GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 1516*

Short Title: 1998 Retirement Benefits Act.	(Public)	
Sponsors: Representative Barbee (By Request).		
Referred to: Pensions & Retirement, if favorable, Apropriations.		

May 27, 1998

A BILL TO BE ENTITLED

AN ACT TO ENHANCE THE RETIREMENT BENEFITS PAYABLE FROM THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

Section 1. G.S. 135-5(b17) reads as rewritten:

"(b17) Service Retirement Allowance of Members Retiring on or After July 1, 1997.1997, but Before July 1, 1998. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1997, but before July 1, 1998, a member shall receive the following service retirement allowance.

- (1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
 - a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty hundredths percent (1.80%) of his average final

- compensation, multiplied by the number of years of his creditable service.
- b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:
 - 1. The service retirement allowance payable under G.S. 135-5(b17)(1)a, reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
 - 2. The service retirement allowance as computed under G.S. 135-5(b17)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.
- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
 - a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty hundredths percent (1.80%) of his average final compensation, multiplied by the number of years of creditable service.
 - b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b17)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.
 - c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:
 - 1. The service retirement allowance as computed under G.S. 135-5(b17)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which

1			his retirement date precedes the first day of the month
2			coincident with or next following the month the member
3			would have attained his 60th birthday, plus one-quarter of
4			one percent (1/4 of 1%) thereof for each month by which
5			his 60th birthday precedes the first day of the month
6			coincident with or next following his 65th birthday; or
7		2.	The service retirement allowance as computed under G.S.
8			135-5(b17)(2)a. reduced by five percent (5%) times the
9			difference between 30 years and his creditable service at
10			retirement; or
11		3.	If the member's creditable service commenced prior to
12			July 1, 1994, the service retirement allowance equal to the
13			actuarial equivalent of the allowance payable at the age of
14			60 years as computed in G.S. 135-5(b17)(2)b.
15	d.	Notw	ithstanding the foregoing provisions, any member whose
16			able service commenced prior to July 1, 1963, shall not
17			ve less than the benefit provided by G.S. 135-5(b)."
18	Section 2. C		5-5 is amended by adding a new subsection to read:
19			nent Allowance of Members Retiring on or After July 1,
20	1998. – Upon retireme	nt from	service in accordance with subsection (a) or (a1) above, on
21	or after July 1, 1998, a	membe	er shall receive the following service retirement allowance:
22	<u>(1)</u> A me	mber v	who is a law enforcement officer or an eligible former law
23	enfor	cement	officer shall receive a service retirement allowance
24	comp	uted as	follows:
25	<u>a.</u>	If the	member's service retirement date occurs on or after his
26		<u>55th 1</u>	birthday, and completion of five years of creditable service
27		as a la	aw enforcement officer, or after the completion of 30 years
28		of cre	editable service, the allowance shall be equal to one and
29		eighty	y-one hundredths percent (1.81%) of his average final
30		comp	ensation, multiplied by the number of years of his
31		credit	able service.
32	<u>b.</u>	If the	member's service retirement date occurs on or after his
33		50th 1	birthday and before his 55th birthday with 15 or more years
34 35		of cre	ditable service as a law enforcement officer and prior to the
35		comp	letion of 30 years of creditable service, his retirement
36		allow	ance shall be equal to the greater of:
37		<u>1.</u>	The service retirement allowance payable under G.S. 135-
38			5(b18)(1)a., reduced by one-third of one percent (1/3 of
39			1%) thereof for each month by which his retirement date
40			precedes the first day of the month coincident with or next
41			following the month the member would have attained his
42			55th birthday; or

1			<u>2.</u>	The service retirement allowance as computed under G.S.
2				135-5(b18)(1)a. reduced by five percent (5%) times the
3				difference between 30 years and his creditable service at
4				<u>retirement.</u>
5	<u>(2)</u>	<u>A m</u>	<u>ember v</u>	who is not a law enforcement officer or an eligible former
6		law	enforce	ment officer shall receive a service retirement allowance
7		comp	outed as	follows:
8		<u>a.</u>	If the	e member's service retirement date occurs on or after his
9			65th	birthday upon the completion of five years of membership
10			servic	ce or after the completion of 30 years of creditable service
11			or on	or after his 60th birthday upon the completion of 25 years
12				editable service, the allowance shall be equal to one and
13				y-one hundredths percent (1.81%) of his average final
14				ensation, multiplied by the number of years of creditable
15			servic	- · · · · · · · · · · · · · · · · · · ·
16		<u>b.</u>	If the	member's service retirement date occurs after his 60th
17				lay and before his 65th birthday and prior to his completion
18				5 years or more of creditable service, his retirement
19				ance shall be computed as in G.S. 135-5(b18)(2)a. but shall
20				duced by one-quarter of one percent (1/4 of 1%) thereof for
21				month by which his retirement date precedes the first day of
				onth coincident with or next following his 65th birthday.
22 23 24		<u>c.</u>		e member's early service retirement date occurs on or after
24				50th birthday and before his 60th birthday and after
25				letion of 20 years of creditable service but prior to the
26			_	letion of 30 years of creditable service, his early service
27			_	ment allowance shall be equal to the greater of:
28			1.	The service retirement allowance as computed under G.S.
29			<u> </u>	135-5(b18)(2)a. but reduced by the sum of five-twelfths of
30				one percent $(5/12 \text{ of } 1\%)$ thereof for each month by which
31				his retirement date precedes the first day of the month
32				coincident with or next following the month the member
33				would have attained his 60th birthday, plus one-quarter of
34				one percent (1/4 of 1%) thereof for each month by which
35				his 60th birthday precedes the first day of the month
36				coincident with or next following his 65th birthday; or
37			2	The service retirement allowance as computed under G.S.
38			<u>2.</u>	135-5(b18)(2)a. reduced by five percent (5%) times the
39				difference between 30 years and his creditable service at
59 40				retirement; or
			2	
41 42			<u>3.</u>	If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the
†∠				July 1, 1994, the service rethement anowance equal to the

actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b18)(2)b.

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

Section 3. G.S. 135-5(m) reads as rewritten:

- "(m) Survivor's Alternate Benefit. Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that the following conditions apply:
 - (1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
 - b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b17)(1)b. G.S. 135-5(b18)(1)b. or G.S. 135-5(b17)(2)e., G.S. 135-5(b18)(2)c., notwithstanding the requirement of obtaining age 50.
 - (2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who was living at the time of his death.
 - (3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter."

Section 4. G.S. 135-5 is amended by adding two new subsections to read:

"(eee) From and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1997, shall be increased by three and nine-tenths percent (3.9%) of the allowance payable on June 1, 1998, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1997, but before June 30, 1998, shall be increased by a prorated amount of three and nine-tenths percent (3.9%) of the allowance payable as determined by the Board of

Trustees based upon the number of months that a retirement allowance was paid between July 1, 1997, and June 30, 1998.

(fff) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1998. – From and after July 1, 1998, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1998, shall be increased by five-tenths of one percent (0.5%) of the allowance payable on June 1, 1998. This allowance shall be calculated on the allowance payable and in effect on June 30, 1998, so as not to be compounded on any other increase granted by act of the 1997 General Assembly, 1998 Regular Session."

Section 5. G.S. 135-65 is amended by adding a new subsection to read:

"(s) From and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1997, shall be increased by four percent (4%) of the allowance payable on June 1, 1998. Furthermore, from and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1997, but before June 30, 1998, shall be increased by a prorated amount of four percent (4%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1997, and June 30, 1998."

Section 6. G.S. 120-4.22A is amended by adding a new subsection to read:

"(m) In accordance with subsection (a) of this section, from and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 1998, shall be increased by four percent (4%) of the allowance payable on June 1, 1998. Furthermore, from and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 1998, but before June 30, 1998, shall be increased by a prorated amount of four percent (4%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 1998, and June 30, 1998."

Section 7. Required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employees' salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital-medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income and disability salary continuation benefits.

Section 8. Effective July 1, 1998, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 1997-98 fiscal year are (i) ten and eighty-three hundredths percent (10.83%) - Teachers

and State Employees; (ii) fifteen and eighty-three hundredths percent (15.83%) - State Law Enforcement Officers; (iii) nineteen and fifty-seven hundredths percent (19.57%) - Consolidated Judicial Retirement System; and (iv) twenty-four and fifty-eight hundredths percent (24.58%) - Legislative Retirement System. Each of the foregoing contribution rates includes two percent (2%) for hospital and medical benefits. The rate for State Law Enforcement Officers includes five percent (5%) for the Supplemental Retirement Income Plan. The rates for Teachers and State Employees, State Law Enforcement Officers, and for the University Employees' Optional Retirement Program include fifty-two hundredths percent (0.52%) for the Disability Income Plan.

Section 9. G.S. 128-27(b16) reads as rewritten:

"(b16) Service Retirement Allowance of Member Retiring on or after July 1, 1997.1997, but before July 1, 1998. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1997, but before July 1, 1998, a member shall receive the following service retirement allowance:

- a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and seventy-six hundredths percent (1.76%) of his average final compensation, multiplied by the number of years of his creditable service.
- b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:
 - 1. The service retirement allowance payable under G.S. 128-27(b16)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
 - 2. The service retirement allowance as computed under G.S. 128-27(b16)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.
- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

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

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- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-six hundredths percent (1.76%) of average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b16)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.
- c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:
 - 1. The service retirement allowance as computed under G.S. 128-27(b16)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or
 - 2. The service retirement allowance as computed under G.S. 128-27(b16)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or
 - 3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b16)(2)b.
- d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."
- Section 10. G.S. 128-27 is amended by adding a new subsection to read:

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1	"(b17) Se	verzioo 1	Datiroment Allowance of Member Datiring on or After July 1
1 2			Retirement Allowance of Member Retiring on or After July 1, nt from service in accordance with subsection (a) or (a1) above, on
3			member shall receive the following service retirement allowance:
4	(1)		mber who is a law enforcement officer or an eligible former law
5	<u>(1)</u>		cement officer shall receive a service retirement allowance
6			uted as follows:
7		_	If the member's service retirement date occurs on or after his
8		<u>a.</u>	55th birthday and completion of five years of creditable service
9			as a law enforcement officer, or after the completion of 30 years
10			of creditable service, the allowance shall be equal to one and
11			seventy-seven hundredths percent (1.77%) of his average final
12			compensation, multiplied by the number of years of his
13			creditable service.
14		<u>b.</u>	If the member's service retirement date occurs on or after his
15		<u>o.</u>	50th birthday and before his 55th birthday with 15 or more years
16			of creditable service as a law enforcement officer and prior to the
17			completion of 30 years of creditable service, his retirement
18			allowance shall be equal to the greater of:
19			1. The service retirement allowance payable under G.S. 128-
20			27(b17)(1)a. reduced by one-third of one percent (1/3 of
21			1%) thereof for each month by which his retirement date
22			precedes the first day of the month coincident with or next
23			following the month the member would have attained his
24			55th birthday; or
25			2. The service retirement allowance as computed under G.S.
26			128-27(b17)(1)a. reduced by five percent (5%) times the
27			difference between 30 years and his creditable service at
28			<u>retirement.</u>
29	<u>(2)</u>	A me	mber who is not a law enforcement officer or an eligible former
30		<u>law</u> e	enforcement officer shall receive a service retirement allowance
31		comp	uted as follows:
32		<u>a.</u>	If the member's service retirement date occurs on or after his
33			65th birthday upon the completion of five years of creditable
34			service or after the completion of 30 years of creditable service
35			or on or after his 60th birthday upon the completion of 25 years
36			of creditable service, the allowance shall be equal to one and
37			seventy-seven hundredths percent (1.77%) of average final
38			compensation, multiplied by the number of years of creditable
39			service.
40		<u>b.</u>	If the member's service retirement date occurs after his 60th
41			birthday and before his 65th birthday and prior to his completion
42			of 25 years or more of creditable service, his retirement
43			allowance shall be computed as in G.S. 128-27(b17)(2)a. but

1		shall	be reduced by one-quarter of one percent (1/4 of 1%)
2		thereo	of for each month by which his retirement date precedes the
3		<u>first c</u>	lay of the month coincident with or next following his 65th
4		birtho	<u>lay.</u>
5	<u>c.</u>		member's early service retirement date occurs on or after
6			60th birthday and before his 60th birthday and after
7			letion of 20 years of creditable service but prior to the
8			letion of 30 years of creditable service, his early service
9		retire	ment allowance shall be equal to the greater of:
10		<u>1.</u>	The service retirement allowance as computed under G.S.
11			128-27(b17)(2)a. but reduced by the sum of five-twelfths
12			of one percent (5/12 of 1%) thereof for each month by
13			which his retirement date precedes the first day of the
14			month coincident with or next following the month the
15			member would have attained his 60th birthday, plus one-
16			quarter of one percent (1/4 of 1%) thereof for each month
17			by which his 60th birthday precedes the first day of the
18			month coincident with or next following his 65th birthday;
19			<u>or</u>
20		<u>2.</u>	The service retirement allowance as computed under G.S.
21			128-27(b17)(2)a. reduced by five percent (5%) times the
22			difference between 30 years and his creditable service at
23			retirement; or
24		<u>3.</u>	If the member's creditable service commenced prior to
25			July 1, 1995, the service retirement allowance equal to the
26			actuarial equivalent of the allowance payable at the age of
27	4		60 years as computed in G.S. 128-27(b17)(2)b.
28	<u>d.</u>		ithstanding the foregoing provisions, any member whose
29			able service commenced prior to July 1, 1965, shall not
30	~		ye less than the benefit provided by G.S. 128-27(b)."
31			28-27(m) reads as rewritten:
32	` /		e Benefit. – Upon the death of a member in service, the
33		_	ted to receive a return of accumulated contributions shall
34			receive in lieu thereof the reduced retirement allowance
35			absection (g) above computed by assuming that the member
36		-	the month following the date of his death, provided that all
37	three of the following of		
38	* *		nber had attained such age and/or creditable service to be
39	_		commence retirement with an early or service retirement
40		ance, o	
41	b.		nember had obtained 20 years of creditable service in which
42			the retirement allowance shall be computed in accordance
43		with	G.S. 128-27(b16)(1)b. G.S. 128-27(b17)(1)b. or G.S. 128-

1 27(b16)(2)c., G.S. 128-27(b17)(2)c., notwithstanding the requirement of obtaining age 50.

- (2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.
- (3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

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

Section 12. G.S. 128-27 is amended by adding two new subsections to read:

"(uu) From and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1997, shall be increased by four percent (4%) of the allowance payable on June 1, 1998, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1997, but before June 30, 1998, shall be increased by a prorated amount of four percent (4%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1997, and June 30, 1998.

(vv) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1998. – From and after July 1, 1998, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1998, shall be increased by six-tenths of one percent (0.6%) of the allowance payable on June 1, 1998. This allowance shall be calculated on the allowance payable and in effect on June 30, 1998, so as not to be compounded on any other increase payable under subsection (k) of this section or otherwise granted by act of the 1997 General Assembly."

Section 13. This act becomes effective July 1, 1998.