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SESSION 1989

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HOUSE BILL 1311  
Committee Substitute Favorable 7/6/89  
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Short Title: Retirement Tax Changes.

(Public)

Sponsors:

Referred to:

April 12, 1989

1 A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE PARTIAL INCOME TAX EXEMPTIONS FOR RETIREES  
3 AND TO INCREASE STATE AND LOCAL RETIREMENT BENEFITS.

4 The General Assembly of North Carolina enacts:

5 PART I.

6 RETIREMENT TAX EXEMPTIONS.

7 Section 1.1. (a) Effective for taxable years beginning on or after January 1,  
8 1989, G.S. 105-134.6(b), as enacted by Senate Bill 51, Chapter \_\_\_ of the 1989 Session  
9 Laws, is amended by adding a new subdivision to read:

10 "(6) Amounts received during the taxable year as retirement benefits from  
11 one or more state, local, or federal government retirement plans, not to  
12 exceed a total of four thousand dollars (\$4,000) in any taxable year. In  
13 the case of a married couple filing a joint return where both spouses  
14 received state, local, or federal government retirement benefits during  
15 the taxable year, the four thousand dollar (\$4,000) maximum applies  
16 separately to each spouse's benefits for a potential total deduction of  
17 eight thousand dollars (\$8,000) for the couple."

18 (b) Effective for taxable years beginning on or after January 1, 1990, G.S. 105-  
19 134.6(b)(6), as added by subsection (a) of this section, reads as rewritten:

20 "~~(6) Amounts received during the taxable year as retirement benefits from~~  
21 ~~one or more state, local, or federal government retirement plans, not to~~  
22 ~~exceed a total of four thousand dollars (\$4,000) in any taxable year. In~~

1           ~~the case of a married couple filing a joint return where both spouses~~  
2           ~~received state, local, or federal government retirement benefits during~~  
3           ~~the taxable year, the four thousand dollar (\$4,000) maximum applies~~  
4           ~~separately to each spouse's benefits for a potential total deduction of~~  
5           ~~eight thousand dollars (\$8,000) for the couple.~~

6           a.    An amount, not to exceed four thousand dollars (\$4,000), equal  
7           to the amount calculated in subparagraph b. of this subdivision  
8           plus the amount calculated in subparagraph c. of this  
9           subdivision.

10          b.    The amount calculated in this subparagraph is the amount  
11          received during the taxable year as retirement benefits from one  
12          or more state, local, or federal government retirement plans, not  
13          to exceed a total of four thousand dollars (\$4,000) in any  
14          taxable year.

15          c.    The amount calculated in this subparagraph is the amount  
16          received during the taxable year as retirement benefits from one  
17          or more retirement plans, not to exceed the following maximum  
18          amounts:

19           1.    For taxable years beginning before January 1, 1991, one  
20           thousand dollars (\$1,000).

21           2.    For taxable years beginning on or after January 1, 1991,  
22           and before January 1, 1992, two thousand dollars  
23           (\$2,000).

24           3.    For taxable years beginning on or after January 1, 1992,  
25           and before January 1, 1993, three thousand dollars  
26           (\$3,000).

27           4.    For taxable years beginning on or after January 1, 1993,  
28           four thousand dollars (\$4,000).

29          d.    In the case of a married couple filing a joint return where both  
30          spouses received retirement benefits during the taxable year, the  
31          maximum dollar amounts provided in this subdivision for  
32          different types of retirement benefits apply separately to each  
33          spouse's benefits, as appropriate."

34          (c)    Effective for taxable years beginning on or after January 1, 1993, G.S. 105-  
35          134.6(b)(6), as rewritten by subsection (b) of this section, reads as rewritten:

36           "(6)   a.    An amount, not to exceed four thousand dollars (\$4,000), equal to  
37           the amount calculated in subparagraph b. of this subdivision plus the  
38           amount calculated in subparagraph c. of this subdivision.

39           b.    The amount calculated in this subparagraph is the amount  
40           received during the taxable year as retirement benefits from one  
41           or more state, local, or federal government retirement plans, not  
42           to exceed a total of four thousand dollars (\$4,000) in any  
43           taxable year.

- 1           e.     ~~The amount calculated in this subparagraph is the amount~~  
 2           ~~received during the taxable year as retirement benefits from one~~  
 3           ~~or more retirement plans, not to exceed the following maximum~~  
 4           ~~amounts:~~
- 5           1.     ~~For taxable years beginning before January 1, 1991, one~~  
 6           ~~thousand dollars (\$1,000).~~
  - 7           2.     ~~For taxable years beginning on or after January 1, 1991,~~  
 8           ~~and before January 1, 1992, two thousand dollars~~  
 9           ~~(\$2,000).~~
  - 10          3.     ~~For taxable years beginning on or after January 1, 1992,~~  
 11          ~~and before January 1, 1993, three thousand dollars~~  
 12          ~~(\$3,000).~~
  - 13          4.     ~~For taxable years beginning on or after January 1, 1993,~~  
 14          ~~four thousand dollars (\$4,000).~~
- 15          d.     ~~In the case of a married couple filing a joint return where both~~  
 16          ~~spouses received retirement benefits during the taxable year, the~~  
 17          ~~maximum dollar amounts provided in this subdivision for~~  
 18          ~~different types of retirement benefits apply separately to each~~  
 19          ~~spouse's benefits, as appropriate.~~

20           Amounts received as retirement benefits during the taxable year from  
 21           one or more retirement plans, not to exceed a total of four thousand  
 22           dollars (\$4,000) in any taxable year. In the case of a married couple  
 23           filing a joint return where both spouses received retirement benefits  
 24           during the taxable year, the four thousand dollar (\$4,000) maximum  
 25           applies separately to each spouse's benefits for a potential total  
 26           deduction of eight thousand dollars (\$8,000) for the couple."

27           Sec. 1.2. G.S. 105-134.1(13), as enacted by Senate Bill 51, Chapter \_\_\_ of  
 28           the 1989 Session Laws, reads as rewritten:

29           "(13) Retirement benefits. Amounts paid to a former employee or the  
 30           beneficiary of a former employee under a written retirement plan  
 31           established by the employer to provide payments to an employee or  
 32           the beneficiary of an employee after the end of the employee's  
 33           employment with the employer where the right to receive the  
 34           payments is based upon the employment relationship. With respect  
 35           to a self-employed individual or the beneficiary of a self-employed  
 36           individual, the term means amounts paid to the individual or  
 37           beneficiary of the individual under a written retirement plan  
 38           established by the individual to provide payments to the individual  
 39           or the beneficiary of the individual after the end of the self-  
 40           employment. In addition, the term includes amounts received from  
 41           an individual retirement account described in section 408 of the  
 42           Code or from an individual retirement annuity described in section  
 43           408 of the Code. For the purpose of this subdivision, the term  
 44           'employee' includes a volunteer worker."

1           Sec. 1.3. G.S. 105-134.5(b), as enacted by Senate Bill 51, Chapter \_\_\_\_ of the  
2 1989 Session Laws, reads as rewritten:

3           "(b) Nonresidents. For nonresident individuals, the term 'North Carolina taxable  
4 income' means taxable income as calculated under the Code, adjusted as provided in  
5 G.S. 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which  
6 is the taxpayer's gross income as calculated under the Code, adjusted as provided in  
7 G.S. 105-134.6 and G.S. 105-134.7, and the numerator of which is the amount of that  
8 gross income, as adjusted, that is derived from North Carolina sources and is  
9 attributable to the ownership of any interest in real or tangible personal property in this  
10 State or is derived from a business, trade, profession, or occupation carried on in this  
11 State. For the purpose of this Division, retirement benefits received as a result of past  
12 employment or self-employment in this State are income derived from a business, trade,  
13 profession, or occupation carried on in this State."

14           Sec. 1.4. G.S. 105-160.2, as enacted by Senate Bill 51, Chapter \_\_\_\_ of the  
15 1989 Session Laws, reads as rewritten:

16 **"§ 105-160.2. Imposition of tax.**

17           The tax imposed by this Division shall apply to the taxable income of estates and  
18 trusts as determined under the provisions of the Code except as otherwise provided in  
19 this Division. The taxable income of an estate or trust shall be the same as taxable  
20 income for such an estate or trust under the provisions of the Code, adjusted as provided  
21 in G.S. 105-134.6 and G.S. 105-134.7, except that the adjustments provided in G.S.  
22 105-134.6 and G.S. 105-134.7 shall be apportioned between the estate or trust and the  
23 beneficiaries based on the distributions made during the taxable year. The tax shall be  
24 computed at the following percentages of an amount equal to the taxable income  
25 multiplied by a fraction, the numerator of which is the estate or trust's gross income  
26 from North Carolina sources, plus the gross income from sources outside of the State  
27 and from intangible sources which is for the benefit of a resident of this State, and the  
28 denominator of which is the estate or trust's gross income as calculated under the Code.  
29 For purposes of the preceding sentence, taxable income and gross income shall be  
30 computed subject to the adjustments provided in G.S. 105-134.6 and G.S. 105-134.7.  
31 For the purpose of this Division, retirement benefits received as a result of past  
32 employment or self-employment in this State are income from North Carolina sources.  
33 The tax shall be at six percent (6%) on the first eleven thousand eight hundred fifty  
34 dollars (\$11,850) of the amount computed above; and at seven and one-half percent (7  
35 1/2%) of the excess of the amount computed above over eleven thousand eight hundred  
36 fifty dollars (\$11,850). The tax computed under the provisions of this Division shall be  
37 paid by the fiduciary responsible for administering the estate or trust."

38 **PART II.**

39 **REPEAL EXISTING EXEMPTIONS.**

40           Sec. 2.1. G.S. 118-49 reads as rewritten:

41 **"§ 118-49. Exemptions of pensions from attachment; rights nonassignable.**

42           Except for the applications of the provisions of G.S. 110-136, and in connection with  
43 a court-ordered equitable distribution under G.S. 50-20, the pensions provided are not  
44 subject to attachment, garnishments or judgments against the fireman or rescue squad

1 worker entitled to them, nor are any rights in the fund or the pensions or benefits  
2 assignable nor are the pensions subject to any State or municipal tax. assignable."

3 Sec. 2.2. G.S. 120-4.29 reads as rewritten:

4 **"§ 120-4.29. Exemption from taxes, garnishment, attachment.**

5 Except for the applications of the provisions of G. S. 110-136, and in connection  
6 with a court-ordered equitable distribution under G.S. 50-20, the right of a person to a  
7 pension, annuity, or retirement allowance, to the return of contributions, or to the receipt  
8 of the pension, annuity or retirement allowance itself, any optional benefit or any other  
9 right accrued or accruing to any person under the provisions of this Article, and the  
10 moneys in the various funds created by this Article, ~~are exempt from any State or~~  
11 ~~municipal tax, and are~~ exempt from levy and sale, garnishment, attachment, or any other  
12 process whatsoever, and shall be unassignable except as this Article specifically  
13 provides. Notwithstanding any provisions to the contrary, any overpayment of benefits  
14 to a member in a State-administered retirement system or Disability Salary Continuation  
15 Plan may be offset against any retirement allowance, return of contributions or any  
16 other right accruing under this Chapter to the same person, the person's estate, or  
17 designated beneficiary."

18 Sec. 2.3. G.S. 127A-40(e) is repealed.

19 Sec. 2.4. G.S. 128-31 reads as rewritten:

20 **"§ 128-31. Exemptions from execution.**

21 Except for the applications of the provisions of G.S. 110-136, and in connection with  
22 a court-ordered equitable distribution under G.S. 50-20, the right of a person to a  
23 pension, an annuity, or a retirement allowance, to the return of contributions, the  
24 pension, annuity or retirement allowance itself, any optional benefit or any other right  
25 accrued or accruing to any person under the provisions of this Article, and the moneys  
26 in the various funds created by this Article, ~~are hereby exempt from any state or municipal~~  
27 ~~tax, and are~~ exempt from levy and sale, garnishment, attachment, or any other process  
28 whatsoever, and shall be unassignable except as in this Article specifically otherwise  
29 provided. Notwithstanding any provisions to the contrary, any overpayment of benefits  
30 to a member in a State-administered retirement system or Disability Salary Continuation  
31 Plan may be offset against any retirement allowance, return of contributions or any  
32 other right accruing under this Chapter to the same person, the person's estate, or  
33 designated beneficiary."

34 Sec. 2.5. G.S. 135-9 reads as rewritten:

35 **"§ 135-9. Exemption from taxes, garnishment, attachment, etc.**

36 Except for the applications of the provisions of G.S. 110-136, and in connection with  
37 a court-ordered equitable distribution under G.S. 50-20, the right of a person to a  
38 pension, or annuity, or a retirement allowance, to the return of contributions, the  
39 pension, annuity or retirement allowance itself, any optional benefit or any other right  
40 accrued or accruing to any person under the provisions of this Chapter, and the moneys  
41 in the various funds created by this Chapter, ~~are hereby exempt from any State or municipal~~  
42 ~~tax, and are~~ exempt from levy and sale, garnishment, attachment, or any other process  
43 whatsoever, and shall be unassignable except as in this Chapter specifically otherwise  
44 provided. Notwithstanding any provisions to the contrary, any overpayment of benefits

1 to a member in a State-administered retirement system or the former Disability Salary  
2 Continuation Plan or the Disability Income Plan of North Carolina may be offset against  
3 any retirement allowance, return of contributions or any other right accruing under this  
4 Chapter to the same person, the person's estate, or designated beneficiary."

5 Sec. 2.6. G.S. 135-95 reads as rewritten:

6 **"§ 135-95. Exemption from taxes, garnishment, attachment.**

7 Except for the applications of the provisions of G.S. 110-136, and in connection with  
8 a court-ordered equitable distribution under G.S. 50-20, the right of a member in the  
9 Supplemental Retirement Income Plan to the benefits provided under this Article is  
10 nonforfeitable and exempt from levy, sale, ~~garnishment, and the benefits payable under this~~  
11 ~~Article are hereby exempt from any State and local government taxes. and garnishment.~~"

12 Sec. 2.7. G.S. 143-166.30(g) reads as rewritten:

13 "(g) Exemption from ~~Taxes, Garnishment and Attachment.~~ – The right of a  
14 participant in the Supplemental Retirement Income Plan to the benefits provided under  
15 this Article is nonforfeitable and exempt from levy, sale, ~~garnishment, and the benefits~~  
16 ~~payable under this Article are hereby exempt from any State and local government taxes. and~~  
17 ~~garnishment.~~"

18 Sec. 2.8. G.S. 143-166.60(h) reads as rewritten:

19 "(h) Exemption from ~~Taxes, Garnishment and Attachment.~~ – The right of a  
20 participant in the Separate Insurance Benefits Plan to the benefits provided under this  
21 Article is nonforfeitable and exempt from levy, sale, and ~~garnishment, and the benefits~~  
22 ~~payable under this Article are exempt from any State and local government taxes.~~  
23 ~~garnishment.~~"

24 Sec. 2.9. G.S. 143-166.85(e) is repealed.

25 Sec. 2.10. G.S. 147-9.4 reads as rewritten:

26 **"§ 147-9.4. Deferred Compensation Plan.**

27 Notwithstanding the provisions of G.S. 147-62, and notwithstanding any provision  
28 of law relating to salaries or salary schedules of State employees, the chief executive  
29 officer of an employer, on behalf of the employer, may from time to time enter into a  
30 contract with an employee under which the employee irrevocably elects to defer receipt  
31 of a portion of his scheduled salary in the future, but only if, as a result of such contract,  
32 the income so deferred is deferred pursuant to the Plan provided for in G.S. 143B-  
33 426.24 or pursuant to some other plan established before 1 January 1983, and is not  
34 constructively received by the employee in the year in which it was earned, for State  
35 and federal income tax purposes. In addition, the income so deferred shall be invested  
36 in the manner provided in the applicable Plan; however, the employee may revoke his  
37 election to participate and may amend the amount of compensation to be deferred by  
38 signing and filing with the Board a written revocation or amendment on a form and in  
39 the manner approved by the Board. Any such revocation or amendment shall be  
40 effective prospectively only and shall cause no change in the allocation of amounts  
41 invested prior to the filing date of such revocation or amendment.

42 An employee who has agreed to the deferral of income pursuant to the Plan shall  
43 have the right to receive the income so deferred only in accordance with the provisions  
44 of the Plan. Funds so deferred shall not be in lieu of any amount earned by the employee

1 before his election to defer compensation became effective. The agreement to defer  
2 income referred to herein shall be effective under such necessary regulations and  
3 procedures as are adopted by the Board, and on forms prepared or approved by it.  
4 Notwithstanding any other provisions of law, the amount by which the salary of an  
5 employee is deferred pursuant to the Plan shall not be excluded, but shall be included, in  
6 computing and making payroll deductions for social security and retirement system  
7 purposes, if any, and in computing and providing matching funds for retirement system  
8 purposes, if any.

9 Except for the applications of the provisions of G.S. 110-136, and in connection with  
10 a court-ordered equitable distribution under G.S. 50-20, the right of an employee, who  
11 elects to defer income pursuant to the North Carolina Public Employee Deferred  
12 Compensation Plan under G.S. 143B-426.24, to benefits that have vested under the  
13 Plan, is nonforfeitable. These benefits are exempt from levy, sale, and garnishment,  
14 except as provided by this section, ~~and exempt from all State and local taxation.~~ section."

15 Sec. 2.11. G.S. 161-50.5(e) is repealed.

16 Sec. 2.12. Chapter 1307 of the 1979 Session Laws and Chapter 1076 of the  
17 1969 Session Laws are repealed.

### 18 PART III.

#### 19 RETIREMENT BENEFITS AMENDMENTS.

20 Sec. 3.1. G.S. 135-5(b10) reads as rewritten:

21 "(b10) Service Retirement Allowance of Members Retiring on or after July 1,  
22 ~~1988-1988, but before July 1, 1989.~~ – Upon retirement from service in accordance with  
23 subsection (a) above, on or after July 1, 1988, but before July 1, 1989, a member shall  
24 receive the following service retirement allowance:

- 25 (1) A member who is a law enforcement officer or an eligible former law  
26 enforcement officer shall receive a service retirement allowance  
27 computed as follows:
- 28 a. If the member's service retirement date occurs on or after his  
29 55th birthday, and completion of five years of creditable service  
30 as a law enforcement officer, or after the completion of 30 years  
31 of creditable service, the allowance shall be equal to one and  
32 sixty hundredths percent (1.60%) of his average final  
33 compensation, multiplied by the number of years of his  
34 creditable service.
  - 35 b. This allowance shall also be governed by the provisions of G.S.  
36 135-5(b9)(1)b.
- 37 (2) A member who is not a law enforcement officer or an eligible former  
38 law enforcement officer shall receive a service retirement allowance  
39 computed as follows:
- 40 a. If the member's service retirement date occurs on or after his  
41 65th birthday upon the completion of five years of creditable  
42 service or after the completion of 30 years of creditable service  
43 or on or after his 60th birthday upon the completion of 25 years  
44 of creditable service, such allowance shall be equal to one and

1 sixty hundredths percent (1.60%) of his average final  
2 compensation, multiplied by the number of years of his  
3 creditable service.

4 b. This allowance shall also be governed by the provisions of G.S.  
5 135-5(b9)(2)b., c. and d."

6 Sec. 3.2. G.S. 135-5 is amended by adding a new subsection to read:

7 "(b11) Service Retirement Allowance of Members Retiring on or after July 1,  
8 1989. – Upon retirement from service in accordance with subsection (a) above, on or  
9 after July 1, 1989, a member shall receive the following service retirement allowance:

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

13 a. If the member's service retirement date occurs on or after his  
14 55th birthday, and completion of five years of creditable service  
15 as a law enforcement officer, or after the completion of 30 years  
16 of creditable service, the allowance shall be equal to one and  
17 sixty-three hundredths percent (1.63%) of his average final  
18 compensation, multiplied by the number of years of his  
19 creditable service.

20 b. This allowance shall also be governed by the provisions of G.S.  
21 135-5(b9)(1)b.

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

25 a. If the member's service retirement date occurs on or after his  
26 65th birthday upon the completion of five years of creditable  
27 service or after the completion of 30 years of creditable service  
28 or on or after his 60th birthday upon the completion of 25 years  
29 of creditable service, the allowance shall be equal to one and  
30 sixty-three hundredths percent (1.63%) of his average final  
31 compensation, multiplied by the number of years of creditable  
32 service.

33 b. This allowance shall also be governed by the provisions of G.S.  
34 135-5(b9)(2)b. c. and d."

35 Sec. 3.3. G.S. 135-5 is amended by adding a new subsection to read:

36 "(pp) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1989.  
37 From and after July 1, 1989, the retirement allowance to or on account of beneficiaries  
38 on the retirement rolls as of June 1, 1989, shall be increased by one and nine-tenths  
39 percent (1.9%) of the allowance payable on June 1, 1989. This allowance shall be  
40 calculated on the basis of the allowance payable and in effect on June 30, 1989, so as  
41 not to be compounded on any other increase payable under subsection (o) of this section  
42 or otherwise granted by act of the 1989 Session of the General Assembly."

43 Sec. 3.4. G.S. 128-27(b10) reads as rewritten:



1       "(b10) Service Retirement Allowance of Members Retiring on or after July 1,  
2 ~~1988-1988, but before July 1, 1989.~~ – Upon retirement from service in accordance with  
3 subsection (a) above, on or after July 1, 1988, but before July 1, 1989, a member shall  
4 receive the following service retirement allowance:

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

8           a. If the member's service retirement date occurs on or after his  
9 55th birthday, and completion of five years of creditable service  
10 as a law enforcement officer, or after the completion of 30 years  
11 of creditable service, the allowance shall be equal to one and  
12 sixty hundredths percent (1.60%) of his average final  
13 compensation, multiplied by the number of years of his  
14 creditable service.

15           b. Such allowance shall also be governed by the provisions of G.S.  
16 128-27(b8)(2).

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

20           a. If the member's service retirement date occurs on or after his  
21 65th birthday upon the completion of five years of creditable  
22 service or after the completion of 30 years of creditable service,  
23 or on or after his 60th birthday upon the completion of 25 years  
24 of creditable service, such allowance shall be equal to one and  
25 sixty-hundredths percent (1.60%) of his average final  
26 compensation, multiplied by the number of years of his  
27 creditable service.

28           b. Such allowance shall also be governed by the provisions of G.S.  
29 128-27(b7)(2a), (2b) and (3)."

30       Sec. 3.5. G.S. 128-27 is amended by adding a new section to read:

31       "(b11) Service Retirement Allowance of Members Retiring on or after July 1,  
32 1989. – Upon retirement from service in accordance with subsection (a) above, on or  
33 after July 1, 1989, a member shall receive the following service retirement allowance:

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

37           a. If the member's service retirement date occurs on or after his  
38 55th birthday, and completion of five years of creditable service  
39 as a law enforcement officer, or after the completion of 30 years  
40 of creditable service, the allowance shall be equal to one and  
41 sixty-three hundredths percent (1.63%) of his average final  
42 compensation, multiplied by the number of years of his  
43 creditable service.

- 1                   b.     This allowance shall also be governed by the provisions of G.S.  
2                             128-27(b8)(2).
- 3           (2)     A member who is not a law enforcement officer or an eligible former  
4                   law enforcement officer shall receive a service retirement allowance  
5                   computed as follows:
- 6                   a.     If the member's service retirement date occurs on or after his  
7                             65th birthday upon the completion of five years of creditable  
8                             service or after the completion of 30 years of creditable service  
9                             or on or after his 60th birthday upon the completion of 25 years  
10                            of creditable service, the allowance shall be equal to one and  
11                            sixty-three hundredths percent (1.63%) of his average final  
12                            compensation, multiplied by the number of years of creditable  
13                            service.
- 14                   b.     This allowance shall also be governed by the provisions of G.S.  
15                             128-27(b7)(2a) and (3)."

16           Sec. 3.6. G.S. 128-27 is amended by adding a new subsection to read:

17           "(ff) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1989.  
18           From and after July 1, 1989, the retirement allowance to or on account of beneficiaries  
19           on the retirement rolls as of June 1, 1989, shall be increased by one and nine-tenths  
20           percent (1.9%) of the allowance payable on June 1, 1989. This allowance shall be  
21           calculated on the basis of the allowance payable and in effect on June 30, 1989, so as  
22           not to be compounded on any other increase payable under subsection (k) of this section  
23           or otherwise granted by act of the 1989 Session of the General Assembly."

24           Sec. 3.7. The State's employer contribution rate budgeted for the University  
25 Employees' Optional Retirement Program is increased from eight and seventeen  
26 hundredths percent (8.17%), as contained in the Expansion Budget Appropriations Act  
27 for Current Operations for the 1989-91 biennium, to eight and twenty-seven hundredths  
28 percent (8.27%), beginning September 1, 1989.

29           Sec. 3.8. It is the intention of the First Session of the 1989 General Assembly  
30 that the benefit accrual rates of the Teachers' and State Employees' Retirement System  
31 and the Local Governmental Employees' Retirement System be further increased as a  
32 result of this act, on or after July 1, 1990, for active and retired members and  
33 beneficiaries of the Systems upon the availability of unencumbered actuarial gains in  
34 the Retirement Systems for the years ending on or after December 31, 1988, subsequent  
35 to the application of such unencumbered actuarial gains for the provisions of G.S. 128-  
36 27(k) and G.S. 135-5(o).

37           Sec. 3.9. Part III of this act shall become effective July 1, 1989. Except as  
38 otherwise provided in this act, the this act is effective for taxable years beginning on or  
39 after January 1, 1989.