

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H.B 1134
May 18, 2016
HOUSE PRINCIPAL CLERK

H

D

HOUSE BILL DRH20431-MR-5Y (01/22)

Short Title: Admin. Changes Retirement System/Treasurer. (Public)

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

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE ADMINISTRATIVE CHANGES TO THE RETIREMENT SYSTEM AND
3 TO MAKE OTHER CHANGES AFFECTING THE STATE TREASURER.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.(a)** G.S. 58-86-2 is amended by adding a new subdivision to read:

6 "(9a) "Killed in the line of duty" has the same meaning as in G.S. 143-166.2(c)."

7 **SECTION 1.(b)** G.S. 58-86-55 is amended by adding a new subsection to read:

8 "(d1) Benefits shall be paid in the following manner when a member is killed in the line of
9 duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

10 (1) If the member had been receiving a monthly pension fund benefit prior to being
11 killed in the line of duty, there shall be paid to the member's principal
12 beneficiary, if only one principal beneficiary is eligible, an amount of one
13 hundred seventy dollars (\$170.00) per month beginning the month following
14 the member's month of death payable for 300 months or until the beneficiary's
15 death, whichever occurs first.

16 (2) If the member had been receiving a monthly pension fund benefit prior to being
17 killed in the line of duty and the beneficiary is not payable as described in
18 subdivision (1) of this section, a lump sum payment equal to the difference
19 between the amount paid into the member's separate account by or on behalf of
20 the member and the amount received by the member as a pensioner will be paid
21 to the eligible beneficiaries, or if there are no eligible beneficiaries, shall be
22 paid to the member's estate.

23 (3) If the member had not yet begun receiving a monthly benefit prior to being
24 killed in the line of duty, there shall be paid to the member's principal
25 beneficiary, if only one principal beneficiary is eligible, an amount of one
26 hundred seventy dollars (\$170.00) per month beginning the month following
27 the month the member would have attained age 55, or if the member had
28 already attained age 55, beginning the month following the member's month of
29 death, payable for 300 months or until the beneficiary's death, whichever occurs
30 first.

31 (4) If the member had not begun receiving a monthly benefit prior to being killed
32 in the line of duty and the beneficiary is not payable as described in subdivision
33 (3) of this section, a lump sum payment equal to the member's contributions
34 will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries,
35 a return of the contributions shall be paid to the member's estate.



* D R H 2 0 4 3 1 - M R - 5 Y *

1 A beneficiary under this subsection shall not be required to make the monthly payment of ten
2 dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed
3 in the line of duty."

4 **SECTION 1.(c)** G.S. 58-86-60 reads as rewritten:

5 **"§ 58-86-60. Payments in lump sums.**

6 The board shall direct payment in lump sums from the fund in the following cases:

- 7 (1) To any firefighter or rescue squad worker upon the attaining of the age of 55
8 years, who, for any reason, is not qualified to receive the monthly retirement
9 pension and who was enrolled as a member of the fund, an amount equal to the
10 amount paid into the fund by him. This provision shall not be construed to
11 preclude any active firefighter or rescue squad worker from completing the
12 requisite number of years of active service after attaining the age of 55 years
13 necessary to entitle the firefighter or rescue squad worker to the pension.
- 14 (2) If any firefighter or rescue squad worker ~~dies~~dies, except if the individual is
15 killed in the line of duty, before attaining the age at which a pension is payable
16 to the firefighter or rescue squad worker under the provisions of this Article,
17 there shall be paid ~~to his or her surviving spouse, or if there be no surviving~~
18 ~~spouse, to the person responsible for his or her child or children, or if there be~~
19 ~~no surviving spouse or children, then to his or her heirs at law as may be~~
20 ~~determined by the board or to his or her estate, if it is administered and there are~~
21 ~~no heirs,~~to the person or persons designated by the member, or if the member
22 has not designated a beneficiary, to the surviving spouse of the deceased
23 member, or if not survived by a designated beneficiary or spouse, to the
24 deceased member's legal representative, an amount equal to the amount paid
25 into the member's separate account by or on behalf of the said firefighter or
26 rescue squad worker.
- 27 (3) If any firefighter or rescue squad worker ~~dies~~dies, except if the individual is
28 killed in the line of duty, after beginning to receive the pension payable to the
29 firefighter or rescue squad worker by this Article, and before receiving an
30 amount equal to the amount paid into the fund by him or her, there shall be paid
31 ~~to his or her surviving spouse, or if there be no surviving spouse, then to the~~
32 ~~person responsible for his or her child or children, or if there be no surviving~~
33 ~~spouse or children, then to his or her heirs at law as may be determined by the~~
34 ~~board or to his or her estate, if it is administered and there are no heirs,~~to the
35 person or persons designated by the member, or if the member has not
36 designated a beneficiary, to the surviving spouse of the deceased retired
37 member, or if not survived by a designated beneficiary or spouse, to the
38 deceased retired member's legal representative, an amount equal to the
39 difference between the amount paid into the member's separate account by or
40 on behalf of the said firefighter or rescue squad worker and the amount received
41 by him or her as a pensioner.
- 42 (4) Any member who withdraws from the fund shall, upon proper application, be
43 paid all moneys without accumulated earnings on the payments after the time
44 they were made. A member may not purchase time under G.S. 58-86-45 for
45 which he or she has received a refund."

46 **SECTION 1.(d)** This section becomes effective July 1, 2018, and applies to benefits
47 paid when a member is killed in the line of duty on or after that date.

48 **SECTION 2.(a)** G.S. 58-86-90 reads as rewritten:

49 **"§ 58-86-90. Exemptions of pensions from attachment; rights nonassignable.**

50 Except for the applications of the provisions of G.S. 110-136, and in connection with a
51 court-ordered equitable distribution under G.S. 50-20, the pensions provided are not subject to

1 attachment, garnishments or judgments against the firefighter or rescue squad worker entitled to
2 them, nor are any rights in the fund or the pensions or benefits assignable. Notwithstanding any
3 provisions to the contrary, any overpayment of benefits to a member in a State-administered
4 retirement system, the Disability Salary Continuation Plan, or the Disability Income Plan of North
5 Carolina, including any benefits paid to, or State Health Plan premiums paid on behalf of, any
6 member who is later determined to have been ineligible for those benefits, may be offset against
7 any retirement allowance, return of contributions, or any other right accruing under this Article to
8 the same person, the person's estate, or designated beneficiary."

9 **SECTION 2.(b)** G.S. 135-5(n) reads as rewritten:

10 "(n) No action shall be commenced against the State or the Retirement System by any
11 retired member or beneficiary respecting any deficiency in the payment of benefits more than
12 three years after such deficient payment was made, and no action shall be commenced by the State
13 or the Retirement System against any retired member or former member or beneficiary respecting
14 any overpayment of benefits or contributions more than three years after such overpayment was
15 made. This subsection does not affect the right of the Retirement System to recoup overpaid
16 benefits as provided in G.S. 135-9."

17 **SECTION 2.(c)** G.S. 128-27(i) reads as rewritten:

18 "(i) No action shall be commenced against the State or the Retirement System by any
19 retired member or beneficiary respecting any deficiency in the payment of benefits more than
20 three years after such deficient payment was made, and no action shall be commenced by the State
21 or the Retirement System against any retired member or former member or beneficiary respecting
22 any overpayment of benefits or contributions more than three years after such overpayment was
23 made. This subsection does not affect the right of the Retirement System to recoup overpaid
24 benefits as provided in G.S. 128-31."

25 **SECTION 2.(d)** This section becomes effective January 1, 2017.

26 **SECTION 3.(a)** G.S. 135-1 is amended by adding a new subdivision to read:

27 "(14a) "Normal retirement age" shall mean, only for persons who became members on
28 or after January 1, 2017:

- 29 a. For members who are not law enforcement officers or eligible former
30 law enforcement officers, (i) 55 years of age or older with 30 years of
31 creditable service, (ii) 60 years of age or older with 25 years of
32 creditable service, or (iii) 65 years of age or older with five years of
33 membership service.
34 b. For members who are law enforcement officers or eligible former law
35 enforcement officers, 50 years of age or older with 30 years of
36 creditable service or 55 years of age or older with five years of
37 membership service."

38 **SECTION 3.(b)** G.S. 135-5(a) reads as rewritten:

39 "(a) Service Retirement Benefits.

40 (1) Any member may retire upon electronic submission or written application to
41 the Board of Trustees setting forth at what time, as of the first day of a calendar
42 month, not less than one day nor more than 120 days subsequent to the
43 execution of and filing thereof, ~~heth~~ the member desires to be retired: Provided,
44 that the said member at the time so specified for ~~hish~~ the member's retirement
45 shall have attained the age of 60 years and have at least five years of
46 membership service or shall have completed 30 years of creditable service.

47 (1a) Repealed by Session Laws 2014-88, s. 3(b), effective July 30, 2014.

48 (1b) Any member who became a member on or after January 1, 2017, may retire
49 upon electronic submission or written application to the Board of Trustees
50 setting forth at what time, as of the first day of a calendar month, not less than
51 one day nor more than 120 days subsequent to the execution of and filing

1 thereof, the member desires to be retired; Provided, that the member at the time
 2 so specified for the member's retirement shall have attained normal retirement
 3 age.

4 (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

5 (3) Any member who was in service October 8, 1981, who had attained 60 years of
 6 age, may retire upon electronic submission or written application to the Board
 7 of Trustees setting forth at what time, as of the first day of a calendar month,
 8 not less than one day nor more than 120 days subsequent to the execution and
 9 filing thereof, he desires to be retired.

10 (4) Any member who became a member prior to January 1, 2017, who is a
 11 law-enforcement ~~officer~~officer, and who attains age 50 and completes 15 or
 12 more years of creditable service in this capacity or who attains age 55 and
 13 completes five or more years of creditable service in this capacity, may retire
 14 upon electronic submission or written application to the Board of Trustees
 15 setting forth at what time, as of the first day of a calendar month, not less than
 16 one day nor more than 120 days subsequent to the execution and filing thereof,
 17 ~~hethe~~ the member desires to be retired; Provided, also, any member who has met
 18 the conditions herein required but does not retire, and later becomes a teacher or
 19 an employee other than as a law-enforcement officer shall continue to have the
 20 right to commence retirement.

21 (4a) Repealed by Session Laws 2014-88, s. 3(b), effective July 30, 2014.

22 (4b) Any member who became a member on or after January 1, 2017, who is a law
 23 enforcement officer and who has attained normal retirement age, may retire
 24 upon electronic submission or written application to Board of Trustees setting
 25 forth at what time, as of the first day of a calendar month, not less than one day
 26 nor more than 120 days subsequent to the extension and filing thereof, the
 27 member desires to be retired; provided that any member who has met the
 28 conditions herein required but does not retire and later becomes a teacher or an
 29 employee other than as a law enforcement officer shall continue to have the
 30 right to commence retirement.

31"

32 **SECTION 3.(c)** G.S. 135-5(b19) reads as rewritten:

33 "(b19) Service Retirement Allowance of Members Who Became Members Prior to January 1,
 34 2017, Retiring on or After July 1, 2002. – Upon retirement from service in accordance with
 35 subsection (a) or (a1) of this section, on or after July 1, 2002, a member who became a member
 36 prior to January 1, 2017, shall receive the following service retirement allowance:

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

40 a. If the member's service retirement date occurs on or after ~~histe~~the
 41 member's 55th birthday, and completion of five years of creditable
 42 service as a law enforcement officer, or after the completion of 30 years
 43 of creditable service, the allowance shall be equal to one and eighty-two
 44 hundredths percent (1.82%) of ~~histe~~ the member's average final
 45 compensation, multiplied by the number of years of ~~histe~~ the member's
 46 creditable service.

47 b. If the member's service retirement date occurs on or after ~~histe~~the
 48 member's 50th birthday and before ~~histe~~ the member's 55th birthday with
 49 15 or more years of creditable service as a law enforcement officer and
 50 prior to the completion of 30 years of creditable service, ~~histe~~the
 51 member's retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his or her 55th birthday; or
 2. The service retirement allowance as computed under G.S. 135-5(b19)(1)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement.
- (2) A member who is not 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~~the member's 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after ~~his~~the member's 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of ~~his~~ average final compensation, multiplied by the number of years of creditable service.
 - b. If the member's service retirement date occurs after ~~his~~the member's 60th birthday and before ~~his~~the member's 65th birthday and prior to ~~his~~the member's completion of 25 years or more of creditable service, ~~his~~the member's retirement allowance shall be computed as in G.S. 135-5(b19)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following ~~his~~the member's 65th birthday.
 - c. If the member's early service retirement date occurs on or after ~~his~~the member's 50th birthday and before ~~his~~the member's 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, ~~his~~the member's early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his or her 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which ~~his~~the member's 60th birthday precedes the first day of the month coincident with or next following ~~his~~the member's 65th birthday; or
 2. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement; or
 3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial

1 equivalent of the allowance payable at the age of 60 years as
2 computed in G.S. 135-5(b19)(2)b.

- 3 d. Notwithstanding the foregoing provisions, any member whose
4 creditable service commenced prior to July 1, 1963, shall not receive
5 less than the benefit provided by G.S. 135-5(b)."

6 **SECTION 3.(d)** G.S. 135-5 is amended by adding a new subsection to read:

7 "(b21) Service Retirement Allowance of Members Who Became a Member On or After
8 January 1, 2017. – Upon retirement from service in accordance with subsection (a) or (a1) of this
9 section, a member who became a member on or after January 1, 2017, shall receive the following
10 service retirement allowance:

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

14 a. If the member has attained normal retirement age, the allowance shall be
15 equal to one and eighty-two hundredths percent (1.82%) of the
16 member's average final compensation, multiplied by the number of
17 years of creditable service.

18 b. If the member's service retirement date occurs on or after the member's
19 50th birthday, and before the member's 55th birthday, with 15 or more
20 years of creditable service as a law enforcement officer and prior to
21 completion of 30 years of creditable service, the member's retirement
22 allowance shall be equal to the greater of the following amounts:

23 1. The service retirement allowance payable under
24 G.S. 135-5(b21)(1)a. reduced by one-third of one percent (1/3 of
25 1%) thereof for each month by which the member's retirement
26 date precedes the first day of the month coincident with or next
27 following the month the member would have attained age 55.

28 2. The service retirement allowance as computed under
29 G.S. 135-5(b21)(1)a. reduced by five percent (5%) multiplied by
30 the difference between 30 years and the member's creditable
31 service at retirement.

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

35 a. If the member has attained normal retirement age, the allowance shall be
36 equal to one and eighty-two hundredths percent (1.82%) of the
37 member's average final compensation multiplied by the number of years
38 of creditable service.

39 b. If the member's service retirement date occurs after the member's 60th
40 birthday and before the member's 65th birthday and prior to the
41 member's completion of 25 years or more of creditable service, the
42 retirement allowance shall be computed as in G.S. 135-5(b21)(2)a. but
43 shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for
44 each month by which the member's retirement date precedes the first
45 day of the month coincident with or next following the member's 65th
46 birthday.

47 c. If the member's early service retirement date occurs on or after the
48 member's 50th birthday and before the member's 60th birthday and after
49 completion of 20 years creditable service but prior to the completion of
50 30 years of creditable service, the early service retirement allowance
51 shall be equal to the greater of the following amounts:

- 1 1. The service retirement allowance as computed under
2 G.S. 135-5(b21)(2)a. but reduced by the sum of five-twelfths of
3 one percent (5/12 of 1%) thereof for each month by which the
4 member's retirement date precedes the first day of the month
5 coincident with or next following the month the member would
6 have attained age 60, plus one-quarter of one percent (1/4 of 1%)
7 thereof for each month by which the member's 60th birthday
8 precedes the first day of the month coincident with or next
9 following the member's 65th birthday.
- 10 2. The service retirement allowance as computed under
11 G.S. 135-5(b21)(2)a. reduced by five percent (5%) multiplied by
12 the difference between 30 years and the member's creditable
13 service at retirement."

14 **SECTION 3.(e)** G.S. 135-5 is amended by adding a new subsection to read:

15 "(m5) Survivor's Alternate Benefit. – Upon the death of a member in service, who became a
16 member on or after January 1, 2017, the beneficiary designated to receive a return of accumulated
17 contributions shall have the right to elect to receive in lieu thereof the reduced retirement
18 allowance provided by Option 2 of subsection (g) of this section computed by assuming that the
19 member had retired on the first day of the month following the date of the member's death,
20 provided that all four of the following conditions apply:

- 21 (1) a. The member had attained such age or creditable service to be eligible to
22 commence retirement with an early or service retirement allowance, or
23 b. The member had obtained 20 years of creditable service in which case
24 the retirement allowance shall be computed in accordance with
25 G.S. 135-5(b21)(1)b. or G.S. 135-5(b21)(2)c., notwithstanding the
26 requirement of obtaining age 50, or
27 b1. The member was a law enforcement officer who had obtained 15 years
28 of service as a law enforcement officer and was killed in the line of
29 duty, in which case the retirement allowance shall be computed in
30 accordance with G.S. 135-5(b21)(1)b., notwithstanding the requirement
31 of obtaining age 50.
- 32 (2) At the time of the member's death, one and only one beneficiary is eligible to
33 receive a return of the member's accumulated contributions.
- 34 (3) The member had not instructed the Board of Trustees in writing that the
35 member did not wish the provisions of this subsection to apply.
- 36 (4) The member had not commenced to receive a retirement allowance as provided
37 under this Chapter.

38 For the purpose of this benefit, a member is considered to be in service at the date of death if
39 the member's death occurs within 180 days from the last day of the member's actual service. The
40 last day of actual service shall be determined as provided in subsection (l) of this section. Upon
41 the death of a member in service, the surviving spouse may make all purchases for creditable
42 service as provided for under this Chapter for which the member had made application in writing
43 prior to the date of death, provided that the date of death occurred prior to or within 60 days after
44 notification of the cost to make the purchase. The term "in service" as used in this subsection
45 includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6
46 of this Chapter.

47 Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation during
48 the period for which the member would have otherwise been eligible to receive short-term
49 benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the last day of the
50 member's actual service but on or before the date the benefits as provided in G.S. 135-105 would

1 have ended, shall be considered in service at the time of the member's death for the purpose of this
2 benefit.

3 For the purpose of calculating this benefit, any terminal payouts made after the date of death
4 that meet the definition of compensation shall be credited to the month prior to the month of death.
5 These terminal payouts do not include salary or wages paid for work performed during the month
6 of death."

7 **SECTION 3.(f)** G.S. 128-21 is amended by adding a new subdivision to read:

8 "(14a) "Normal retirement age" shall mean, only for persons who became members on
9 or after January 1, 2017:

10 a. For members who are not law enforcement officers or eligible former
11 law enforcement officers, (i) 55 years of age or older with 30 years of
12 creditable service, (ii) 60 years of age or older with 25 years of
13 creditable service, or (iii) 65 years of age or older with five years of
14 membership service.

15 b. For members who are law enforcement officers or eligible former law
16 enforcement officers, 50 years of age or older with 30 years of
17 creditable service or 55 years of age or older with five years of
18 membership service."

19 **SECTION 3.(g)** G.S. 128-27(a) reads as rewritten:

20 "(a) Service Retirement Benefits. –

21 (1) Any member may retire upon electronic submission or written application to
22 the Board of Trustees setting forth at what time, as of the first day of a calendar
23 month, not less than one day nor more than 120 days subsequent to the
24 execution and filing thereof, ~~h~~the member desires to be retired: Provided, that
25 the said member at the time so specified for ~~h~~the member's retirement shall
26 have attained the age of 60 years and have at least five years of creditable
27 service or shall have completed 30 years of creditable service, or if a firefighter
28 or rescue squad worker, ~~h~~the member shall have attained the age of 55 years
29 and have at least five years of creditable service.

30 (1b) Any member who became a member on or after January 1, 2017, may retire
31 upon electronic submission or written application to the Board of Trustees
32 setting forth at what time, as of the first day of a calendar month, not less than
33 one day nor more than 120 days subsequent to the execution of and filing
34 thereof, the member desires to be retired; Provided, that the member at the time
35 so specified for the member's retirement shall have attained normal retirement
36 age.

37 (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

38 (3) Repealed by Session Laws 1971, c. 325, s. 12.

39 (4) Any member who was in service October 8, 1981, who had attained 60 years of
40 age, may retire upon electronic submission or written application to the Board
41 of Trustees setting forth at what time, as of the first day of a calendar month,
42 not less than one day nor more than 120 days subsequent to the execution and
43 filing thereof, he desires to be retired.

44 (5) Any member who became a member prior to January 1, 2017, who is a law
45 enforcement officer, and who attains age 50 and completes 15 or more years of
46 creditable service in this capacity or who attains age 55 and completes five or
47 more years of creditable service in this capacity, may retire upon electronic
48 submission or written application to the Board of Trustees setting forth at what
49 time, as of the first day of a calendar month, not less than one day nor more
50 than 120 days subsequent to the execution and filing thereof, ~~h~~the member
51 desires to be retired; provided, also, any member who has met the conditions

1 required by this subdivision but does not retire, and later becomes an employee
2 other than as a law enforcement officer, continues to have the right to
3 commence retirement.

- 4 (6) Any member who became a member on or after January 1, 2017, who is a law
5 enforcement officer and who has attained normal retirement age may retire
6 upon electronic submission or written application to Board of Trustees setting
7 forth at what time, as of the first day of a calendar month, not less than one day
8 nor more than 120 days subsequent to the extension and filing thereof, the
9 member desires to be retired; provided that any member who has met the
10 conditions herein required but does not retire and later becomes a teacher or an
11 employee other than as a law enforcement officer shall continue to have the
12 right to commence retirement."

13 **SECTION 3.(h)** G.S. 128-27(b1) reads as rewritten:

14 "(b21) Service Retirement Allowance of Member Who Became a Member Prior to January 1,
15 2017, Retiring on or After July 1, 2003. – Upon retirement from service in accordance with
16 subsection (a) or (a1) above, on or after July 1, 2003, a member who became a member prior to
17 January 1, 2017, shall receive the following service retirement allowance:

- 18 (1) A member who is a law enforcement officer or an eligible former law
19 enforcement officer shall receive a service retirement allowance computed as
20 follows:
- 21 a. If the member's service retirement date occurs on or after ~~his~~the
22 member's 55th birthday and completion of five years of creditable
23 service as a law enforcement officer, or after the completion of 30 years
24 of creditable service, the allowance shall be equal to one and eighty-five
25 hundredths percent (1.85%) of ~~his~~the member's average final
26 compensation, multiplied by the number of years of ~~his~~the member's
27 creditable service.
- 28 b. If the member's service retirement date occurs on or after ~~his~~the
29 member's 50th birthday and before ~~his~~the member's 55th birthday with
30 15 or more years of creditable service as a law enforcement officer and
31 prior to the completion of 30 years of creditable service, ~~his~~the
32 member's retirement allowance shall be equal to the greater of:
- 33 1. The service retirement allowance payable under
34 G.S. 128-27(b21)(1)a. reduced by one-third of one percent (1/3
35 of 1%) thereof for each month by which ~~his~~the member's
36 retirement date precedes the first day of the month coincident
37 with or next following the month the member would have
38 attained his or her 55th birthday;
- 39 2. The service retirement allowance as computed under
40 G.S. 128-27(b21)(1)a. reduced by five percent (5%) times the
41 difference between 30 years and ~~his~~the member's creditable
42 service at retirement.
- 43 (2) A member who is not a law enforcement officer or an eligible former law
44 enforcement officer shall receive a service retirement allowance computed as
45 follows:
- 46 a. If the member's service retirement date occurs on or after ~~his~~the
47 member's 65th birthday upon the completion of five years of creditable
48 service or after the completion of 30 years of creditable service or on or
49 after ~~his~~the member's 60th birthday upon the completion of 25 years of
50 creditable service, the allowance shall be equal to one and eighty-five

- 1 hundredths percent (1.85%) of average final compensation, multiplied
2 by the number of years of creditable service.
- 3 b. If the member's service retirement date occurs after ~~his~~the member's
4 60th birthday and before ~~his~~the member's 65th birthday and prior to
5 ~~his~~the member's completion of 25 years or more of creditable service,
6 ~~his~~the member's retirement allowance shall be computed as in
7 G.S. 128-27(b21)(2)a. but shall be reduced by one-quarter of one
8 percent (1/4 of 1%) thereof for each month by which ~~his~~the member's
9 retirement date precedes the first day of the month coincident with or
10 next following ~~his~~the member's 65th birthday.
- 11 c. If the member's early service retirement date occurs on or after ~~his~~the
12 member's 50th birthday and before ~~his~~the member's 60th birthday and
13 after completion of 20 years of creditable service but prior to the
14 completion of 30 years of creditable service, ~~his~~the member's early
15 service retirement allowance shall be equal to the greater of:
- 16 1. The service retirement allowance as computed under
17 G.S. 128-27(b21)(2)a. but reduced by the sum of five-twelfths of
18 one percent (5/12 of 1%) thereof for each month by which ~~his~~the
19 member's retirement date precedes the first day of the month
20 coincident with or next following the month the member would
21 have attained his or her 60th birthday, plus one-quarter of one
22 percent (1/4 of 1%) thereof for each month by which ~~his~~the
23 member's 60th birthday precedes the first day of the month
24 coincident with or next following ~~his~~the member's 65th birthday;
25 or
- 26 2. The service retirement allowance as computed under
27 G.S. 128-27(b21)(2)a. reduced by five percent (5%) times the
28 difference between 30 years and ~~his~~the member's creditable
29 service at retirement; or
- 30 3. If the member's creditable service commenced prior to July 1,
31 1995, the service retirement allowance equal to the actuarial
32 equivalent of the allowance payable at the age of 60 years as
33 computed in G.S. 128-27(b21)(2)b.
- 34 d. Notwithstanding the foregoing provisions, any member whose
35 creditable service commenced prior to July 1, 1965, shall not receive
36 less than the benefit provided by G.S. 128-27(b)."

37 **SECTION 3.(i)** G.S. 128-27 is amended by adding a new subsection to read:

38 "(b22) Service Retirement Allowance of Members Who Became a Member On or After
39 January 1, 2017. – Upon retirement from service in accordance with subsection (a) or (a1) of this
40 section, a member who became a member on or after January 1, 2017, shall receive the following
41 service retirement allowance:

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

- 45 a. If the member has attained normal retirement age, the allowance shall be
46 equal to one and eighty-five hundredths percent (1.85%) of the
47 member's average final compensation, multiplied by the number of
48 years of creditable service.
- 49 b. If the member's service retirement date occurs on or after the member's
50 50th birthday, and before the member's 55th birthday, with 20 or more
51 years of creditable service as a law enforcement officer and prior to

1 completion of 30 years of creditable service, the member's retirement
2 allowance shall be equal to the greater of the following amounts:

3 1. The service retirement allowance payable under
4 G.S. 128-27(b22)(1)a. reduced by one-third of one percent (1/3
5 of 1%) thereof for each month by which the member's retirement
6 date precedes the first day of the month coincident with or next
7 following the month the member would have attained age 55.

8 2. The service retirement allowance as computed under
9 G.S. 128-27(b22)(1)a. reduced by five percent (5%) multiplied
10 by the difference between 30 years and the member's creditable
11 service at retirement.

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

15 a. If the member has attained normal retirement age, the allowance shall be
16 equal to one and eighty-five hundredths percent (1.85%) of the
17 member's average final compensation multiplied by the number of years
18 of creditable service.

19 b. If the member's service retirement date occurs after the member's 60th
20 birthday and before the member's 65th birthday and prior to the
21 member's completion of 25 years or more of creditable service, the
22 retirement allowance shall be computed as in G.S. 128-27(b22)(2)a. but
23 shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for
24 each month by which the member's retirement date precedes the first
25 day of the month coincident with or next following the member's 65th
26 birthday.

27 c. If the member's early service retirement date occurs on or after the
28 member's 50th birthday and before the member's 60th birthday and after
29 completion of 20 years creditable service but prior to the completion of
30 30 years of creditable service, the early service retirement allowance
31 shall be equal to the greater of the following amounts:

32 1. The service retirement allowance as computed under
33 G.S. 128-27(b22)(2)a. but reduced by the sum of five-twelfths of
34 one percent (5/12 of 1%) thereof for each month by which the
35 member's retirement date precedes the first day of the month
36 coincident with or next following the month the member would
37 have attained age 60, plus one-quarter of one percent (1/4 of 1%)
38 thereof for each month by which the member's 60th birthday
39 precedes the first day of the month coincident with or next
40 following the member's 65th birthday.

41 2. The service retirement allowance as computed under
42 G.S. 128-27(b22)(2)a. reduced by five percent (5%) times the
43 difference between 30 years and the member's creditable service
44 at retirement.

45 3. If the member's creditable service commenced prior to July 1,
46 1994, the service retirement allowance equal to the actuarial
47 equivalent of the allowance payable at the age of 60 years as
48 computed under G.S. 128-27(b22)(2)b."

49 **SECTION 3.(j)** G.S. 128-27 is amended by adding a new subsection to read:

50 "(m4) Survivor's Alternate Benefit. – Upon the death of a member in service, the beneficiary
51 designated to receive a return of accumulated contributions shall have the right to elect to receive

1 in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) of this
2 section computed by assuming that the member had retired on the first day of the month following
3 the date of the member's death, provided that all four of the following conditions apply:

- 4 (1) a. The member had attained such age or creditable service to be eligible to
5 commence retirement with an early or service retirement allowance, or
6 b. The member had obtained 20 years of creditable service in which case
7 the retirement allowance shall be computed in accordance with
8 G.S. 128-27(b22)(1)b. or G.S. 128-27(b22)(2)c., notwithstanding the
9 requirement of obtaining age 50, or
10 b1. The member was a law enforcement officer who had obtained 15 years
11 of service as a law enforcement officer and was killed in the line of
12 duty, or the member was a firefighter or a rescue squad worker who had
13 obtained 15 years of service as a firefighter or a rescue squad worker
14 and was killed in the line of duty, in which cases the retirement
15 allowance shall be computed in accordance with G.S. 128-27(b22)(1)b.,
16 notwithstanding the requirement of obtaining age 50.
17 (2) At the time of the member's death, one and only one beneficiary is eligible to
18 receive a return of the member's accumulated contributions.
19 (3) The member had not instructed the Board of Trustees in writing that the
20 member did not wish the provisions of this subsection apply.
21 (4) The member had not commenced to receive a retirement allowance as provided
22 under this Chapter.

23 For the purpose of this benefit, a member is considered to be in service at the date of the
24 member's death if the death occurs within 180 days from the last day of the member's actual
25 service. The last day of actual service shall be determined as provided in subsection (l) of this
26 section. Upon the death of a member in service, the surviving spouse may make all purchases for
27 creditable service as provided for under this Chapter for which the member had made application
28 in writing prior to the date of death, provided that the date of death occurred prior to or within 60
29 days after notification of the cost to make the purchase.

30 For the purpose of calculating this benefit, any terminal payouts made after the date of death
31 that meet the definition of compensation shall be credited to the month prior to the month of death.
32 These terminal payouts do not include salary or wages paid for work performed during the month
33 of death."

34 **SECTION 3.(k)** G.S. 135-53 is amended by adding a new subdivision to read:

35 "(12a) "Normal retirement age" shall mean, only for persons who became members on
36 or after January 1, 2017, 55 years of age or older with 30 years of creditable
37 service or 65 years of age or older with five years of membership service."

38 **SECTION 3.(l)** G.S. 135-58 reads as rewritten:

39 **"§ 135-58. Service retirement benefits.**

40 ...

41 (a6) Any member who became a member prior to January 1, 2017, and who retires under
42 the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2008, after the member has
43 either attained the member's 65th birthday or has completed 24 years or more of creditable service,
44 shall receive an annual retirement allowance, payable monthly, which shall commence on the
45 effective date of the member's retirement and shall be continued on the first day of each month
46 thereafter during the member's lifetime, the amount of which shall be computed as the sum of the
47 amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall
48 the annual allowance payable to any member be greater than an amount which, when added to the
49 allowance, if any, to which the member is entitled under the Teachers' and State Employees'
50 Retirement System, the Legislative Retirement System, or the Local Governmental Employees'

1 Retirement System (prior in any case to any reduction for early retirement or for an optional mode
2 of payment), would total three-fourths of the member's final compensation:

- 3 (1) Four and two hundredths percent (4.02%) of the member's final compensation,
4 multiplied by the number of years of creditable service rendered as a justice of
5 the Supreme Court, a judge of the Court of Appeals, or the Director of the
6 Administrative Office of the Courts;
- 7 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
8 compensation, multiplied by the number of years of creditable service rendered
9 as a judge of the superior court;
- 10 (3) Three and two hundredths percent (3.02%) of the member's final compensation,
11 multiplied by the number of years of creditable service rendered as a judge of
12 the district court, district attorney, clerk of superior court, public defender, or
13 the Director of Indigent Defense Services;
- 14 (4) A service retirement allowance computed in accordance with the service
15 retirement provisions of Article 3 of Chapter 128 of the General Statutes using
16 an average final compensation as defined in G.S. 135-53(2a) and creditable
17 service equal to the number of years of the member's creditable service that was
18 transferred from the Local Governmental Employees' Retirement System to this
19 System as provided in G.S. 135-56; and
- 20 (5) A service retirement allowance computed in accordance with the service
21 retirement provisions of Article 1 of this Chapter using an average final
22 compensation as defined in G.S. 135-53(2a) and creditable service, including
23 any sick leave standing to the credit of the member, equal to the number of
24 years of the member's creditable service that was transferred from the Teachers'
25 and State Employees' Retirement System or the Legislative Retirement System
26 to this System as provided in G.S. 135-56.

27 (a7) Any member who became a member on or after January 1, 2017, who retires under the
28 provisions of G.S. 135-57(a) or G.S. 135-57(c) after the member has attained normal retirement
29 age shall receive an annual retirement allowance, payable monthly, which shall commence on the
30 effective date of the member's retirement and shall be continued on the first day of each month
31 thereafter during the member's lifetime, the amount of which shall be computed as the sum of the
32 amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall
33 the annual allowance payable to any member be greater than an amount which, when added to the
34 allowance, if any, to which the member is entitled under the Teachers' and State Employees'
35 Retirement System, the Legislative Retirement System, or the Local Governmental Employees'
36 Retirement System (prior in any case to any reduction for early retirement or for an optional mode
37 of payment), would total three-fourths of the member's final compensation:

- 38 (1) Four and two hundredths percent (4.02%) of the member's final compensation,
39 multiplied by the number of years of creditable service rendered as a justice of
40 the Supreme Court, a judge of the Court of Appeals, or the Director of the
41 Administrative Office of the Courts;
- 42 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
43 compensation, multiplied by the number of years of creditable service rendered
44 as a judge of the superior court;
- 45 (3) Three and two hundredths percent (3.02%) of the member's final compensation,
46 multiplied by the number of years of creditable service rendered as a judge of
47 the district court, district attorney, clerk of superior court, public defender, or
48 the Director of Indigent Defense Services;
- 49 (4) A service retirement allowance computed in accordance with the service
50 retirement provisions of Article 3 of Chapter 128 of the General Statutes using
51 an average final compensation as defined in G.S. 135-53(2a) and creditable

1 service equal to the number of years of the member's creditable service that was
2 transferred from the Local Governmental Employees' Retirement System to this
3 System as provided in G.S. 135-56; and

4 (5) A service retirement allowance computed in accordance with the service
5 retirement provisions of Article 1 of this Chapter using an average final
6 compensation as defined in G.S. 135-53(2a) and creditable service, including
7 any sick leave standing to the credit of the member, equal to the number of
8 years of the member's creditable service that was transferred from the Teachers'
9 and State Employees' Retirement System or the Legislative Retirement System
10 to this System as provided in G.S. 135-56.

11 (b) Any member who became a member prior to January 1, 2017, who retires under the
12 provisions of subsection (a) or subsection (c) of G.S. 135-57 before ~~the~~ the member either has
13 attained his or her sixty-fifth birthday or has completed 24 years of creditable service shall receive
14 an annual retirement allowance, payable monthly, which shall commence on the effective date of
15 ~~his~~ the member's retirement and shall be continued on the first day of each month thereafter during
16 ~~his~~ the member's lifetime, the amount of which shall be determined in the same manner and be
17 subject to the same maximum limitation as provided for in subsection (a) above except that the
18 allowance so computed shall be reduced by one quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each
19 month by which the member's retirement date precedes the first day of the month coincident with
20 or next following the earlier of

21 (1) The member's sixty-fifth birthday or

22 (2) The date the member would have completed 24 years of creditable service if
23 ~~the~~ the member had been in membership service from his or her retirement date
24 until such date.

25 For the sole purpose of determining whether a member has completed the required 24 years of
26 creditable service referred to in this subsection (b) or the date on which ~~the~~ the member would have
27 completed such period of creditable service if ~~the~~ the member had remained in membership service,
28 in the case of a member of the Teachers' and State Employees' Retirement System who became a
29 member of this Retirement System under circumstances described in G.S. 135-28.1, and who at
30 the time of ~~his~~ the member's retirement hereunder is in service and has retained his or her
31 membership in the Teachers' and State Employees' Retirement System as provided for in
32 G.S. 135-28.1, ~~his~~ the member's creditable service shall be taken as the sum of ~~his~~ the member's
33 creditable service hereunder plus the amount of creditable service remaining to ~~his~~ the member's
34 credit in such other system as provided for in G.S. 135-28.1.

35 (b1) Any member who became a member on or after January 1, 2017, who retires under the
36 provisions of subsection (a) or subsection (c) of G.S. 135-57 before the member has attained
37 normal retirement age shall receive an annual retirement allowance, payable monthly, which shall
38 commence on the effective date of the member's retirement and shall be continued on the first day
39 of each month thereafter during the member's lifetime, the amount of which shall be determined in
40 the same manner and be subject to the same maximum limitation as provided for in subsection (a)
41 of this section except that the allowance so computed shall be reduced by one quarter of one
42 percent ($\frac{1}{4}$ of 1%) thereof for each month by which the member's retirement date precedes the
43 first day of the month coincident with or next following the month the member would have
44 attained normal retirement age had the member continued working.

45 For the sole purpose of determining whether a member has completed the required 30 years of
46 creditable service referred to in this subsection or the date on which the member would have
47 completed such period of creditable service if the member had remained in membership service, in
48 the case of a member of the Teachers' and State Employees' Retirement System who became a
49 member of this Retirement System under circumstances described in G.S. 135-28.1, and who at
50 the time of the member's retirement hereunder is in service and has retained his or her membership
51 in the Teachers' and State Employees' Retirement System as provided for in G.S. 135-28.1, the

1 member's creditable service shall be taken as the sum of the member's creditable service hereunder
2 plus the amount of creditable service remaining to the member's credit in such other system as
3 provided for in G.S. 135-28.1.

4"

5 **SECTION 3.(m)** G.S. 135-74(c1) reads as rewritten:

6 "(c1) A member who has contributions in this System and is not eligible for a retirement
7 benefit as set forth in G.S. 135-58(a6) or G.S. 135-58(a7) shall be paid his or her contributions in a
8 lump sum as provided in G.S. 135-62 by April 1 of the calendar year following the later of the
9 calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be
10 a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of
11 superior court as provided in G.S. 135-53, except by death. If such member fails, following
12 reasonable notification, to complete a refund application by such required date, the requirement
13 that a refund application be completed shall be waived and the refund shall be paid without a
14 refund application as a single lump-sum payment with applicable required North Carolina and
15 federal income taxes withheld. For purposes of this subsection, a member shall not be considered
16 to have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense
17 Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively
18 contributing to the Teachers' and State Employees' Retirement System, Local Governmental
19 Employees' Retirement System, or Consolidated Judicial Retirement System. A lump-sum refund
20 shall not be paid under this subsection if the member is actively contributing to the Teachers' and
21 State Employees' Retirement System, Local Governmental Employees' Retirement System, or
22 Consolidated Judicial Retirement System.

23 A member who has contributions in this System and is eligible for a retirement benefit as set
24 forth in G.S. 120-4.21 shall begin to receive a monthly benefit no later than April 1 of the calendar
25 year following the later of the calendar year in which the member (i) attains 70 and one-half years
26 of age or (ii) has ceased to be a judge, district attorney, public defender, the Director of Indigent
27 Defense Services, or clerk of superior court as provided in G.S. 135-53, except by death. If such
28 member fails, following reasonable notification, to complete the retirement process as set forth
29 under Chapter 120 of the General Statutes by such required beginning date, the requirement that a
30 retirement application and an election of payment plan form be completed shall be waived and the
31 retirement allowance shall be paid as a single life annuity. The single life annuity shall be
32 calculated and processed in accordance with G.S. 120-4.21. For purposes of this subsection, a
33 member shall not be considered to have ceased to be a judge, district attorney, public defender, the
34 Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53 if the
35 member is actively contributing to the Teachers' and State Employees' Retirement System, Local
36 Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A
37 retirement benefit shall not be paid under this subsection if the member is actively contributing to
38 the Teachers' and State Employees' Retirement System, Local Governmental Employees'
39 Retirement System, or Consolidated Judicial Retirement System."

40 **SECTION 3.(n)** This section becomes effective January 1, 2017.

41 **SECTION 4.(a)** G.S. 135-1(7b) is recodified as G.S. 135-1(7c).

42 **SECTION 4.(b)** G.S. 135-1, as amended by Section 3(a) of this act, is amended by
43 adding a new subdivision to read:

44 "(7b) "Compliance investigation" shall mean an independent review or examination
45 by Retirement Systems Division staff or authorized representatives who are
46 assisting the Retirement Systems Division staff of records, activities, actions, or
47 decisions by employers or other affiliated or associated entities having an
48 impact on the Retirement System. The purpose of a compliance investigation is
49 to help detect errors and ensure compliance and full accountability in the use of
50 pension funds."

51 **SECTION 4.(c)** G.S. 135-1(11b) reads as written:

1 "(11b) "Fraud investigation" means an independent review or examination by
2 Retirement Systems Division staff or authorized representatives who are
3 assisting the Retirement Systems Division staff of records, activities, actions, or
4 decisions by employers or other affiliated or associated entities having an
5 impact on the Retirement System. The purpose of a fraud investigation is to
6 help detect and prevent fraud and to ensure full accountability in the use of
7 pension funds."

8 **SECTION 4.(d)** G.S. 135-6 reads as rewritten:

9 **"§ 135-6. Administration.**

10 ...

11 (q) Compliance Investigations and Fraud Investigations – Access to Persons and Records.
12 In the course of conducting a compliance investigation or a fraud investigation, the Retirement
13 Systems Division, or authorized representatives who are assisting the Retirement Systems
14 Division staff, shall:

- 15 (1) Have ready access to persons and may examine and copy all books, records,
16 reports, vouchers, correspondence, files, personnel files, investments, and any
17 other documentation of any employer. The review of State tax returns shall be
18 limited to matters of official business, and the Division's report shall not violate
19 the confidentiality provisions of tax laws.
- 20 (2) Have such access to persons, records, papers, reports, vouchers,
21 correspondence, books, and any other documentation that is in the possession
22 of any individual, private corporation, institution, association, board, or other
23 organization that pertain to the following:
 - 24 a. Amounts received pursuant to a grant or contract from the federal
25 government, the State, or its political subdivisions.
 - 26 b. Amounts received, disbursed, or otherwise handled on behalf of the
27 federal government or the State.
- 28 (3) Have the authority, and shall be provided with ready access, to examine and
29 inspect all property, equipment, and facilities in the possession of any employer
30 agency or any individual, private corporation, institution, association, board, or
31 other organization that were furnished or otherwise provided through grant,
32 contract, or any other type of funding by the employer agency.

33 With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social
34 and medical services to a beneficiary shall make copies of records they maintain for services
35 provided to a beneficiary available to the Retirement Systems Division, or to the authorized
36 representatives who are assisting the Retirement Systems Division staff. Copies of the records of
37 social and medical services provided to a beneficiary will permit verification of the health or other
38 status of a beneficiary as required for the payment of benefits under Article 1, Article 4, or Article
39 6 of this Chapter. The Retirement Systems Division, or authorized representatives who are
40 assisting the Retirement Systems Division staff, shall request records in writing by providing the
41 name of each beneficiary for whom records are sought, the purpose of the request, the statutory
42 authority for the request, and a reasonable period of time for the production of record copies by the
43 provider. A provider may charge, and the Retirement Systems Division, or authorized
44 representatives who are assisting the Retirement Systems Division staff, shall, in accordance with
45 G.S. 90-411, pay a reasonable fee to the provider for copies of the records provided in accordance
46 with this subsection.

47 (r) Compliance or Fraud Investigative Reports and Work Papers. – The Director of the
48 Retirement Systems Division shall maintain for 10 years a complete file of all compliance
49 investigative reports, fraud investigative reports and reports of other examinations, investigations,
50 surveys, and reviews issued under the Director's authority. Fraud or compliance investigation
51 work papers and other evidence or related supportive material directly pertaining to the work of

1 the Retirement Systems Division of the Department of State Treasurer shall be retained according
2 to an agreement between the Director of Retirement and State Archives. To promote
3 intergovernmental cooperation and avoid unnecessary duplication of fraud and compliance
4 investigative effort, and notwithstanding local unit personnel policies to the contrary, pertinent
5 work papers and other supportive material relating to issued fraud or compliance investigation
6 reports may be, at the discretion of the Director of Retirement and unless otherwise prohibited by
7 law, made available for inspection by duly authorized representatives of the State and federal
8 government who desire access to and inspection of such records in connection with some matter
9 officially before them, including criminal investigations. Except as provided in this section, or
10 upon an order issued in Wake County Superior Court upon 10 days' notice and hearing finding
11 that access is necessary to a proper administration of justice, fraud and compliance investigation
12 work papers and related supportive material shall be kept confidential, including any information
13 developed as a part of the investigation.

14"

15 **SECTION 4.(e)** G.S. 128-21(7b) is recodified as G.S. 128-21(7c).

16 **SECTION 4.(f)** G.S. 128-21, as amended by Section 3(e) of this act, is amended by
17 adding a new subdivision to read:

18 "(7b) "Compliance investigation" shall mean an independent review or examination
19 by Retirement Systems Division staff or authorized representatives who are
20 assisting the Retirement Systems Division staff of records, activities, actions, or
21 decisions by employers or other affiliated or associated entities having an
22 impact on the Retirement System. The purpose of a compliance investigation is
23 to help detect errors and ensure compliance and full accountability in the use of
24 pension funds."

25 **SECTION 4.(g)** G.S. 128-21(11c) reads as rewritten:

26 "(11c) "Fraud investigation" means an independent review or examination by
27 Retirement Systems Division staff or authorized representatives who are
28 assisting the Retirement Systems Division staff of records, activities, actions, or
29 decisions by employers or other affiliated or associated entities having an
30 impact on the Retirement System. The purpose of a fraud investigation is to
31 help detect and prevent fraud and to ensure full accountability in the use of
32 pension funds."

33 **SECTION 4.(h)** G.S. 128-28 reads as rewritten:

34 **"§ 128-28. Administration and responsibility for operation of System.**

35 ...

36 (r) Fraud Investigations and Compliance Investigations – Access to Persons and Records.
37 – In the course of conducting a fraud investigation or compliance investigation, the Retirement
38 Systems Division, or authorized representatives who are assisting the Retirement Systems
39 Division staff, shall:

40 (1) Have ready access to persons and may examine and copy all books, records,
41 reports, vouchers, correspondence, files, personnel files, investments, and any
42 other documentation of any employer. The review of State tax returns shall be
43 limited to matters of official business, and the Division's report shall not violate
44 the confidentiality provisions of tax laws.

45 (2) Have such access to persons, records, papers, reports, vouchers,
46 correspondence, books, and any other documentation that is in the possession of
47 any individual, private corporation, institution, association, board, or other
48 organization which pertain to the following:

49 a. Amounts received pursuant to a grant or contract from the federal
50 government, the State, or its political subdivisions.

1 b. Amounts received, disbursed, or otherwise handled on behalf of the
2 federal government or the State.

- 3 (3) Have the authority, and shall be provided with ready access, to examine and
4 inspect all property, equipment, and facilities in the possession of any employer
5 agency or any individual, private corporation, institution, association, board, or
6 other organization that were furnished or otherwise provided through grant,
7 contract, or any other type of funding by the employer agency.

8 With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social
9 and medical services to a beneficiary shall make copies of records they maintain for services
10 provided to a beneficiary available to the Retirement Systems Division, or to the authorized
11 representatives who are assisting the Retirement Systems Division staff. Copies of the records of
12 social and medical services provided to a beneficiary will permit verification of the health or other
13 status of a beneficiary as required for the payment of benefits under Article 3 of this Chapter. The
14 Retirement Systems Division, or authorized representatives who are assisting the Retirement
15 Systems Division staff, shall request records in writing by providing the name of each beneficiary
16 for whom records are sought, the purpose of the request, the statutory authority for the request,
17 and a reasonable period of time for the production of record copies by the provider. A provider
18 may charge, and the Retirement Systems Division, or authorized representatives who are assisting
19 the Retirement Systems Division staff, shall, in accordance with G.S. 90-411, pay a reasonable fee
20 to the provider for copies of the records provided in accordance with this subsection.

21 (s) Fraud Investigative Reports and Work Papers or Compliance Investigative Reports and
22 Work Papers. – The Director of the Retirement Systems Division shall maintain for 10 years a
23 complete file of all fraud investigative ~~reports~~reports, compliance investigative reports, and reports
24 of other examinations, investigations, surveys, and reviews issued under the Director's authority.
25 Fraud investigation work ~~papers~~papers, compliance investigation work papers, and other evidence
26 or related supportive material directly pertaining to the work of the Retirement Systems Division
27 of the Department of State Treasurer shall be retained according to an agreement between the
28 Director of Retirement and State Archives. To promote intergovernmental cooperation and avoid
29 unnecessary duplication of fraud or compliance investigative effort, and notwithstanding local unit
30 personnel policies to the contrary, pertinent work papers and other supportive material relating to
31 issued fraud investigation reports or compliance investigative reports may be, at the discretion of
32 the Director of Retirement and unless otherwise prohibited by law, made available for inspection
33 by duly authorized representatives of the State and federal government who desire access to and
34 inspection of such records in connection with some matter officially before them, including
35 criminal investigations. Except as provided in this section, or upon an order issued in Wake
36 County Superior Court upon 10 days' notice and hearing finding that access is necessary to a
37 proper administration of justice, fraud or compliance investigation work papers and related
38 supportive material shall be kept confidential, including any information developed as a part of the
39 investigation.

40"

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

42 "(jj) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement
43 allowance is subject to an adjustment pursuant to the contribution-based benefit cap established in
44 G.S. 128-27(a3), the retirement system shall notify the member and the member's employer that
45 the member's retirement allowance has been capped. The retirement system shall compute and
46 notify the member and the member's employer of the total additional amount the member would
47 need to contribute in order to make the member not subject to the contribution-based benefit cap.
48 This total additional amount shall be the actuarial equivalent of a single life annuity adjusted for
49 the age of the member at the time of retirement, or when appropriate, the age at the time of the
50 member's death that would have had to have been purchased to increase the member's benefit to
51 the pre-cap level. Except as otherwise provided in this subsection, the member shall have until 90

1 days after notification regarding this additional amount or until 90 days after the effective date of
2 retirement, whichever is later, to submit a lump sum payment to the annuity savings fund in order
3 for the retirement system to restore the retirement allowance to the uncapped amount. Nothing
4 contained in this subsection shall prevent an employer from paying all or part of the cost of the
5 amount necessary to restore the member's retirement allowance to the pre-cap amount.
6 Notwithstanding the requirement that the payment be made as a lump sum, the retirement system
7 may allow an employer of a member who became a member before January 1, 2015, or who has
8 not earned at least five years of membership service in the retirement system after January 1, 2015,
9 to pay the lump-sum amount required in this subsection on an installment payment plan under one
10 of the following two options:

11 (1) Option one. – An installment payment plan beginning no less than 90 days after
12 the retirement of the member and ending no less~~more~~ than ~~one year~~15 months
13 after the retirement of the member.

14 (2) Option two. – An installment payment plan beginning no less than 90 days after
15 the retirement of the member and ending no more than 27 months after the
16 retirement of the member. Interest shall be assessed on the principal amount of
17 the contribution-based benefit cap liability owed and applied to any installment
18 payment plan term exceeding 12 months at a rate corresponding with the
19 interest rate assumption based on the most recent actuarial valuation approved
20 by the Board of Trustees.

21 Payment under ~~such an~~both installment ~~plan~~plans must be completed regardless of whether the
22 member continues to receive a recurring monthly retirement benefit through the end of the
23 installment period."

24 **SECTION 5.(b)** G.S. 128-26(y) reads as rewritten:

25 "(y) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement
26 allowance is subject to an adjustment pursuant to the contribution-based benefit cap established in
27 G.S. 128-27(a3), the retirement system shall notify the member and the member's employer that
28 the member's retirement allowance has been capped. The retirement system shall compute and
29 notify the member and the member's employer of the total additional amount the member would
30 need to contribute in order to make the member not subject to the contribution-based benefit cap.
31 This total additional amount shall be the actuarial equivalent of a single life annuity adjusted for
32 the age of the member at the time of retirement, or when appropriate, the age at the time of the
33 member's death that would have had to have been purchased to increase the member's benefit to
34 the pre-cap level. Except as otherwise provided in this subsection, the member shall have until 90
35 days after notification regarding this additional amount or until 90 days after the effective date of
36 retirement, whichever is later, to submit a lump sum payment to the annuity savings fund in order
37 for the retirement system to restore the retirement allowance to the uncapped amount. Nothing
38 contained in this subsection shall prevent an employer from paying all or part of the cost of the
39 amount necessary to restore the member's retirement allowance to the pre-cap amount.
40 Notwithstanding the requirement that the payment be made as a lump sum, the retirement system
41 may allow an employer of a member who became a member before January 1, 2015, or who has
42 not earned at least five years of membership service in the retirement system after January 1, 2015,
43 to pay the lump-sum amount required in this subsection on an installment payment plan under one
44 of the following two options:

45 (1) Option one. – An installment payment plan beginning no less than 90 days after
46 the retirement of the member and ending no less~~more~~ than ~~one year~~15 months
47 after the retirement of the member.

48 (2) Option two. – An installment payment plan beginning no less than 90 days after
49 the retirement of the member and ending no more than 27 months after the
50 retirement of the member. Interest shall be assessed on the principal amount of
51 the contribution-based benefit cap liability owed and applied to any installment

1 payment plan term exceeding 12 months at a rate corresponding with the
2 interest rate assumption based on the most recent actuarial valuation approved
3 by the Board of Trustees.

4 Payment under ~~such an~~ both installment ~~plan~~ plans must be completed regardless of whether the
5 member continues to receive a recurring monthly retirement benefit through the end of the
6 installment period."

7 **SECTION 6.(a)** G.S. 135-5(a3) reads as rewritten:

8 "(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding Chapter
9 150B of the General Statutes and any other provision of this section, every service retirement
10 allowance provided under this section for members who retire on or after January 1, 2015, is
11 subject to adjustment pursuant to a contribution-based benefit cap under this subsection. The
12 Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary,
13 based upon actual experience, such that no more than three-quarters of one percent (0.75%) of
14 retirement allowances are expected to be capped. The Board of Trustees shall modify such factors
15 every five years, as shall be deemed necessary, based upon the five-year experience study as
16 required by G.S. 135-6(n). Prior to establishing a service retirement allowance under this section,
17 the Board shall:

- 18 (1) Determine an amount equal to the member's accumulated contributions as
19 required under G.S. 135-8(b)(1) for all years during which the member earned
20 membership service used in the calculation of the retirement allowance that the
21 member would receive under this section.
- 22 (2) Determine the amount of a single life annuity that is the actuarial equivalent of
23 the amount determined under subdivision (1) of this subsection, adjusted for the
24 age of the member at the time of retirement or, when appropriate, the age at the
25 time of the member's death.
- 26 (3) Multiply the annuity amount determined under subdivision (2) of this
27 subsection by the contribution-based benefit cap factor.
- 28 (4) Determine the amount of the retirement allowance that results from the
29 member's membership service.

30 The product of the multiplication in subdivision (3) of this subsection is the member's
31 contribution-based benefit cap. If the amount determined under subdivision (4) of this subsection
32 exceeds the member's contribution-based benefit cap, the member's retirement allowance shall be
33 reduced by an amount equal to the difference between the contribution-based benefit cap and the
34 amount determined under subdivision (4) of this subsection.

35 Notwithstanding the foregoing, the retirement allowance of a member with an average final
36 compensation of less than one hundred thousand dollars (\$100,000), as hereinafter indexed, shall
37 not be subject to the contribution-based benefit cap. The minimum average final compensation
38 necessary for a retirement allowance to be subject to the contribution-based benefit cap shall be
39 increased on January 1 each year by the percent change between the ~~December~~ June Consumer
40 Price Index in the year prior to retirement and the ~~December~~ June Consumer Price Index in the
41 fiscal year most recently ended, calculated to the nearest tenth of a percent (0.1%), provided that
42 this percent change is positive.

43 Notwithstanding the foregoing, the retirement allowance of a member who became a member
44 before January 1, 2015, or who has not earned at least five years of membership service in the
45 Retirement System after January 1, 2015, shall not be reduced; however, the member's last
46 employer shall be required to make an additional contribution as specified in G.S. 135-8(f)(2)f., if
47 applicable."

48 **SECTION 6.(b)** G.S. 128-27(a3) reads as rewritten:

49 "(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding Chapter
50 150B of the General Statutes and any other provision of this section, every service retirement
51 allowance provided under this section for members who retire on or after January 1, 2015, is

1 subject to adjustment pursuant to a contribution-based benefit cap under this subsection. The
2 Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary,
3 based upon actual experience, such that no more than three-quarters of one percent (0.75%) of
4 retirement allowances are expected to be capped. The Board of Trustees shall modify such factors
5 every five years, as shall be deemed necessary, based upon the five-year experience study as
6 required by G.S. 128-28(o).

7 Prior to establishing a service retirement allowance under this section, the Board shall:

- 8 (1) Determine an amount equal to the member's accumulated contributions as
9 required under G.S. 128-30(b)(1) for all years during which the member earned
10 membership service used in the calculation of the retirement allowance that the
11 member would receive under this section.
- 12 (2) Determine the amount of a single life annuity that is the actuarial equivalent of
13 the amount determined under subdivision (1) of this subsection, adjusted for the
14 age of the member at the time of retirement or, when appropriate, the age at the
15 time of the member's death.
- 16 (3) Multiply the annuity amount determined under subdivision (2) of this
17 subsection by the contribution-based benefit cap factor.
- 18 (4) Determine the amount of the retirement allowance that results from the
19 member's membership service.

20 The product of the multiplication in subdivision (3) of this subsection is the member's
21 contribution-based benefit cap. If the amount determined under subdivision (4) of this subsection
22 exceeds the member's contribution-based benefit cap, the member's retirement allowance shall be
23 reduced by an amount equal to the difference between the contribution-based benefit cap and the
24 amount determined under subdivision (4) of this subsection.

25 Notwithstanding the foregoing, the retirement allowance of a member with an average final
26 compensation of less than one hundred thousand dollars (\$100,000), as hereinafter indexed, shall
27 not be subject to the contribution-based benefit cap. The minimum average final compensation
28 necessary for a retirement allowance to be subject to the contribution-based benefit cap shall be
29 increased on January 1 each year by the percent change between the ~~December~~June Consumer
30 Price Index in the year prior to retirement and the ~~December~~June Consumer Price Index in the
31 fiscal year most recently ended, calculated to the nearest tenth of a percent (0.1%), provided that
32 this percent change is positive.

33 Notwithstanding the foregoing, the retirement allowance of a member who became a member
34 before January 1, 2015, or who has not earned at least five years of membership service in the
35 Retirement System after January 1, 2015, shall not be reduced; however, the member's last
36 employer shall be required to make an additional contribution as specified in G.S. 128-30(g)(2)b.,
37 if applicable."

38 **SECTION 6.(c)** This section is effective when it becomes law and applies
39 retroactively to January 1, 2015.

40 **SECTION 7.(a)** G.S. 135-5(f) reads as rewritten:

41 "(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or
42 State employee except by death or retirement under the provisions of this Chapter, ~~hethe member~~
43 shall upon submission of an application be paid, not earlier than 60 days from the date of
44 termination of service, ~~histe member's~~ contributions, and the accumulated regular interest
45 thereon, provided that ~~hethe member~~ has not in the meantime returned to service. Upon payment
46 of such sum his or her membership in the System shall cease and, if he or she thereafter again
47 becomes a member, no credit shall be allowed for any service previously rendered except as
48 provided in G.S. 135-4, and such payment shall be in full and complete discharge of any rights in
49 or to any benefits otherwise payable hereunder. Upon receipt of proof satisfactory to the Board of
50 Trustees of the death, prior to retirement, of a member or former member there shall be paid to
51 such person or persons as ~~hethe member or former member~~ shall have nominated by electronic

1 submission ~~prior to completing 10 years of service~~ in a form approved by the Board of Trustees or
2 by written designation duly acknowledged and filed with the Board of Trustees, if such person or
3 persons are living at the time of the member's death, otherwise to the member's legal
4 representatives, the amount of ~~his~~the member's accumulated contributions at the time of ~~his~~the
5 member's death, unless the beneficiary elects to receive the alternate benefit under the provisions
6 of (m) below. An extension service employee who made contributions to the Local Governmental
7 Employees' Retirement System and the Teachers' and State Employees' Retirement System as a
8 result of dual employment may not be paid his or her accumulated contributions unless ~~he~~the
9 extension service employee is eligible to be paid his or her accumulated contributions in both
10 systems for the same period of service.

11 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the
12 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated
13 contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement
14 Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder.

15 A member who is a participant or beneficiary of the Disability Income Plan of North Carolina
16 as is provided in Article 6 of this Chapter shall not be paid a return of accumulated contributions,
17 notwithstanding the member's status as an employee or teacher. Notwithstanding any other
18 provision of law to the contrary, a member who is a beneficiary of the Disability Income Plan of
19 North Carolina as provided in Article 6 of this Chapter and who is receiving disability benefits
20 under the transition provisions as provided in G.S. 135-112, shall not be prohibited from receiving
21 a return of accumulated contributions as provided in this subsection."

22 **SECTION 7.(b)** G.S. 135-5(1) reads as rewritten:

23 "(1) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter
24 called the "Plan") which is established as an employee welfare benefit plan that is separate and
25 apart from the Retirement System and under which the members of the Retirement System shall
26 participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to
27 the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the
28 death, in service, of a member who had completed at least one full calendar year of membership in
29 the Retirement System, there shall be paid to such person as ~~he~~the member shall have nominated
30 by electronic submission ~~prior to completing 10 years of service~~ in a form approved by the Board
31 of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if
32 such person is living at the time of the member's death, otherwise to the member's legal
33 representatives, a death benefit. Such death benefit shall be equal to the greater of:

- 34 (1) The compensation on which contributions were made by the member during the
35 calendar year preceding the year in which ~~his~~the member's death occurs, or
- 36 (2) The greatest compensation on which contributions were made by the member
37 during a 12-month period of service within the 24-month period of service
38 ending on the last day of the month preceding the month in which ~~his~~the
39 member's last day of actual service occurs;
- 40 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.

41 subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty
42 thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the
43 payment of the member's accumulated contributions under the System on ~~his~~the member's death
44 pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member
45 shall be deemed to be in service at the date of ~~his~~the member's death if ~~his~~the member's death
46 occurs within 180 days from the last day of ~~his~~the member's actual service."

47 **SECTION 7.(c)** G.S. 135-63 reads as rewritten:

48 "**§ 135-63. Benefits on death before retirement.**

49 (a) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member
50 in service, there shall be paid in a lump sum to such person as the member shall have nominated
51 by electronic submission ~~prior to completing 10 years of service~~ in a form approved by the Board

1 of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if
2 such person is living at the time of the member's death, otherwise to the member's legal
3 representatives, a death benefit equal to the sum of (i) the member's accumulated contributions,
4 plus (ii) the member's final compensation; provided, however, that if the member has attained his
5 or her fiftieth birthday with at least five years of membership service at ~~his~~the member's date of
6 death, and if the designated recipient of the death benefits is the member's spouse who survives
7 ~~him,~~him or her, and if the spouse so elects, then the lump-sum death benefit provided for herein
8 shall consist only of a payment equal to the member's final compensation and there shall be paid to
9 the surviving spouse an annual retirement allowance, payable monthly, which shall commence on
10 the first day of the calendar month coinciding with or next following the death of the member and
11 shall be continued on the first day of each month thereafter until the remarriage or death of the
12 spouse. The amount of any such retirement allowance shall be equal to one half of the amount of
13 the retirement allowance to which the member would have been entitled had ~~he~~the member retired
14 under the provisions of G.S. 135-57(a) on the first day of the calendar month coinciding with or
15 next following ~~his~~the member's date of death, reduced by two percent (2%) thereof for each full
16 year, if any, by which the age of the member at his or her date of death exceeds that of ~~his~~the
17 member's spouse. If the retirement allowance to the spouse shall terminate on the remarriage or
18 death of the spouse before the total of the retirement allowance payments made equals the amount
19 of the member's accumulated contributions at date of death, the excess of such accumulated
20 contributions over the total of the retirement allowances paid to the spouse shall be paid in a lump
21 sum to such person as the member shall have nominated by electronic submission in a form
22 approved by the Board of Trustees or by written designation duly acknowledged and filed with the
23 Board of Trustees, if such person is living at the time such payment falls due, otherwise to the
24 former member's legal representatives.

25 ...

26 (c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member
27 not in service, there shall be paid in a lump sum to such person as the member shall have
28 nominated by electronic submission ~~prior to completing 10 years of service~~ in a form approved by
29 the Board of Trustees or by written designation duly acknowledged and filed with the Board of
30 Trustees, if such person is living at the time of the member's death, otherwise to the member's
31 legal representatives, a death benefit equal to the member's accumulated contributions.

32"

33 **SECTION 7.(d)** G.S. 128-27(f) reads as rewritten:

34 "(f) Return of Accumulated Contributions. – Should a member cease to be an employee
35 except by death or retirement under the provisions of this Chapter, ~~he~~the member shall upon
36 submission of an application be paid, not earlier than 60 days from the date of termination of
37 service, ~~his~~the member's contributions and the accumulated regular interest thereon, provided that
38 ~~he~~the member has not in the meantime returned to service. Upon payment of such sum his or her
39 membership in the System shall cease and, if he or she thereafter again becomes a member, no
40 credit shall be allowed for any service previously rendered except as provided in G.S. 128-26; and
41 such payment shall be in full and complete discharge of any rights in or to any benefits otherwise
42 payable hereunder. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior
43 to retirement, of a member or former member there shall be paid to such person or persons as
44 ~~he~~the member or former member shall have nominated by electronic submission ~~prior to~~
45 ~~completing 10 years of service~~ in a form approved by the Board of Trustees or by written
46 designation duly acknowledged and filed with the Board of Trustees, if such person or persons are
47 living at the time of the member's death, otherwise to the member's legal representatives, the
48 amount of ~~his~~the member's accumulated contributions at the time of ~~his~~the member's death, unless
49 the beneficiary elects to receive the alternate benefit under the provisions of (m) below. An
50 extension service employee who made contributions to the Local Governmental Employees'
51 Retirement System and the Teachers' and State Employees' Retirement System as a result of dual

1 employment may not be paid his or her accumulated contributions unless ~~hethe extension service~~
2 employee is eligible to be paid his or her accumulated contributions in both systems for the same
3 period of service.

4 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the
5 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated
6 contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement
7 Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder."

8 **SECTION 7.(e)** G.S. 128-27(l) reads as rewritten:

9 "(l) Death Benefit Plan. – The provisions of this subsection shall become effective for any
10 employer only after an agreement to that effect has been executed by the employer and the
11 Director of the Retirement System. There is hereby created a Group Life Insurance Plan
12 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is
13 separate and apart from the Retirement System and under which the members of the Retirement
14 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,
15 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance
16 Plan, of the death, in service, of a member who had completed at least one full calendar year of
17 membership in the Retirement System, there shall be paid to such person as ~~hethe member~~ shall
18 have nominated by electronic submission ~~prior to completing 10 years of service~~ in a form
19 approved by the Board of Trustees or by written designation duly acknowledged and filed with the
20 Board of Trustees, if such person is living at the time of the member's death, otherwise to the
21 member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

22 (1) The compensation on which contributions were made by the member during the
23 calendar year preceding the year in which ~~his the member's~~ death occurs, or

24 (2) The greatest compensation on which contributions were made by the member
25 during a 12-month period of service within the 24-month period of service
26 ending on the last day of the month preceding the month in which ~~histhe~~
27 member's last day of actual service occurs;

28 (3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;
29 subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty thousand
30 dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the
31 member's accumulated contributions under the System on ~~his the member's~~ death pursuant to the
32 provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed
33 to be in service at the date of ~~his the member's~~ death if ~~his the member's~~ death occurs within 180
34 days from the last day of ~~his the member's~~ actual service.

35"

36 **SECTION 7.(f)** G.S. 120-4.25 reads as rewritten:

37 **"§ 120-4.25. Return of accumulated contributions.**

38 If a member ceases to be a member of the General Assembly except by death or retirement,
39 ~~hethe member~~ shall, upon submission of an application, be paid not earlier than 60 days following
40 the date of termination of service the sum of ~~histhe member's~~ accumulated contributions provided
41 ~~hethe member~~ has not in the meantime returned to service. Upon payment of this sum his or her
42 membership in the System ceases. If ~~hethe individual~~ becomes a member afterwards, no credit
43 shall be allowed for any service previously rendered except as provided in G.S. 120-4.14 and the
44 payment shall be in full and complete discharge of any rights in or to any benefits otherwise
45 payable under this Article. Upon receipt of proof satisfactory to the Board of Trustees of the death,
46 prior to retirement, of a member or former member, there shall be paid to the person or persons
47 ~~hethe member or former member~~ nominated by electronic submission ~~prior to completing 10 years~~
48 ~~of service~~ in a form approved by the Board of Trustees or by written designation duly
49 acknowledged and filed with the Board of Trustees, if the person or persons are living at the time
50 of the member's death, otherwise to the member's legal representatives, the amount of ~~histhe~~

1 ~~member's~~ accumulated contributions at the time of ~~his~~the member's death, unless the beneficiary
2 elects to receive the alternate benefit under the provisions of G.S. 120-4.28."

3 **SECTION 7.(g)** This section becomes effective January 1, 2017.

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

5 "(b) Membership of Board; Terms. – The Board shall consist of the following 13 members,
6 ~~as follows:members:~~

7 (1) The State Treasurer, ~~ex officio;~~officio.

8 (2) The Superintendent of Public Instruction, ~~ex officio;~~officio.

9 (3) The Director of the Office of State Human Resources, ex officio.

10 ~~(3)(4) Nine~~(4) ~~Eight~~ members to be appointed by the Governor and confirmed by the
11 Senate of North Carolina. One of the appointive members shall be a member of
12 the teaching profession of the State; ~~one of the appointive members shall be a~~
13 ~~representative of higher education appointed by the Governor for a term of four~~
14 ~~years commencing July 1, 1969, and quadrennially thereafter;~~ one of the
15 appointive members shall be a retired teacher who is drawing a retirement
16 allowance, appointed by the Governor for a term of four years commencing
17 July 1, 1969, and quadrennially thereafter; one shall be a retired State employee
18 who is drawing a retirement allowance, appointed by the Governor for a term of
19 four years commencing July 1, 1977, and quadrennially thereafter; one to be a
20 general State employee, and two who are not members of the teaching
21 profession or State employees; two to be appointed for a term of two years, two
22 for a term of three years and one for a term of four years; one appointive
23 member shall be a law-enforcement officer employed by the State, appointed by
24 the Governor, for a term of four years commencing April 1, 1985. One member
25 shall be an active or retired member of the North Carolina National Guard
26 appointed by the Governor for a term of four years commencing July 1, 2013.
27 At the expiration of these terms of office the appointment shall be for a term of
28 ~~four years;~~years.

29 ~~(4)(5)~~ Two members appointed by the General Assembly, one appointed upon the
30 recommendation of the Speaker of the House of Representatives, and one
31 appointed upon the recommendation of the President Pro Tempore of the
32 Senate in accordance with G.S. 120-121. Neither of these members may be an
33 active or retired teacher or State employee or an employee of a unit of local
34 government. The initial members appointed by the General Assembly shall
35 serve for terms expiring June 30, 1983. Thereafter, their successors shall serve
36 for two-year terms beginning July 1 of odd-numbered years. Vacancies in
37 appointments made by the General Assembly shall be filled in accordance with
38 G.S. 120-122."

39 **SECTION 8.(b)** G.S. 135-6(g) reads as rewritten:

40 "(g) Officers and Other Employees; Salaries and Expenses. – The State Treasurer shall be
41 ~~ex officio chairman~~chair of the Board of Trustees. ~~The Board of Trustees shall, by a majority vote~~
42 ~~of all the members, appoint a director, who may be, but need not be, one of its members. The~~
43 ~~salary of the director of the Retirement System is subject to the provisions of Chapter 126 of the~~
44 ~~General Statutes of North Carolina. Trustees and shall appoint a director.~~ The Board of Trustees
45 shall engage such actuarial and other service as shall be required to transact the business of the
46 Retirement System. The compensation of all persons, other than the director, engaged by the
47 Board of Trustees, and all other expenses of the Board necessary for the operation of the
48 Retirement System, shall be paid at such rates and in such amounts as the Board of Trustees shall
49 approve, subject to the approval of the Director of the Budget."

50 **SECTION 8.(c)** G.S. 128-28(h) reads as rewritten:

1 "(h) Officers and Other Employees, Salaries and Expenses. – ~~The Board of Trustees shall~~
2 ~~elect from its membership a chairman, and shall, by a majority vote of all the members, appoint a~~
3 ~~director, who may be, but need not be, one of its members.~~ The State Treasurer shall be ex officio
4 chair of the Board of Trustees and shall appoint a director. The Board of Trustees shall engage
5 such actuarial and other service as shall be required to transact the business of the Retirement
6 System. The compensation of all persons engaged by the Board of Trustees, and all other expenses
7 of the Board necessary for the operation of the Retirement System, shall be paid at such rates and
8 in such amounts as the Board of Trustees shall approve."

9 **SECTION 9.(a)** G.S. 135-6 is amended by adding a new subsection to read:

10 "(u) In order to promote achievement of long-term administrative objectives and to retain
11 key public employees with benefits administration expertise, the State Treasurer is authorized to
12 establish market-oriented compensation plans for employees in positions designated as key
13 management roles who possess specialized skills or knowledge necessary for the effective
14 administration of retirement benefits and who shall be exempt from the classification and
15 compensation rules established by the Office of State Human Resources. The design and
16 administration of those compensation plans shall be based on compensation studies conducted by
17 a nationally recognized firm specializing in employee benefits. The costs of the compensation and
18 other associated employee benefits shall be apportioned from administrative receipts of the
19 Retirement System. The Treasurer shall report the salaries paid under this provision to the Joint
20 Legislative Oversight Committee on General Government annually, on or before December 1 of
21 each year."

22 **SECTION 9.(b)** G.S. 128-28 is amended by adding a new subsection to read:

23 "(v) In order to promote achievement of long-term administrative objectives and to retain
24 key public employees with benefits administration expertise, the State Treasurer is authorized to
25 establish market-oriented compensation plans for employees in positions designated as key
26 management roles who possess specialized skills or knowledge necessary for the effective
27 administration of retirement benefits and who shall be exempt from the classification and
28 compensation rules established by the Office of State Human Resources. The design and
29 administration of those compensation plans shall be based on compensation studies conducted by
30 a nationally recognized firm specializing in employee benefits. The costs of the compensation and
31 other associated employee benefits shall be apportioned from administrative receipts of the
32 Retirement System. The Treasurer shall report the salaries paid under this provision to the Joint
33 Legislative Oversight Committee on General Government annually, on or before December 1 of
34 each year."

35 **SECTION 9.(c)** G.S. 126-5 is amended by adding a new subsection to read:

36 "(c14) Except as to G.S. 126-13, 126-14, 126-14.1, and the provisions of Articles 6, 7, 14, 15,
37 and 16 of this Chapter, the provisions of this Chapter shall not apply to employees of the
38 Department of State Treasurer possessing specialized skills or knowledge necessary for the proper
39 administration of retirement benefits and compensated pursuant to G.S. 135-6(u) and
40 G.S. 128-28(v)."

41 **SECTION 9.(d)** This section becomes effective January 1, 2017.

42 **SECTION 10.(a)** G.S. 135-7 is amended by adding a new subsection to read:

43 "(g) Legislative Enactment Implementation Arrangement. – The Legislative Enactment
44 Implementation Arrangement (LEIA) is established effective October 1, 2016, and placed under
45 the management of the Board of Trustees. The purpose of the LEIA is to provide for timely
46 administrative implementation of legislative provisions regarding the retirement of, or payment of
47 retirement benefits to, public officers or public employees. The LEIA shall have the following
48 parameters:

49 (1) Administration. – The LEIA shall be administered by the Board of Trustees,
50 which shall compile and maintain all records necessary or appropriate for
51 administration. The Board of Trustees shall have full discretionary authority to

1 interpret, construe, and implement the LEIA and to adopt such rules and
2 regulations as may be necessary or desirable to implement the provisions of the
3 LEIA.

4 (2) Funding of the LEIA. – In the event that the General Assembly creates or
5 modifies any provision for the retirement of, or payment of retirement benefits
6 to, public officers or public employees that has a cost savings as measured by
7 actuarial note required by Article 15 of Chapter 120 of the General Statutes, the
8 Board of Trustees may direct up to one hundredth percent (0.01%) of the
9 required contributions to fund the LEIA. These funds must be deposited in a
10 separate fund from the fund into which regular employer contributions are
11 deposited for the Retirement System. The Board of Trustees shall not direct any
12 employer contributions into the LEIA after November 1, 2021.

13 (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to
14 the implementation of legislative provisions regarding the retirement of, or
15 payment for retirement benefits to, public officers or public employees, subject
16 to the following restrictions:

17 a. The Board of Trustees must identify individual implementation projects
18 that will be paid for with LEIA funds. These implementation projects
19 must be necessitated by a specific statute or session law that was
20 enacted within five years of the allocation of the funds. The Board of
21 Trustees must also identify the number of years for which each
22 individual implementation project will be paid for with LEIA funds.

23 b. For implementation projects that will be paid for with LEIA funds for a
24 period of one year or less, the Board of Trustees must determine that the
25 cost savings from implementing the project is projected to be no less
26 than half of the amount of LEIA funds utilized to pay for
27 implementation.

28 c. For implementation projects that will be paid for with LEIA funds for a
29 period of greater than one year, but not more than four years, the Board
30 of Trustees must determine that the long-term cost savings from
31 implementing the project is projected to be at least three times greater
32 than the cost of implementation.

33 d. No implementation project shall be paid for with LEIA funds for a
34 period of more than four years.

35 (4) Treatment of unused assets. – Any assets of the LEIA not used to pay allowed
36 administrative expenses for timely administrative implementation of legislative
37 provisions shall be transferred to the Retirement System as an additional
38 employer contribution."

39 **SECTION 10.(b)** G.S. 128-29 is amended by adding a new subsection to read:

40 "(g) Legislative Enactment Implementation Arrangement. – The Legislative Enactment
41 Implementation Arrangement (LEIA) is established effective October 1, 2016, and placed under
42 the management of the Board of Trustees. The purpose of the LEIA is to provide for timely
43 administrative implementation of legislative provisions regarding the retirement of, or payment of
44 retirement benefits to, public officers or public employees. The LEIA shall have the following
45 parameters:

46 (1) Administration. – The LEIA shall be administered by the Board of Trustees,
47 which shall compile and maintain all records necessary or appropriate for
48 administration. The Board of Trustees shall have full discretionary authority to
49 interpret, construe, and implement the LEIA and to adopt such rules and
50 regulations as may be necessary or desirable to implement the provisions of the
51 LEIA.

- 1 (2) Funding of the LEIA. – In the event that the General Assembly creates or
2 modifies any provision for the retirement of, or payment of retirement benefits
3 to, public officers or public employees that has a cost savings as measured by
4 actuarial note required by Article 15 of Chapter 120 of the General Statutes, the
5 Board of Trustees may direct up to one hundredth percent (0.01%) of the
6 required contributions to fund the LEIA. These funds must be deposited in a
7 separate fund from the fund into which regular employer contributions are
8 deposited for the Retirement System. The Board of Trustees shall not direct any
9 employer contributions into the LEIA after November 1, 2021.
- 10 (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to
11 the implementation of legislative provisions regarding the retirement of, or
12 payment for retirement benefits to, public officers or public employees, subject
13 to the following restrictions:
- 14 a. The Board of Trustees must identify individual implementation projects
15 that will be paid for with LEIA funds. These implementation projects
16 must be necessitated by a specific statute or session law that was
17 enacted within five years of the allocation of the funds. The Board of
18 Trustees must also identify the number of years for which each
19 individual implementation project will be paid for with LEIA funds.
- 20 b. For implementation projects that will be paid for with LEIA funds for a
21 period of one year or less, the Board of Trustees must determine that the
22 cost savings from implementing the project is projected to be no less
23 than half of the amount of LEIA funds utilized to pay for
24 implementation.
- 25 c. For implementation projects that will be paid for with LEIA funds for a
26 period of greater than one year, but not more than four years, the Board
27 of Trustees must determine that the long-term cost savings from
28 implementing the project is projected to be at least three times greater
29 than the cost of implementation.
- 30 d. No implementation project shall be paid for with LEIA funds for a
31 period of more than four years.
- 32 (4) Treatment of unused assets. – Any assets of the LEIA not used to pay allowed
33 administrative expenses for timely administrative implementation of legislative
34 provisions shall be transferred to the Retirement System as an additional
35 employer contribution."

36 **SECTION 10.(c)** This section becomes effective October 1, 2016.

37 **SECTION 11.(a)** The February 5, 2008, Attorney General's advisory opinion entitled
38 "Advisory Opinion: Confidentiality of Retirement Benefit Information; Session Law 2007-508"
39 concluded that information about retirement benefits was intended to be included among those
40 records required to be maintained for public inspection by each department, agency, institution,
41 commission, and bureau of the State and that as a result the Retirement Systems Division of the
42 Department of the State Treasurer makes that information available for public inspection and
43 examination. The General Assembly finds that the interests of clarity require statutory language
44 providing guidance to the Retirement Systems Division in determining and maintaining
45 consistency as to what information should be made available about the retirement accounts of
46 State and local employees.

47 **SECTION 11.(b)** Article 1 of Chapter 135 of the General Statutes is amended by
48 adding a new section to read:

49 "§ 135-6.1. Member retirement record files held by the Retirement System.

50 (a) The following definitions apply in this section:

51 (1) Employment-related information. – As defined in G.S. 126-22(b)(3).

- 1 (2) Personal information. – As defined in G.S. 126-22(b)(3).
- 2 (3) Retirement file. – Any employment-related, retirement-related, or personal
3 information of members in a State-administered retirement plan gathered by the
4 Retirement Systems Division of the Department of State Treasurer.
- 5 (4) Retirement-related information. – Information including membership and
6 service details, benefit payment information, and other information the
7 Retirement Systems Division of the Department of State Treasurer deems
8 necessary to administer a retirement plan.
- 9 (b) Member retirement files are not subject to inspection and examination as authorized by
10 G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e)
11 of this section.
- 12 (c) The following information regarding members and individuals in receipt of a recurring
13 monthly benefit, if held by the Retirement System, is public and subject to subsection (d) of this
14 section:
- 15 (1) Name.
- 16 (2) Age.
- 17 (3) Date of membership in the applicable retirement system, first service earned
18 date, date of first enrollment, date of first employment, and date of retirement.
- 19 (4) The terms of any contract by which the member is employed whether written or
20 oral, past and current, to the extent that the Retirement System has the written
21 contract or a record of the oral contract in its possession.
- 22 (5) Current or most recently held position or title.
- 23 (6) Compensation and other relevant remuneration history and benefits paid.
- 24 (7) Date, general description, and type of each change and the corresponding
25 employing agency.
- 26 (8) The office or station to which the member is currently assigned, if any.
- 27 (9) The record of benefit payments made by one of the Retirement Systems or
28 Disability Benefits Programs administered by the Department of State
29 Treasurer to a member or to the survivor, beneficiary, or alternate payee of a
30 member.
- 31 (10) Purchases of educational leave.
- 32 (d) Subject only to rules and policies for the safekeeping of member retirement files
33 adopted by the Board of Trustees, every person having custody of the retirement file information
34 outlined in subsection (b) of this section shall permit the information to be inspected and examined
35 and copies thereof made by any person during regular business hours. Any person who is denied
36 access to any retirement file for the purpose of inspecting, examining, or copying the file has a
37 right to compel compliance with the provisions of this section by application to a court of
38 competent jurisdiction for a writ of mandamus or other appropriate relief.
- 39 (e) The Retirement Systems Division of the Department of State Treasurer may disclose
40 the name and mailing address of former State employees, former public school employees, or
41 former community college employees to domiciled, nonprofit organizations representing 10,000
42 or more retired State government, local government, or public school employees.
- 43 (f) All information other than the information listed in subsection (c) of this section
44 contained in a retirement file is confidential and not open for inspection and examination except to
45 the following persons:
- 46 (1) The member, or the member's authorized agent, who may examine his or her
47 own retirement file, except for any information concerning a medical disability,
48 mental or physical, that a prudent physician would not divulge to a patient. A
49 member's medical record may be disclosed to a licensed physician in writing by
50 the member.

1 (2) A member of the General Assembly who may inspect and examine records
2 under the authority of G.S. 120-19.

3 (3) A party by authority of a proper court order may inspect and examine a
4 particular confidential portion of a member's retirement file.

5 (g) Any public official or employee who knowingly and willfully permits any person to
6 have access to or custody or possession of any portion of a retirement file designated as
7 confidential by this section, unless the person is one specifically authorized by this section to have
8 access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon
9 conviction shall only be fined in the discretion of the court but not in excess of five hundred
10 dollars (\$500.00).

11 (h) Any person not specifically authorized by this section to have access to a retirement
12 file designated as confidential by this section, who knowingly and willfully examines, removes, or
13 copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon
14 conviction shall be fined in the discretion of the court but not in excess of five hundred dollars
15 (\$500.00)."

16 **SECTION 11.(c)** Article 3 of Chapter 128 of the General Statutes is amended by
17 adding a new section to read:

18 **"§ 128-33.1. Public records held by the Retirement System.**

19 (a) The following definitions apply in this section:

20 (1) Employment-related information. – As defined in G.S. 126-22(b)(3).

21 (2) Personal information. – As defined in G.S. 126-22(b)(3).

22 (3) Retirement file. – Any employment-related, retirement-related, or personal
23 information of members in a State-administered retirement plan gathered by the
24 Retirement Systems Division of the Department of State Treasurer.

25 (4) Retirement-related information. – Information including membership and
26 service details, benefit payment information, and other information the
27 Retirement Systems Division of the Department of State Treasurer deems
28 necessary to administer a retirement plan.

29 (b) Member retirement files are not subject to inspection and examination as authorized by
30 G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e)
31 of this section.

32 (c) The following information regarding members and individuals in receipt of a recurring
33 monthly benefit, if held by the Retirement System, is public subject to subsection (d) of this
34 section:

35 (1) Name.

36 (2) Age.

37 (3) Date of membership in the applicable retirement system, first service earned
38 date, date of first enrollment, date of first employment, and date of retirement.

39 (4) The terms of any contract by which the member is employed whether written or
40 oral, past and current, to the extent that the Retirement System has the written
41 contract or a record of the oral contract in its possession.

42 (5) Current or most recently held position or title.

43 (6) Compensation and other relevant remuneration history and benefits paid.

44 (7) Date, general description, and type of each change and the corresponding
45 employing agency.

46 (8) The office or station to which the member is currently assigned, if any.

47 (9) The record of benefit payments made by one of the Retirement Systems or
48 Disability Benefits Programs administered by the Department of State
49 Treasurer to a member or to the survivor, beneficiary, or alternate payee of a
50 member.

51 (10) Purchases of educational leave.

1 (d) Subject only to rules and policies for the safekeeping of member retirement files
2 adopted by the Board of Trustees, every person having custody of the retirement file information
3 outlined in subsection (b) of this section shall permit the information to be inspected and examined
4 and copies thereof made by any person during regular business hours. Any person who is denied
5 access to any retirement file for the purpose of inspecting, examining, or copying the file has a
6 right to compel compliance with the provisions of this section by application to a court of
7 competent jurisdiction for a writ of mandamus or other appropriate relief.

8 (e) The Retirement Systems Division of the Department of State Treasurer may disclose
9 the name and mailing address of former State employees, former public school employees, or
10 former community college employees to domiciled, nonprofit organizations representing 10,000
11 or more retired State government, local government, or public school employees.

12 (f) All information other than the information listed in subsection (c) of this section
13 contained in a retirement file is confidential and not open for inspection and examination except to
14 the following persons:

15 (1) The member, or the member's authorized agent, who may examine his or her
16 own retirement file, except for any information concerning a medical disability,
17 mental or physical, that a prudent physician would not divulge to a patient. A
18 member's medical record may be disclosed to a licensed physician in writing by
19 the member.

20 (2) A member of the General Assembly who may inspect and examine records
21 under the authority of G.S. 120-19.

22 (3) A party by authority of a proper court order may inspect and examine a
23 particular confidential portion of a member's retirement file.

24 (g) Any public official or employee who knowingly and willfully permits any person to
25 have access to or custody or possession of any portion of a retirement file designated as
26 confidential by this section, unless the person is one specifically authorized by this section to have
27 access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon
28 conviction shall only be fined in the discretion of the court but not in excess of five hundred
29 dollars (\$500.00).

30 (h) Any person not specifically authorized by this section to have access to a retirement
31 file designated as confidential by this section, who knowingly and willfully examines, removes, or
32 copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon
33 conviction shall be fined in the discretion of the court but not in excess of five hundred dollars
34 (\$500.00)."

35 **SECTION 11.(d) G.S. 126-22 reads as rewritten:**

36 **"§ 126-22. Personnel files not subject to inspection under § 132-6.**

37 (a) Except as provided in G.S. 126-23 and G.S. 126-24, personnel files of State employees
38 shall not be subject to inspection and examination as authorized by G.S. 132-6.

39 (b) For purposes of this Article the following definitions apply:

40 (1) "Employee" means any current State employee, former State employee, or
41 applicant for State employment.

42 (2) "Employer" means any State department, university, division, bureau,
43 commission, council, or other agency subject to Article 7 of this Chapter.

44 (3) "Personnel file" means any employment-related or personal information
45 gathered by an ~~employer, the Retirement Systems Division of the Department~~
46 ~~of State Treasurer, employer~~ or by the Office of State Human Resources.
47 Employment-related information contained in a personnel file includes
48 information related to an individual's application, selection, promotion,
49 demotion, transfer, leave, salary, contract for employment, benefits, suspension,
50 performance evaluation, disciplinary actions, and termination. Personal
51 information contained in a personnel file includes an individual's home address,

1 social security number, medical history, personal financial data, marital status,
2 dependents, and beneficiaries.

3 (4) "Record" means the personnel information that each employer is required to
4 maintain in accordance with G.S. 126-23.

5 (c) Personnel files of former State employees who have been separated from State
6 employment for 10 or more years may be open to inspection and examination except for papers
7 and documents relating to demotions and to disciplinary actions resulting in the dismissal of the
8 ~~employee and personnel files maintained by the Retirement Systems Division of the Department~~
9 ~~of State Treasurer-employee. Retirement files maintained by the Retirement Systems Division of~~
10 the Department of State Treasurer shall be made public pursuant to G.S. 128-33.1 and
11 G.S. 135-6.1.

12 (d) ~~Notwithstanding any provision of this section to the contrary, the Retirement Systems~~
13 ~~Division of the Department of State Treasurer may disclose the name and mailing address of~~
14 ~~former State employees to domiciled, nonprofit organizations representing 10,000 or more retired~~
15 ~~State government, local government, or public school employees."~~

16 **SECTION 11.(e)** G.S. 115C-321(b1) is repealed.

17 **SECTION 11.(f)** G.S. 115D-29(c) is repealed.

18 **SECTION 11.(g)** G.S. 153A-98(c3) is repealed.

19 **SECTION 11.(h)** G.S. 160A-168(c3) is repealed.

20 **SECTION 12.(a)** G.S. 135-10.1 reads as rewritten:

21 **"§ 135-10.1. Failure to respond.**

22 If a member fails to respond within 120 days after preliminary option figures and the Form 6-E
23 or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120
24 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null
25 and void; the retirement system shall not be liable for any benefits due on account of the voided
26 application, and a new application must be filed establishing a subsequent effective date of
27 retirement. If an applicant for disability retirement fails to furnish requested additional medical
28 information within 90 days following such request, the application shall be declared null and void
29 under the same conditions outlined above, unless the applicant is eligible for early or service
30 retirement in which case the application shall be processed accordingly, using the same effective
31 date as would have been used had the application for disability retirement been approved. The
32 Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may
33 extend the 120-day limitation provided for in this section when a member has suffered
34 incapacitation such that a reasonable person would not have expected the member to be able to
35 complete the required paperwork within the regular deadline, or when an omission by the
36 Retirement Systems Division prevents the member from having sufficient time to meet the regular
37 deadline."

38 **SECTION 12.(b)** G.S. 128-32.1 reads as rewritten:

39 **"§ 128-32.1. Failure to respond.**

40 If a member fails to respond within 120 days after preliminary option figures and the Form 6-E
41 or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120
42 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null
43 and void; the retirement system shall not be liable for any benefits due on account of the voided
44 application, and a new application must be filed establishing a subsequent effective date of
45 retirement. If an applicant for disability retirement fails to furnish requested additional medical
46 information within 90 days following such request, the application shall be declared null and void
47 under the same conditions outlined above, unless the applicant is eligible for early or service
48 retirement in which case the application shall be processed accordingly, using the same effective
49 date as would have been used had the application for disability retirement been approved. The
50 Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may
51 extend the 120-day limitation provided for in this section when a member has suffered

1 incapacitation such that a reasonable person would not have expected the member to be able to
2 complete the required paperwork within the regular deadline, or when an omission by the
3 Retirement Systems Division prevents the member from having sufficient time to meet the regular
4 deadline."

5 **SECTION 13.(a)** G.S. 135-18.8 reads as rewritten:

6 **"§ 135-18.8. Deduction for payments allowed.**

7 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
8 that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of
9 the State or public school employees, may authorize, in writing, the periodic deduction from the
10 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
11 association. The authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary,~~
12 and proof of the authorization must be available upon request to the Department of the State
13 Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or
14 retirees' association engages in collective bargaining with the State, any political subdivision of
15 the State, or any local school administrative unit.

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

27 **SECTION 13.(b)** G.S. 135-75 reads as rewritten:

28 **"§ 135-75. Deduction for payments allowed.**

29 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
30 that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of
31 the State or public school employees, may authorize, in writing, the periodic deduction from the
32 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
33 association. The authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary,~~
34 and proof of the authorization must be available on request of the Department of the State
35 Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or
36 retirees' association engages in collective bargaining with the State, any political subdivision of
37 the State, or any local school administrative unit.

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

49 **SECTION 13.(c)** G.S. 128-38.3 reads as rewritten:

50 **"§ 128-38.3. Deduction for payments allowed.**

1 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
2 that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of
3 employers as defined in G.S. 128-21(11), may authorize, in writing, the periodic deduction from
4 the beneficiary's retirement benefits a designated lump sum to be paid to the employees' or
5 retirees' association. The authorization shall remain in effect until revoked by the
6 ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request of the
7 Department of the State Treasurer. A plan of deductions pursuant to this section shall become void
8 if the employees' or retirees' association engages in collective bargaining with the State, any
9 political subdivision of the State, or any local school administrative unit.

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

21 (c) For local employers who made arrangements with the Retirement System prior to
22 January 1, 2016, any beneficiary who is a retiree from an employer in the Retirement System
23 under this Article may authorize the periodic deduction from the beneficiary's retirement benefits
24 as designated lump sum to be paid to the beneficiary's former employer for the purpose of
25 providing health benefits. The authorization shall remain in effect until revoked by the beneficiary,
26 and proof of the authorization must be available on request of the Department of the State
27 Treasurer."

28 **SECTION 13.(d)** G.S. 120-4.32 reads as rewritten:

29 "**§ 120-4.32. Deduction for payments allowed.**

30 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
31 that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of
32 the State or public school employees, may authorize, in writing, the periodic deduction from the
33 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
34 association. The authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~,
35 and proof of the authorization must be available on request of the Department of the State
36 Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or
37 retirees' association engages in collective bargaining with the State, any political subdivision of
38 the State, or any local school administrative unit.

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

50 **SECTION 13.(e)** G.S. 135-18.8(a) is repealed.

51 **SECTION 13.(f)** G.S. 135-75(a) is repealed.

1 **SECTION 13.(g)** G.S. 128-38.3(a) is repealed.

2 **SECTION 13.(h)** G.S. 128-38.3(c) is repealed.

3 **SECTION 13.(i)** G.S. 120-4.32(a) is repealed.

4 **SECTION 13.(j)** Subsections (e), (f), (g), (h), and (i) of this section become effective
5 July 1, 2017. The remainder of this section is effective when it becomes law.

6 **SECTION 14.(a)** G.S. 135-106(b) reads as rewritten:

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

34 After 36 months of long-term disability, no further benefits are payable under the terms of this
35 section unless the member has been approved and is in receipt of primary Social Security
36 disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of
37 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior
38 to the beginning of the short-term disability period as may be adjusted for percentage increases as
39 provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity
40 payment to which the participant or beneficiary would be eligible, to a maximum of three
41 thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security
42 disability benefits to which the beneficiary may be entitled, effective as of the first of the month
43 following the month of initial entitlement, and by monthly payments for Workers' Compensation
44 to which the participant or beneficiary may be entitled. When primary Social Security disability
45 benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the
46 first month following the month in which the member becomes entitled to the increased Social
47 Security benefit. The monthly benefit shall be further reduced by the amount of any monthly
48 payments from the federal Department of Veterans Affairs, for payments from any other federal
49 agency, or for any payments made under the provisions of G.S. 127A-108, to which the participant
50 or beneficiary may be entitled on account of the same disability. Provided, in any event, the
51 benefit payable shall be no less than ten dollars (\$10.00) a month.

1 Notwithstanding the foregoing, the long-term disability benefit is payable so long as the
2 beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the
3 earliest date at which the beneficiary is eligible for an unreduced service retirement allowance
4 from the Retirement System, at which time the beneficiary would receive a retirement
5 allowance. At such time as the beneficiary receiving long-term disability benefits becomes eligible
6 for an unreduced service retirement, the long-term disability benefit of the beneficiary shall be
7 recalculated according to the formula set forth in G.S. 135-5(b21), calculated on the basis of the
8 beneficiary's average final compensation at the time of disability as adjusted to reflect
9 compensation increases subsequent to the time of disability and the creditable service accumulated
10 by the beneficiary, including creditable service while in receipt of benefits under the Plan. In the
11 event the beneficiary has not been approved and is not in receipt of a primary Social Security
12 disability benefit, the long-term disability benefit shall cease after the first 36 months of the
13 long-term disability period. In lieu of the recalculated long-term benefit described in this
14 subsection, the beneficiary shall have the right to elect to convert to an unreduced service
15 retirement benefit and thereby cease to receive further long-term benefits, provided all other
16 requirements are met pursuant to the provisions of G.S. 135-5. When such a long-term disability
17 recipient begins receiving this unreduced service retirement allowance from the System, that
18 recipient shall not be subject to the six-month waiting period set forth in G.S. 135-1(20). However,
19 a beneficiary shall be entitled to a restoration of the long-term disability benefit in the event the
20 Social Security Administration grants a retroactive approval for primary Social Security disability
21 benefits with a benefit effective date within the first 36 months of the long-term disability period.
22 In such event, the long-term disability benefit shall be restored retroactively to the date of
23 cessation."

24 **SECTION 14.(b)** This section becomes effective January 1, 2017.

25 **SECTION 15.(a)** G.S. 143B-426.40G(b) reads as rewritten:

26 "(b) The State Treasurer may impose on an agency with non-State funds a fee of fifteen
27 dollars (\$15.00) for each check drawn against the agency's disbursing account that causes the
28 balance in the account to be in overdraft or while the account is in overdraft. The financial officer
29 shall pay the fee from the agency's non-State or personal funds to the General Fund to the credit of
30 the miscellaneous nontax revenue account by the agency."

31 **SECTION 15.(b)** This section becomes effective October 1, 2016.

32 **SECTION 16.** Article 6 of Chapter 147 of the General Statutes is amended by adding
33 a new section to read:

34 **"§ 147-68.2. Confidentiality of warrants issued by the State.**

35 Information contained in records held by the State about outstanding, unpaid warrants issued
36 by the State are confidential and not available for public inspection to the extent that the Treasurer
37 determines that information would be sufficient to counterfeit a warrant."

38 **SECTION 17.** G.S. 147-79(a) reads as rewritten:

39 "(a) The amount of funds deposited by the State Treasurer in an official depository shall be
40 adequately secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home
41 Loan Bank, or investment securities of such nature, in such amounts, and in such manner, as may
42 be prescribed by rule or regulation of the State Treasurer with the approval of the Governor and
43 Council of State. No security is required for the protection of funds remitted to and received by a
44 bank or trust company designated by the State Treasurer under G.S. 142-1 and acting as paying
45 agent for the payment of the principal of or interest on bonds or notes of the State."

46 **SECTION 18.(a)** G.S. 115C-341.2 reads as rewritten:

47 **"§ 115C-341.2. Department of State Treasurer sponsored 403(b) option.**

48 (a) In addition to the opportunities for local boards of education to offer section 403(b) of
49 the Internal Revenue Code of 1986 retirement annuities and/or mutual funds to their employees
50 under G.S. 115C-341, the Department of State Treasurer may establish an approved third-party
51 vendor of retirement offerings as described in section 403(b) of the Internal Revenue Code of

1 1986, as now and hereafter amended, pursuant to which employees of local school boards may
2 enter into nonforfeitable 403(b) plan options by way of salary reduction through the auspices of
3 the Department of State Treasurer. This statewide plan of 403(b) offerings shall be known as the
4 "North Carolina Public School Teachers' and Professional Educators' Investment Plan." The
5 vendor authorized under this section shall be selected by use of ~~State~~Supplemental Retirement
6 Board of Trustees procurement ~~procedures,~~procedures under Article 5 of Chapter 135 of the
7 General Statutes, with the goal of attaining lower administrative fees and enhanced services for
8 participants and employer compliance with applicable law and regulations. Eligible employees of
9 local school boards shall all be allowed to use this vendor for the tax-deferred 403(b) option of
10 their choice.

11 (b) The criteria in this subsection apply to the Department of State Treasurer's 403(b)
12 offerings to employees of local school boards under this section.

- 13 (1) Annuity contracts, trust accounts, and/or custodial accounts shall be
14 administered by a qualified third-party administrator that shall, under written
15 agreement with the Department of State Treasurer, provide custodial,
16 record-keeping, and administrative services. The third-party administrator may
17 also be the selected vendor for the North Carolina Public School Teachers' and
18 Professional Educators' Investment Plan.

19 For employers choosing to participate in the North Carolina Public School
20 Teachers' and Professional Educators' Investment Plan, the third-party
21 administrator shall, at a minimum, provide the following:

- 22 a. Maintain a written plan document.
23 b. Review hardship withdrawal requests, loan requests, and other
24 disbursements permitted under section 403(b) of the Internal Revenue
25 Code of 1986.
26 c. Maintain specimen salary reduction agreements for the employer and
27 employees of that employer to initiate payroll deferrals.
28 d. Monitor maximum contributions.
29 e. Coordinate responses to the Internal Revenue Service in any case of an
30 IRS audit.
31 f. Generate educational communication materials to employees concerning
32 the enrollment process, program eligibility, and investment options.
33 g. Maintain internal reports to ensure compliance with Section 403(b) of
34 the Internal Revenue Code and Title 26 of the Code of Federal
35 Regulations.
36 h. Provide compliance monitoring/oversight for all 403(b) plans
37 established under G.S. 115C-341 within each participating local board
38 of education plan by creating and establishing the necessary connections
39 and processes with existing and future vendors.
40 i. Keep an updated schedule of vendor fees and commissions as to the
41 Department's statewide ~~plan,~~plan of 403(b) offerings.

- 42 (2) Governance and oversight of the North Carolina Public School Teachers' and
43 Professional Educators' Investment Plan will be performed under Article 5 of
44 Chapter 135 of the General Statutes by the Department of State Treasurer and
45 the Supplemental Retirement Board of Trustees ~~for the North Carolina~~
46 ~~Supplemental Retirement Plans~~ established pursuant to G.S. 135-96. Because of
47 the administrative and record-keeping duties enumerated in subdivision (1) of
48 this subsection, any existing vendor of a 403(b) with a participating employer
49 must either agree to share data with the State's 403(b) vendor under this
50 provision (so as to permit oversight over contribution limits, loans, and

- 1 hardship withdrawals) or be directed by the participating employer to cease
 2 accepting new contributions, loans, and hardship withdrawals.
- 3 (3) Investment options shall be solely determined by the Department of State
 4 Treasurer and the Supplemental Retirement Board of Trustees for the North
 5 Carolina Supplemental Retirement Plans consistent with section 403(b) of the
 6 Internal Revenue Code of 1986, as amended.
- 7 (4) Investment staff of the Department of State Treasurer may make
 8 recommendations to the State Treasurer and the Supplemental Retirement
 9 Board of Trustees for the North Carolina Supplemental Retirement Plans as to
 10 appropriate investment options. The Pursuant to G.S. 135-96, the State
 11 Treasurer and Board of Trustees shall have sole responsibility for the selection
 12 of the vendor, third-party administrator, providers of investment options, and
 13 any other service provider for the North Carolina Public School Teachers' and
 14 Professional Educators' Investment Plan.
- 15 (5) All contributions made in accordance with the provisions of section 403(b) of
 16 the Internal Revenue Code of 1986, as amended, and this section shall be
 17 remitted directly to the administrator and held by the administrator in a
 18 custodial account on behalf of each participating employee. Any investment
 19 gains or losses shall be credited to those accounts. The forms of payment and
 20 disbursement procedures shall be consistent with those generally offered by
 21 similar annuity contracts, trust accounts, and custodial accounts and applicable
 22 federal and State statutes governing those contracts and accounts.
- 23 (6) Any local board of education may elect to make contributions to the employee's
 24 account on behalf of the employee. The employer shall take whatever action is
 25 necessary to implement this section.
- 26 (7) The design and administration of annuity contracts, trust accounts, and
 27 custodial accounts under this provision shall comply with all applicable
 28 provisions of the Internal Revenue Code of 1986, as amended."

29 **SECTION 18.(b)** G.S. 115D-25.4(b) reads as rewritten:

30 "(b) The criteria in this subsection apply to the Department of State Treasurer's 403(b)
 31 offerings to employees of local boards of trustees under this section:

- 32 (1) Annuity contracts, trust accounts, and/or custodial accounts shall be
 33 administered by a qualified third-party administrator that shall, under written
 34 agreement with the Department of State Treasurer, provide custodial,
 35 record-keeping, and administrative services. The third-party administrator may
 36 also be the selected vendor for the North Carolina Public School Teachers' and
 37 Professional Educators' Investment Plan.

38 For local boards of trustees as employers choosing to participate in the
 39 North Carolina Public School Teachers' and Professional Educators' Investment
 40 Plan, the third-party administrator shall, at a minimum, provide the following:

- 41 a. Maintain a written plan document.
- 42 b. Review hardship withdrawal requests, loan requests, and other
 43 disbursements permitted under section 403(b) of the Internal Revenue
 44 Code of 1986.
- 45 c. Maintain specimen salary reduction agreements for the employer and
 46 employees of that employer to initiate payroll deferrals.
- 47 d. Monitor maximum contributions.
- 48 e. Coordinate responses to the Internal Revenue Service in any case of an
 49 IRS audit.
- 50 f. Generate educational communication materials to employees concerning
 51 the enrollment process, program eligibility, and investment options.

- 1 g. Maintain internal reports to ensure compliance with section 403(b) of
2 the Internal Revenue Code and Title 26 of the Code of Federal
3 Regulations.
4 h. Provide compliance monitoring/oversight for all 403(b) plans
5 established under G.S. 115D-25 within each participating local board of
6 trustees plan by creating and establishing the necessary connections and
7 processes with existing and future vendors.
8 i. Keep an updated schedule of vendor fees and commissions as to the
9 Department's statewide ~~plan-plan~~ of 403(b) offerings.

- 10 (2) Governance and oversight of the North Carolina Public School Teachers' and
11 Professional Educators' Investment Plan will be performed under Article 5 of
12 Chapter 135 of the General Statutes by the Department of State Treasurer and
13 the Supplemental Retirement Board of Trustees ~~for the North Carolina~~
14 ~~Supplemental Retirement Plans~~ established pursuant to G.S. 135-96. Because of
15 the administrative and record-keeping duties enumerated in subdivision (1) of
16 this subsection, any existing vendor of a 403(b) with a participating employer
17 must either agree to share data with the State's 403(b) vendor under this
18 provision (so as to permit oversight over contribution limits, loans, and
19 hardship withdrawals) or be directed by the participating employer to cease
20 accepting new contributions, loans, and hardship withdrawals.
21 (3) Investment options shall be solely determined by the Department of State
22 Treasurer and the Supplemental Retirement Board of Trustees ~~for the North~~
23 ~~Carolina Supplemental Retirement Plans~~ consistent with section 403(b) of the
24 Internal Revenue Code of 1986, as amended.
25 (4) Investment staff of the Department of State Treasurer may make
26 recommendations to the State Treasurer and the Supplemental Retirement
27 ~~Board of Trustees for the North Carolina Supplemental Retirement Plans~~ as to
28 appropriate investment options. The Pursuant to G.S. 135-96, the State
29 Treasurer and Board of Trustees shall have sole responsibility for the selection
30 of the vendor, third-party administrator, providers of investment options, and
31 any other service provider for the North Carolina Public School Teachers' and
32 Professional Educators' Investment Plan.
33 (5) All contributions made in accordance with the provisions of section 403(b) of
34 the Internal Revenue Code of 1986, as amended, and this section shall be
35 remitted directly to the administrator and held by the administrator in a
36 custodial account on behalf of each participating employee. Any investment
37 gains or losses shall be credited to those accounts. The forms of payment and
38 disbursement procedures shall be consistent with those generally offered by
39 similar annuity contracts, trust accounts, and custodial accounts and applicable
40 federal and State statutes governing those contracts and accounts.
41 (6) Any local board of trustees may elect to make contributions to the employee's
42 account on behalf of the employee. The local board of trustees shall take
43 whatever action is necessary to implement this section.
44 (7) The design and administration of annuity contracts, trust accounts, and
45 custodial accounts under this provision shall comply with all applicable
46 provisions of the Internal Revenue Code of 1986, as amended."

47 **SECTION 19.** G.S. 115C-436 is amended by adding a new subsection to read:

48 "(c) Upon receipt of a report from the North Carolina Teachers' and State Employees'
49 Retirement System, generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for
50 whom the local board of education made a contribution to the North Carolina Teachers' and State
51 Employees' Retirement System that is likely to require an additional employer contribution should

1 the employee elect to retire in the following 12 months, the school financial officer shall transmit a
 2 copy of the report to the local board of education. The school financial officer shall also notify the
 3 board of county commissioners of the county in which the local administrative unit is located that
 4 the report was received and the number of employees listed in the report."

5 **SECTION 20.(a)** G.S. 135-1(7a) reads as rewritten:

6 "(7a) a. "Compensation" shall mean, for members who became members
 7 prior to January 1, 2017, all salaries and wages prior to any reduction
 8 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
 9 Internal Revenue Code, not including any terminal payments for unused
 10 sick leave, derived from public funds which are earned by a member of
 11 the Retirement System for service as an employee or teacher in the unit
 12 of the Retirement System for which he is performing full-time work. In
 13 addition to the foregoing, "compensation" shall include:
 14 the following:

- 15 1. Performance-based compensation (regardless of whether paid in
 16 a lump sum, in periodic installments, or on a monthly
 17 basis).
- 18 2. Conversion of additional benefits to salary (additional benefits
 19 such as health, life, or disability plans), so long as the benefits
 20 are other than mandated by State law or regulation.
- 21 3. Payment of tax consequences for benefits provided by the
 22 employer, so long as they constitute an adjustment or increase in
 23 salary and not a "reimbursement of expenses."
- 24 4. Payout of vacation leave, so long as such payouts are
 25 permitted by applicable law and regulation.
- 26 5. Employee contributions to eligible deferred compensation
 27 plans.
- 28 6. Effective July 1, 2009, payment of military differential wages.

29 a1. "Compensation" shall mean, for members who became members on or
 30 after January 1, 2017, all salaries and wages prior to any reduction
 31 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
 32 Internal Revenue Code, not including any terminal payments for unused
 33 sick leave, derived from public funds which are earned by a member of
 34 the Retirement System for service as an employee or teacher in the unit
 35 of the Retirement System for which he or she is performing full-time
 36 work. In addition to the foregoing, "compensation" shall include the
 37 following:

- 38 1. Performance-based compensation (regardless of whether paid in
 39 a lump sum, in periodic installments, or on a monthly basis).
- 40 2. Payment of tax consequences for benefits provided by the
 41 employer, so long as they constitute an adjustment or increase in
 42 salary and not a "reimbursement of expenses."
- 43 3. Payout of vacation leave, so long as such payouts are permitted
 44 by applicable law and regulation.
- 45 4. Employee contributions to eligible deferred compensation plans.
- 46 5. Payment of military differential wages.

47 b. "Compensation" shall not include any payment, as determined by the
 48 Board of Trustees, for the reimbursement of expenses or payments for
 49 housing or any other allowances whether or not classified as salary and
 50 wages. "Compensation" includes all special pay contribution of annual
 51 leave made to a 401(a) Special Pay Plan for the benefit of an employee.

1 Notwithstanding any other provision of this Chapter, "compensation"
2 shall not include:

- 3 1. Supplement/allowance provided to employee to purchase
- 4 additional benefits such as health, life, or disability plans;
- 5 2. Travel supplement/allowance (nonaccountable allowance plans);
- 6 3. Employer contributions to eligible deferred compensation plans;
- 7 4. Employer-provided fringe benefits (additional benefits such as
- 8 health, life, or disability plans);
- 9 5. Reimbursement of uninsured medical expenses;
- 10 6. Reimbursement of business expenses;
- 11 7. Reimbursement of moving expenses;
- 12 8. Reimbursement/payment of personal expenses;
- 13 9. Incentive payments for early retirement;
- 14 10. Bonuses paid incident to retirement;
- 15 10a. Local supplementation as authorized under G.S. 7A-300.1 for
- 16 Judicial Department employees;
- 17 11. Contract buyout/severance payments; and
- 18 12. Payouts for unused sick leave.
- 19 13. For members who became members after January 1, 2017,
- 20 conversion of additional benefits to salary, such as health, life, or
- 21 disability plans, so long as the benefits are other than mandated
- 22 by State law or regulation.

- 23 c. In the event an employer reports as "compensation" payments not
24 specifically included or excluded as "compensation", such payments
25 shall be "compensation" for retirement purposes only if the employer
26 pays the Retirement System the additional actuarial liability created by
27 such payments."

28 **SECTION 20.(b)** G.S. 128-21(7a) reads as rewritten:

29 "(7a) a. "Compensation" shall ~~mean~~mean, for members who became members
30 prior to January 1, 2017, all salaries and wages prior to any reduction
31 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
32 Internal Revenue Code, not including any terminal payments for unused
33 sick leave, derived from public funds which are earned by a member of
34 the Retirement System for service as an employee in the unit of the
35 Retirement System for which he is performing full-time work. In
36 addition to the foregoing, "compensation" shall ~~include~~include the
37 following:

- 38 1. Performance-based compensation (regardless of whether paid in
- 39 a lump sum, periodic installments, or on a monthly ~~basis~~basis).
- 40 2. Conversion of additional benefits to salary (additional benefits
- 41 such as health, life, or disability plans), so long as the benefits
- 42 are other than mandated by State law or ~~regulation~~regulation.
- 43 3. Payment of tax consequences for benefits provided by the
- 44 employer so long as they constitute an adjustment or increase in
- 45 salary and not a "reimbursement of ~~expenses~~expenses."
- 46 4. Payout of vacation ~~leave~~leave, so long as such payouts are
- 47 permitted by applicable law and ~~regulation~~regulation.
- 48 5. Employee contributions to eligible deferred compensation ~~plans~~and plans.
- 49 and plans.
- 50 6. Effective July 1, 2009, payment of military differential wages.

- 1 a1. "Compensation" shall mean, for members who became members on or
2 after January 1, 2017, all salaries and wages prior to any reduction
3 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
4 Internal Revenue Code, not including any terminal payments for unused
5 sick leave, derived from public funds which are earned by a member of
6 the Retirement System for service as an employee in the unit of the
7 Retirement System for which he or she is performing full-time work. In
8 addition to the foregoing, "compensation" shall include the following:
9 1. Performance-based compensation (regardless of whether paid in
10 a lump sum, in periodic installments, or on a monthly basis).
11 2. Payment of tax consequences for benefits provided by the
12 employer, so long as they constitute an adjustment or increase in
13 salary and not a "reimbursement of expenses."
14 3. Payout of vacation leave, so long as such payouts are permitted
15 by applicable law and regulation.
16 4. Employee contributions to eligible deferred compensation plans.
17 5. Payment of military differential wages.
18 b. "Compensation" shall not include any payment, as determined by the
19 Board of Trustees, for the reimbursement of expenses or payments for
20 housing or any other allowances whether or not classified as salary and
21 wages. Notwithstanding any other provision of this Chapter,
22 "compensation" shall not include:
23 1. Supplement/allowance provided to employee to purchase
24 additional benefits such as health, life, or disability plans;
25 2. Travel supplement/allowance (nonaccountable allowance plans);
26 3. Employer contributions to eligible deferred compensation plans;
27 4. Employer-provided fringe benefits (additional benefits such as
28 health, life, or disability plans);
29 5. Reimbursement of uninsured medical expenses;
30 6. Reimbursement of business expenses;
31 7. Reimbursement of moving expenses;
32 8. Reimbursement/payment of personal expenses;
33 9. Incentive payments for early retirement;
34 10. Bonuses paid incident to retirement;
35 11. Contract buyout/severance payments; and
36 12. Payouts for unused sick leave.
37 13. For members who became members after January 1, 2017,
38 conversion of additional benefits to salary, such as health, life, or
39 disability plans, so long as the benefits are other than mandated
40 by State law or regulation.
41 c. In the event an employer reports as "compensation" payments not
42 specifically included or excluded as "compensation", such payments
43 shall be "compensation" for retirement purposes only if the employer
44 pays the Retirement System the additional actuarial liability created by
45 such payments."

46 **SECTION 20.(c)** This section becomes effective January 1, 2017.

47 **SECTION 21.** If any provision of this act or its application is held invalid, the
48 invalidity does not affect other provisions or applications of this act that can be given effect
49 without the invalid provisions or application, and to this end the provisions of this act are
50 severable.

1 **SECTION 22.** Except as otherwise provided, this act is effective when it becomes
2 law.