

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

FILED SENATE  
May 19, 2016  
S.B 886  
PRINCIPAL CLERK

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SENATE BILL DRS45494-MR-4S (01/19)

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

Sponsors: Senators Wells and Apodaca (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

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

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

(a) Repealed by Session Laws 2013-284, s. 1(a), effective July 1, 2013.

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

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

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



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

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

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

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

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

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

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

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

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

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

26 ...

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

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

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

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

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

18 ...

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 ...."

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

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

33 ...."

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

35 "(f) Collection of Contributions. –

36 ...

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

38 ...

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

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



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

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

...."

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

"(g) Collection of Contributions. –

...

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

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

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

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

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

...."

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

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

...

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

...."

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

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

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

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

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

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

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

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

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