A BILL TO BE ENTITLED
AN ACT TO ELIMINATE THE OPTION 4 AND OPTION 6 RETIREMENT OPTIONAL ALLOWANCES UNDER THE TEACHERS’ AND STATE EMPLOYEES’ RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES’ RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 135-5(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or the member's first retirement check has been cashed, any member may elect to receive his or her benefits in a retirement allowance payable throughout life, or the member may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the options set forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or until the member's first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or until the member's first retirement check has been cashed. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the member has cashed the first retirement check or after the 25th day of the month.
following the month in which the first check is mailed, whichever comes first. The following are
optional allowances that a member may elect under this subsection:

Members Retiring On or Before July 1, 2020. – Until the first payment on account of any benefit
becomes normally due, any member retiring on or before July 1, 2020, may elect to convert his
or her benefit otherwise payable on his-the member's account after retirement into a retirement
allowance of equivalent actuarial value of such amount that with-the member's benefit under
Title II of the Federal Social Security Act, he-the member will receive, so far as possible,
approximately the same amount per year before and after the earliest age at which he-the member
becomes eligible, effective as of the first of the month following the month of initial entitlement,
upon application therefor, to receive a social security benefit.

Option 6. For Members Retiring On or Before July 1, 2020. – A member retiring on or before
July 1, 2020, may elect either Option 2 or Option 3 with the added provision that in the event the
designated beneficiary predeceases the member, the retirement allowance payable to the member
after the designated beneficiary's death shall be equal to the retirement allowance which would
have been payable had the member not elected the option.

Upon the death of a member after the effective date of a retirement for which the member
has been approved and following receipt by the Board of Trustees of an election of benefits (Form
6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall
be payable as provided by the member's election of benefits under this subsection.

Upon the death of a member after the effective date of a retirement for which the member
has been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form
6-E or Form 7-E), properly acknowledged and filed by the member, the member's
designated beneficiary for a return of accumulated contributions may elect to receive the benefit,
if only one beneficiary is eligible to receive the return of accumulated contributions. If more than
one beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary
has been designated, the administrator or executor of the member's estate will select an option
and name the beneficiary or beneficiaries.

SECTION 1.(b) G.S. 128-27(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on
account of any benefit becomes normally due, or the member's first retirement check has been
cashed, any member may elect to receive his or her benefits in a retirement allowance payable
throughout life, or the member may elect to receive the actuarial equivalent of such retirement
allowance, including any special retirement allowance, in a reduced allowance payable
throughout life under the provisions of one of the Options set forth below. The election of Option
2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies
prior to the date the first payment becomes normally due or the first retirement check has been
cashed. Such election may be revoked by the member prior to the date the first payment becomes
normally due or the member's first retirement check has been cashed. Provided, however, in the
event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a
retirement allowance upon the member's death, and the spouse predeceases the member after the
first payment becomes normally due or the first retirement check has been cashed, if the member
remarries he or she may request to nominate a new spouse to receive the retirement allowance
under the previously elected option, within 90 days of the remarriage, and may nominate a new
spouse to receive the retirement allowance under the previously elected option by written
designation duly acknowledged and filed with the Board of Trustees within 120 days of the
remarriage. The new nomination shall be effective on the first day of the month in which it is
made and shall provide for a retirement allowance computed to be the actuarial equivalent of the
retirement allowance in effect immediately prior to the effective date of the new nomination. Any
member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member’s death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the member has cashed the first retirement check or after the 25th day of the month following the month in which the first check is mailed, whichever comes first. The following are optional allowances that a member may elect under this subsection:

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Option four. Adjustment of Retirement Allowance for Social Security Benefits. Benefits for Members Retiring On or Before July 1, 2020. – Until the first payment on account of any benefit becomes normally due, any member retiring on or before July 1, 2020, may elect to convert his or her benefit otherwise payable on his the member's account after retirement into a retirement allowance of equivalent actuarial value of such amount that with his the member's benefit under Title II of the Federal Social Security Act, he the member will receive, so far as possible, approximately the same amount per year before and after the earliest age at which he the member becomes eligible, effective as of the first of the month following the month of initial entitlement, upon application therefor, to receive a social security benefit.

…

Option six. For Members Retiring On or Before July 1, 2020. – A member retiring on or before July 1, 2020, may elect either Option two or Option three with the added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option.

Upon the death of a member after the effective date of a retirement for which the member has been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be payable as provided by the member's election of benefits under this subsection.

Upon the death of a member after the effective date of a retirement for which the member has been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one beneficiary is eligible to receive the return of accumulated contributions. If more than one beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has been designated, the administrator or executor of the member's estate will select an option and name the beneficiary or beneficiaries."

SECTION 2. This act is effective when it becomes law.