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 remarry and 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:

Option 4. 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 or her benefit account after retirement into a retirement
allowance of equivalent actuarial value of such amount that with his or her benefit under
Title II of the Federal Social Security Act, he or she will receive, so far as possible, approximately the same amount per year before and after the earliest age at which he or she 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:

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.