

NORTH CAROLINA GENERAL ASSEMBLY  
1963 SESSION

CHAPTER 687  
SENATE BILL 363

1 AN ACT TO AMEND CHAPTER 135 OF THE GENERAL STATUTES RELATING TO  
2 THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OF NORTH  
3 CAROLINA AND SOCIAL SECURITY ADMINISTRATION.  
4

5 The General Assembly of North Carolina do enact:  
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7 **Section 1.** Chapter 135-1 is hereby amended in the following respects:

8 (A) Subdivision (15) thereof is amended to read as follows:

9 (15) "Accumulated contributions" shall mean the sum of all the amounts  
10 deducted from the compensation of a member and accredited to his  
11 individual account in the annuity savings fund, together with regular interest  
12 thereon as provided in Section 135-8.

13 (B) Subdivision (17) thereof is amended to read as follows:

14 (17) "Average final compensation" shall mean the average annual compensation  
15 of a member during the five consecutive calendar years, within the last ten  
16 calendar years of his creditable service, producing the highest such average.

17 (C) A new subdivision (26) is added at the end thereof, to read as follows:

18 (26) "Social Security break-point" shall mean the maximum amount of taxable  
19 wages under the Federal Insurance Contributions Act as from time to time in  
20 effect.

21 **Sec. 2.** Chapter 135-3 is hereby amended in the following respects:

22 (A) Subdivision (7) thereof is amended by adding thereto a new first paragraph, to  
23 read as follows:

24 The provisions of this subdivision (7) shall apply to any member whose  
25 retirement became effective prior to July 1, 1963 and who became entitled to  
26 benefits hereunder in accordance with the provisions hereof. Such benefits  
27 shall be computed in accordance with the provisions of Section 135-5(b) as  
28 in effect at the date of such retirement.

29 (B) A new subdivision (8) is hereby added thereto, to read as follows:

30 (8) The provisions of this subdivision (8) shall apply to any member whose  
31 membership is terminated on or after July 1, 1963, and who becomes entitled  
32 to benefits hereunder in accordance with the provisions hereof. Such benefits  
33 shall be computed in accordance with the provisions of Section 135-5(b1).

34 a. Notwithstanding any other provision of this Chapter, any member  
35 who separates from service prior to the attainment of the age of sixty  
36 years for any reason other than death or retirement for disability as  
37 provided in Section 135-5, subsection (c), after completing 15 or  
38 more years of creditable service, and who leaves his total  
39 accumulated contributions in said system shall have the right to retire  
40 on a deferred retirement allowance upon attaining the age of sixty  
41 years; provided that such member may retire only upon written  
42 application to the board of trustees setting forth at what time, not less  
43 than thirty (30) days nor more than ninety (90) days subsequent to

1 the execution and filing thereof, he desires to be retired. Such  
2 deferred retirement allowance shall be computed in accordance with  
3 the provisions of Section 135-5, subsection (b1).

- 4 b. In lieu of the benefits provided in paragraph a of this subdivision (8),  
5 any member who separates from service on or after July 1, 1963 and  
6 prior to the attainment of the age of sixty years, for any reason other  
7 than death or retirement for disability as provided in Section 135-5,  
8 subsection (c), after completing 20 or more years of creditable  
9 service and after attaining the age of fifty years, and who leaves his  
10 total accumulated contributions in said System, may elect to retire on  
11 an early retirement allowance; provided that such member may so  
12 retire only upon written application to the board of trustees setting  
13 forth at what time, not less than thirty (30) days nor more than ninety  
14 (90) days subsequent to the execution and filing thereof, he desires to  
15 be retired; provided further that such application shall be duly filed  
16 within sixty (60) days following the date of such separation. Such  
17 early retirement allowance so elected shall be the actuarial equivalent  
18 of the deferred retirement allowance otherwise payable at the  
19 attainment of the age of sixty years upon proper application therefor.  
20 c. The provisions of paragraph d of the preceding subdivision (7) shall  
21 apply equally to this subdivision (8).

22 **Sec. 3.** Chapter 135-5 is hereby amended in the following respect:

23 (A) Subsection (b) is hereby amended as follows:

24 (b) Service Retirement Allowances of Persons Retiring on or After July 1, 1959 But  
25 Prior to July 1, 1963. Upon retirement from service on or after July 1, 1959 but prior to July 1,  
26 1963, a member shall receive a service retirement allowance which shall consist of:

- 27 (1) An annuity which shall be the actuarial equivalent of his accumulated  
28 contributions at the time of his retirement; and  
29 (2) A pension equal to the annuity allowable at the age of sixty-five years or at  
30 his retirement age, whichever is the earlier age, computed on the basis of  
31 contributions made prior to such earlier age; and  
32 (3) If he has a prior service certificate in full force and effect, an additional  
33 pension which shall be equal to the sum of:

- 34 a. The annuity which would have been provided at his retirement age  
35 by the contributions which he would have made during such prior  
36 service had the System been in operation and had he contributed  
37 thereunder at the rate of six and twenty-five hundredths per centum  
38 (6.25%) of his compensation; and  
39 b. The pension which would have been provided on account of such  
40 contributions at age sixty-five, or at his retirement age, whichever is  
41 the earlier age.

42 If the member has not less than twenty (20) years of creditable  
43 service, he shall be entitled to a total retirement allowance of not less  
44 than seventy dollars (\$70.00) per month; provided that the  
45 computation shall be made prior to any reduction resulting from the  
46 selection of an optional allowance as provided by subsection (g) of  
47 this Section.

48 (b1) Service Retirement Allowances of Members Retiring On Or After July 1, 1963.  
49 Upon retirement from service, in accordance with subsection (a) above, on or after July 1,  
50 1963, a member shall receive a service retirement allowance computed as follows:

1 (1) If the member's service retirement date occurs on or after his 65th birthday,  
2 such allowance shall be equal to one per cent (1%) of the portion of his  
3 average final compensation not in excess of the Social Security break-point,  
4 plus one and one-half per cent (1 1/2%) of the portion of such compensation  
5 in excess of such break-point, multiplied by the number of years of his  
6 creditable service.

7 (2) If the member's service retirement date occurs before his 65th birthday, his  
8 service retirement allowance shall be computed as in (1) above, but shall be  
9 reduced by five-twelfths of one per cent (5/12 of 1%) thereof for each month  
10 by which his retirement date precedes the first day of the month coincident  
11 with or next following his 65th birthday.

12 (3) Notwithstanding the foregoing provisions, any member whose creditable  
13 service commenced prior to July 1, 1963 shall receive not less than the  
14 benefit provided by G.S. 135-5(b).

15 (B) Subdivision (d) thereof is amended to read as follows:

16 (d) Allowance on Disability Retirement of Persons Retiring on or After July 1, 1959  
17 But Prior to July 1, 1963. Upon retirement for disability, in accordance with subsection (c)  
18 above, on or after July 1, 1959 but prior to July 1, 1963, a member shall receive a service  
19 retirement allowance if he has attained the age of sixty years, otherwise he shall receive a  
20 disability retirement allowance which shall consist of:

21 (1) An annuity which shall be the actuarial equivalent of his accumulated  
22 contributions at the time of retirement;

23 (2) A pension equal to seventy-five per centum (75%) of the pension that would  
24 have been payable upon service retirement at the age of sixty-five years had  
25 the member continued in service to the age of sixty-five years without  
26 further change in compensation.

27 If the member has not less than twenty (20) years of creditable service,  
28 he shall be entitled to a total retirement allowance of not less than seventy  
29 dollars (\$70.00) per month; provided, that the computation shall be made  
30 prior to any reduction resulting from an optional allowance as provided by  
31 subsection (g) of this Section.

32 (d1) Allowance on Disability Retirement of Persons Retiring on or After July 1, 1963.  
33 Upon retirement for disability, in accordance with subsection (c) above, on or after July 1,  
34 1963, a member shall receive a service retirement allowance if he has attained the age of sixty  
35 years, otherwise he shall receive a disability retirement allowance which shall be computed as  
36 follows:

37 (1) Such allowance shall be equal to the service retirement allowance which  
38 would have been payable had he continued in service without further change  
39 in compensation, to the age of sixty years, minus the actuarial equivalent to  
40 the contributions he would have made during such continued service.

41 (2) Notwithstanding the foregoing provisions, any member whose creditable  
42 service commenced prior to July 1, 1963 shall receive not less than the  
43 benefit provided by G. S. 135-5 (d).

44 (C) Subsection (g) thereof is amended so that Option 1 shall read as follows:

45 Option 1. (a) In the Case of a Member Who Retires Prior to July 1, 1963. If  
46 he dies before he has received in annuity payments the present value of his  
47 annuity as it was at the time of his retirement, the balance shall be paid to his  
48 legal representatives or to such person as he shall nominate by written  
49 designation duly acknowledged and filed with the board of trustees.

50 (b) In The Case of a Member Who Retires on or After July 1, 1963. If he dies within ten  
51 (10) years from his retirement date, an amount equal to his accumulated contributions at

1 retirement, less 1/120th thereof for each month for which he has received a retirement  
2 allowance payment, shall be paid to his legal representatives or to such person as he shall  
3 nominate by written designation duly acknowledged and filed with the board of trustees; or

4 (D) Subsection (g) thereof is amended so that Option 4 shall read as follows:

5 Option 4. Adjustment of Retirement Allowance for Social Security Benefits.  
6 Until the first payment on account of any benefit becomes normally due, any  
7 member may elect to convert his benefit otherwise payable on his account  
8 after retirement into a retirement allowance of equivalent actuarial value of  
9 such amount that with his benefit under Title II of the Federal Social  
10 Security Act, he will receive, so far as possible, approximately the same  
11 amount per year before and after the earliest age at which he becomes  
12 eligible, upon application therefor, to receive a Social Security benefit. A  
13 member who makes an election in accordance with this option shall be  
14 deemed to have made a further election of Option 1 above.

15 **Sec. 4.** Chapter 135-8 is hereby amended by adding at the end of subsection (b)(1)  
16 thereof a new paragraph to read as follows:

17 Notwithstanding the foregoing, effective July 1, 1963, the rates of such deductions shall be  
18 four per centum (4%) of the portion of compensation not in excess of the Social Security break-  
19 point, and six per centum (6%) of the portion in excess of such break-point. Such rates shall  
20 apply uniformly to all members of the Retirement System, without regard to their coverage  
21 under the Social Security Act.

22 **Sec. 5.** Chapter 135-8 is hereby amended by adding at the end thereof a new  
23 subsection (h) to read as follows:

24 (h) Effective July 1, 1963, in addition to the contributions hereinbefore provided,  
25 subject to such conditions as may be established by the board of trustees, any member may, in  
26 accordance with a contract with his employer, have further contributions at a fixed percentage  
27 of his compensation made on his account by a deduction from his compensation. Interest at  
28 such rates as may be set from time to time by the board of trustees shall be allowed on such  
29 contributions and shall be used in determining the benefits payable from such contributions.  
30 Upon retirement such additional amounts, including interest, shall be treated as excess  
31 contributions returnable to the member in cash or as an additional annuity of equivalent  
32 actuarial value, on the basis of such mortality tables as the board of trustees may from time to  
33 time adopt for this purpose. In all other respects, such additional amounts so deposited shall be  
34 treated in the same manner as the member's accumulated contributions. The contributions and  
35 interest credits of a member withdrawn by him, or paid to his estate or to his designated  
36 beneficiary in event of his death, shall be paid from the annuity savings fund. Upon the  
37 retirement of a member his accumulated contributions shall be transferred from the annuity  
38 savings fund to the pension accumulation fund.

39 **Sec. 6.** G.S. 135-24 is hereby amended by striking out the period at the end of the  
40 next to the last sentence thereof and by inserting a comma and adding the words "including  
41 compensation of the State agency for the agency's services."

42 **Sec. 7.** All laws and clauses of laws in conflict with this Act are hereby repealed.

43 **Sec. 8.** This Act shall be in full force and effect from and after July 1, 1963.

44 In the General Assembly read three times and ratified, this the 5th day of June,  
45 1963.