

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

FILED SENATE
Mar 15, 2021
S.B. 303
PRINCIPAL CLERK

S

D

SENATE BILL DRS55019-MGp-17D

Short Title: Retirement Service Purchase Rewrite Part II.-AB

(Public)

Sponsors: Senator Alexander (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT MAKING TECHNICAL, CLARIFYING, AND ADMINISTRATIVE CHANGES TO
3 LAWS RELATING TO CREDITABLE SERVICE PURCHASES UNDER THE
4 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL
5 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE
6 CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

8
9 **PART I. CHANGES RELATED TO CREDITABLE SERVICE PURCHASES UNDER**
10 **THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**

11 **SECTION 1.1.** Subdivision (f)(7) and subsections (j1), (k1), (l2), (p), (p2), (r), (s),
12 (w), (z), (aa), (bb1), (cc), and (hh) of G.S. 135-4 are recodified as subdivisions (1), (2), (4)
13 through (13), and (15), respectively, of G.S. 135-4.5(b), and read as rewritten:

14 **"§ 135-4.5. Creditable service purchases.**

15 (a) Notwithstanding any other provision of this Chapter to the contrary, any member who
16 meets the eligibility requirements specified in subsection (b) of this section may purchase
17 creditable service authorized under subsection (b) of this section by paying a lump sum amount
18 to the annuity savings fund equal to the full liability increase due to the additional service credits
19 on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities
20 of the Retirement System, except for the following assumptions specific to this calculation: (i)
21 the allowance shall be assumed to commence at the earliest age at which the member could retire
22 on an unreduced retirement allowance and (ii) assumed annual postretirement allowance
23 increases as set by the Board of Trustees upon the advice of the consulting actuary. The
24 calculation of the amount payable shall also include an administrative fee to be set by the Board.
25 Subject to the requirements of subsection (b), an employer may pay all or part of the cost of a
26 service purchase of a member in service. To the extent that the purchase is paid by the employer,
27 the cost paid by the employer shall be credited to the pension accumulation fund. To the extent
28 that the purchase is paid by the member, the cost paid by the member shall be credited to the
29 member's annuity savings account. In the event of a conflict between the provisions of this
30 subsection and the provisions of subsection (b) of this section, the provisions of subsection (b)
31 of this section control.

32 (b) The following purchases of creditable service are authorized under this section:

- 33 (1) Purchase of Armed Service Credit. – Notwithstanding any other provision of
34 this Chapter, any member and any retired member as herein described may
35 purchase creditable service in the Armed Forces of the United States, not



* D R S 5 5 0 1 9 - M G P - 1 7 D *

1 otherwise allowed, by paying a total lump sum payment determined as
2 follows:

3 a. For members who completed 10 years of membership service, and
4 retired members who completed 10 years of membership service prior
5 to retirement, whose membership began on or prior to July 1, 1981,
6 and who make this purchase within three years after first becoming
7 eligible, the cost shall be an amount equal to the monthly
8 compensation the member earned when the member first entered
9 membership service times the employee contribution rate at that time
10 times the months of service to be purchased, multiplied by a factor
11 equivalent to the investment return assumptions determined by the
12 Board of Trustees, compounded annually, from the initial year of
13 membership to the year of payment so as to equal one-half of the cost
14 of allowing this service, plus an administrative fee to be set by the
15 Board of Trustees.

16 b. For members who complete five years of membership service, and
17 retired members who complete five years of membership service prior
18 to retirement, and eligible members and retired members covered by
19 paragraph a. of this subdivision, whose membership began on or
20 before July 1, 1981, but who did not or do not make this purchase
21 within three years after first becoming eligible, the cost shall be ~~an~~
22 ~~amount equal to the full liability of the service credits calculated on~~
23 ~~the basis of the assumptions used for the purposes of the actuarial~~
24 ~~valuation of the System's liabilities and shall take into account the~~
25 ~~retirement allowance arising on account of the additional service~~
26 ~~credits commencing at the earliest age at which the member could~~
27 ~~retire on an unreduced allowance, as determined by the Board of~~
28 ~~Trustees upon the advice of the consulting actuary, plus an~~
29 ~~administrative fee to be set by the Board of Trustees. Notwithstanding~~
30 ~~the foregoing provisions of this subsection that provide for the~~
31 ~~purchase of service credits, the term "full liability" includes assumed~~
32 ~~post-retirement allowance increases, as determined by the Board of~~
33 ~~Trustees, from the earliest age at which a member could retire on an~~
34 ~~unreduced service retirement allowance as provided in subsection (a)~~
35 ~~of this section.~~

36 Creditable service allowed under this subdivision shall be only for the
37 initial period of "active duty", as defined in 38 U.S. Code Section 101(21), in
38 the Armed Forces of the United States up to the date the member was first
39 eligible to be separated and released and for subsequent periods of "active
40 duty", as defined in 38 U.S. Code Section 101(21), as required by the Armed
41 Forces of the United States up to the date of first eligibility for separation or
42 release, but shall not include periods of active duty in the Armed Forces of the
43 United States creditable in any other retirement system except the National
44 Guard or any reserve component of the Armed Forces of the United States,
45 and shall not include periods of "active duty for training", as defined in 38
46 U.S. Code Section 101(22), or periods of "inactive duty training", as defined
47 in 38 U.S. Code Section 101(23), rendered in any reserve component of the
48 Armed Forces of the United States. Provided, creditable service may be
49 allowed only for active duty in the Armed Forces of the United States of a
50 member that resulted in a general or honorable discharge from duty. The
51 member shall submit satisfactory evidence of the service claimed. For

1 purposes of this ~~subsection, subdivision,~~ membership service may include any
2 membership or prior service credits transferred to this Retirement System
3 pursuant to G.S. 135-18.1.

- 4 (2) ~~Any Purchase of General Assembly Service by Members. – Prior to January~~
5 ~~1, 2023, any member may purchase creditable service for service as a member~~
6 ~~of the General Assembly not otherwise creditable under this section, provided~~
7 ~~the service is not credited in the Legislative Retirement Fund nor the~~
8 ~~Legislative Retirement System, and further provided the member pays a lump~~
9 ~~sum amount equal to the full cost of the additional service credits calculated~~
10 ~~on the basis of the assumptions used for the purposes of the actuarial valuation~~
11 ~~of the System's liabilities, taking into account the additional retirement~~
12 ~~allowance arising on account of the additional service credits commencing at~~
13 ~~the earliest age at which a member could retire on an unreduced retirement~~
14 ~~allowance as determined by the Board of Trustees upon the advice of the~~
15 ~~consulting actuary, plus an administrative fee to be set by the Board of~~
16 ~~Trustees. Notwithstanding the foregoing provisions of this subsection that~~
17 ~~provide for the purchase of service credits, the terms "full cost", "full~~
18 ~~liability", and "full actuarial cost" include assumed annual post-retirement~~
19 ~~allowance increases, as determined by the Board of Trustees, from the earliest~~
20 ~~age at which a member could retire on an unreduced service~~
21 ~~allowance.~~System.

- 22 (3) On and after January 1, 2023, any member in service with five or more years
23 of membership service may purchase creditable service for service as a
24 member of the General Assembly not otherwise creditable under this section,
25 provided that the service is not credited in the Legislative Retirement Fund or
26 the Legislative Retirement System. The amount of creditable service
27 purchased under this subdivision may not exceed a total of five years.

- 28 (4) North Carolina Withdrawn Service Purchased On and After January 1, 2022.
29 – Notwithstanding any other provision of this Chapter to the contrary, on and
30 after January 1, 2022, any member who withdrew ~~his or her~~ contributions in
31 accordance with the provisions of G.S. 127-27(f) or G.S. 135-5(f) or the rules
32 and regulations of the Law Enforcement Officers' Retirement System, and
33 who subsequently returns to service and completes five years of membership
34 service upon that return, while in service may purchase an amount of
35 creditable service totaling the amount of the membership service associated
36 with the withdrawn contributions, provided that the total of the creditable
37 service purchased under this ~~subsection-subdivision~~ may not exceed five
38 years. ~~The member shall purchase this service by paying a lump sum amount~~
39 ~~to the Annuity Savings Fund equal to the full liability increase due to the~~
40 ~~additional service credits on the basis of the assumptions used for the purposes~~
41 ~~of the actuarial valuation of the liabilities of the Retirement System, except~~
42 ~~for the following assumptions specific to this calculation: (i) the allowance~~
43 ~~shall be assumed to commence at the earliest age at which the member could~~
44 ~~retire on an unreduced retirement allowance and (ii) assumed annual~~
45 ~~postretirement allowance increases as set by the Board of Trustees upon the~~
46 ~~advice of the consulting actuary. The calculation of the amount payable shall~~
47 ~~also include an administrative fee to be set by the Board.~~

48 Subject to the requirements of this subsection, an employer may pay all or
49 part of the cost of a service purchase of a member in service. To the extent
50 that the purchase is paid by the employer, the cost paid by the employer shall
51 be credited to the pension accumulation fund. To the extent that the purchase

1 is paid by the member, the cost paid by the member shall be credited to the
2 member's annuity savings account.

- 3 (5) Previous Federal, State, or Local Government Service. – Notwithstanding any
4 provision of this Chapter to the contrary, on and after January 1, 2021, any
5 member in service with five or more years of membership service may
6 purchase creditable service previously rendered to the federal government or
7 to any state, territory, or other governmental subdivision of the United States
8 other than this State by paying a total lump sum payment. The amount of
9 creditable service purchased under this ~~subsection~~subdivision may not exceed
10 a total of five years. ~~The member shall purchase this service by paying a lump~~
11 ~~sum amount to the Annuity Savings Fund equal to the full liability increase~~
12 ~~due to the additional service credits on the basis of the assumptions used for~~
13 ~~the purposes of the actuarial valuation of the liabilities of the Retirement~~
14 ~~System, except for the following assumptions specific to this calculation: (i)~~
15 ~~the allowance shall be assumed to commence at the earliest age at which the~~
16 ~~member could retire on an unreduced retirement allowance and (ii) assumed~~
17 ~~annual postretirement allowance increases as set by the Board of Trustees~~
18 ~~upon the advice of the consulting actuary. The calculation of the amount~~
19 ~~payable shall also include an administrative fee to be set by the Board.~~

20 Creditable service under this ~~subsection~~subdivision shall be allowed only
21 at the rate of one year of out-of-state service for each year of membership
22 service in this State, with a maximum allowable of five years of out-of-state
23 service. Such service is limited to full-time service that would be allowable
24 under the laws governing this Retirement System. Credit will be allowed only
25 if no benefit is allowable in another public retirement system as a result of the
26 service.

27 ~~Subject to the requirements of this subsection, an employer may pay all or~~
28 ~~part of the cost of a service purchase of a member in service. To the extent~~
29 ~~that the purchase is paid by the employer, the cost paid by the employer shall~~
30 ~~be credited to the pension accumulation fund. To the extent that the purchase~~
31 ~~is paid by the member, the cost paid by the member shall be credited to the~~
32 ~~member's annuity savings account.~~

- 33 (6) ~~Credit for prior temporary~~Prior Temporary State employment. –
34 Notwithstanding any other provision of this Chapter, on or before December
35 31, 2021, a member may purchase service credit for temporary State
36 employment upon completion of 10 years of membership service and subject
37 to the condition that the member had been classified as a temporary employee
38 for more than three years. Each employer shall certify to the Board of Trustees
39 that an employee is eligible to purchase this service credit prior to the member
40 making payment. Payment for the service credit shall be in a single lump sum
41 based upon the amount the member would have contributed if ~~he~~the member
42 ~~had been properly classified as a permanent employee and been a member of~~
43 ~~this retirement system.~~Retirement System.

44 Notwithstanding any provision of this subdivision or any other provision
45 of this Article to the contrary, any inchoate or accrued rights of such a member
46 to purchase creditable service that existed prior to December 31, 2021, may
47 not be diminished and may be purchased as creditable service with this
48 Retirement System under the same conditions that would have otherwise
49 applied.

- 50 (7) Part-Time Service Credit. – Notwithstanding any other provision of this
51 Chapter to the contrary, any member in service with five or more years of

1 membership service may purchase service previously rendered as a part-time
2 teacher or employee of an employer, as defined in G.S. 135-1(11) or
3 G.S. 128-21(11), except the following service may not be purchased:

- 4 a. Part-time service rendered as a bus driver to a public school while a
5 full-time high school student.
- 6 b. Temporary or part-time service rendered while a full-time student in
7 pursuit of a degree or diploma in a degree-granting program, unless
8 that service was rendered on a permanent part-time basis and required
9 at least 20 hours of service per week.

10 ~~Payment for service purchased under this subsection shall be made in a~~
11 ~~single lump sum in an amount calculated by applying the ratio of actual gross~~
12 ~~compensation earned as a part-time employee to the gross compensation that~~
13 ~~would have been earned as a full-time employee to the period of service~~
14 ~~rendered in months. The member shall purchase this service by paying a lump~~
15 ~~sum amount to the Annuity Savings Fund equal to the full liability increase~~
16 ~~due to the additional service credits on the basis of the assumptions used for~~
17 ~~the purposes of the actuarial valuation of the liabilities of the Retirement~~
18 ~~System, except for the following assumptions specific to this calculation: (i)~~
19 ~~the allowance shall be assumed to commence at the earliest age at which the~~
20 ~~member could retire on an unreduced retirement allowance and (ii) assumed~~
21 ~~annual postretirement allowance increases as set by the Board of Trustees~~
22 ~~upon the advice of the consulting actuary. The calculation of the amount~~
23 ~~payable shall also include an administrative fee to be set by the Board.~~

24 The Board of Trustees shall adopt rules regarding how much service in
25 any year, as based on compensation, is equivalent to one year of service in
26 proportion to earnable compensation, but in no case shall more than one year
27 of service be creditable for all service in one year. Service rendered for the
28 regular school year in any district shall be equivalent to one year of service.

29 ~~Subject to the requirements of this subsection, an employer may pay all or~~
30 ~~part of the cost of a service purchase of a member in service. To the extent~~
31 ~~that the purchase is paid by the employer, the cost paid by the employer shall~~
32 ~~be credited to the pension accumulation fund. To the extent that the purchase~~
33 ~~is paid by the member, the cost paid by the member shall be credited to the~~
34 ~~member's annuity savings account.~~

35 (8) Credit at Full Cost for Temporary Employment. – Any member in service with
36 five or more years of membership service may purchase creditable service for
37 State employment when classified as a temporary teacher or employee subject
38 to all of the following conditions:

- 39 a. The member was employed by an employer as defined in
40 G.S. 135-1(11) or G.S. 128-21(11).
- 41 b. The member's temporary employment met all other requirements of
42 G.S. 135-1(10) or (25), or G.S. 128-21(10).
- 43 c. The member has completed five years or more of membership service.
- 44 d. The member has acquired from the employer such certifications of
45 temporary employment as are required by the Board of Trustees.

46 The amount of creditable service purchased under this ~~subsection~~
47 subdivision may not exceed a total of five years. ~~A member shall purchase this~~
48 ~~service by making a lump sum payment into the Annuity Savings Fund equal~~
49 ~~to the full liability increase due to the additional service credits on the basis of~~
50 ~~the assumptions used for the purposes of the actuarial valuation of the~~
51 ~~liabilities of the Retirement System, except for the following assumptions~~

1 specific to this calculation: (i) the allowance shall be assumed to commence
 2 at the earliest age at which the member could retire on an unreduced retirement
 3 allowance and (ii) assumed annual postretirement allowance increases as set
 4 by the Board of Trustees upon the advice of the consulting actuary. The
 5 calculation of the amount payable shall also include an administrative fee to
 6 be set by the Board.

7 Subject to the requirements of this subsection, an employer may pay all or
 8 part of the cost of a service purchase of a member in service. To the extent
 9 that the purchase is paid by the employer, the cost paid by the employer shall
 10 be credited to the pension accumulation fund. To the extent that the purchase
 11 is paid by the member, the cost paid by the member shall be credited to the
 12 member's annuity savings account.

- 13 (9) Credit at Full Cost for Federal Employment. – Notwithstanding any other
 14 provisions of this Chapter, a member in service with five or more years of
 15 membership service may purchase creditable service for periods of federal
 16 employment, provided that the member is not receiving any retirement
 17 benefits resulting from this federal employment, and provided that the
 18 member is not vested in the particular federal retirement system to which the
 19 member may have belonged while a federal employee. The amount of
 20 creditable service purchased under this subsection subdivision may not exceed
 21 a total of five years. ~~The member shall purchase this service by making a lump~~
 22 ~~sum amount payable to the Annuity Savings Fund equal to the full liability~~
 23 ~~increase due to the additional service credits on the basis of the assumptions~~
 24 ~~used for the purposes of the actuarial valuation of the liabilities of the~~
 25 ~~Retirement System, except for the following assumptions specific to this~~
 26 ~~calculation: (i) the allowance shall be assumed to commence at the earliest~~
 27 ~~age at which the member could retire on an unreduced retirement allowance~~
 28 ~~and (ii) assumed annual postretirement allowance increases as set by the~~
 29 ~~Board of Trustees upon the advice of the consulting actuary. The calculation~~
 30 ~~of the amount payable shall also include an administrative fee to be set by the~~
 31 ~~Board.~~

32 Subject to the requirements of this subsection, an employer may pay all or
 33 part of the cost of a service purchase of a member in service. To the extent
 34 that the purchase is paid by the employer, the cost paid by the employer shall
 35 be credited to the pension accumulation fund. To the extent that the purchase
 36 is paid by the member, the cost paid by the member shall be credited to the
 37 member's annuity savings account.

38 On or before December 31, 2021, members in service may also purchase
 39 creditable service for periods of employment with public community service
 40 entities within the State funded entirely with federal funds, other than the
 41 federal government, that are not covered by the provisions of G.S. 128-21(11)
 42 or G.S. 135-1(11), under the same terms and conditions that are applicable to
 43 the purchase of creditable service for periods of federal employment in
 44 accordance with this subsection. "Public community service entities" as used
 45 in this subsection shall mean community action, human relations, manpower
 46 development, and community development programs as defined in Articles
 47 19 and 21 of Chapter 160A and Article 18 of Chapter 153A of the General
 48 Statutes.

- 49 (10) Credit at Full Cost for Leave Due to Extended Illness. – Any member in
 50 service with five or more years of membership service may purchase
 51 creditable service for periods of interrupted service while on leave without

1 pay status due to the member's illness or injury, excluding leave due to
2 maternity, provided that any single such interrupted service shall have
3 included such period of time during which the member failed to earn at least
4 two months membership service, ~~by making a lump sum amount payable to~~
5 ~~the Annuity Savings Fund equal to the full liability increase due to the~~
6 ~~additional service credits on the basis of the assumptions used for the purposes~~
7 ~~of the actuarial valuation of the liabilities of the Retirement System, except~~
8 ~~for the following assumptions specific to this calculation: (i) the allowance~~
9 ~~shall be assumed to commence at the earliest age at which the member could~~
10 ~~retire on an unreduced retirement allowance and (ii) assumed annual~~
11 ~~postretirement allowance increases as set by the Board of Trustees upon the~~
12 ~~advice of the consulting actuary. The calculation of the amount payable shall~~
13 ~~also include an administrative fee to be set by the Board. The amount of~~
14 ~~creditable service purchased under this subsection may not exceed a total of~~
15 ~~five years.~~service.

16 Subject to the requirements of this subsection, an employer may pay all or
17 part of the cost of a service purchase of a member in service. To the extent
18 that the purchase is paid by the employer, the cost paid by the employer shall
19 be credited to the pension accumulation fund. To the extent that the purchase
20 is paid by the member, the cost paid by the member shall be credited to the
21 member's annuity savings account.

- 22 (11) Credit at Full Cost for Parental Leave, Pregnancy or Childbirth-Related
23 Leave, or Certain Involuntary Furloughs. – Notwithstanding other provisions
24 of this Chapter, any member in service with five or more years of credited
25 membership service may purchase creditable service for periods of service
26 which were interrupted due to parental leave, pregnancy or childbirth, or
27 involuntary administrative furlough due to a lack of funds to support the
28 position by making a lump sum amount payable to the Annuity Savings Fund
29 equal to the full liability increase due to the additional service credits on the
30 basis of the assumptions used for the purposes of the actuarial valuation of the
31 liabilities of the Retirement System, except for the following assumptions
32 specific to this calculation: (i) the allowance shall be assumed to commence
33 at the earliest age at which the member could retire on an unreduced retirement
34 allowance and (ii) assumed annual postretirement allowance increases as set
35 by the Board of Trustees upon the advice of the consulting actuary. The
36 calculation of the amount payable shall also include an administrative fee to
37 be set by the Board. position. The amount of creditable service purchased
38 under this subsection subdivision may not exceed a total of five years.

39 Subject to the requirements of this subsection, an employer may pay all or
40 part of the cost of a service purchase of a member in service. To the extent
41 that the purchase is paid by the employer, the cost paid by the employer shall
42 be credited to the pension accumulation fund. To the extent that the purchase
43 is paid by the member, the cost paid by the member shall be credited to the
44 member's annuity savings account.

- 45 (12) Credit at Full Cost for Probationary Local Government Employment
46 Purchased On and After January 1, 2022. – Notwithstanding any other
47 provision of this Chapter, on and after January 1, 2022, a member may
48 purchase creditable service, prior to retirement, for employment with any local
49 employer as defined in G.S. 128-21(11) when considered to be in a
50 probationary or employer-imposed waiting period status, between the date of

1 employment and the date of membership service with the Local Governmental
2 Employees' Retirement System.

3 ~~The member shall purchase this service by making a lump sum amount~~
4 ~~payable to the Annuity Savings Fund equal to the full liability increase due to~~
5 ~~the additional service credits on the basis of the assumptions used for the~~
6 ~~purposes of the actuarial valuation of the liabilities of the Retirement System,~~
7 ~~except for the following assumptions specific to this calculation: (i) the~~
8 ~~allowance shall be assumed to commence at the earliest age at which the~~
9 ~~member could retire on an unreduced retirement allowance and (ii) assumed~~
10 ~~annual postretirement allowance increases as set by the Board of Trustees~~
11 ~~upon the advice of the consulting actuary. The calculation of the amount~~
12 ~~payable shall also include an administrative fee to be set by the Board.~~

13 Subject to the requirements of this subsection, an employer may pay all or
14 part of the cost of a service purchase of a member in service. To the extent
15 that the purchase is paid by the employer, the cost paid by the employer shall
16 be credited to the pension accumulation fund. To the extent that the purchase
17 is paid by the member, the cost paid by the member shall be credited to the
18 member's annuity savings account.

- 19 (13) Credit for Employment in a Charter School Operated by a Private Nonprofit
20 Corporation or a Charter School Operated by a Municipality. – ~~Any Prior to~~
21 ~~January 1, 2023, any member may purchase creditable service for any~~
22 ~~employment as an employee of a charter school operated by a private~~
23 ~~nonprofit corporation or a charter school operated by a municipality whose~~
24 ~~board of directors did not elect to participate in the Retirement System under~~
25 ~~G.S. 135-5.3 upon completion of five years of membership service by making~~
26 ~~a lump sum payment into the Annuity Savings Fund. The payment by the~~
27 ~~member shall be equal to the full liability of the service credits calculated on~~
28 ~~the basis of the assumptions used for purposes of the actuarial valuation of the~~
29 ~~Retirement System's liabilities, taking into account the additional retirement~~
30 ~~allowance arising on account of the additional service credits commencing at~~
31 ~~the earliest age at which the member could retire with an unreduced retirement~~
32 ~~allowance, as determined by the Board of Trustees upon the advice of the~~
33 ~~actuary plus an administrative expense fee to be determined by the Board of~~
34 ~~Trustees. – service. Creditable service purchased under this subsection~~
35 ~~subdivision shall not exceed a total of five years. – Notwithstanding the~~
36 ~~foregoing provisions of this subsection that provide for the purchase of service~~
37 ~~credits, the terms "full cost", "full liability", and "full actuarial cost" include~~
38 ~~assumed annual postretirement allowance increases, as determined by the~~
39 ~~Board of Trustees, from the earliest age at which a member could retire on an~~
40 ~~unreduced service allowance.~~

- 41 (14) Credit for Employment in a Charter School Operated by a Private Nonprofit
42 Corporation or a Charter School Operated by a Municipality. –
43 Notwithstanding any provision of this Chapter to the contrary, on and after
44 January 1, 2023, any member in service with five or more years of
45 membership service may purchase creditable service for any employment as
46 an employee of a charter school operated by a private nonprofit corporation
47 or a charter school operated by a municipality whose board of directors did
48 not elect to participate in the Retirement System under G.S. 135-5.3. The
49 amount of creditable service purchased under this subdivision may not exceed
50 a total of five years.

1 (15) Credit at Full Cost for Service With The University of North Carolina During
 2 Which a Member Participated in the Optional Retirement Program. –
 3 Notwithstanding any other provisions of this Chapter to the contrary, any
 4 member in service with five or more years of membership service may
 5 purchase creditable service for periods of employment with The University of
 6 North Carolina during which the member participated in the Optional
 7 Retirement Program as provided for in G.S. 135-5.1, provided that the
 8 member is not receiving, and is not entitled to receive, any retirement benefits
 9 resulting from this employment. The amount of creditable service purchased
 10 under this ~~subsection~~ subdivision may not exceed a total of five years. ~~The~~
 11 ~~member shall purchase this service by making a lump-sum amount payable to~~
 12 ~~the Annuity Savings Fund equal to the full liability increase due to the~~
 13 ~~additional service credits on the basis of the assumptions used for the purposes~~
 14 ~~of the actuarial valuation of the liabilities of the Retirement System, except~~
 15 ~~for the following assumptions specific to this calculation: (i) the allowance~~
 16 ~~shall be assumed to commence at the earliest age at which the member could~~
 17 ~~retire on an unreduced retirement allowance and (ii) assumed annual~~
 18 ~~postretirement allowance increases as set by the Board of Trustees upon the~~
 19 ~~advice of the consulting actuary. The calculation of the amount payable shall~~
 20 ~~also include an administrative fee to be set by the Board.~~

21 Subject to the requirements of this subsection, an employer may pay all or
 22 part of the cost of a service purchase of a member in service. To the extent
 23 that the purchase is paid by the employer, the cost paid by the employer shall
 24 be credited to the pension accumulation fund. To the extent that the purchase
 25 is paid by the member, the cost paid by the member shall be credited to the
 26 member's annuity savings account."

27 **SECTION 1.2.** G.S. 135-4(ff) reads as rewritten:

28 "(ff) Retroactive Membership Service. – A member who is reinstated to service as an
 29 employee as defined in G.S. 135-1(10) or as a teacher as defined in G.S. 135-1(25) retroactively
 30 to the date of prior involuntary termination with back pay, as defined by the State Human
 31 Resources Commission, and associated benefits may be allowed membership service, after
 32 submitting clear and convincing evidence of the reinstatement, payment of back pay, and
 33 restoration of associated benefits, as follows:

- 34 (1) When the reinstatement to service is by court order, final decision of an
 35 Administrative Law Judge, or with the approval of the Office of State Human
 36 Resources Director, and is:
 37 a. Within 90 days of the involuntary termination, by the payment of
 38 employee and employer contributions that would have been paid; or
 39 b. After 90 days of the involuntary termination, by the payment of the
 40 employee and employer contributions that would have been paid plus
 41 interest compounded annually at a rate equal to the greater of the
 42 average yield on the pension accumulation fund for the preceding
 43 calendar year or the actuarial investment rate-of-return assumption, as
 44 adopted by the Board of Trustees.
- 45 (2) When the reinstatement to service is by settlement agreement voluntarily
 46 entered into by the affected parties, by the payment of a lump-sum amount
 47 equal to the full liability of the service credits calculated on the basis of the
 48 assumptions used for purposes of the actuarial valuation of the system's
 49 liabilities, taking into account the retirement allowance arising on account of
 50 the additional service credit commencing at the earliest age at which the
 51 member could retire on an unreduced retirement allowance, as determined by

1 the Board of Trustees upon the advice of the consulting actuary, plus an
 2 administrative fee to be set by the Board of Trustees. Notwithstanding the
 3 foregoing provisions of this subsection that provide for the purchase of service
 4 credits, the terms "full cost," "full liability," and "full actuarial cost" include
 5 assumed annual postretirement allowance increases, as determined by the
 6 Board of Trustees, from the earliest age at which a member could retire on an
 7 unreduced service allowance.

8 Nothing contained in this subsection shall prevent an employer or member
 9 from paying all or a part of the cost of the retroactive membership service; and
 10 to the extent paid by the employer, the cost paid by the employer shall be
 11 credited to the pension accumulation fund; and to the extent paid by the
 12 member, the cost paid by the member shall be credited to the member's
 13 annuity savings account; amount. The member shall purchase this service by
 14 paying a lump-sum amount to the annuity savings fund equal to the full
 15 liability increase due to the additional service credits on the basis of the
 16 assumptions used for the purposes of the actuarial valuation of the liabilities
 17 of the Retirement System, except for the following assumptions specific to
 18 this calculation: (i) the allowance shall be assumed to commence at the earliest
 19 age at which the member could retire on an unreduced retirement allowance
 20 and (ii) assumed annual postretirement allowance increases as set by the
 21 Board of Trustees upon the advice of the consulting actuary. The calculation
 22 of the amount payable shall also include an administrative fee to be set by the
 23 Board.

24 Subject to the requirements of this subsection, an employer may pay all or part of the cost of
 25 a service purchase of a member in service. To the extent that the purchase is paid by the employer,
 26 the cost paid by the employer shall be credited to the pension accumulation fund. To the extent
 27 the purchase is paid by the member, the cost paid by the member shall be credited to the member's
 28 annuity savings account; provided, however, that an employer does not discriminate against any
 29 employed member or group of employed members in his employ in paying all or any part of the
 30 cost of the retroactive membership service.

31 In the event a member received a return of accumulated contributions subsequent to an
 32 involuntary termination as provided in G.S. 135-5(f), the member may redeposit, within 90 days
 33 ~~of~~ after reinstatement retroactive to the date of prior involuntary termination, in the annuity
 34 savings fund by single payment an amount equal to the total amount ~~he~~ the member previously
 35 withdrew plus regular interest and restore the creditable service forfeited upon receiving ~~his~~ the
 36 return of accumulated contributions."

37 **SECTION 1.3.** Subsections (j), (k), (l1), and (bb) of G.S. 135-4 are repealed.
 38

39 **PART II. CHANGES RELATED TO CREDITABLE SERVICE PURCHASES UNDER** 40 **THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

41 **SECTION 2.1.** G.S. 128-24(2) reads as rewritten:

42 "(2) All persons who are employees of a participating county, city, or town except
 43 those who shall notify the Board of Trustees in writing, on or before 30 days
 44 following the date of participation in the Retirement System by such county,
 45 city or town: Provided, further, that employees of county social services and
 46 health departments whose compensation is derived from federal, State, and
 47 local funds may be members of the North Carolina Local Governmental
 48 Employees' Retirement System to the full extent of their compensation. Any
 49 member on or after July 1, 1969, and prior to January 1, 2023, may deposit in
 50 the annuity savings fund by a single payment the contributions plus interest
 51 which would have been credited to his account had he not signed a nonelection

1 blank, and be entitled to such membership service credits and any prior service
2 credits which became void upon execution of such nonelection blank;
3 provided that the employer will pay the appropriate matching contributions.

4 On and after January 1, 2023, the member shall purchase this service by
5 paying a lump-sum amount to the annuity savings fund equal to the full
6 liability increase due to the additional service credits on the basis of the
7 assumptions used for the purposes of the actuarial valuation of the liabilities
8 of the Retirement System, except for the following assumptions specific to
9 this calculation: (i) the allowance shall be assumed to commence at the earliest
10 age at which the member could retire on an unreduced retirement allowance
11 and (ii) assumed annual postretirement allowance increases as set by the
12 Board of Trustees upon the advice of the consulting actuary. Subject to the
13 requirements of this subsection, an employer may pay all or part of the cost of
14 a service purchase of a member in service. To the extent that the purchase is
15 paid by the employer, the cost paid by the employer shall be credited to the
16 pension accumulation fund. To the extent that the purchase is paid by the
17 member, the cost paid by the member shall be credited to the member's
18 annuity savings account provided, however, that an employer does not
19 discriminate against any employed member or group of employed members
20 in paying all or any part of the cost of the membership service."

21 **SECTION 2.2.** G.S. 128-26(h1) reads as rewritten:

22 "(h1) Any Prior to January 1, 2023, any member may purchase creditable service for service
23 as a member of the General Assembly not otherwise creditable under this section, provided the
24 service is not credited in the Legislative Retirement Fund nor the Legislative Retirement System,
25 and further provided the member pays a lump sum amount equal to the full cost of the additional
26 service credits calculated on the basis of the assumptions used for the purposes of the actuarial
27 valuation of the System's liabilities, taking into account the additional retirement allowance
28 arising on account of the additional service credits commencing at the earliest age at which a
29 member could retire on an unreduced retirement allowance as determined by the Board of
30 Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the
31 Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for
32 the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost"
33 include assumed annual post-retirement allowance increases, as determined by the Board of
34 Trustees, from the earliest age at which a member could retire on an unreduced service
35 allowance."

36 **SECTION 2.3.** G.S. 128-26(v) reads as rewritten:

37 "(v) **Retroactive Membership Service.** – A member who is reinstated to service as an
38 employee as defined in G.S. 128-21(10) retroactively to the date of prior involuntary termination
39 with back pay and associated benefits may be allowed membership service, after submitting clear
40 and convincing evidence of the reinstatement, payment of back pay, and restoration of associated
41 benefits, as follows:

- 42 (1) When the reinstatement to service is by court order and is:
- 43 a. Within 90 days of the involuntary termination, by the payment of
44 employee and employer contributions that would have been paid; or
45 b. After 90 days of the involuntary termination, by the payment of the
46 employee and employer contributions that would have been paid plus
47 interest compounded annually at a rate equal to the greater of the
48 average yield on the pension accumulation fund for the preceding
49 calendar year or the actuarial investment rate-of-return assumption, as
50 adopted by the Board of Trustees.

(2) ~~When the reinstatement to service is by settlement agreement voluntarily entered into by the affected parties, by the payment of a lump-sum amount 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, taking 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 an unreduced 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. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost," "full liability," and "full actuarial cost" include assumed annual postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance.~~

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the retroactive membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the member shall be credited to the member's annuity savings account; amount. The member shall purchase this service by paying a lump-sum amount to the annuity savings fund equal to the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board.

Subject to the requirements of this subsection, an employer may pay all or part of the cost of a service purchase of a member in service. To the extent that the purchase is paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund. To the extent the purchase is paid by the member, the cost paid by the member shall be credited to the member's annuity savings account; provided, however, that an employer does not discriminate against any employed member or group of employed members in his employ in paying all or any part of the cost of the retroactive membership service.

In the event a member received a return of accumulated contributions subsequent to an involuntary termination as provided in G.S. 128-27(f), the member may redeposit, within 90 days ~~of~~ after reinstatement retroactive to the date of prior involuntary termination, in the annuity savings fund by single payment, an amount equal to the total amount ~~he~~ the member previously withdrew plus regular interest and restore the creditable service forfeited upon receiving ~~his~~ the return of accumulated contributions."

SECTION 2.4. G.S. 128-26(h) is repealed.

PART III. CHANGES RELATED TO CREDITABLE SERVICE PURCHASES UNDER THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 3.1. G.S. 135-56 reads as rewritten:

"§ 135-56. Creditable service.

...

(d) ~~Any~~ Prior to January 1, 2023, any member may purchase creditable service for service as a judge, district attorney, or clerk of superior court, when not otherwise provided for in this section, and as a judge of any lawfully constituted court of this State inferior to the superior court, not to include service as a magistrate, justice of the peace or mayor's court judge. The member, after the transfer of any accumulated contributions from the Teachers' and State Employees'

1 Retirement System or Local Governmental Employees' Retirement System, shall pay an amount
2 equal to the full cost of the service credits calculated on the basis of the assumptions used for
3 purposes of the actuarial valuation of the System's liabilities, taking into account the additional
4 retirement allowance arising on account of the additional service credit commencing at the
5 earliest age at which the member could retire with an unreduced retirement allowance as
6 determined by the Board of Trustees upon the advice of the consulting actuary. Notwithstanding
7 the foregoing provisions of this subsection that provide for the purchase of service credits, the
8 terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement
9 allowance increases, as determined by the Board of Trustees, from the earliest age at which a
10 member could retire on an unreduced service allowance.

11 (d1) Notwithstanding any provision of this Chapter to the contrary, on and after January
12 1, 2023, any member may purchase creditable service for service as a judge, district attorney, or
13 clerk of superior court, when not otherwise provided for in this section, and as a judge of any
14 lawfully constituted court of this State inferior to the superior court, not to include service as a
15 magistrate, justice of the peace, or mayor's court judge. The member, after the transfer of any
16 accumulated contributions from the Teachers' and State Employees' Retirement System or Local
17 Governmental Employees' Retirement System, shall pay an amount equal to the full cost of the
18 additional service credits calculated on the basis of the assumptions used for purposes of the
19 actuarial valuation of the System's liabilities, taking into account the additional retirement
20 allowance arising on account of the additional service credit commencing at the earliest age at
21 which the member could retire with an unreduced retirement allowance as determined by the
22 Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set
23 by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that
24 provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial
25 cost" include assumed annual postretirement allowance increases, as determined by the Board of
26 Trustees, from the earliest age at which a member could retire on an unreduced service allowance.

27 (e) Any Prior to January 1, 2023, any member may purchase creditable service for service
28 as a member of the General Assembly not otherwise creditable under this section, provided the
29 service is not credited in the Legislative Retirement Fund nor the Legislative Retirement System,
30 and further provided the member pays a lump sum amount equal to the full cost of the additional
31 service credits calculated on the basis of the assumptions used for the purposes of the actuarial
32 valuation of the System's liabilities, taking into account the additional retirement allowance
33 arising on account of the additional service credits commencing at the earliest age at which a
34 member could retire on an unreduced retirement allowance as determined by the Board of
35 Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the
36 Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for
37 the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost"
38 include assumed annual post-retirement allowance increases, as determined by the Board of
39 Trustees, from the earliest age at which a member could retire on an unreduced service allowance.

40"

41 **SECTION 3.2.** G.S. 135-56.2 reads as rewritten:

42 **"§ 135-56.2. Creditable service for other employment.**

43 Any member may purchase creditable service for service as a State teacher or employee, as
44 defined under G.S. 135-1(10) and (25), and for service as an employee of local government, as
45 defined under G.S. 128-21(10). A member, upon the completion of 10 years of membership
46 service, may also purchase creditable service for periods of federal employment, provided that
47 the member is not receiving any retirement benefits resulting from this federal employment, and
48 provided that the member is not vested in the particular federal retirement system to which the
49 member may have belonged while a federal employee. The member, after the transfer of any
50 accumulated contributions from the Teachers' and State Employees' Retirement System or Local
51 Governmental Employees' Retirement System, shall ~~pay an amount equal to the full cost of the~~

1 ~~service credits calculated on the basis of the assumptions used for purposes of the actuarial~~
2 ~~valuation of the Retirement System's liabilities, taking into account the additional retirement~~
3 ~~allowance arising on account of the additional service credits commencing at the earliest age at~~
4 ~~which the member could retire with an unreduced retirement allowance as determined by the~~
5 ~~Board of Trustees upon the advice of the consulting actuary, plus an administrative fee as set by~~
6 ~~the Board of Trustees. purchase this service by paying a lump sum amount to the annuity savings~~
7 ~~fund equal to the full liability increase due to the additional service credits on the basis of the~~
8 ~~assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement~~
9 ~~System, except for the following assumptions specific to this calculation: (i) the allowance shall~~
10 ~~be assumed to commence at the earliest age at which the member could retire on an unreduced~~
11 ~~retirement allowance and (ii) assumed annual postretirement allowance increases as set by the~~
12 ~~Board of Trustees upon the advice of the consulting actuary. Subject to the requirements of this~~
13 ~~subsection, an employer may pay all or part of the cost of a service purchase of a member in~~
14 ~~service. To the extent that the purchase is paid by the employer, the cost paid by the employer~~
15 ~~shall be credited to the pension accumulation fund. As an alternative to transferring any~~
16 ~~accumulated contributions from the Teachers' and State Employees' Retirement System or the~~
17 ~~Local Governmental Employees' Retirement System to the Consolidated Judicial Retirement~~
18 ~~System, a member may irrevocably elect to transfer these contributions to the Supplemental~~
19 ~~Retirement Income Plan of North Carolina as determined by the Plan's Board of Trustees and the~~
20 ~~Department of State Treasurer in accordance with the provisions of G.S. 135-94(a)(4).~~
21 ~~Notwithstanding the foregoing provisions of this section that provide for the purchase of service~~
22 ~~credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual~~
23 ~~post-retirement allowance increases, as determined by the Board of Trustees, from the earliest~~
24 ~~age at which a member could retire on an unreduced service allowance."~~
25

26 **PART IV. EFFECTIVE DATE**

27 **SECTION 4.1.** This act becomes effective January 1, 2022, and applies to purchases
28 of creditable service occurring on or after that date.