

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE BILL 1193
Committee Substitute Favorable 6/4/14

Short Title: Retirement Technical Corrections Act of 2014.

(Public)

Sponsors:

Referred to:

May 22, 2014

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE TECHNICAL CHANGES TO THE STATUTES AFFECTING THE
3 STATE RETIREMENT SYSTEMS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 58-86-2(9) reads as rewritten:

6 "(9) "Inactive member" means a member of the fund who is not on a leave of
7 absence under G.S. 58-86-95 and who ~~is not making~~ has not made timely
8 ~~monthly~~ payments under G.S. 58-86-35 or ~~G.S. 58-86-40~~ G.S. 58-86-40 for
9 two consecutive years."

10 **SECTION 2.** G.S. 135-5(r) reads as rewritten:

11 "(r) Notwithstanding anything herein to the contrary, for persons who commenced
12 receiving benefits from the System prior to January 1, 1970, effective July 1, 1973, any
13 member who retired after attaining the age of 60 with 15 or more years of creditable service
14 shall receive a monthly benefit of no less than seventy-five dollars (\$75.00) prior to the
15 application of any optional benefit."

16 **SECTION 3.(a)** G.S. 135-5(m2) reads as rewritten:

17 "(m2) Special Retirement Allowance. – At any time coincident with or following
18 retirement, a member may make a one-time election to transfer any portion of the member's
19 eligible accumulated contributions, not including any Roth after-tax contributions and the
20 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the
21 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and
22 receive, in addition to the member's basic service, early or disability retirement allowance, a
23 special retirement allowance which shall be based upon the member's transferred balance.

24 A member who became a member of the Supplemental Retirement Income Plan prior to
25 retirement and who remains a member of the Supplemental Retirement Income Plan may make
26 a one-time election to transfer eligible balances, not including any Roth after-tax contributions
27 and the earnings thereon, from any of the following plans to the Supplemental Retirement
28 Income Plan, subject to the applicable requirements of the Supplemental Retirement Income
29 Plan, and then through the Supplemental Retirement Income Plan to this Retirement System:

- 30 (1) ~~A plan participating in the North Carolina Public School Teachers' and~~
31 ~~Professional Educators' Investment Plan.~~
32 (2) ~~A plan described in section 403(b) of the Internal Revenue Code.~~
33 (3) ~~A plan described in section 457(b) of the Internal Revenue Code that is~~
34 ~~maintained by a state, political subdivision of a state, or any agency or~~
35 ~~instrumentality of a state or political subdivision of a state.~~



1 (4) ~~An individual retirement account or annuity described in Section 408(a) or~~
2 ~~408(b) of the Internal Revenue Code that is eligible to be rolled over and~~
3 ~~would otherwise be includible in gross income.~~

4 (5) ~~A tax-qualified plan described in section 401(a) or 403(a) of the Internal~~
5 ~~Revenue Code.~~

6 (i) a plan participating in the North Carolina Public School Teachers' and Professional
7 Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue
8 Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained
9 by a state, political subdivision of a state, or any agency or instrumentality of a state or political
10 subdivision of a state; (iv) an individual retirement account or annuity described in section
11 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and
12 would otherwise be includible in gross income; or (v) a tax-qualified plan described in section
13 401(a) or section 403(a) of the Internal Revenue Code.

14 Notwithstanding anything to the contrary, a member may not transfer such amounts as will
15 cause the member's retirement allowance under the System to exceed the amount allowable
16 under G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be
17 transferred if a transfer is elected. The member may elect a special retirement allowance with
18 no postretirement increases or a special retirement allowance with annual postretirement
19 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement
20 increases on any other allowance will not apply to the special retirement allowance. The Board
21 of Trustees shall provide educational materials to the members who apply for the transfer
22 authorized by this section. Those materials shall describe the special retirement allowance and
23 shall explain ~~(i)~~ the relationship between the transferred balance and the monthly ~~benefit;~~
24 benefit and ~~(ii)~~ how the member's heirs may be impacted by the election to make this transfer
25 and any costs and fees involved.

26 For the purpose of determining the special retirement allowance, the Board of Trustees shall
27 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality
28 and such other tables as may be necessary based upon actual experience. A single set of
29 mortality and such other tables will be used for all members, with factors differing only based
30 on the age of the member and the election of postretirement increases. The Board of Trustees
31 shall modify the mortality and such other tables every five years, as shall be deemed necessary,
32 based upon the five-year experience study as required by G.S. 135-6(n). Provided, however,
33 a member who transfers the member's eligible accumulated contributions from an eligible
34 retirement plan pursuant to this subsection to this Retirement System shall be taxed for North
35 Carolina State Income Tax purposes on the special retirement allowance the same as if that
36 special retirement allowance had been paid directly by the eligible plan or the plan through
37 which the transfer was made, whichever is most favorable to the member. The Teachers' and
38 State Employees' Retirement System shall be responsible to determine the taxable amount, if
39 any, and report accordingly.

40 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess
41 a one-time flat administrative fee not to exceed the actual cost of the administrative expenses
42 relating to these transfers. An eligible plan shall not assess a fee specifically relating to a
43 transfer of accumulated contributions authorized under this subsection. This provision shall not
44 prohibit other fees that may be assessable under the plan. Each plan, contract, account, or
45 annuity shall fully disclose to any member participating in a transfer under this subsection any
46 surrender charges or other fees, and such disclosure shall be made contemporaneous with the
47 initiation of the transfer by the member.

48 The special retirement allowance shall continue for the life of the member and the
49 beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as
50 provided in G.S. 135-5(g), if any. The Board of Trustees, however, shall establish two payment
51 options that guarantee payments as follows:

- 1 (1) A member may elect to receive the special retirement allowance for life but
2 with payments guaranteed for a number of months to be specified by the
3 Board of Trustees. Under this plan, if the member dies before the expiration
4 of the specified number of months, the special retirement allowance will
5 continue to be paid to the member's designated beneficiary for the life of the
6 beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,
7 the member's designated beneficiary will receive the benefit only for the
8 remainder of the specified number of months. If the member's designated
9 beneficiary dies before receiving payments for the specified number of
10 months, any remaining payments will be paid to the member's estate.
- 11 (2) A member may elect to receive the special retirement allowance for life but
12 is guaranteed that the sum of the special allowance payments will equal the
13 total of the transferred amount. Under this payment option, if the member
14 dies before receiving the total transferred amount, the special retirement
15 allowance will continue to be paid to the member's designated beneficiary
16 for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or
17 6 is not selected, the member's designated beneficiary or the member's estate
18 shall be paid any remaining balance of the transferred amount.

19 The Board of Trustees shall report annually to the Joint Legislative Commission on
20 Governmental Operations on the number of persons who made an election in the previous
21 calendar year, with any recommendations it might make on amendment or repeal based on any
22 identified problems.

23 The General Assembly reserves the right to repeal or amend this subsection, but such repeal
24 or amendment shall not affect any person who has already made the one-time election provided
25 in this subsection."

26 **SECTION 3.(b)** G.S. 128-27(m2) reads as rewritten:

27 "(m2) Special Retirement Allowance. – At any time coincident with or following
28 retirement, a member may make a one-time election to transfer any portion of the member's
29 eligible accumulated contributions, not including any Roth after-tax contributions and the
30 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the
31 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and
32 receive, in addition to the member's basic service, early or disability retirement allowance, a
33 special retirement allowance which shall be based upon the member's transferred balance.

34 A member who became a member of the Supplemental Retirement Income Plan prior to
35 retirement and who remains a member of the Supplemental Retirement Income Plan may make
36 a one-time election to transfer eligible balances, not including any Roth after-tax contributions
37 and the earnings thereon, from any of the following plans to the Supplemental Retirement
38 Income Plan, subject to the applicable requirements of the Supplemental Retirement Income
39 Plan, and then through the Supplemental Retirement Income Plan to this Retirement System (i)
40 a plan participating in the North Carolina Public School Teachers' and Professional Educators'
41 Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code; (iii) a
42 plan described in section 457(b) of the Internal Revenue Code that is maintained by a state,
43 political subdivision of a state, or any agency or instrumentality of a state or political
44 subdivision of a state; (iv) an individual retirement account or annuity described in section
45 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and
46 would otherwise be includible in gross income; or (v) a tax-qualified plan described in section
47 401(a) or section 403(a) of the Internal Revenue Code.

48 Notwithstanding anything to the contrary, a member may not transfer such amounts as will
49 cause the member's retirement allowance under the System to exceed the amount allowable
50 under G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be
51 transferred if a transfer is elected. The member may elect a special retirement allowance with

1 no postretirement increases or a special retirement allowance with annual postretirement
2 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement
3 increases on any other allowance will not apply to the special retirement allowance. The Board
4 of Trustees shall provide educational materials to the members who apply for the transfer
5 authorized by this section. Those materials shall describe the special retirement allowance and
6 shall explain ~~(i)~~ the relationship between the transferred balance and the monthly ~~benefit;~~
7 benefit and ~~(ii)~~ how the member's heirs may be impacted by the election to make this transfer
8 and any costs and fees involved.

9 For the purpose of determining the special retirement allowance, the Board of Trustees shall
10 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality
11 and such other tables as may be necessary based upon actual experience. A single set of
12 mortality and such other tables will be used for all members, with factors differing only based
13 on the age of the member and the election of postretirement increases. The Board of Trustees
14 shall modify the mortality and such other tables every five years, as shall be deemed necessary,
15 based upon the five-year experience study as required by G.S. 128-28(o). Provided, however, a
16 member who transfers the member's eligible accumulated contributions from ~~the Supplemental~~
17 ~~Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred~~
18 ~~Compensation Plan~~ an eligible retirement plan pursuant to this subsection to this Retirement
19 System shall be taxed for North Carolina State Income Tax purposes on the special retirement
20 allowance the same as if that special retirement allowance had been paid directly by the
21 ~~Supplemental Retirement Income Plan of North Carolina~~ eligible plan or the plan through
22 which the transfer was made, whichever is most favorable to the member. The Local
23 Governmental Employees' Retirement System shall be responsible to determine the taxable
24 amount, if any, and report accordingly.

25 The special retirement allowance shall continue for the life of the member and the
26 beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as
27 provided in G.S. 128-27(g), if any. The Board of Trustees, however, shall establish two
28 payment options that guarantee payments as follows:

- 29 (1) A member may elect to receive the special retirement allowance for life but
30 with payments guaranteed for a number of months to be specified by the
31 Board of Trustees. Under this plan, if the member dies before the expiration
32 of the specified number of months, the special retirement allowance will
33 continue to be paid to the member's designated beneficiary for the life of the
34 beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,
35 the member's designated beneficiary will receive the benefit only for the
36 remainder of the specified number of months. If the member's designated
37 beneficiary dies before receiving payments for the specified number of
38 months, any remaining payments will be paid to the member's estate.
- 39 (2) A member may elect to receive the special retirement allowance for life but
40 is guaranteed that the sum of the special allowance payments will equal the
41 total of the transferred amount. Under this payment option, if the member
42 dies before receiving the total transferred amount, the special retirement
43 allowance will continue to be paid to the member's designated beneficiary
44 for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or
45 6 is not selected, the member's designated beneficiary or the member's estate
46 shall be paid any remaining balance of the transferred amount.

47 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess
48 a one-time flat administrative fee not to exceed the actual cost of the administrative expenses
49 relating to these transfers. An eligible plan shall not assess a fee specifically relating to a
50 transfer of accumulated contributions authorized under this subsection. This provision shall not
51 prohibit other fees that may be assessable under the plan. Each plan, contract, account, or

1 annuity shall fully disclose to any member participating in a transfer under this subsection any
2 surrender charges or other fees, and that disclosure shall be made contemporaneous with the
3 initiation of the transfer by the member.

4 The Board of Trustees shall report annually to the Joint Legislative Commission on
5 Governmental Operations on the number of persons who made an election in the previous
6 calendar year, with any recommendations it might make on amendment or repeal based on any
7 identified problems.

8 The General Assembly reserves the right to repeal or amend this subsection, but such repeal
9 or amendment shall not affect any person who has already made the one-time election provided
10 in this subsection."

11 **SECTION 4.(a)** G.S. 135-1 is amended by adding a new subdivision to read:

12 "(8a) "Consumer Price Index" shall mean the Consumer Price Index for All Urban
13 Consumers (CPI-U), U.S. City Average, all items, not seasonally adjusted,
14 standard reference base, as published by the Bureau of Labor Statistics of the
15 U.S. Department of Labor."

16 **SECTION 4.(b)** G.S. 128-21 is amended by adding a new subdivision to read:

17 "(8a) "Consumer Price Index" shall mean the Consumer Price Index for All Urban
18 Consumers (CPI-U), U.S. City Average, all items, not seasonally adjusted,
19 standard reference base, as published by the Bureau of Labor Statistics of the
20 U.S. Department of Labor."

21 **SECTION 4.(c)** G.S. 135-53 is amended by adding a new subdivision to read:

22 "(5a) "Consumer Price Index" shall mean the Consumer Price Index for All Urban
23 Consumers (CPI-U), U.S. City Average, all items, not seasonally adjusted,
24 standard reference base, as published by the Bureau of Labor Statistics of the
25 U.S. Department of Labor."

26 **SECTION 4.(d)** G.S. 135-3(8)c. reads as rewritten:

27 "c. Should a beneficiary who retired on an early or service retirement
28 allowance under this Chapter be reemployed by, or otherwise
29 engaged to perform services for, an employer participating in the
30 Retirement System on a part time, temporary, interim, or on a fee for
31 service basis, whether contractual or otherwise, and if such
32 beneficiary earns an amount during the 12 month period immediately
33 following the effective date of retirement or in any calendar year
34 which exceeds fifty percent (50%) of the reported compensation,
35 excluding terminal payments, during the 12 months of service
36 preceding the effective date of retirement, or twenty thousand dollars
37 (\$20,000), whichever is greater, as hereinafter indexed, then the
38 retirement allowance shall be suspended as of the first day of the
39 month following the month in which the reemployment earnings
40 exceed the amount above, for the balance of the calendar year, except
41 when the reemployment earnings exceed the amount above in the
42 month of December, in which case the retirement allowance shall not
43 be suspended. The retirement allowance of the beneficiary shall be
44 reinstated as of January 1 of each year following suspension. The
45 amount that may be earned before suspension shall be increased on
46 January 1 of each year by the ~~ratio of the Consumer Price Index to~~
47 ~~the Index one year earlier, percentage change between the December~~
48 Consumer Price Index in the year prior to retirement and the
49 December Consumer Price Index in the year most recently ended,
50 calculated to the nearest tenth of a percent ~~(1/10 of 1%),~~ (1/10 of 1%),
51 provided that this percentage change is positive."

SECTION 4.(e) G.S. 128-24(5)c. reads as rewritten:

"c. Should a beneficiary who retired on an early or service retirement allowance be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on fee-for-service basis, whether contractual or otherwise, and if such beneficiary earns an amount during the 12-month period immediately following the effective date of retirement or in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars (\$20,000), whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year, except when the reemployment earnings exceed the amount above in the month of December, in which case the retirement allowance shall not be suspended. The retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the ratio of the Consumer Price Index to the Index one year earlier, percentage change between the December Consumer Price Index in the year prior to retirement and the December Consumer Price Index in the year most recently ended, calculated to the nearest tenth of a percent ~~(1/10 of 1%)~~. (1/10 of 1%), provided that this percentage change is positive."

SECTION 4.(f) G.S. 135-5(e)(1) reads as rewritten:

"(1) The Board of Trustees shall determine whether a disability beneficiary is engaged in or is able to engage in a gainful occupation paying more than the difference, as hereinafter indexed, between his disability retirement allowance and the gross compensation earned as an employee during the 12 consecutive months of service in the final 48 months prior to retirement producing the highest gross compensation excluding any compensation received on account of termination. If the disability beneficiary is earning or is able to earn more than the difference, the portion of his disability retirement allowance not provided by his contributions shall be reduced to an amount which, together with the portion of the disability retirement allowance provided by his contributions and the amount earnable by him shall equal the amount of his gross compensation prior to retirement. This difference shall be increased on January 1 each year by the ~~ratio of the Consumer Price Index to the Index one year earlier, percentage change between the December Consumer Price Index in the year prior to retirement and the December Consumer Price Index in the year most recently ended,~~ calculated to the nearest tenth of one percent ~~(1/10th of 1%)~~. (1/10 of 1%), provided that this percentage change is positive. Should the earning capacity of the disability beneficiary later change, the portion of his disability retirement allowance not provided by his contributions may be further modified. In lieu of the reductions on account of a disability beneficiary earning more than the aforesaid difference, he may elect to convert his disability retirement allowance to a service retirement allowance calculated on the basis of his average final compensation and creditable service at the

1 time of disability and his age at the time of conversion to service retirement.
2 This election is irrevocable. Provided, the provisions of this subdivision shall
3 not apply to beneficiaries of the Law-Enforcement Officers' Retirement
4 System transferred to this Retirement System who commenced retirement on
5 and before July 1, 1981."

6 **SECTION 4.(g)** G.S. 128-27(e)(1) reads as rewritten:

7 "(1) The Board of Trustees shall determine whether a disability beneficiary is
8 engaged in or is able to engage in a gainful occupation paying more than the
9 difference, as hereinafter indexed, between his disability retirement
10 allowance and the gross compensation earned as an employee during the 12
11 consecutive months in the final 48 months of service prior to retirement
12 producing the highest gross compensation excluding any compensation
13 received on account of termination. If the disability beneficiary is earning or
14 is able to earn more than the difference, the portion of his disability
15 retirement allowance not provided by his contributions shall be reduced to
16 an amount which, together with the portion of the disability retirement
17 allowance provided by his contributions and the amount earnable by him
18 shall equal the amount of his gross compensation prior to retirement. This
19 difference shall be increased on January 1 each year by the ~~ratio of the~~
20 ~~Consumer Price Index to the Index one year earlier, percentage change~~
21 between the December Consumer Price Index in the year prior to retirement
22 and the December Consumer Price Index in the year most recently ended,
23 calculated to the nearest tenth of a percent (1/10 of 1%). (1/10 of 1%),
24 provided that this percentage change is positive. Should the earning capacity
25 of the disability beneficiary later change, the portion of his disability
26 retirement allowance not provided by his contributions may be further
27 modified. In lieu of the reductions on account of a disability beneficiary
28 earning more than the aforesaid difference, he may elect to convert his
29 disability retirement allowance to a service retirement allowance calculated
30 on the basis of his average final compensation and creditable service at the
31 time of disability retirement and his age at the time of conversion to service
32 retirement. This election is irrevocable.

33 The provisions of this subdivision shall not apply to beneficiaries of the
34 Law Enforcement Officers' Retirement System transferred to this Retirement
35 System who commenced retirement on and before July 1, 1981."

36 **SECTION 4.(h)** G.S. 135-60(d) reads as rewritten:

37 "(d) The Board of Trustees shall determine whether a disability beneficiary is engaged in
38 or is able to engage in a gainful occupation paying more than the difference, as hereinafter
39 indexed, between his disability retirement allowance and the gross compensation earned as an
40 employee during the 12 consecutive months in the final 48 months of service prior to
41 retirement producing the highest gross compensation excluding any compensation received on
42 account of termination. If the disability beneficiary is earning or is able to earn more than the
43 difference, the portion of his disability retirement allowance not provided by his contributions
44 shall be reduced to an amount which, together with the portion of the disability retirement
45 allowance provided by his contributions and the amount earnable by him shall equal the
46 amount of his gross compensation prior to retirement. This difference shall be increased on
47 January 1 of each year by the ~~ratio of the Consumer Price Index to the Index one year earlier,~~
48 percentage change between the December Consumer Price Index in the year prior to retirement
49 and the December Consumer Price Index in the year most recently ended, calculated to the
50 nearest tenth of one percent ~~(1/10th of 1%). (1/10 of 1%),~~ provided that this percentage change
51 is positive. Should the earning capacity of the disability beneficiary later change, the portion of

1 his disability retirement allowance not provided by his contributions may be further modified.
2 In lieu of the reductions on account of a disability beneficiary earning more than the aforesaid
3 difference, he may elect to convert his disability retirement allowance to a service retirement
4 allowance calculated on the basis of his final compensation and creditable service at the time of
5 disability retirement and his age at the time of conversion to service retirement. This election is
6 irrevocable."

7 **SECTION 5.(a)** G.S. 135-48.1(12) reads as rewritten:

8 "(12) Firefighter. – A member of the group "~~eligible firemen~~" as defined in
9 ~~G.S. 58-86-25~~, "eligible firefighter" as defined in G.S. 58-86-2."

10 **SECTION 5.(b)** G.S. 128-27(c) reads as rewritten:

11 "(c) Disability Retirement Benefits. – Upon the application of a member or of his
12 employer, any member who has had five or more years of creditable service may be retired by
13 the Board of Trustees, on the first day of any calendar month, not less than one day nor more
14 than 120 days next following the date of filing such application, on a disability retirement
15 allowance: Provided, that the medical board, after a medical examination of such member, shall
16 certify that such member is mentally or physically incapacitated for the further performance of
17 duty, that such incapacity was incurred at the time of active employment and has been
18 continuous thereafter, that such incapacity is likely to be permanent, and that such member
19 should be retired; Provided further the medical board shall determine if the member is able to
20 engage in gainful employment and, if so, the member may still be retired and the disability
21 retirement allowance as a result thereof shall be reduced as in subsection (e) below. Provided
22 further, that the Medical Board shall not certify any member as disabled who:

- 23 (1) Applies for disability retirement based upon a mental or physical incapacity
24 which existed when the member first established membership in the system;
25 or
26 (2) Is in receipt of any payments on account of the same disability which existed
27 when the member first established membership in the system.

28 The Board of Trustees shall require each employee upon enrolling in the retirement system
29 to provide information on the membership application concerning any mental or physical
30 incapacities existing at the time the member enrolls.

31 Notwithstanding the requirement of five or more years of creditable service to the contrary,
32 a member who is a law enforcement officer, an eligible ~~fireman~~ firefighter as defined in
33 ~~G.S. 58-86-25~~, G.S. 58-86-2, or an eligible rescue squad worker as defined in ~~G.S. 58-86-30~~
34 G.S. 58-86-2, and becomes incapacitated for duty as the natural and proximate result of injuries
35 incurred while in the actual performance of his or her duties, and meets all other requirements
36 for disability retirement benefits, may be retired by the Board of Trustees on a disability
37 retirement allowance.

38 Notwithstanding the foregoing to the contrary, any beneficiary who commenced retirement
39 with an early or service retirement benefit has the right, within three years of his retirement, to
40 convert to an allowance with disability retirement benefits without modification of any election
41 of optional allowance previously made; provided, the beneficiary would have met all applicable
42 requirements for disability retirement benefits while still in service as a member. The allowance
43 on account of disability retirement benefits to the beneficiary shall be retroactive to the
44 effective date of early or service retirement.

45 Notwithstanding the foregoing, effective April 1, 1991, the surviving designated
46 beneficiary of a deceased member who met all other requirements for disability retirement
47 benefits, except whose death occurred before the first day of the calendar month in which the
48 member's disability retirement allowance was to be due and payable, may elect to receive the
49 reduced retirement allowance provided by a one hundred percent (100%) joint and survivor
50 payment option in lieu of a return of accumulated contributions, provided the following
51 conditions apply:

- 1 (1) At the time of the member's death, one and only one beneficiary is eligible to
2 receive a return of accumulated contributions, and
3 (2) The member had not instructed the Board of Trustees in writing that he did
4 not wish the provision of this subsection to apply."

5 **SECTION 6.** G.S. 135-53(16) reads as rewritten:

6 "(16) "Retirement" under this Chapter shall mean the commencement of monthly
7 retirement benefits, along with the termination of employment and the
8 complete separation from active service with no intent or agreement,
9 expressed or implied, to return to service. A retirement allowance under the
10 provisions of this Chapter may only be granted upon retirement of a
11 member. In order for a member's retirement to become effective in any
12 month, the member must perform no ~~work, including part-time, temporary,~~
13 ~~substitute, or contractor work,~~ work in a position covered by this Article
14 at any time during the same month immediately following the effective first
15 day of retirement."

16 **SECTION 7.** G.S. 120-4.2(c) reads as rewritten:

17 "(c) Solely for purposes of administering the benefits authorized by G.S. 120-3 to
18 120-4.2, the authority and duties created by G.S. 120-4.1 as it existed prior to this repealing act
19 shall continue in ~~effect-effect~~, except that the General Assembly may opt to make annual
20 transfers instead of quarterly transfers of funds to the Department of State Treasurer."

21 **SECTION 8.** G.S. 135-103(b)(2) reads as rewritten:

22 "(b) The participation of any person in the Disability Income Plan shall cease upon:

23 ...

24 (2) The participant's retirement under the provisions of the Teachers' and State
25 Employees' Retirement System or the Optional Retirement Program, or

26"

27 **SECTION 9.** G.S. 143-166.60(e) reads as rewritten:

28 "(e) The insurance benefit of the Plan on account of the death of a participant shall be
29 payable to the surviving spouse of the participant or otherwise to the participant's estate;
30 provided, should a participant instruct the Board of Trustees in writing that ~~he-the~~ the participant
31 does not wish these benefits to be paid to his or her spouse or estate, then the benefits shall be
32 paid to the person or persons as the participant may name for this purpose. The life insurance
33 benefits shall be payable only on account of participants in the Plan for six or more months or,
34 if an actively employed officer, at any time after employment if death results from an accident.
35 The accident and sickness disability insurance benefits shall be payable to a participant at any
36 time after becoming a participant in the Plan."

37 **SECTION 10.** Section 4 of this act becomes effective January 1, 2015. The
38 remainder of this act becomes effective July 1, 2014.