

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

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HOUSE BILL 2066

Short Title: Special Retirement Allowances. (Public)

Sponsors: Representatives Bryant; and Hughes.

Referred to: State Government/State Personnel, if favorable, Pensions and Retirement.

May 27, 2010

A BILL TO BE ENTITLED
AN ACT TO AUTHORIZE THE CREATION OF SPECIAL RETIREMENT ALLOWANCES
FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT
SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT
SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5(m1) reads as rewritten:

"(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement System and receive, in addition to his basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon his eligible accumulated account balance at the date of the transfer of the assets to this System. For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of mortality tables, such other tables as may be necessary and the interest assumption rate recommended by the actuary based upon actual experience including an assumed annual post-retirement allowance increase of four percent (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five year experience study as required by G.S. 135-6(n). Provided, however, a member, who transfers his eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina, shall be taxed for North Carolina State Income tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly."

SECTION 2. G.S. 135-5 is amended by adding a new subsection to read:

"(m2) Special Retirement Allowance. – At any time coincident with or following retirement, a member may make a onetime election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive, in addition to the member's basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon the member's eligible accumulated account balance at the date of the transfer of the assets to this System. The Board of Trustees may establish a minimum amount that must be transferred if a transfer is elected. Postretirement allowances will be provided on the special retirement allowance based on the



1 election of the member at the time of the transfer. The member may elect an allowance with no
2 postretirement increases or an allowance with annual postretirement increases equal to the
3 increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance
4 will not apply to the special retirement allowance.

5 For the purpose of determining the special retirement allowance, the Board of Trustees shall
6 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality
7 and such other tables as may be necessary based upon actual experience. A single set of
8 mortality and such other tables will be used for all members, with factors differing only based
9 on the age of the member and the election of postretirement allowance. The Board of Trustees
10 shall modify the mortality and such other tables every five years, as shall be deemed necessary,
11 based upon the five-year experience study as required by G.S. 135-6(n). Provided, however, a
12 member, who transfers the member's eligible accumulated contributions from the Supplemental
13 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred
14 Compensation Plan to this Retirement System, shall be taxed for North Carolina State Income
15 Tax purposes on the special retirement allowance the same as if that special retirement
16 allowance had been paid directly by the Supplemental Retirement Income Plan of North
17 Carolina. The Teachers' and State Employees' Retirement System shall be responsible to
18 determine the taxable amount, if any, and report accordingly.

19 For the special retirement allowance only, the Board of Trustees may permit a modification
20 to the optional allowances in subsection (g) of this section that if both the member and the
21 person nominated to receive a benefit upon the member's death die within a period of time
22 specified by the Board of Trustees, the allowance will continue to be paid for the remainder of
23 the specified period to the legal representative of the member or to such person as the member
24 shall nominate by written designation duly acknowledged and filed with the Board of
25 Trustees."

26 **SECTION 3.** G.S. 135-5(g1) reads as rewritten:

27 "(g1) In the event of the death of a retired member while in receipt of a retirement
28 allowance under the provisions of this Article, there shall be paid to such person or persons as
29 the retiree shall have nominated by electronic submission in a form approved by the Board of
30 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if
31 such person or persons are living at the time of the retiree's death, otherwise to the retiree's
32 legal representatives, a death benefit equal to the excess, if any, of the accumulated
33 contributions of the retiree at the date of retirement over the total of the retirement allowances
34 paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated~~
35 ~~contributions" includes amounts of employee voluntary contributions that were transferred~~
36 ~~from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at~~
37 ~~retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special~~
38 Retirement Allowance under subsection (m1) or (m2) of this section, there shall be paid to such
39 person or persons as the retiree shall have nominated by electronic submission in a form
40 approved by the Board of Trustees or by written designation duly acknowledged and filed with
41 the Board of Trustees, if such person or persons are living at the time of the retiree's death,
42 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if
43 any, of the employee voluntary contributions that were transferred from the Supplemental
44 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred
45 Compensation Plan to this Retirement System over the total of the Special Retirement
46 Allowances paid prior to the death of the retiree. For purposes of this paragraph, the term
47 "accumulated contributions" excludes any amount transferred under subsection (m1) or (m2) of
48 this section.

49 In the event that a retirement allowance becomes payable to the designated survivor of a
50 retired member under the provisions above and such retirement allowance to the survivor shall
51 terminate upon the death of the survivor before the total of the retirement allowances paid to

1 the retiree and the designated survivor combined equals the amount of the accumulated
2 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated
3 contributions over the total of the retirement allowances paid to the retiree and the survivor
4 combined shall be paid in a lump sum to such person or persons as the retiree shall have
5 nominated by electronic submission in a form approved by the Board of Trustees or by written
6 designation duly acknowledged and filed with the Board of Trustees, if such person or persons
7 are living at the time such payment falls due, otherwise to the retiree's legal representative. For
8 purposes of this paragraph, the term "accumulated contributions" includes amounts of
9 employee voluntary contributions that were transferred from the Supplemental Retirement
10 Income Plan of North Carolina to this Retirement System at retirement by eligible law
11 enforcement officers.

12 In the event that a retirement allowance becomes payable to the principal beneficiary
13 designated to receive a return of accumulated contributions pursuant to subsection (m) of this
14 section and that beneficiary dies before the total of the retirement allowances paid equals the
15 amount of the accumulated contributions of the member at the date of the member's death, the
16 excess of those accumulated contributions over the total of the retirement allowances paid to
17 the beneficiary shall be paid in a lump sum to the person or persons the member has designated
18 as the contingent beneficiary for return of accumulated contributions, if the person or persons
19 are living at the time the payment falls due, otherwise to the principal beneficiary's legal
20 representative. For purposes of this paragraph, the term "accumulated contributions" includes
21 amounts of employee voluntary contributions that were transferred from the Supplemental
22 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible
23 law enforcement officers.

24 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be
25 paid to such person or persons as the retiree shall have nominated by electronic submission in a
26 form approved by the Board of Trustees or by written designation duly acknowledged and filed
27 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,
28 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if
29 any, of the cost of the creditable service purchased less the administrative fee, if any, over the
30 total of the increase in the retirement allowance attributable to the additional creditable service,
31 paid from the month following the month in which payment was received to the death of the
32 retiree.

33 In the event that a retirement allowance becomes payable to the designated survivor of a
34 retired member under the provisions above and such retirement allowance to the survivor shall
35 terminate upon the death of the survivor before the total of the increase in the retirement
36 allowance attributable to the additional creditable service paid to the retiree and the designated
37 survivor combined equals the cost of the creditable service purchased less the administrative
38 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall
39 have nominated by electronic submission in a form approved by the Board of Trustees or by
40 written designation duly acknowledged and filed with the Board of Trustees, if such person or
41 persons are living at the time such payment falls due, otherwise to the retiree's legal
42 representative.

43 In the event that a retiree dies without having designated a beneficiary to receive a benefit
44 under the provisions of this subsection, any such benefit that becomes payable shall be paid to
45 the member's estate."

46 **SECTION 4.** G.S.128-27(m1) reads as rewritten:

47 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a
48 member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any
49 portion of his eligible accumulated contributions, not including any Roth after-tax contributions
50 and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to
51 this Retirement System and receive, in addition to his basic service, early or disability

1 retirement allowance, a special retirement allowance which shall be based upon his eligible
2 accumulated account balance at the date of the transfer of the assets to this System. For the
3 purpose of determining the special retirement allowance, the Board of Trustees shall adopt
4 straight life annuity factors on the basis of mortality tables, such other tables as may be
5 necessary and the interest assumption rate recommended by the actuary based upon actual
6 experience including an assumed annual post-retirement allowance increase of four percent
7 (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed
8 necessary, based upon the five year experience study as required by G.S. 128-29(o). Provided,
9 however, a member who transfers his eligible accumulated contributions from the
10 Supplemental Retirement Income Plan of North Carolina shall be taxed for North Carolina
11 State Income tax purposes on the special retirement allowance the same as if that special
12 retirement allowance had been paid directly by the Supplemental Retirement Income Plan of
13 North Carolina. The Local Governmental Employees' Retirement System shall be responsible
14 to determine the taxable amount, if any, and report accordingly."

15 **SECTION 5.** G.S. 128-27 is amended by adding a new subsection to read:

16 "(m2) Special Retirement Allowance. – At any time coincident with or following
17 retirement, a member may make a onetime election to transfer any portion of the member's
18 eligible accumulated contributions, not including any Roth after-tax contributions and the
19 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the
20 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and
21 receive, in addition to the member's basic service, early or disability retirement allowance, a
22 special retirement allowance which shall be based upon the member's eligible accumulated
23 account balance at the date of the transfer of the assets to this System. The Board of Trustees
24 may establish a minimum amount that must be transferred if a transfer is elected.
25 Postretirement allowances will be provided on the special retirement allowance based on the
26 election of the member at the time of the transfer. The member may elect an allowance with no
27 postretirement increases or an allowance with annual postretirement increases equal to the
28 increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance
29 will not apply to the special retirement allowance.

30 For the purpose of determining the special retirement allowance, the Board of Trustees shall
31 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality
32 and such other tables as may be necessary based upon actual experience. A single set of
33 mortality and such other tables will be used for all members, with factors differing only based
34 on the age of the member and the election of postretirement allowance. The Board of Trustees
35 shall modify the mortality and such other tables every five years, as shall be deemed necessary,
36 based upon the five-year experience study as required by G.S. 135-6(n). Provided, however, a
37 member, who transfers the member's eligible accumulated contributions from the Supplemental
38 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred
39 Compensation Plan to this Retirement System, shall be taxed for North Carolina State Income
40 Tax purposes on the special retirement allowance the same as if that special retirement
41 allowance had been paid directly by the Supplemental Retirement Income Plan of North
42 Carolina. The Local Governmental Employees' Retirement System shall be responsible to
43 determine the taxable amount, if any, and report accordingly.

44 For the special retirement allowance only, the Board of Trustees may permit a modification
45 to the optional allowances in subsection (g) of this section that if both the member and the
46 person nominated to receive a benefit upon the member's death die within a period of time
47 specified by the Board of Trustees, the allowance will continue to be paid for the remainder of
48 the specified period to the legal representative of the member or to such person as the member
49 shall nominate by written designation duly acknowledged and filed with the Board of
50 Trustees."

51 **SECTION 6.** G.S. 128-27(g1) reads as rewritten:

1 "(g1) In the event of the death of a retired member while in receipt of a retirement
2 allowance under the provisions of this Article, there shall be paid to such person or persons as
3 the retiree shall have nominated by electronic submission in a form approved by the Board of
4 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if
5 such person or persons are living at the time of the retiree's death, otherwise to the retiree's
6 legal representatives, a death benefit equal to the excess, if any, of the accumulated
7 contributions of the retiree at the date of retirement over the total of the retirement allowances
8 paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated~~
9 ~~contributions" includes amounts of employee voluntary contributions that were transferred~~
10 ~~from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at~~
11 ~~retirement by eligible law enforcement officers.~~In the event that a retiree is receiving a Special
12 Retirement Allowance under subsection (m1) or (m2) of this section, there shall be paid to such
13 person or persons as the retiree shall have nominated by electronic submission in a form
14 approved by the Board of Trustees or by written designation duly acknowledged and filed with
15 the Board of Trustees, if such person or persons are living at the time of the retiree's death,
16 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if
17 any, of the employee voluntary contributions that were transferred from the Supplemental
18 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred
19 Compensation Plan to this Retirement System over the total of the Special Retirement
20 Allowances paid prior to the death of the retiree. For purposes of this paragraph, the term
21 "accumulated contributions" excludes any amount transferred under subsection (m1) or (m2) of
22 this section.

23 In the event that a retirement allowance becomes payable to the designated survivor of a
24 retired member under the provisions above and such retirement allowance to the survivor shall
25 terminate upon the death of the survivor before the total of the retirement allowances paid to
26 the retiree and the designated survivor combined equals the amount of the accumulated
27 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated
28 contributions over the total of the retirement allowances paid to the retiree and the survivor
29 combined shall be paid in a lump sum to such person or persons as the retiree shall have
30 nominated by electronic submission in a form approved by the Board of Trustees or by written
31 designation duly acknowledged and filed with the Board of Trustees, if such person or persons
32 are living at the time such payment falls due, otherwise to the retiree's legal representative. For
33 purposes of this paragraph, the term "accumulated contributions" includes amounts of
34 employee voluntary contributions that were transferred from the Supplemental Retirement
35 Income Plan of North Carolina to this Retirement System at retirement by eligible law
36 enforcement officers.

37 In the event that a retirement allowance becomes payable to the principal beneficiary
38 designated to receive a return of accumulated contributions pursuant to subsection (m) of this
39 section and that beneficiary dies before the total of the retirement allowances paid equals the
40 amount of the accumulated contributions of the member at the date of the member's death, the
41 excess of those accumulated contributions over the total of the retirement allowances paid to
42 the beneficiary shall be paid in a lump sum to the person or persons the member has designated
43 as the contingent beneficiary for return of accumulated contributions, if the person or persons
44 are living at the time the payment falls due, otherwise to the principal beneficiary's legal
45 representative. For purposes of this paragraph, the term "accumulated contributions" includes
46 amounts of employee voluntary contributions that were transferred from the Supplemental
47 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible
48 law enforcement officers.

49 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be
50 paid to such person or persons as the retiree shall have nominated by electronic submission in a
51 form approved by the Board of Trustees or by written designation duly acknowledged and filed

1 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,
2 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if
3 any, of the cost of the creditable service purchased less the administrative fee, if any, over the
4 total of the increase in the retirement allowance attributable to the additional creditable service,
5 paid from the month following the month in which payment was received to the death of the
6 retiree.

7 In the event that a retirement allowance becomes payable to the designated survivor of a
8 retired member under the provisions above, and such retirement allowance to the survivor shall
9 terminate upon the death of the survivor before the total of the increase in the retirement
10 allowance attributable to the additional creditable service paid to the retiree and the designated
11 survivor combined equals the cost of the creditable service purchased less the administrative
12 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall
13 have nominated by electronic submission in a form approved by the Board of Trustees or by
14 written designation duly acknowledged and filed with the Board of Trustees, if such person or
15 persons are living at the time such payment falls due, otherwise to the retiree's legal
16 representative.

17 In the event that a retiree dies without having designated a beneficiary to receive a benefit
18 under the provisions of this subsection, any such benefit that becomes payable shall be paid to
19 the member's estate."

20 **SECTION 7.** This act becomes effective July 1, 2010.