

**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.