

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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HOUSE DRH11126-LL-312 (11/17)

Short Title: Special Retirement Allowances.

(Public)

Sponsors: Representative Bryant.

Referred to:

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



1 may establish a minimum amount that must be transferred if a transfer is elected.
2 Postretirement allowances will be provided on the special retirement allowance based on the
3 election of the member at the time of the transfer. The member may elect an allowance with no
4 postretirement increases or an allowance with annual postretirement increases equal to the
5 increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance
6 will not apply to the special retirement allowance.

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

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

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

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

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

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

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

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

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

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

50 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a
51 member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any

1 portion of his eligible accumulated contributions, not including any Roth after-tax contributions
2 and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to
3 this Retirement System and receive, in addition to his basic service, early or disability
4 retirement allowance, a special retirement allowance which shall be based upon his eligible
5 accumulated account balance at the date of the transfer of the assets to this System. For the
6 purpose of determining the special retirement allowance, the Board of Trustees shall adopt
7 straight life annuity factors on the basis of mortality tables, such other tables as may be
8 necessary and the interest assumption rate recommended by the actuary based upon actual
9 experience including an assumed annual post-retirement allowance increase of four percent
10 (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed
11 necessary, based upon the five year experience study as required by G.S. 128-29(o). Provided,
12 however, a member who transfers his eligible accumulated contributions from the
13 Supplemental Retirement Income Plan of North Carolina shall be taxed for North Carolina
14 State Income tax purposes on the special retirement allowance the same as if that special
15 retirement allowance had been paid directly by the Supplemental Retirement Income Plan of
16 North Carolina. The Local Governmental Employees' Retirement System shall be responsible
17 to determine the taxable amount, if any, and report accordingly."

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

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

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

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

1 shall nominate by written designation duly acknowledged and filed with the Board of
2 Trustees."

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

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

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

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

1 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be
2 paid to such person or persons as the retiree shall have nominated by electronic submission in a
3 form approved by the Board of Trustees or by written designation duly acknowledged and filed
4 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,
5 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if
6 any, of the cost of the creditable service purchased less the administrative fee, if any, over the
7 total of the increase in the retirement allowance attributable to the additional creditable service,
8 paid from the month following the month in which payment was received to the death of the
9 retiree.

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

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

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