

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH40557-MR-4 (01/19)

Short Title: Retirement Technical Corrections Act of 2016.-AB (Public)

Sponsors: Representatives Ross, McNeill, and Hardister (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ENACT THE RETIREMENT TECHNICAL CORRECTIONS ACT OF 2016.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-45 reads as rewritten:

"§ 58-86-45. **Additional retroactive membership.**

(a) Repealed by Session Laws 2013-284, s. 1(a), effective July 1, 2013.

(a1) Any firefighter or rescue squad worker who is 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina may purchase credit for any periods of service to any chartered fire department or rescue squad not otherwise creditable by making a lump sum payment to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, which payment shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on a retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the board of trustees. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable.

(b) An eligible firefighter or rescue squad worker who is not yet 35 years old may apply to the board of trustees for membership in the fund at any time. Upon becoming a member, the worker may make a lump sum payment of ten dollars (\$10.00) per month retroactively to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the board upon advice from actuary for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

(c) A member of the Pension Fund who is not yet 35 years old may receive credit for the prior service upon making a lump sum payment of ten dollars (\$10.00) for each month since the worker first became eligible, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable, for any firefighter or rescue squad worker who is not yet 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina.



1 **SECTION 2.** G.S. 128-25 is repealed.

2 **SECTION 3.** G.S. 128-26(a1) reads as rewritten:

3 "(a1) With respect to a member retiring on or after July 1, 1967, the governing board of a
4 participating unit may allow credit for any period of military service in the Armed Forces of the
5 United States if the person returned to the service of the person's employer within two years after
6 having been ~~honorably~~not dishonorably discharged, or becoming entitled to be discharged,
7 released, or separated from such the Armed Forces of the United States; provided that,
8 notwithstanding the above provisions, any member having credit for not less than 10 years of
9 otherwise creditable service may be allowed credit for such military services which are not
10 creditable in any other governmental retirement system; provided further, that a member will
11 receive credit for military service under the provisions of this paragraph only if the member
12 submits satisfactory evidence of the military service claimed and the participating unit of which
13 the member is an employee agrees to grant credit for such military service prior to January 1,
14 1972.

15 A member retiring on or after July 1, 1971, who is not granted credit for military service under
16 the provisions of the preceding paragraph will be allowed credit for any period of qualifying
17 service in the Armed Forces of the United States, as defined for purposes of reemployment rights
18 under federal law, provided that the member was an employee as defined in G.S. 128-21(10) at the
19 time the member entered military service, and either (i) the returning member is in service, with
20 the employer by whom the member was employed when the member entered military service, for
21 a period of not less than 10 years after the member is separated or released from that military
22 service under other than dishonorable conditions or (ii) the following conditions are met, in the
23 conjunctive:

- 24 (1) The member did not, prior to leaving for military service, provide clear written
25 notice of an intent not to return to work after military service.
- 26 (2) The member was discharged from uniformed service and returned from the
27 leave of absence for uniformed service to membership service in this system
28 within the time limit mandated by federal law for reporting back to work.
- 29 (3) The period of uniformed service, for which additional service credit is sought,
30 has been verified by suitable documentation and is not eligible for receipt of
31 benefits under any other retirement system or pension plan.
- 32 (4) All service credit forfeited by a refund pursuant to the provisions of
33 G.S. 128-27(f) has been purchased.

34 The uniformed service credit allowed under this subsection shall be limited to a maximum of
35 five years unless otherwise specifically exempted from that durational limitation by federal law.
36 The salary or compensation of such an employee during the period of qualifying military service
37 shall be deemed to be that salary or compensation the employee would have received but for the
38 period of service had the employee remained continuously employed, if the determination of that
39 salary or compensation is reasonably certain. If the determination of the salary or compensation is
40 not reasonably certain, then it shall be deemed to be that employee's average rate of compensation
41 during the 12-month period immediately preceding the period of service.

42 Pursuant to 38 U.S.C. § 4318(b)(1), when a member who has been on military leave returns to
43 work consistent with the provisions of this subsection concerning return to service within two
44 years after the member's earliest eligibility for separation or release from military service, then the
45 member's employer must remit to the System all the employer and employee contributions for the
46 full period of that member's military service."

47 **SECTION 4.(a)** G.S. 135-5(g) reads as rewritten:

48 "(g) Election of Optional Allowance. – With the provision that until the first payment on
49 account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been
50 cashed, any member may elect to receive his or her benefits in a retirement allowance payable
51 throughout life, or ~~the member~~ may elect to receive the actuarial equivalent of such retirement

1 allowance, including any special retirement allowance, in a reduced allowance payable throughout
2 life under the provisions of one of the options set forth below. The election of Option 2, 3, or 6 or
3 nomination of the person thereunder shall be revoked if such person nominated dies prior to the
4 date the first payment becomes normally due or until the first retirement check has been cashed.
5 Such election may be revoked by the member prior to the date the first payment becomes normally
6 due or until ~~his~~the member's first retirement check has been cashed. Provided, however, in the
7 event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a
8 retirement allowance upon the member's death, and the spouse predeceases the member after the
9 first payment becomes normally due or the first retirement check has been cashed, if the member
10 remarries he or she may request to nominate a new spouse to receive the retirement allowance
11 under the previously elected option, within 90 days of the remarriage, and may nominate a new
12 spouse to receive the retirement allowance under the previously elected option by written
13 designation duly acknowledged and filed with the Board of Trustees within 120 days of the
14 remarriage. The new nomination shall be effective on the first day of the month in which it is
15 made and shall provide for a retirement allowance computed to be the actuarial equivalent of the
16 retirement allowance in effect immediately prior to the effective date of the new nomination. Any
17 member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement
18 allowance upon the member's death may, after divorce from his or her spouse, revoke the
19 nomination and elect a new option, effective on the first day of the month in which the new option
20 is elected, providing for a retirement allowance computed to be the actuarial equivalent of the
21 retirement allowance in effect immediately prior to the effective date of the new option. Except as
22 provided in this section, the member may not change the member's retirement benefit option or the
23 member's designated beneficiary for survivor benefits, if any, after the member has cashed the first
24 retirement check or after the 25th day of the month following the month in which the first check is
25 mailed, whichever comes first.

26 ...

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

31 Upon the death of a member after the effective date of a retirement for which the member has
32 been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form
33 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated
34 beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one
35 beneficiary is eligible to receive the return of accumulated contributions. If more than one
36 beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has
37 been designated, the administrator or executor of the member's estate will select an option and
38 name the beneficiary or beneficiaries."

39 **SECTION 4.(b)** G.S. 128-27(g) reads as rewritten:

40 "(g) Election of Optional Allowance. – With the provision that until the first payment on
41 account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been
42 cashed, any member may elect to receive his or her benefits in a retirement allowance payable
43 throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of such retirement
44 allowance, including any special retirement allowance, in a reduced allowance payable throughout
45 life under the provisions of one of the Options set forth below. The election of Option 2, 3, or 6 or
46 nomination of the person thereunder shall be revoked if such person nominated dies prior to the
47 date the first payment becomes normally due or the first retirement check has been cashed. Such
48 election may be revoked by the member prior to the date the first payment becomes normally due
49 or ~~his~~the member's first retirement check has been cashed. Provided, however, in the event a
50 member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement
51 allowance upon the member's death, and the spouse predeceases the member after the first

1 payment becomes normally due or the first retirement check has been cashed, if the member
2 remarries he or she may request to nominate a new spouse to receive the retirement allowance
3 under the previously elected option, within 90 days of the remarriage, and may nominate a new
4 spouse to receive the retirement allowance under the previously elected option by written
5 designation duly acknowledged and filed with the Board of Trustees within 120 days of the
6 remarriage. The new nomination shall be effective on the first day of the month in which it is
7 made and shall provide for a retirement allowance computed to be the actuarial equivalent of the
8 retirement allowance in effect immediately prior to the effective date of the new nomination. Any
9 member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement
10 allowance upon the member's death may, after divorce from his or her spouse, revoke the
11 nomination and elect a new option, effective on the first day of the month in which the new option
12 is elected, providing for a retirement allowance computed to be the actuarial equivalent of the
13 retirement allowance in effect immediately prior to the effective date of the new option. Except as
14 provided in this section, the member may not change the member's retirement benefit option or the
15 member's designated beneficiary for survivor benefits, if any, after the member has cashed the first
16 retirement check or after the 25th day of the month following the month in which the first check is
17 mailed, whichever comes first.

18 ...

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

23 Upon the death of a member after the effective date of a retirement for which the member has
24 been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form
25 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated
26 beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one
27 beneficiary is eligible to receive the return of accumulated contributions. If more than one
28 beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has
29 been designated, the administrator or executor of the member's estate will select an option and
30 name the beneficiary or beneficiaries."

31 **SECTION 5.(a)** G.S. 135-5(m2) reads as rewritten:

32 "(m2) Special Retirement Allowance. – At any time coincident with or following retirement,
33 a member may make a ~~one-time~~one-time, irrevocable election to transfer any portion of the
34 member's eligible accumulated contributions, not including any Roth after-tax contributions and
35 the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the
36 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and
37 receive, in addition to the member's basic service, early or disability retirement allowance, a
38 special retirement allowance which shall be based upon the member's transferred balance.

39 A member who became a member of the Supplemental Retirement Income Plan prior to
40 retirement and who remains a member of the Supplemental Retirement Income Plan may make a
41 ~~one-time~~one-time, irrevocable election to transfer eligible balances, not including any Roth
42 after-tax contributions and the earnings thereon, from any of the following plans to the
43 Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental
44 Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this
45 Retirement System: (i) a plan participating in the North Carolina Public School Teachers' and
46 Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal
47 Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is
48 maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or
49 political subdivision of a state; (iv) an individual retirement account or annuity described in
50 section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and

1 would otherwise be includible in gross income; or (v) a tax-qualified plan described in section
2 401(a) or section 403(a) of the Internal Revenue Code.

3 Notwithstanding anything to the contrary, a member may not transfer such amounts as will
4 cause the member's retirement allowance under the System to exceed the amount allowable under
5 G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be
6 transferred if a transfer is elected. The member may elect a special retirement allowance with no
7 postretirement increases or a special retirement allowance with annual postretirement increases
8 equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any
9 other allowance will not apply to the special retirement allowance. The Board of Trustees shall
10 provide educational materials to the members who apply for the transfer authorized by this
11 section. Those materials shall describe the special retirement allowance and shall explain the
12 relationship between the transferred balance and the monthly benefit and how the member's heirs
13 may be impacted by the election to make this transfer and any costs and fees involved.

14 For the purpose of determining the special retirement allowance, the Board of Trustees shall
15 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and
16 such other tables as may be necessary based upon actual experience. A single set of mortality and
17 such other tables will be used for all members, with factors differing only based on the age of the
18 member and the election of postretirement increases. The Board of Trustees shall modify the
19 mortality and such other tables every five years, as shall be deemed necessary, based upon the
20 five-year experience study as required by G.S. 135-6(n). Provided, however, a member who
21 transfers the member's eligible accumulated contributions from an eligible retirement plan
22 pursuant to this subsection to this Retirement System shall be taxed for North Carolina State
23 Income Tax purposes on the special retirement allowance the same as if that special retirement
24 allowance had been paid directly by the eligible plan or the plan through which the transfer was
25 made, whichever is most favorable to the member. The Teachers' and State Employees' Retirement
26 System shall be responsible to determine the taxable amount, if any, and report accordingly.

27 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a
28 one-time flat administrative fee not to exceed the actual cost of the administrative expenses
29 relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer
30 of accumulated contributions authorized under this subsection. This provision shall not prohibit
31 other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall
32 fully disclose to any member participating in a transfer under this subsection any surrender
33 charges or other fees, and such disclosure shall be made contemporaneous with the initiation of the
34 transfer by the member.

35 The special retirement allowance shall continue for the life of the member and the beneficiary
36 designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in G.S.
37 135-5(g), if any. The Board of Trustees, however, shall establish two payment options that
38 guarantee payments as follows:

- 39 (1) A member may elect to receive the special retirement allowance for life but
40 with payments guaranteed for a number of months to be specified by the Board
41 of Trustees. Under this plan, if the member dies before the expiration of the
42 specified number of months, the special retirement allowance will continue to
43 be paid to the member's designated beneficiary for the life of the beneficiary, if
44 Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's
45 designated beneficiary will receive the benefit only for the remainder of the
46 specified number of months. If the member's designated beneficiary dies before
47 receiving payments for the specified number of months, any remaining
48 payments will be paid to the member's estate.
- 49 (2) A member may elect to receive the special retirement allowance for life but is
50 guaranteed that the sum of the special allowance payments will equal the total
51 of the transferred amount. Under this payment option, if the member dies

1 before receiving the total transferred amount, the special retirement allowance
2 will continue to be paid to the member's designated beneficiary for the life of
3 the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,
4 the member's designated beneficiary or the member's estate shall be paid any
5 remaining balance of the transferred amount.

6 The Board of Trustees shall report annually to the Joint Legislative Commission on
7 Governmental Operations on the number of persons who made an election in the previous calendar
8 year, with any recommendations it might make on amendment or repeal based on any identified
9 problems.

10 The General Assembly reserves the right to repeal or amend this subsection, but such repeal or
11 amendment shall not affect any person who has already made the one-time election provided in
12 this subsection."

13 **SECTION 5.(b)** G.S. 128-27(m2) reads as rewritten:

14 "(m2) Special Retirement Allowance. – At any time coincident with or following retirement,
15 a member may make a ~~one-time~~one-time, irrevocable election to transfer any portion of the
16 member's eligible accumulated contributions, not including any Roth after-tax contributions and
17 the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the
18 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and
19 receive, in addition to the member's basic service, early or disability retirement allowance, a
20 special retirement allowance which shall be based upon the member's transferred balance.

21 A member who became a member of the Supplemental Retirement Income Plan prior to
22 retirement and who remains a member of the Supplemental Retirement Income Plan may make a
23 ~~one-time~~one-time, irrevocable election to transfer eligible balances, not including any Roth
24 after-tax contributions and the earnings thereon, from any of the following plans to the
25 Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental
26 Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this
27 Retirement System (i) a plan participating in the North Carolina Public School Teachers' and
28 Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal
29 Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is
30 maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or
31 political subdivision of a state; (iv) an individual retirement account or annuity described in
32 section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and
33 would otherwise be includible in gross income; or (v) a tax-qualified plan described in section
34 401(a) or section 403(a) of the Internal Revenue Code.

35 Notwithstanding anything to the contrary, a member may not transfer such amounts as will
36 cause the member's retirement allowance under the System to exceed the amount allowable under
37 G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be
38 transferred if a transfer is elected. The member may elect a special retirement allowance with no
39 postretirement increases or a special retirement allowance with annual postretirement increases
40 equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any
41 other allowance will not apply to the special retirement allowance. The Board of Trustees shall
42 provide educational materials to the members who apply for the transfer authorized by this
43 section. Those materials shall describe the special retirement allowance and shall explain the
44 relationship between the transferred balance and the monthly benefit and how the member's heirs
45 may be impacted by the election to make this transfer and any costs and fees involved.

46 For the purpose of determining the special retirement allowance, the Board of Trustees shall
47 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and
48 such other tables as may be necessary based upon actual experience. A single set of mortality and
49 such other tables will be used for all members, with factors differing only based on the age of the
50 member and the election of postretirement increases. The Board of Trustees shall modify the
51 mortality and such other tables every five years, as shall be deemed necessary, based upon the

1 five-year experience study as required by G.S. 128-28(o). Provided, however, a member who
2 transfers the member's eligible accumulated contributions from an eligible retirement plan
3 pursuant to this subsection to this Retirement System shall be taxed for North Carolina State
4 Income Tax purposes on the special retirement allowance the same as if that special retirement
5 allowance had been paid directly by the eligible plan or the plan through which the transfer was
6 made, whichever is most favorable to the member. The Local Governmental Employees'
7 Retirement System shall be responsible to determine the taxable amount, if any, and report
8 accordingly.

9 The special retirement allowance shall continue for the life of the member and the beneficiary
10 designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in G.S.
11 128-27(g), if any. The Board of Trustees, however, shall establish two payment options that
12 guarantee payments as follows:

- 13 (1) A member may elect to receive the special retirement allowance for life but
14 with payments guaranteed for a number of months to be specified by the Board
15 of Trustees. Under this plan, if the member dies before the expiration of the
16 specified number of months, the special retirement allowance will continue to
17 be paid to the member's designated beneficiary for the life of the beneficiary, if
18 Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's
19 designated beneficiary will receive the benefit only for the remainder of the
20 specified number of months. If the member's designated beneficiary dies before
21 receiving payments for the specified number of months, any remaining
22 payments will be paid to the member's estate.
- 23 (2) A member may elect to receive the special retirement allowance for life but is
24 guaranteed that the sum of the special allowance payments will equal the total
25 of the transferred amount. Under this payment option, if the member dies
26 before receiving the total transferred amount, the special retirement allowance
27 will continue to be paid to the member's designated beneficiary for the life of
28 the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,
29 the member's designated beneficiary or the member's estate shall be paid any
30 remaining balance of the transferred amount.

31 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a
32 one-time flat administrative fee not to exceed the actual cost of the administrative expenses
33 relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer
34 of accumulated contributions authorized under this subsection. This provision shall not prohibit
35 other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall
36 fully disclose to any member participating in a transfer under this subsection any surrender
37 charges or other fees, and that disclosure shall be made contemporaneous with the initiation of the
38 transfer by the member.

39 The Board of Trustees shall report annually to the Joint Legislative Commission on
40 Governmental Operations on the number of persons who made an election in the previous calendar
41 year, with any recommendations it might make on amendment or repeal based on any identified
42 problems.

43 The General Assembly reserves the right to repeal or amend this subsection, but such repeal or
44 amendment shall not affect any person who has already made the one-time election provided in
45 this subsection."

46 **SECTION 6.(a)** G.S. 135-8(b)(5) reads as rewritten:

- 47 "(5) The Board of Trustees may approve the purchase of creditable service by any
48 member for leaves of absence or for interrupted service to an employer only for
49 the sole purpose of acquiring knowledge, talents, or abilities and to increase the
50 efficiency of service to the employer, subject to the provisions of this
51 subdivision. A leave of absence or interrupted service may be approved for

1 purchase under this subdivision for a period of employment as a teacher in a
 2 charter school. Any other leave of absence or interrupted service shall qualify
 3 for purchase under this subdivision only if (i) during the time of the leave or
 4 interrupted service the member is enrolled and participates in a full-time degree
 5 program at an accredited institution of higher education, (ii) the member is not
 6 paid for the activity in which he or she is acquiring knowledge, talents, or
 7 abilities, and (iii) the service is not purchased for any month in which the
 8 member performed any services for any of the organizations listed in
 9 G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations.
 10 Approval by the Board under this subdivision shall be made prior to the
 11 purchase of the creditable service, is limited to a career total of six years for
 12 each member, and may be obtained in the following manner:

13"

14 **SECTION 6.(b)** G.S. 128-30(b)(4) reads as rewritten:

15 "(4) The Board of Trustees may approve the purchase of creditable service by any
 16 member for leaves of absence or for interrupted service to an employer ~~for the~~
 17 ~~sole purpose only for the purpose~~ of acquiring knowledge, talents, or abilities
 18 and to increase the efficiency of service to the employer. ~~This~~
 19 ~~approval~~ employer, subject to the provisions of this subdivision. A leave of
 20 absence or interrupted service may be approved for purchase under this
 21 subdivision for a period of employment as a teacher in a charter school. Any
 22 other leave of absence or interrupted service shall qualify for purchase under
 23 this subdivision only if (i) during the time of the leave or interrupted service the
 24 member is enrolled and participates in a full-time degree program at an
 25 accredited institution of higher education, (ii) the member is not paid for the
 26 activity in which he or she is acquiring knowledge, talents, or abilities, and (iii)
 27 the service is not purchased for any month in which the member performed any
 28 services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f),
 29 or a successor to any of those organizations. Approval by the Board under this
 30 subdivision shall be made prior to the purchase of the creditable service, is
 31 limited to a career total of four years for each member, and may be obtained in
 32 the following manner:

33"

34 **SECTION 7.(a)** G.S. 135-8(f) reads as rewritten:

35 "(f) Collection of Contributions. –

36 ...

37 (2) The collection of employers' contributions shall be made as follows:

38 ...

39 f. Each employer shall transmit to the Retirement System on account of
 40 each member who retires on or after January 1, 2015, having earned his
 41 or her last month of membership service as an employee of that
 42 employer the lump sum payment, as calculated under ~~G.S.~~
 43 ~~135-4(jj), G.S. 135-4(jj) for inclusion in the Pension Accumulation~~
 44 Fund, that would have been necessary in order for the retirement system
 45 to restore the member's retirement allowance to the pre-cap amount.
 46 Employers are not required to make contributions on account of any
 47 retiree who became a member on or after January 1, 2015, and who
 48 earned at least five years of membership service in the Retirement
 49 System after January 1, 2015.

50 Under such rules as the Board of Trustees shall adopt, the
 51 Retirement System shall report monthly to each employer a list of those

members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months, if applicable.

- (3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of Trustees, the Board shall assess the employer with a penalty, in lieu of interest, and a one-time exception has not been agreed upon in advance due to exigent circumstances, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer other than the State shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer from any funds of the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

...."

SECTION 7.(b) G.S. 128-30(g) reads as rewritten:

"(g) Collection of Contributions. –

...

- (2) The collections of employers' contributions shall be made as follows:
 - a. Upon the basis of each actuarial valuation provided herein the Board of Trustees shall annually prepare and certify to each employer a statement of the total amount necessary for the ensuing fiscal year to the pension accumulation fund as provided under subsection (d) of this section. Such employer contributions shall be transmitted to the secretary-treasurer of the Board of Trustees together with the employee deductions as provided under sub-subdivision b. of subdivision (1) of this subsection.
 - b. Each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under ~~G.S. 128-26(y)~~, G.S. 128-26(y) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the retirement system to restore the member's retirement allowance to the pre-cap amount. Employers are not required to make contributions on account of any retiree who became a member on or after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015.

Under such rules as the Board of Trustees shall adopt, the Retirement System shall report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an

1 additional employer contribution should they elect to retire in the
 2 following 12 months, if applicable.

3 (3) In the event the employee or employer contributions required under this section
 4 are not received by the date set by the Board of Trustees, the Board shall assess
 5 the employer with a penalty, in lieu of interest, and a one-time exception has
 6 not been agreed upon in advance due to exigent circumstances, of 1% per
 7 month with a minimum penalty of twenty-five dollars (\$25.00). The Board may
 8 waive one penalty per employer every five years if the Board finds that the
 9 employer has consistently demonstrated good-faith efforts to comply with the
 10 set deadline. If within 90 days after request therefor by the Board any employer
 11 shall not have provided the System with the records and other information
 12 required hereunder or if the full accrued amount of the contributions provided
 13 for under this section due from members employed by an employer or from an
 14 employer shall not have been received by the System from the chief fiscal
 15 officer of such employer within 30 days after the last due date as herein
 16 provided, then, notwithstanding anything herein or in the provisions of any
 17 other law to the contrary, upon notification by the Board to the State Treasurer
 18 as to the default of such employer as herein provided, any distributions which
 19 might otherwise be made to such employer, or the municipality or county of
 20 which such employer is an integral part, from any funds of the State or any
 21 funds collected by the State shall be withheld from such employer until notice
 22 from the Board to the State Treasurer that such employer is no longer in default.

23 In the event that an employer fails to submit payment of any required
 24 contributions or payments to the Retirement Systems Division, other than the
 25 one percent (1%) payment provided for in the first paragraph of this
 26 subdivision, within 90 days after the date set by the Board of Trustees, the
 27 Board shall notify the State Treasurer of its intent to collect the delinquent
 28 contributions and other payments due to the Retirement Systems Division and
 29 request an interception of State appropriations due to the participating
 30 employer. Upon such notification by the Board of Trustees to the State
 31 Treasurer and the Office of State Budget and Management as to the default of
 32 the employer, the Office of State Budget and Management shall withhold from
 33 any State appropriation due to that employer an amount equal to the sum of all
 34 delinquent contributions and other debts due to the Retirement Systems
 35 Division and shall transmit that amount to the Retirement Systems Division.

36"

37 **SECTION 8.** G.S. 135-48.40(d)(13) reads as rewritten:

38 "(13) The following persons, their eligible spouses, and eligible dependent children,
 39 provided that the person seeking coverage as a subscriber (i) is not eligible for
 40 another comprehensive group health benefit plan and (ii) has been without
 41 coverage under a comprehensive group health benefit plan for at least six
 42 consecutive months:

43 ...

44 c. Persons receiving a pension from the North Carolina
 45 ~~Firemen~~Firefighters' and Rescue Squad Workers' Pension Fund.

46"

47 **SECTION 9.(a)** G.S. 147-86.71(b)(3) reads as rewritten:

48 "(3) Contributions to an account shall be made only in ~~cash~~U.S. Dollars."

49 **SECTION 9.(b)** G.S. 147-86.72(c)(3) reads as rewritten:

50 "(3) ~~Retain~~Notwithstanding the provisions of Article 3 of Chapter 143 of the
 51 General Statutes, retain the services of auditors, attorneys, investment

1 counseling firms, custodians, or other persons or firms possessing specialized
2 skills or knowledge necessary for the proper administration of investment
3 programs that the Board administers pursuant to this Article."

4 **SECTION 9.(c)** G.S. 147-86.70(b)(4) is repealed.

5 **SECTION 9.(d)** G.S. 147-86.71(d)(4) is repealed.

6 **SECTION 10.** If any provision of this act or its application is held invalid, the
7 invalidity does not affect other provisions or applications of this act that can be given effect
8 without the invalid provisions or application, and to this end the provisions of this act are
9 severable.

10 **SECTION 11.** Sections 3 and 6 of this act become effective January 1, 2017. The
11 remainder of this act is effective when it becomes law.