

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011**

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**SENATE BILL 803**

Short Title: Retirement Administrative Changes. (Public)

Sponsors: Senators Stevens; Apodaca, Bingham, Hise, and Meredith.

Referred to: Pensions & Retirement and Aging.

May 17, 2012

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

The General Assembly of North Carolina enacts:

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

44 ...

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

1 ...."

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

3 **"§ 120-4.32. Deduction for payments to certain employees' or retirees' associations**  
4 **allowed.**

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

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

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

25 **"§ 128-38.3. Deduction for payment to certain employees' associations allowed.**

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

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

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

46 **"§ 135-18.8. Deduction for payments to certain employees' or retirees' associations**  
47 **allowed.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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