

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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HOUSE DRH60341-LL-128A (4/3)

Short Title: Higher Option/Local Gov'tal Retirement.

(Public)

Sponsors: Representative Goodwin.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH AN OPTIONAL GRADUATED TWENTY-FIVE-YEAR
RETIREMENT PLAN FOR LOCAL GOVERNMENTS PARTICIPATING IN
THE LOCAL GOVERNMENTAL EMPLOYEES RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-27 is amended by adding the following new subsections to read:

"(b21) Optional Service Retirement Allowance of Member Retiring on or After July 1, 2003, First Year. – Effective for members retiring on or after July 1, 2003, an employer may elect to adopt an optional plan for graduated 25-year retirement. Under such a plan, upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1 of the first year of the plan, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 29 years of creditable service, the allowance shall be equal to two and ten hundredths percent (2.10%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and

1 prior to the completion of 29 years of creditable service, his
2 retirement allowance shall be equal to the greater of:

- 3 1. The service retirement allowance payable under G.S.
4 128-27(b21)(1)a. reduced by one-third of one percent
5 (1/3 of 1%) thereof for each month by which his
6 retirement date precedes the first day of the month
7 coincident with or next following the month the member
8 would have attained his 55th birthday;
- 9 2. The service retirement allowance as computed under
10 G.S. 128-27(b21)(1)a. reduced by five percent (5%)
11 times the difference between 29 years and his creditable
12 service at retirement.

13 (2) A member who is not a law enforcement officer or an eligible former
14 law 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 65th birthday upon the completion of five years of creditable
18 service or after the completion of 29 years of creditable service
19 or on or after his 60th birthday upon the completion of 25 years
20 of creditable service, the allowance shall be equal to two and
21 ten hundredths percent (2.10%) of average final compensation,
22 multiplied by the number of years of creditable service.
- 23 b. If the member's service retirement date occurs after his 60th
24 birthday and before his 65th birthday and prior to his
25 completion of 25 years or more of creditable service, his
26 retirement allowance shall be computed as in G.S.
27 128-27(b21)(2)a. but shall be reduced by one-quarter of one
28 percent (1/4 of 1%) thereof for each month by which his
29 retirement date precedes the first day of the month coincident
30 with or next following his 65th birthday.
- 31 c. If the member's early service retirement date occurs on or after
32 his 50th birthday and before his 60th birthday and after
33 completion of 20 years of creditable service but prior to the
34 completion of 29 years of creditable service, his early service
35 retirement allowance shall be equal to the greater of:
 - 36 1. The service retirement allowance as computed under
37 G.S. 128-27(b21)(2)a. but reduced by the sum of
38 five-twelfths of one percent (5/12 of 1%) thereof for
39 each month by which his retirement date precedes the
40 first day of the month coincident with or next following
41 the month the member would have attained his 60th
42 birthday, plus one-quarter of one percent (1/4 of 1%)
43 thereof for each month by which his 60th birthday

1 precedes the first day of the month coincident with or
2 next following his 65th birthday; or

3 2. The service retirement allowance as computed under
4 G.S. 128-27(b21)(2)a. reduced by five percent (5%)
5 times the difference between 29 years and his creditable
6 service at retirement; or

7 3. If the member's creditable service commenced prior to
8 July 1, 1995, the service retirement allowance equal to
9 the actuarial equivalent of the allowance payable at the
10 age of 60 years as computed in G.S. 128-27(b21)(2)b.

11 d. Notwithstanding the foregoing provisions, any member whose
12 creditable service commenced prior to July 1, 1965, shall not
13 receive less than the benefit provided by G.S. 128-27(b).

14 (b22) Optional Service Retirement Allowance of Member Retiring on or After July
15 1, 2003, Second Year. – Effective for members retiring on or after July 1, 2003, an
16 employer may elect to adopt an optional plan for graduated 25-year retirement. Under
17 such a plan, upon retirement from service in accordance with subsection (a) or (a1)
18 above, on or after July 1 of the second year of the plan, a member shall receive the
19 following service retirement allowance:

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

23 a. If the member's service retirement date occurs on or after his
24 55th birthday and completion of five years of creditable service
25 as a law enforcement officer, or after the completion of 28 years
26 of creditable service, the allowance shall be equal to two and
27 ten hundredths percent (2.10%) of his average final
28 compensation, multiplied by the number of years of his
29 creditable service.

30 b. If the member's service retirement date occurs on or after his
31 50th birthday and before his 55th birthday with 15 or more
32 years of creditable service as a law enforcement officer and
33 prior to the completion of 28 years of creditable service, his
34 retirement allowance shall be equal to the greater of:

35 1. The service retirement allowance payable under G.S.
36 128-27(b22)(1)a. reduced by one-third of one percent
37 (1/3 of 1%) thereof for each month by which his
38 retirement date precedes the first day of the month
39 coincident with or next following the month the member
40 would have attained his 55th birthday;

41 2. The service retirement allowance as computed under
42 G.S. 128-27(b22)(1)a. reduced by five percent (5%)
43 times the difference between 28 years and his creditable
44 service at retirement.

- 1 (2) A member who is not a law enforcement officer or an eligible former
2 law enforcement officer shall receive a service retirement allowance
3 computed as follows:
- 4 a. If the member's service retirement date occurs on or after his
5 65th birthday upon the completion of five years of creditable
6 service or after the completion of 28 years of creditable service
7 or on or after his 60th birthday upon the completion of 25 years
8 of creditable service, the allowance shall be equal to two and
9 ten hundredths percent (2.10%) of average final compensation,
10 multiplied by the number of years of creditable service.
- 11 b. If the member's service retirement date occurs after his 60th
12 birthday and before his 65th birthday and prior to his
13 completion of 25 years or more of creditable service, his
14 retirement allowance shall be computed as in G.S.
15 128-27(b22)(2)a. but shall be reduced by one-quarter of one
16 percent (1/4 of 1%) thereof for each month by which his
17 retirement date precedes the first day of the month coincident
18 with or next following his 65th birthday.
- 19 c. If the member's early service retirement date occurs on or after
20 his 50th birthday and before his 60th birthday and after
21 completion of 20 years of creditable service but prior to the
22 completion of 28 years of creditable service, his early service
23 retirement allowance shall be equal to the greater of:
- 24 1. The service retirement allowance as computed under
25 G.S. 128-27(b22)(2)a. but reduced by the sum of
26 five-twelfths of one percent (5/12 of 1%) thereof for
27 each month by which his retirement date precedes the
28 first day of the month coincident with or next following
29 the month the member would have attained his 60th
30 birthday, plus one-quarter of one percent (1/4 of 1%)
31 thereof for each month by which his 60th birthday
32 precedes the first day of the month coincident with or
33 next following his 65th birthday; or
- 34 2. The service retirement allowance as computed under
35 G.S. 128-27(b22)(2)a. reduced by five percent (5%)
36 times the difference between 28 years and his creditable
37 service at retirement; or
- 38 3. If the member's creditable service commenced prior to
39 July 1, 1995, the service retirement allowance equal to
40 the actuarial equivalent of the allowance payable at the
41 age of 60 years as computed in G.S. 128-27(b22)(2)b.
- 42 d. Notwithstanding the foregoing provisions, any member whose
43 creditable service commenced prior to July 1, 1965, shall not
44 receive less than the benefit provided by G.S. 128-27(b).

1 (b23) Optional Service Retirement Allowance of Member Retiring on or After July
2 1, 2003, Third Year. – Effective for members retiring on or after July 1, 2003, an
3 employer may elect to adopt an optional plan for graduated 25-year retirement. Under
4 such a plan, upon retirement from service in accordance with subsection (a) or (a1)
5 above, on or after July 1 of the third year of the plan, a member shall receive the
6 following service retirement allowance:

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

10 a. If the member's service retirement date occurs on or after his
11 55th birthday and completion of five years of creditable service
12 as a law enforcement officer, or after the completion of 27 years
13 of creditable service, the allowance shall be equal to two and
14 ten hundredths percent (2.10%) of his average final
15 compensation, multiplied by the number of years of his
16 creditable service.

17 b. If the member's service retirement date occurs on or after his
18 50th birthday and before his 55th birthday with 15 or more
19 years of creditable service as a law enforcement officer and
20 prior to the completion of 27 years of creditable service, his
21 retirement allowance shall be equal to the greater of:

- 22 1. The service retirement allowance payable under G.S.
23 128-27(b23)(1)a. reduced by one-third of one percent
24 (1/3 of 1%) thereof for each month by which his
25 retirement date precedes the first day of the month
26 coincident with or next following the month the member
27 would have attained his 55th birthday;
- 28 2. The service retirement allowance as computed under
29 G.S. 128-27(b23)(1)a. reduced by five percent (5%)
30 times the difference between 27 years and his creditable
31 service at retirement.

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

35 a. If the member's service retirement date occurs on or after his
36 65th birthday upon the completion of five years of creditable
37 service or after the completion of 27 years of creditable service
38 or on or after his 60th birthday upon the completion of 25 years
39 of creditable service, the allowance shall be equal to two and
40 ten hundredths percent (2.10%) of average final compensation,
41 multiplied by the number of years of creditable service.

42 b. If the member's service retirement date occurs after his 60th
43 birthday and before his 65th birthday and prior to his
44 completion of 25 years or more of creditable service, his

1 retirement allowance shall be computed as in G.S.
2 128-27(b23)(2)a. but shall be reduced by one-quarter of one
3 percent (1/4 of 1%) thereof for each month by which his
4 retirement date precedes the first day of the month coincident
5 with or next following his 65th birthday.

6 c. If the member's early service retirement date occurs on or after
7 his 50th birthday and before his 60th birthday and after
8 completion of 20 years of creditable service but prior to the
9 completion of 27 years of creditable service, his early service
10 retirement allowance shall be equal to the greater of:

11 1. The service retirement allowance as computed under
12 G.S. 128-27(b23)(2)a. but reduced by the sum of
13 five-twelfths of one percent (5/12 of 1%) thereof for
14 each month by which his retirement date precedes the
15 first day of the month coincident with or next following
16 the month the member would have attained his 60th
17 birthday, plus one-quarter of one percent (1/4 of 1%)
18 thereof for each month by which his 60th birthday
19 precedes the first day of the month coincident with or
20 next following his 65th birthday; or

21 2. The service retirement allowance as computed under
22 G.S. 128-27(b23)(2)a. reduced by five percent (5%)
23 times the difference between 27 years and his creditable
24 service at retirement; or

25 3. If the member's creditable service commenced prior to
26 July 1, 1995, the service retirement allowance equal to
27 the actuarial equivalent of the allowance payable at the
28 age of 60 years as computed in G.S. 128-27(b23)(2)b.

29 d. Notwithstanding the foregoing provisions, any member whose
30 creditable service commenced prior to July 1, 1965, shall not
31 receive less than the benefit provided by G.S. 128-27(b).

32 (b24) Optional Service Retirement Allowance of Member Retiring on or After July
33 1, 2003, Fourth Year. – Effective for members retiring on or after July 1, 2003, an
34 employer may elect to adopt an optional plan for graduated 25-year retirement. Under
35 such a plan, upon retirement from service in accordance with subsection (a) or (a1)
36 above, on or after July 1 of the fourth year of the plan, a member shall receive the
37 following service retirement allowance:

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

41 a. If the member's service retirement date occurs on or after his
42 55th birthday and completion of five years of creditable service
43 as a law enforcement officer, or after the completion of 26 years
44 of creditable service, the allowance shall be equal to two and

1 ten hundredths percent (2.10%) of his average final
2 compensation, multiplied by the number of years of his
3 creditable service.

4 b. If the member's service retirement date occurs on or after his
5 50th birthday and before his 55th birthday with 15 or more
6 years of creditable service as a law enforcement officer and
7 prior to the completion of 26 years of creditable service, his
8 retirement allowance shall be equal to the greater of:

9 1. The service retirement allowance payable under G.S.
10 128-27(b24)(1)a. reduced by one-third of one percent
11 (1/3 of 1%) thereof for each month by which his
12 retirement date precedes the first day of the month
13 coincident with or next following the month the member
14 would have attained his 55th birthday;

15 2. The service retirement allowance as computed under
16 G.S. 128-27(b24)(1)a. reduced by five percent (5%)
17 times the difference between 26 years and his creditable
18 service at retirement.

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

22 a. If the member's service retirement date occurs on or after his
23 65th birthday upon the completion of five years of creditable
24 service or after the completion of 26 years of creditable service
25 or on or after his 60th birthday upon the completion of 25 years
26 of creditable service, the allowance shall be equal to two and
27 ten hundredths percent (2.10%) of average final compensation,
28 multiplied by the number of years of creditable service.

29 b. If the member's service retirement date occurs after his 60th
30 birthday and before his 65th birthday and prior to his
31 completion of 25 years or more of creditable service, his
32 retirement allowance shall be computed as in G.S.
33 128-27(b20)(2)a. but shall be reduced by one-quarter of one
34 percent (1/4 of 1%) thereof for each month by which his
35 retirement date precedes the first day of the month coincident
36 with or next following his 65th birthday.

37 c. If the member's early service retirement date occurs on or after
38 his 50th birthday and before his 60th birthday and after
39 completion of 20 years of creditable service but prior to the
40 completion of 26 years of creditable service, his early service
41 retirement allowance shall be equal to the greater of:

42 1. The service retirement allowance as computed under
43 G.S. 128-27(b24)(2)a. but reduced by the sum of
44 five-twelfths of one percent (5/12 of 1%) thereof for

1 each month by which his retirement date precedes the
2 first day of the month coincident with or next following
3 the month the member would have attained his 60th
4 birthday, plus one-quarter of one percent (1/4 of 1%)
5 thereof for each month by which his 60th birthday
6 precedes the first day of the month coincident with or
7 next following his 65th birthday; or

8 2. The service retirement allowance as computed under
9 G.S. 128-27(b24)(2)a. reduced by five percent (5%)
10 times the difference between 26 years and his creditable
11 service at retirement; or

12 3. If the member's creditable service commenced prior to
13 July 1, 1995, the service retirement allowance equal to
14 the actuarial equivalent of the allowance payable at the
15 age of 60 years as computed in G.S. 128-27(b24)(2)b.

16 d. Notwithstanding the foregoing provisions, any member whose
17 creditable service commenced prior to July 1, 1965, shall not
18 receive less than the benefit provided by G.S. 128-27(b).

19 (b25) Optional Service Retirement Allowance of Member Retiring on or After July
20 1, 2003, Fifth and Subsequent Years. – Effective for members retiring on or after July 1,
21 2003, an employer may elect to adopt an optional plan for graduated 25-year retirement.
22 Under such a plan, upon retirement from service in accordance with subsection (a) or
23 (a1) above, on or after July 1 of the fifth year and subsequent years of the plan, a
24 member shall 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 25 years
31 of creditable service, the allowance shall be equal to two and
32 ten hundredths percent (2.10%) of his average final
33 compensation, multiplied by the number of years of his
34 creditable service.

35 b. If the member's service retirement date occurs on or after his
36 50th birthday and before his 55th birthday with 15 or more
37 years of creditable service as a law enforcement officer and
38 prior to the completion of 25 years of creditable service, his
39 retirement allowance shall be equal to the greater of:

40 1. The service retirement allowance payable under G.S.
41 128-27(b25)(1)a. reduced by one-third of one percent
42 (1/3 of 1%) thereof for each month by which his
43 retirement date precedes the first day of the month

- 1 coincident with or next following the month the member
2 would have attained his 55th birthday;
3 2. The service retirement allowance as computed under
4 G.S. 128-27(b25)(1)a. reduced by five percent (5%)
5 times the difference between 25 years and his creditable
6 service at retirement.
- 7 (2) A member who is not a law enforcement officer or an eligible former
8 law enforcement officer shall receive a service retirement allowance
9 computed as follows:
- 10 a. If the member's service retirement date occurs on or after his
11 65th birthday upon the completion of five years of creditable
12 service or after the completion of 25 years of creditable service,
13 the allowance shall be equal to two and ten hundredths percent
14 (2.10%) of average final compensation, multiplied by the
15 number of years of creditable service.
- 16 b. If the member's service retirement date occurs after his 60th
17 birthday and before his 65th birthday and prior to his
18 completion of 25 years or more of creditable service, his
19 retirement allowance shall be computed as in G.S.
20 128-27(b25)(2)a. but shall be reduced by one-quarter of one
21 percent (1/4 of 1%) thereof for each month by which his
22 retirement date precedes the first day of the month coincident
23 with or next following his 65th birthday.
- 24 c. If the member's early service retirement date occurs on or after
25 his 50th birthday and before his 60th birthday and after
26 completion of 20 years of creditable service but prior to the
27 completion of 25 years of creditable service, his early service
28 retirement allowance shall be equal to the greater of:
- 29 1. The service retirement allowance as computed under
30 G.S. 128-27(b25)(2)a. but reduced by the sum of
31 five-twelfths of one percent (5/12 of 1%) thereof for
32 each month by which his retirement date precedes the
33 first day of the month coincident with or next following
34 the month the member would have attained his 60th
35 birthday, plus one-quarter of one percent (1/4 of 1%)
36 thereof for each month by which his 60th birthday
37 precedes the first day of the month coincident with or
38 next following his 65th birthday; or
- 39 2. The service retirement allowance as computed under
40 G.S. 128-27(b25)(2)a. reduced by five percent (5%)
41 times the difference between 25 years and his creditable
42 service at retirement; or
- 43 3. If the member's creditable service commenced prior to
44 July 1, 1995, the service retirement allowance equal to

1 the actuarial equivalent of the allowance payable at the
2 age of 60 years as computed in G.S. 128-27(b25)(2)b.

- 3 d. Notwithstanding the foregoing provisions, any member whose
4 creditable service commenced prior to July 1, 1965, shall not
5 receive less than the benefit provided by G.S. 128-27(b)."

6 **SECTION 2.** G.S. 128-27(m) reads as rewritten:

7 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the
8 principal beneficiary designated to receive a return of accumulated contributions shall
9 have the right to elect to receive in lieu thereof the reduced retirement allowance
10 provided by Option two of subsection (g) above computed by assuming that the member
11 had retired on the first day of the month following the date of his death, provided that all
12 three of the following conditions apply:

- 13 (1) a. The member had attained such age and/or creditable service to
14 be eligible to commence retirement with an early or service
15 retirement allowance, or
16 b. The member had obtained 20 years of creditable service in
17 which case the retirement allowance shall be computed in
18 accordance with G.S. 128-27(b20)(1)b. or G.S.
19 128-27(b20)(2)c., notwithstanding the requirement of obtaining
20 age ~~50~~, 50, or under the appropriate corresponding
21 sub-subdivisions for members covered by the optional service
22 retirement allowance provided for in G.S. 128-27(b21) through
23 G.S. 128-27(b25).
24 (2) The member had designated as the principal beneficiary to receive a
25 return of his accumulated contributions one and only one person who
26 is living at the time of his death.
27 (3) The member had not instructed the Board of Trustees in writing that he
28 did not wish the provisions of this subsection apply.

29 For the purpose of this benefit, a member is considered to be in service at the date of
30 his death if his death occurs within 180 days from the last day of his actual service. The
31 last day of actual service shall be determined as provided in subsection (l) of this
32 section. Upon the death of a member in service, the surviving spouse may make all
33 purchases for creditable service as provided for under this Chapter for which the
34 member had made application in writing prior to the date of death, provided that the
35 date of death occurred prior to or within 60 days after notification of the cost to make
36 the purchase."

37 **SECTION 3.** The Board of Trustees of the Local Governmental Employees'
38 Retirement System shall increase the employer contribution rate to any local
39 government that elects coverage under the optional plan for graduated 25-year
40 retirement provided for in this act in order to reflect the additional benefits to be paid
41 under such a plan.

42 **SECTION 4.** This act becomes effective July 1, 2003.