

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

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**SENATE BILL 803
Pensions & Retirement and Aging Committee Substitute Adopted 6/6/12
House Committee Substitute Favorable 6/20/12**

Short Title: Retirement Administrative Changes.

(Public)

Sponsors:

Referred to:

May 17, 2012

A BILL TO BE ENTITLED
AN ACT TO MAKE CHANGES TO ADMINISTRATION OF THE STATE RETIREMENT
SYSTEMS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 120-32.01(c) reads as rewritten:

"(c) Consistent with subsection (a) of this section and notwithstanding any other law relating to privacy of personnel records, the Retirement Systems Division of the Department of State Treasurer shall furnish the Fiscal Research Division direct online read-only access to active and retired member information or records maintained by the Retirement Systems Division in online information systems. Direct online read-only access shall not include access to medical records of individual ~~members~~; members or to tax records and other tax-related documents of members and beneficiaries. Nothing in this subsection shall limit the provisions of subsection (a) of this section."

SECTION 2. G.S. 128-27(k) reads as rewritten:

"(k) Post-Retirement Increases in Allowances. – As of December 31, 1969, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase that equals or exceeds three per centum (3%), each beneficiary receiving a retirement allowance as of December 31, 1968, shall be entitled to have his allowance increased three per centum (3%) effective July 1, 1970.

As of December 31, 1970, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase of at least one per centum (1%), each beneficiary on the retirement rolls as of July 1, 1970, shall be entitled to have his allowance increased effective July 1, 1971, as follows:

Increase In Index	Increase In Allowance
1.00 to 1.49%	1%
1.50 to 2.49%	2%
2.50 to 3.49%	3%
3.50% or more	4%

As of December 31, 1971, an increase in retirement allowances shall be calculated and made effective July 1, 1972, in the manner described in the preceding paragraph. As of December 31 of each year after 1971, the ratio (R) of the Consumer Price Index to such index one year earlier shall be determined, and each beneficiary on the retirement rolls as of July 1 of the year of determination shall be entitled to have his allowance increased effective on July 1 of the year following the year of determination by the same percentage of increase indicated by



1 the ratio (R) calculated to the nearest tenth of one per centum (1/10 of 1%), but not more than
2 four per centum (4%); provided that any such increase in allowances shall be contingent upon
3 the total fund providing sufficient investment gains to cover the additional actuarial liabilities
4 on account of such increase. The determination of whether there are sufficient investment gains
5 to cover the possible postretirement increase in allowance shall reside exclusively within the
6 discretion of the Board of Trustees and shall be informed by the findings within the annual
7 actuarial valuation reports.

8 The allowance of a surviving annuitant of a beneficiary whose allowance is increased under
9 this subsection shall, when and if payable, be increased by the same per centum.

10 Any increase in allowance granted hereunder shall be permanent, irrespective of any
11 subsequent decrease in the Consumer Price Index, and shall be included in determining any
12 subsequent increase.

13 Notwithstanding the foregoing linkage between increases in the Consumer Price Index and
14 correlative contingent increases in retirement benefits determined by the availability of
15 sufficient investment gains to cover the additional actuarial liabilities arising from those
16 increased benefits, the Board of Trustees, may in any year, regardless of any increase or
17 decrease in the Consumer Price Index, fund a cost-of-living increase in a percentage amount,
18 measured in tenths of one percent (1/10 of 1%), of up to four percent (4%), provided that the
19 Board may use only investment gains to fund such an increase.

20 For purposes of this subsection, Consumer Price Index shall mean the Consumer Price
21 Index (all items – United States city average), as published by the United States Department of
22 Labor, Bureau of Labor Statistics."

23 **SECTION 3.** G.S. 128-30(d) reads as rewritten:

24 "(d) Pension Accumulation Fund. – The pension accumulation fund shall be the fund in
25 which shall be accumulated all reserves for the payment of all pensions and other benefits
26 payable from contributions made by employers and from which shall be paid all pensions and
27 other benefits on account of members with prior service credit. Contributions to and payments
28 from the pension accumulation fund shall be made as follows:

29 ...

30 (3) The "accrued liability contribution" shall be set for each employer on the
31 basis of the prior service credits allowable to the employees thereof, who are
32 entitled to prior service certificates, and shall be paid for a period of
33 approximately 30 years, provided that the length of the period of payment
34 for each employer after contributions begin ~~shall be the same for all~~
35 ~~employers and~~ shall be determined by the Board of Trustees as the result of
36 actuarial valuations.

37"

38 **SECTION 4.(a)** G.S. 120-4.32 reads as rewritten:

39 **"§ 120-4.32. Deduction for payments to certain employees' or retirees' associations**
40 **allowed.**

41 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
42 that has at least 2,000 members, the majority of whom are active or retired employees of the
43 State or public school employees, may authorize, in writing, the periodic deduction from the
44 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
45 association. The authorization shall remain in effect until revoked by the beneficiary. A plan of
46 deductions pursuant to this section shall become void if the employees' or retirees' association
47 engages in collective bargaining with the State, any political subdivision of the State, or any
48 local school administrative unit.

49 (b) Any beneficiary eligible for coverage under the State Health Plan may also
50 authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a
51 designated lump sum to be paid to the State Health Plan for any dependent whom the

1 beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own
2 State Health Plan coverage is contributory, in whole or in part, the beneficiary may also
3 authorize a designated lump sum to be paid to the State Health Plan on behalf of the
4 beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental
5 voluntary insurance benefits, provided that the deduction is authorized by the Department of
6 State Treasurer and is payable to a company with which the Department of State Treasurer has
7 or had an exclusive contractual relationship. Any such authorization shall remain in effect until
8 revoked by the beneficiary."

9 SECTION 4.(b) G.S. 128-38.3 reads as rewritten:

10 "§ 128-38.3. Deduction for ~~payment to certain employees' associations~~ payments allowed.

11 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
12 that has at least 2,000 members, the majority of whom are active or retired employees of
13 employers as defined in G.S. 128-21(11), may authorize, in writing, the periodic deduction
14 from the beneficiary's retirement benefits a designated lump sum to be paid to the employees'
15 or retirees' association. The authorization shall remain in effect until revoked by the
16 beneficiary. A plan of deductions pursuant to this section shall become void if the employees'
17 or retirees' association engages in collective bargaining with the State, any political subdivision
18 of the State, or any local school administrative unit.

19 (b) Any beneficiary eligible for coverage under the State Health Plan may also
20 authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a
21 designated lump sum to be paid to the State Health Plan for any dependent whom the
22 beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own
23 State Health Plan coverage is contributory, in whole or in part, the beneficiary may also
24 authorize a designated lump sum to be paid to the State Health Plan on behalf of the
25 beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental
26 voluntary insurance benefits, provided that the deduction is authorized by the Department of
27 State Treasurer and is payable to a company with which the Department of State Treasurer has
28 or had an exclusive contractual relationship. Any such authorization shall remain in effect until
29 revoked by the beneficiary."

30 SECTION 4.(c) G.S. 135-18.8 reads as rewritten:

31 "§ 135-18.8. Deduction for ~~payments to certain employees' or retirees' associations~~
32 allowed.

33 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
34 that has at least 2,000 members, the majority of whom are active or retired employees of the
35 State may authorize, in writing, the periodic deduction from the beneficiary's retirement
36 benefits a designated lump sum to be paid to the employees' or retirees' association. The
37 authorization shall remain in effect until revoked by the beneficiary. A plan of deductions
38 pursuant to this section shall become void if the employees' or retirees' association engages in
39 collective bargaining with the State, any political subdivision of the State, or any local school
40 administrative unit.

41 (b) Any beneficiary may also authorize, in writing, the monthly deduction from the
42 beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan
43 for any dependent whom the beneficiary wishes to cover under the State Health Plan. In the
44 event that the beneficiary's own State Health Plan coverage is contributory, in whole or in part,
45 the beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on
46 behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for
47 supplemental voluntary insurance benefits, provided that the deduction is authorized by the
48 Department of State Treasurer and is payable to a company with which the Department of State
49 Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain
50 in effect until revoked by the beneficiary."

51 SECTION 4.(d) G.S. 135-75 reads as rewritten:

1 **"§ 135-75. Deduction for payments to certain employees' or retirees' associations allowed.**

2 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
3 that has at least 2,000 members, the majority of whom are active or retired employees of the
4 State or public school employees, may authorize, in writing, the periodic deduction from the
5 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
6 association. The authorization shall remain in effect until revoked by the beneficiary. A plan of
7 deductions pursuant to this section shall become void if the employees' or retirees' association
8 engages in collective bargaining with the State, any political subdivision of the State, or any
9 local school administrative unit.

10 (b) Any beneficiary eligible for coverage under the State Health Plan may also
11 authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a
12 designated lump sum to be paid to the State Health Plan for any dependent whom the
13 beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own
14 State Health Plan coverage is contributory, in whole or in part, the beneficiary may also
15 authorize a designated lump sum to be paid to the State Health Plan on behalf of the
16 beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental
17 voluntary insurance benefits, provided that the deduction is authorized by the Department of
18 State Treasurer and is payable to a company with which the Department of State Treasurer has
19 or had an exclusive contractual relationship. Any such authorization shall remain in effect until
20 revoked by the beneficiary."

21 **SECTION 5.** G.S. 135-106(b) reads as rewritten:

22 "(b) After the commencement of benefits under this section, the benefits payable under
23 the terms of this section during the first 36 months of the long-term disability period shall be
24 equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable
25 to the participant or beneficiary prior to the beginning of the short-term disability period as may
26 be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent
27 (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would
28 be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced
29 by any primary Social Security disability benefits and by monthly payments for Workers'
30 Compensation to which the participant or beneficiary may be entitled. When primary Social
31 Security disability benefits are increased by cost-of-living adjustments, the increased reduction
32 shall be applied in the first month following the month in which the member becomes entitled
33 to the increased Social Security benefit. The monthly benefit shall be further reduced by the
34 amount of any monthly payments from the federal Department of Veterans Affairs, any other
35 federal agency or any payments made under the provisions of G.S. 127A-108, to which the
36 participant or beneficiary may be entitled on account of the same disability. Provided, in any
37 event, the benefit payable shall be no less than ten dollars (\$10.00) a month. However, a
38 disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in
39 lieu of long-term disability benefits; provided such election shall not extend the first 36
40 consecutive calendar months of the long-term disability period. An election to receive any
41 salary continuation for any part of any given day shall be in lieu of any long-term benefit
42 payable for that day, provided further, any lump-sum payout for vacation leave shall be treated
43 as if the beneficiary or participant had exhausted the leave and shall be in lieu of any long-term
44 benefit otherwise payable. Provided that, in any event, a beneficiary's benefit shall be reduced
45 during the first 36 months of the long-term disability period by an amount, as determined by
46 the Board of Trustees, equal to a primary Social Security retirement benefit to which the
47 beneficiary might be entitled.

48 After 36 months of long-term disability, no further benefits are payable under the terms of
49 this section unless the member has been approved and is in receipt of primary Social Security
50 disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of
51 1/12th of the annual base rate of compensation last payable to the participant or beneficiary

1 prior to the beginning of the short-term disability period as may be adjusted for percentage
2 increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual
3 longevity payment to which the participant or beneficiary would be eligible, to a maximum of
4 three thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security
5 disability benefits and by monthly payments for Workers' Compensation to which the
6 participant or beneficiary may be entitled. When primary Social Security disability benefits are
7 increased by cost-of-living adjustments, the increased reduction shall be applied in the first
8 month following the month in which the member becomes entitled to the increased Social
9 Security benefit. The monthly benefit shall be further reduced by the amount of any monthly
10 payments from the federal Department of Veterans Affairs, for payments from any other
11 federal agency, or for any payments made under the provisions of G.S. 127A-108, to which the
12 participant or beneficiary may be entitled on account of the same disability. Provided, in any
13 event, the benefit payable shall be no less than ten dollars (\$10.00) a month.

14 Notwithstanding the ~~foregoing~~, ~~foregoing~~, but subject to an additional integration with the
15 five-year and 10-year retirement vesting provisions as set forth in this paragraph, the long-term
16 disability benefit is payable so long as the beneficiary is disabled and is in receipt of a primary
17 Social Security disability benefit until the earliest date at which the beneficiary who became a
18 member prior to August 1, 2011, is eligible for an unreduced service retirement allowance from
19 the Retirement System, at which time the beneficiary would receive a retirement allowance
20 calculated on the basis of the beneficiary's average final compensation at the time of disability
21 as adjusted to reflect compensation increases subsequent to the time of disability and the
22 creditable service accumulated by the beneficiary, including creditable service while in receipt
23 of benefits under the Plan. In the case of any long-term disability beneficiary who became a
24 member on and after August 1, 2011, and ordinarily would not be eligible for a retirement
25 benefit without 10 years of membership service, for purposes of this conversion from long-term
26 disability to service retirement, and for that purpose only, noncontributory creditable service
27 granted while in receipt of disability benefits under this Article shall be deemed to be
28 membership service, through the completion of 10 years of combined membership and
29 noncontributory service on short-term and long-term disability benefits in total. In the event the
30 beneficiary has not been approved and is not in receipt of a primary Social Security disability
31 benefit, the long-term disability benefit shall cease after the first 36 months of the long-term
32 disability period. When such a long-term disability recipient begins receiving this unreduced
33 service retirement allowance from the System, that recipient shall not be subject to the
34 six-month waiting period set forth in G.S. 135-1(20). However, a beneficiary shall be entitled
35 to a restoration of the long-term disability benefit in the event the Social Security
36 Administration grants a retroactive approval for primary Social Security disability benefits with
37 a benefit effective date within the first 36 months of the long-term disability period. In such
38 event, the long-term disability benefit shall be restored retroactively to the date of cessation."

39 **SECTION 6.** G.S. 147-69.2(b)(8) reads as rewritten:

40 "(8) With respect to assets of the Teachers' and State Employees' Retirement
41 System, the Consolidated Judicial Retirement System, the Firemen's and
42 Rescue Workers' Pension Fund, the Local Governmental Employees'
43 Retirement System, the Legislative Retirement System, the North Carolina
44 National Guard Pension ~~Fund~~-Fund, and the Retiree Health Benefit Fund
45 (hereinafter referred to collectively as the Retirement Systems), and assets
46 invested pursuant to subdivision (b2) of this section, they may be invested in
47 equity securities traded on a public securities exchange or market organized
48 and regulated pursuant to the laws of the jurisdiction of such exchange or
49 market and issued by any company incorporated or otherwise created or
50 located within or outside the United States; provided the investments meet
51 the conditions of this subdivision. The investments authorized for the

1 Retirement Systems under this subdivision cannot exceed sixty-five percent
2 (65%) of the market value of all invested assets of the Retirement Systems.

3 The assets authorized under this subdivision may be invested directly by
4 the State Treasurer in any equity securities authorized by this subdivision for
5 the primary purpose of approximating the movements of a nationally
6 recognized and published market benchmark index. No more than one and
7 one-half percent (1.5%) of the market value of the Retirement Systems'
8 assets that may be invested directly under this subdivision can be invested in
9 the stock of a single corporation, and the total number of shares in that single
10 corporation cannot exceed eight percent (8%) of the issued and outstanding
11 stock of that corporation.

12 So long as each investment manager has assets under management of at
13 least one hundred million dollars (\$100,000,000), the assets authorized under
14 this subdivision may also be invested through any of the following:

- 15 a. Investment companies registered under the Investment Company Act
16 of 1940; individual, common, or collective trust funds of banks and
17 trust companies; and group trusts that invest primarily in investments
18 authorized by this subdivision.
- 19 b. Limited partnerships, limited liability companies, or other limited
20 liability investment vehicles that are not publicly traded and invest
21 primarily in investments authorized by this subdivision. Investments
22 under this sub-subdivision shall not exceed six and one-half percent
23 (6.5%) of the market value of all invested assets of the Retirement
24 Systems.
- 25 c. Contractual arrangements in which investment managers have full
26 and complete discretion and authority to invest assets specified in
27 such contractual arrangements in investments authorized by this
28 subdivision."

29 **SECTION 7.** This act becomes effective July 1, 2012.