirement allowance or receive a return of accumulated  
20 contributions from the Retirement System."

21 Sec. 21. Sections 18 through 20 are effective January 1, 1988, provided,  
22 however, that in applying the provisions of G.S. 135-101, 135-105, and 135-106, as  
23 amended by this act, to any person who was denied disability benefits, such person shall  
24 have 180 days after ratification of this act in which to make a timely application for  
25 such benefits.

26 Sec. 22. (a) Required employer salary-related contributions for employees  
27 whose salaries are paid from department, office, institution, or agency receipts shall be  
28 paid from the same source as the source of the employees' salary. If an employee's  
29 salary is paid in part from the General Fund or Highway Fund and in part from  
30 department, office, institution, or agency receipts, required employer salary-related  
31 contributions may be paid from the General Fund or Highway Fund only to the extent of  
32 the proportionate part paid from the General Fund or Highway Fund in support of the  
33 salary of the employee, and the remainder of the employer's requirements shall be paid  
34 from the source that supplies the remainder of the employee's salary. The requirements  
35 of this section as to source of payment are also applicable to payments on behalf of the  
36 employee for hospital-medical benefits, longevity pay, unemployment compensation,  
37 accumulated leave, workers' compensation, severance pay, separation allowances, and  
38 applicable disability income and disability salary continuation benefits.

39 (b) Effective July 1, 1994, the State's employer contribution rates budgeted for  
40 retirement and related benefits as a percentage of covered salaries for the 1994-95 fiscal  
41 year are (i) ten and ninety-six hundredths percent (10.96%) - Teachers and State  
42 Employees; (ii) fifteen and ninety-six hundredths percent (15.96%) - State Law  
43 Enforcement Officers; (iii) nine percent (9.00%) - University Employees' Optional  
44 Retirement Program; (iv) twenty-four and eighty-three hundredths percent (24.83%) -

1 Consolidated Judicial Retirement System; and (v) thirty-six and seven hundredths  
2 percent (36.07%) - Legislative Retirement System. Each of the foregoing contribution  
3 rates includes two percent (2%) for hospital and medical benefits. The rate for State  
4 Law Enforcement Officers includes five percent (5%) for the Supplemental Retirement  
5 Income Plan. The rates for Teachers and State Employees, State Law Enforcement  
6 Officers, and for the University Employees' Optional Retirement Program includes  
7 forty-two hundredths percent (0.42%) for the Disability Income Plan.

8 (c) The 1994 Session of the General Assembly authorizes the Board of Trustees  
9 of the Teachers' and State Employees' Retirement System to adopt a fixed amortization  
10 period of nine years for purposes of the unfunded accrued liability for the Retirement  
11 System.

12 (d) The maximum annual employer contributions, payable monthly, by the State  
13 for each covered employee or retiree for the 1994-95 fiscal year to the Teachers' and  
14 State Employees' Comprehensive Major Medical Plan are: (i) Medicare-eligible  
15 employees and retirees - one thousand three hundred twenty-one dollars (\$1,321); and  
16 (ii) Non-Medicare-eligible employees and retirees - one thousand seven hundred thirty-  
17 six dollars (\$1,736).

18 Sec. 23. Except as otherwise provided, this act becomes effective July 1,  
19 1994.