

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2007**

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**HOUSE BILL 778**

Short Title: Enhance Retirement Benefits.-AB (Public)

Sponsors: Representatives Bell, J. Harrell (Primary Sponsors); Faison and Wainwright.

Referred to: Pensions and Retirement, if favorable, Appropriations.

March 15, 2007

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 135-5(b19) reads as rewritten:

"(b19) Service Retirement Allowance of Members Retiring on or After July 1, ~~2002-~~ 2002, but Before July 1, 2007. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, but before July 1, 2007, 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-two hundredths percent (1.82%) 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 1. The service retirement allowance payable under  
2 G.S. 135-5(b19)(1)a. reduced by one-third of one percent  
3 (1/3 of 1%) thereof for each month by which his  
4 retirement date precedes the first day of the month  
5 coincident with or next following the month the member  
6 would have attained his 55th birthday; or
  - 7 2. The service retirement allowance as computed under  
8 G.S. 135-5(b19)(1)a. reduced by five percent (5%) times  
9 the difference between 30 years and his creditable  
10 service at retirement.
- 11 (2) A member who is not a law enforcement officer or an eligible former  
12 law enforcement officer shall receive a service retirement allowance  
13 computed as follows:
- 14 a. If the member's service retirement date occurs on or after his  
15 65th birthday upon the completion of five years of membership  
16 service or after the completion of 30 years of creditable service  
17 or on or after his 60th birthday upon the completion of 25 years  
18 of creditable service, the allowance shall be equal to one and  
19 eighty-two hundredths percent (1.82%) of his average final  
20 compensation, multiplied by the number of years of creditable  
21 service.
  - 22 b. If the member's service retirement date occurs after his 60th  
23 birthday and before his 65th birthday and prior to his  
24 completion of 25 years or more of creditable service, his  
25 retirement allowance shall be computed as in  
26 G.S. 135-5(b19)(2)a. but shall be reduced by one-quarter of one  
27 percent ( $\frac{1}{4}$  of 1%) thereof for each month by which his  
28 retirement date precedes the first day of the month coincident  
29 with or next following his 65th birthday.
  - 30 c. If the member's early service retirement date occurs on or after  
31 his 50th birthday and before his 60th birthday and after  
32 completion of 20 years of creditable service but prior to the  
33 completion of 30 years of creditable service, his early service  
34 retirement allowance shall be equal to the greater of:
    - 35 1. The service retirement allowance as computed under  
36 G.S. 135-5(b19)(2)a. but reduced by the sum of  
37 five-twelfths of one percent ( $\frac{5}{12}$  of 1%) thereof for  
38 each month by which his retirement date precedes the  
39 first day of the month coincident with or next following  
40 the month the member would have attained his 60th  
41 birthday, plus one-quarter of one percent ( $\frac{1}{4}$  of 1%)  
42 thereof for each month by which his 60th birthday  
43 precedes the first day of the month coincident with or  
44 next following his 65th birthday; or

1                   2.     The service retirement allowance as computed under  
2                   G.S. 135-5(b19)(2)a. reduced by five percent (5%) times  
3                   the difference between 30 years and his creditable  
4                   service at retirement; or

5                   3.     If the member's creditable service commenced prior to  
6                   July 1, 1994, the service retirement allowance equal to  
7                   the actuarial equivalent of the allowance payable at the  
8                   age of 60 years as computed in G.S. 135-5(b19)(2)b.

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

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

13                  "(b20) Service Retirement Allowance of Members Retiring on or After July 1, 2007.

14                  – Upon retirement from service in accordance with subsection (a) or (a1) above, on or  
15                  after July 1, 2007, a member shall receive the following service retirement allowance:

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

19                  a.     If the member's service retirement date occurs on or after his  
20                  55th birthday, and completion of five years of creditable service  
21                  as a law enforcement officer, or after the completion of 30 years  
22                  of creditable service, the allowance shall be equal to one and  
23                  eighty-three hundredths percent (1.83%) of his average final  
24                  compensation, multiplied by the number of years of his  
25                  creditable service.

26                  b.     If the member's service retirement date occurs on or after his  
27                  50th birthday and before his 55th birthday with 15 or more  
28                  years of creditable service as a law enforcement officer and  
29                  prior to the completion of 30 years of creditable service, his  
30                  retirement allowance shall be equal to the greater of:

31                  1.     The service retirement allowance payable under  
32                  G.S. 135-5(b20)(1)a. reduced by one-third of one percent  
33                  (1/3 of 1%) thereof for each month by which his  
34                  retirement date precedes the first day of the month  
35                  coincident with or next following the month the member  
36                  would have attained his 55th birthday; or

37                  2.     The service retirement allowance as computed under  
38                  G.S. 135-5(b20)(1)a. reduced by five percent (5%) times  
39                  the difference between 30 years and his creditable  
40                  service at retirement.

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

- 1           a.     If the member's service retirement date occurs on or after his  
2                 65th birthday upon the completion of five years of membership  
3                 service or after the completion of 30 years of creditable service  
4                 or on or after his 60th birthday upon the completion of 25 years  
5                 of creditable service, the allowance shall be equal to one and  
6                 eighty-three hundredths percent (1.83%) of his average final  
7                 compensation, multiplied by the number of years of creditable  
8                 service.
- 9           b.     If the member's service retirement date occurs after his 60th  
10                birthday and before his 65th birthday and prior to his  
11                completion of 25 years or more of creditable service, his  
12                retirement allowance shall be computed as in  
13                G.S. 135-5(b20)(2)a. but shall be reduced by one-quarter of one  
14                percent (¼ of 1%) thereof for each month by which his  
15                retirement date precedes the first day of the month coincident  
16                with or next following his 65th birthday.
- 17           c.     If the member's early service retirement date occurs on or after  
18                his 50th birthday and before his 60th birthday and after  
19                completion of 20 years of creditable service but prior to the  
20                completion of 30 years of creditable service, his early service  
21                retirement allowance shall be equal to the greater of:
- 22                1.     The service retirement allowance as computed under  
23                G.S. 135-5(b20)(2)a. but reduced by the sum of  
24                five-twelfths of one percent (5/12 of 1%) thereof for  
25                each month by which his retirement date precedes the  
26                first day of the month coincident with or next following  
27                the month the member would have attained his 60th  
28                birthday, plus one-quarter of one percent (¼ of 1%)  
29                thereof for each month by which his 60th birthday  
30                precedes the first day of the month coincident with or  
31                next following his 65th birthday; or
- 32                2.     The service retirement allowance as computed under  
33                G.S. 135-5(b20)(2)a. reduced by five percent (5%) times  
34                the difference between 30 years and his creditable  
35                service at retirement; or
- 36                3.     If the member's creditable service commenced prior to  
37                July 1, 1994, the service retirement allowance equal to  
38                the actuarial equivalent of the allowance payable at the  
39                age of 60 years as computed in G.S. 135-5(b20)(2)b.
- 40           d.     Notwithstanding the foregoing provisions, any member whose  
41                creditable service commenced prior to July 1, 1963, shall not  
42                receive less than the benefit provided by G.S. 135-5(b)."

43     **SECTION 3.** G.S. 135-5(m) reads as rewritten:

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

- 7           (1)    a.     The member had attained such age and/or creditable service to  
8                    be eligible to commence retirement with an early or service  
9                    retirement allowance,  
10                b.     The member had obtained 20 years of creditable service in  
11                    which case the retirement allowance shall be computed in  
12                    accordance with ~~G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)e.,~~  
13                    G.S. 135-5(b20)(1)b. or G.S. 135-5(b20)(2)c., notwithstanding  
14                    the requirement of obtaining age 50, or  
15                c.     The member had not commenced to receive a retirement  
16                    allowance as provided under this Chapter.  
17            (2)    The member had designated as the principal beneficiary to receive a  
18                    return of his accumulated contributions one and only one person who  
19                    was living at the time of his death.  
20            (3)    The member had not instructed the Board of Trustees in writing that he  
21                    did not wish the provisions of this subsection to apply.

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

32       **SECTION 4.** G.S. 135-5 is amended by adding a new subsection to read:

33       "(qqq) From and after July 1, 2007, the retirement allowance to or on account of  
34 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased  
35 by two and one-half percent (2.5%) of the allowance payable on June 1, 2007, in  
36 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2007, the retirement  
37 allowance to or on account of beneficiaries whose retirement commenced after July 1,  
38 2006, but before June 30, 2007, shall be increased by a prorated amount of two and  
39 one-half percent (2.5%) of the allowance payable as determined by the Board of  
40 Trustees based upon the number of months that a retirement allowance was paid  
41 between July 1, 2006, and June 30, 2007."

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

43       "(bb) From and after July 1, 2007, the retirement allowance to or on account of  
44 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased

1 by two and one-half percent (2.5%) of the allowance payable on June 1, 2007.  
2 Furthermore, from and after July 1, 2007, the retirement allowance to or on account of  
3 beneficiaries whose retirement commenced after July 1, 2006, but before June 30, 2007,  
4 shall be increased by a prorated amount of two and one-half percent (2.5%) of the  
5 allowance payable as determined by the Board of Trustees based upon the number of  
6 months that a retirement allowance was paid between July 1, 2006, and June 30, 2007."

7 **SECTION 6.** G.S. 120-4.22A is amended by adding a new subsection to  
8 read:

9 "(v) In accordance with subsection (a) of this section, from and after July 1, 2007,  
10 the retirement allowance to or on account of beneficiaries whose retirement commenced  
11 on or before January 1, 2007, shall be increased by two and one-half percent (2.5%) of  
12 the allowance payable on June 1, 2007. Furthermore, from and after July 1, 2007, the  
13 retirement allowance to or on account of beneficiaries whose retirement commenced  
14 after January 1, 2007, but before June 30, 2007, shall be increased by a prorated amount  
15 of two and one-half percent (2.5%) of the allowance payable as determined by the  
16 Board of Trustees based upon the number of months that a retirement allowance was  
17 paid between January 1, 2007, and June 30, 2007."

18 **SECTION 7.** G.S. 128-27 is amended by adding a new subsection to read:

19 "(hhh) From and after July 1, 2007, the retirement allowance to or on account of  
20 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased  
21 by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in  
22 accordance with subsection (k) of this section. Furthermore, from and after July 1, 2007,  
23 the retirement allowance to or on account of beneficiaries whose retirement commenced  
24 after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of  
25 two and two-tenths percent (2.2%) of the allowance payable as determined by the Board  
26 of Trustees based upon the number of months that a retirement allowance was paid  
27 between July 1, 2006, and June 30, 2007."

28 **SECTION 8.** Effective July 1, 2007, the State's employer contribution rates  
29 budgeted for retirement and related benefits as percentage of covered salaries for the  
30 2006-2007 fiscal year for the Teachers' and State Employees' Retirement System shall  
31 be increased from two and sixty-six hundredths percent (2.66%) to four percent (4%).

32 **SECTION 9.** This act becomes effective July 1, 2007.