

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 778
Committee Substitute Favorable 4/26/07

Short Title: Enhance Retirement Benefits.-AB

(Public)

Sponsors:

Referred to:

March 15, 2007

A BILL TO BE ENTITLED

1 AN ACT TO ENHANCE THE BENEFITS PAYABLE FROM THE TEACHERS'
2 AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL
3 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE
4 CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE
5 LEGISLATIVE RETIREMENT SYSTEM.
6

7 The General Assembly of North Carolina enacts:

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

9 "~~(b19) Service Retirement Allowance of Members Retiring on or After July 1, 2002-~~
10 2002, but Before July 1, 2007. – Upon retirement from service in accordance with
11 subsection (a) or (a1) above, on or after July 1, 2002, but before July 1, 2007, a member
12 shall receive the following service retirement allowance:

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

16 a. If the member's service retirement date occurs on or after his
17 55th birthday, and completion of five years of creditable service
18 as a law enforcement officer, or after the completion of 30 years
19 of creditable service, the allowance shall be equal to one and
20 eighty-two hundredths percent (1.82%) of his average final
21 compensation, multiplied by the number of years of his
22 creditable service.

23 b. If the member's service retirement date occurs on or after his
24 50th birthday and before his 55th birthday with 15 or more
25 years of creditable service as a law enforcement officer and
26 prior to the completion of 30 years of creditable service, his
27 retirement allowance shall be equal to the greater of:

28 1. The service retirement allowance payable under
29 G.S. 135-5(b19)(1)a. reduced by one-third of one percent

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

- 1 the difference between 30 years and his creditable
2 service at retirement; or
- 3 3. If the member's creditable service commenced prior to
4 July 1, 1994, the service retirement allowance equal to
5 the actuarial equivalent of the allowance payable at the
6 age of 60 years as computed in G.S. 135-5(b19)(2)b.
- 7 d. Notwithstanding the foregoing provisions, any member whose
8 creditable service commenced prior to July 1, 1963, shall not
9 receive less than the benefit provided by G.S. 135-5(b)."

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

11 "(b20) Service Retirement Allowance of Members Retiring on or After July 1, 2007.
12 – Upon retirement from service in accordance with subsection (a) or (a1) above, on or
13 after July 1, 2007, a member shall receive the following service retirement allowance:

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

17 a. If the member's service retirement date occurs on or after his
18 55th birthday, and completion of five years of creditable service
19 as a law enforcement officer, or after the completion of 30 years
20 of creditable service, the allowance shall be equal to one and
21 eighty-three hundredths percent (1.83%) of his average final
22 compensation, multiplied by the number of years of his
23 creditable service.

24 b. If the member's service retirement date occurs on or after his
25 50th birthday and before his 55th birthday with 15 or more
26 years of creditable service as a law enforcement officer and
27 prior to the completion of 30 years of creditable service, his
28 retirement allowance shall be equal to the greater of:

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

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

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

42 a. If the member's service retirement date occurs on or after his
43 65th birthday upon the completion of five years of membership
44 service or after the completion of 30 years of creditable service

1 or on or after his 60th birthday upon the completion of 25 years
2 of creditable service, the allowance shall be equal to one and
3 eighty-three hundredths percent (1.83%) of his average final
4 compensation, multiplied by the number of years of creditable
5 service.

6 b. If the member's service retirement date occurs after his 60th
7 birthday and before his 65th birthday and prior to his
8 completion of 25 years or more of creditable service, his
9 retirement allowance shall be computed as in
10 G.S. 135-5(b20)(2)a. but shall be reduced by one-quarter of one
11 percent (¼ of 1%) thereof for each month by which his
12 retirement date precedes the first day of the month coincident
13 with or next following his 65th birthday.

14 c. If the member's early service retirement date occurs on or after
15 his 50th birthday and before his 60th birthday and after
16 completion of 20 years of creditable service but prior to the
17 completion of 30 years of creditable service, his early service
18 retirement allowance shall be equal to the greater of:

19 1. The service retirement allowance as computed under
20 G.S. 135-5(b20)(2)a. but reduced by the sum of
21 five-twelfths of one percent (5/12 of 1%) thereof for
22 each month by which his retirement date precedes the
23 first day of the month coincident with or next following
24 the month the member would have attained his 60th
25 birthday, plus one-quarter of one percent (¼ of 1%)
26 thereof for each month by which his 60th birthday
27 precedes the first day of the month coincident with or
28 next following his 65th birthday; or

29 2. The service retirement allowance as computed under
30 G.S. 135-5(b20)(2)a. reduced by five percent (5%) times
31 the difference between 30 years and his creditable
32 service at retirement; or

33 3. If the member's creditable service commenced prior to
34 July 1, 1994, the service retirement allowance equal to
35 the actuarial equivalent of the allowance payable at the
36 age of 60 years as computed in G.S. 135-5(b20)(2)b.

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

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

41 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the
42 principal beneficiary designated to receive a return of accumulated contributions shall
43 have the right to elect to receive in lieu thereof the reduced retirement allowance
44 provided by Option 2 of subsection (g) above computed by assuming that the member

1 had retired on the first day of the month following the date of his death, provided that
2 the following conditions apply:

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

18 For the purpose of this benefit, a member is considered to be in service at the date of
19 his death if his death occurs within 180 days from the last day of his actual service. The
20 last day of actual service shall be determined as provided in subsection (1) of this
21 section. Upon the death of a member in service, the surviving spouse may make all
22 purchases for creditable service as provided for under this Chapter for which the
23 member had made application in writing prior to the date of death, provided that the
24 date of death occurred prior to or within 60 days after notification of the cost to make
25 the purchase. The term "in service" as used in this subsection includes a member in
26 receipt of a benefit under the Disability Income Plan as provided in Article 6 of this
27 Chapter."

28 **SECTION 4.** G.S. 135-5 is amended by adding two new subsections to read:

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

38 (rrr) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2007. –
39 From and after July 1, 2007, the retirement allowance to or on account of beneficiaries
40 on the retirement rolls as of June 1, 2007, shall be increased by fifty-five hundredths
41 percent (.55 %) of the allowance payable on June 1, 2007. This allowance shall be
42 calculated on the allowance payable and in effect on June 30, 2007, so as not to be
43 compounded on any other increase granted by act of the 2007 General Assembly."

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

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

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

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

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

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

30 **SECTION 8.** Effective July 1, 2007, the State's employer contribution rates
31 budgeted for retirement and related benefits as percentage of covered salaries for the
32 2006-2007 fiscal year for the Teachers' and State Employees' Retirement System shall
33 be increased from two and sixty-six hundredths percent (2.66%) to four percent (4%).

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