

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

H.B. 120
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH30063-LR-8A

Short Title: Govt. Retirement/No Vacation Leave Spiking. (Public)

Sponsors: Representative Warren.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT LIMITING THE AMOUNT OF VACATION LEAVE CARRIED FORWARD FOR
3 THE PURPOSE OF CALCULATING AVERAGE FINAL COMPENSATION.

4 The General Assembly of North Carolina enacts:

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

6 "(7a)

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

- 15 1. Performance-based compensation (regardless of whether paid
16 in a lump sum, in periodic installments, or on a monthly basis);
- 17 2. Conversion of additional benefits to salary (additional benefits
18 such as health, life, or disability plans), so long as the benefits
19 are other than mandated by State law or regulation;
- 20 3. Payment of tax consequences for benefits provided by the
21 employer, so long as they constitute an adjustment or increase
22 in salary and not a "reimbursement of expenses";
- 23 4. Payout of vacation leave so long as such payouts are permitted
24 by applicable law and regulation;
- 25 5. Employee contributions to eligible deferred compensation
26 plans; ~~and~~
- 27 6. Effective July 1, 2009, payment of military differential
28 ~~wages.~~ wages; and
- 29 7. For an employee or teacher who starts earning contributory
30 retirement service in this retirement system on or after January
31 1, 2024, only the amount of unused vacation leave accruing
32 during the 12-month period immediately preceding the
33 employee's or teacher's retirement shall be counted for the
34 purpose of calculating average final compensation."

35 SECTION 2. G.S. 128-21(7a) reads as rewritten:



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

- 9 1. Performance-based compensation (regardless of whether paid
10 in a lump sum, periodic installments, or on a monthly basis);
- 11 2. Conversion of additional benefits to salary (additional benefits
12 such as health, life, or disability plans), so long as the benefits
13 are other than mandated by State law or regulation;
- 14 3. Payment of tax consequences for benefits provided by the
15 employer so long as they constitute an adjustment or increase
16 in salary and not a "reimbursement of expenses";
- 17 4. Payout of vacation leave so long as such payouts are permitted
18 by applicable law and regulation;
- 19 5. Employee contributions to eligible deferred compensation
20 plans;~~and~~
- 21 6. Effective July 1, 2009, payment of military differential
22 ~~wages.~~wages; and
- 23 7. For an employee who starts earning contributory retirement
24 service in this retirement system on or after January 1, 2024,
25 only the amount of unused vacation leave accruing during the
26 12-month period immediately preceding the employee's
27 retirement shall be counted for the purpose of calculating
28 average final compensation."

29 **SECTION 3.** This act is effective when it becomes law.