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SENATE BILL DRS45498-MR-38 (03/01)

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

Sponsors: Senators Wells and Apodaca (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO MAKE ADMINISTRATIVE AND BENEFIT CHANGES TO THE RETIREMENT SYSTEM AND TO MAKE OTHER CHANGES AFFECTING THE STATE TREASURER.

The General Assembly of North Carolina enacts:

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 **SECTION 3.(a)** G.S. 135-1(7b) is recodified as G.S. 135-1(7c).

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

29 "(7b) "Compliance investigation" shall mean an independent review or examination  
30 by Retirement Systems Division staff or authorized representatives who are  
31 assisting the Retirement Systems Division staff of records, activities, actions, or  
32 decisions by employers or other affiliated or associated entities having an  
33 impact on the Retirement System. The purpose of a compliance investigation is  
34 to help detect errors and ensure compliance and full accountability in the use of  
35 pension funds."

36 **SECTION 3.(c)** G.S. 135-1(11b) reads as written:

37 "(11b) "Fraud investigation" means an independent review or examination by  
38 Retirement Systems Division staff or authorized representatives who are  
39 assisting the Retirement Systems Division staff of records, activities, actions, or  
40 decisions by employers or other affiliated or associated entities having an  
41 impact on the Retirement System. The purpose of a fraud investigation is to  
42 help detect and prevent fraud and to ensure full accountability in the use of  
43 pension funds."

44 **SECTION 3.(d)** G.S. 135-6 reads as rewritten:

45 "§ 135-6. Administration.

46 ...

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

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

19 With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social  
20 and medical services to a beneficiary shall make copies of records they maintain for services  
21 provided to a beneficiary available to the Retirement Systems Division, or to the authorized  
22 representatives who are assisting the Retirement Systems Division staff. Copies of the records of  
23 social and medical services provided to a beneficiary will permit verification of the health or other  
24 status of a beneficiary as required for the payment of benefits under Article 1, Article 4, or Article  
25 6 of this Chapter. The Retirement Systems Division, or authorized representatives who are  
26 assisting the Retirement Systems Division staff, shall request records in writing by providing the  
27 name of each beneficiary for whom records are sought, the purpose of the request, the statutory  
28 authority for the request, and a reasonable period of time for the production of record copies by the  
29 provider. A provider may charge, and the Retirement Systems Division, or authorized  
30 representatives who are assisting the Retirement Systems Division staff, shall, in accordance with  
31 G.S. 90-411, pay a reasonable fee to the provider for copies of the records provided in accordance  
32 with this subsection.

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

51 ...."

1           **SECTION 3.(e)** G.S. 128-21(7b) is recodified as G.S. 128-21(7c).

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

4           "(7b) "Compliance investigation" shall mean an independent review or examination  
5 by Retirement Systems Division staff or authorized representatives who are  
6 assisting the Retirement Systems Division staff of records, activities, actions, or  
7 decisions by employers or other affiliated or associated entities having an  
8 impact on the Retirement System. The purpose of a compliance investigation is  
9 to help detect errors and ensure compliance and full accountability in the use of  
10 pension funds."

11           **SECTION 3.(g)** G.S. 128-21(11c) reads as rewritten:

12           "(11c) "Fraud investigation" means an independent review or examination by  
13 Retirement Systems Division staff or authorized representatives who are  
14 assisting the Retirement Systems Division staff of records, activities, actions, or  
15 decisions by employers or other affiliated or associated entities having an  
16 impact on the Retirement System. The purpose of a fraud investigation is to  
17 help detect and prevent fraud and to ensure full accountability in the use of  
18 pension funds."

19           **SECTION 3.(h)** G.S. 128-28 reads as rewritten:

20           **"§ 128-28. Administration and responsibility for operation of System.**

21           ...

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

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

44           With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social  
45 and medical services to a beneficiary shall make copies of records they maintain for services  
46 provided to a beneficiary available to the Retirement Systems Division, or to the authorized  
47 representatives who are assisting the Retirement Systems Division staff. Copies of the records of  
48 social and medical services provided to a beneficiary will permit verification of the health or other  
49 status of a beneficiary as required for the payment of benefits under Article 3 of this Chapter. The  
50 Retirement Systems Division, or authorized representatives who are assisting the Retirement  
51 Systems Division staff, shall request records in writing by providing the name of each beneficiary

1 for whom records are sought, the purpose of the request, the statutory authority for the request,  
2 and a reasonable period of time for the production of record copies by the provider. A provider  
3 may charge, and the Retirement Systems Division, or authorized representatives who are assisting  
4 the Retirement Systems Division staff, shall, in accordance with G.S. 90-411, pay a reasonable fee  
5 to the provider for copies of the records provided in accordance with this subsection.

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

25 ...."

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

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

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

50 (2) Option two. – An installment payment plan beginning no less than 90 days after  
51 the retirement of the member and ending no more than 27 months after the

1 retirement of the member. Interest shall be assessed on the principal amount of  
2 the contribution-based benefit cap liability owed and applied to any installment  
3 payment plan term exceeding 12 months at a rate corresponding with the  
4 interest rate assumption based on the most recent actuarial valuation approved  
5 by the Board of Trustees.

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

9 **SECTION 4.(b)** G.S. 128-26(y) reads as rewritten:

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

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

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

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

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

44 "(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding Chapter  
45 150B of the General Statutes and any other provision of this section, every service retirement  
46 allowance provided under this section for members who retire on or after January 1, 2015, is  
47 subject to adjustment pursuant to a contribution-based benefit cap under this subsection. The  
48 Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary,  
49 based upon actual experience, such that no more than three-quarters of one percent (0.75%) of  
50 retirement allowances are expected to be capped. The Board of Trustees shall modify such factors  
51 every five years, as shall be deemed necessary, based upon the five-year experience study as

1 required by G.S. 135-6(n). Prior to establishing a service retirement allowance under this section,  
2 the Board shall:

- 3 (1) Determine an amount equal to the member's accumulated contributions as  
4 required under G.S. 135-8(b)(1) for all years during which the member earned  
5 membership service used in the calculation of the retirement allowance that the  
6 member would receive under this section.
- 7 (2) Determine the amount of a single life annuity that is the actuarial equivalent of  
8 the amount determined under subdivision (1) of this subsection, adjusted for the  
9 age of the member at the time of retirement or, when appropriate, the age at the  
10 time of the member's death.
- 11 (3) Multiply the annuity amount determined under subdivision (2) of this  
12 subsection by the contribution-based benefit cap factor.
- 13 (4) Determine the amount of the retirement allowance that results from the  
14 member's membership service.

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

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

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

33 **SECTION 5.(b)** G.S. 128-27(a3) reads as rewritten:

34 "(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding Chapter  
35 150B of the General Statutes and any other provision of this section, every service retirement  
36 allowance provided under this section for members who retire on or after January 1, 2015, is  
37 subject to adjustment pursuant to a contribution-based benefit cap under this subsection. The  
38 Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary,  
39 based upon actual experience, such that no more than three-quarters of one percent (0.75%) of  
40 retirement allowances are expected to be capped. The Board of Trustees shall modify such factors  
41 every five years, as shall be deemed necessary, based upon the five-year experience study as  
42 required by G.S. 128-28(o).

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

- 44 (1) Determine an amount equal to the member's accumulated contributions as  
45 required under G.S. 128-30(b)(1) for all years during which the member earned  
46 membership service used in the calculation of the retirement allowance that the  
47 member would receive under this section.
- 48 (2) Determine the amount of a single life annuity that is the actuarial equivalent of  
49 the amount determined under subdivision (1) of this subsection, adjusted for the  
50 age of the member at the time of retirement or, when appropriate, the age at the  
51 time of the member's death.



- 1 (3) Multiply the annuity amount determined under subdivision (2) of this  
2 subsection by the contribution-based benefit cap factor.  
3 (4) Determine the amount of the retirement allowance that results from the  
4 member's membership service.

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

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

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

23 **SECTION 5.(c)** This section is effective when it becomes law and applies  
24 retroactively to January 1, 2015.

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

26 "(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or  
27 State employee except by death or retirement under the provisions of this Chapter, ~~hethemember~~  
28 shall upon submission of an application be paid, not earlier than 60 days from the date of  
29 termination of service, ~~hithemember's~~ contributions, and the accumulated regular interest  
30 thereon, provided that ~~hethemember~~ has not in the meantime returned to service. Upon payment  
31 of such sum his or her membership in the System shall cease and, if he or she thereafter again  
32 becomes a member, no credit shall be allowed for any service previously rendered except as  
33 provided in G.S. 135-4, and such payment shall be in full and complete discharge of any rights in  
34 or to any benefits otherwise payable hereunder. Upon receipt of proof satisfactory to the Board of  
35 Trustees of the death, prior to retirement, of a member or former member there shall be paid to  
36 such person or persons as ~~hethemember or former member~~ shall have nominated by electronic  
37 submission ~~prior to completing 10 years of service~~ in a form approved by the Board of Trustees or  
38 by written designation duly acknowledged and filed with the Board of Trustees, if such person or  
39 persons are living at the time of the member's death, otherwise to the member's legal  
40 representatives, the amount of ~~hithemember's~~ accumulated contributions at the time of ~~hithemember's~~  
41 member's death, unless the beneficiary elects to receive the alternate benefit under the provisions  
42 of (m) below. An extension service employee who made contributions to the Local Governmental  
43 Employees' Retirement System and the Teachers' and State Employees' Retirement System as a  
44 result of dual employment may not be paid his or her accumulated contributions unless ~~hethemember~~  
45 extension service employee is eligible to be paid his or her accumulated contributions in both  
46 systems for the same period of service.

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

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

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

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

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

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

26 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.

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

33 **SECTION 6.(c)** G.S. 135-63 reads as rewritten:

34 "**§ 135-63. Benefits on death before retirement.**

35 (a) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member  
36 in service, there shall be paid in a lump sum to such person as the member shall have nominated  
37 by electronic submission ~~prior to completing 10 years of service~~ in a form approved by the Board  
38 of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
39 such person is living at the time of the member's death, otherwise to the member's legal  
40 representatives, a death benefit equal to the sum of (i) the member's accumulated contributions,  
41 plus (ii) the member's final compensation; provided, however, that if the member has attained his  
42 or her fiftieth birthday with at least five years of membership service at ~~his~~the member's date of  
43 death, and if the designated recipient of the death benefits is the member's spouse who survives  
44 ~~him,~~him or her, and if the spouse so elects, then the lump-sum death benefit provided for herein  
45 shall consist only of a payment equal to the member's final compensation and there shall be paid to  
46 the surviving spouse an annual retirement allowance, payable monthly, which shall commence on  
47 the first day of the calendar month coinciding with or next following the death of the member and  
48 shall be continued on the first day of each month thereafter until the remarriage or death of the  
49 spouse. The amount of any such retirement allowance shall be equal to one half of the amount of  
50 the retirement allowance to which the member would have been entitled had ~~he~~the member retired  
51 under the provisions of G.S. 135-57(a) on the first day of the calendar month coinciding with or

1 next following ~~his~~the member's date of death, reduced by two percent (2%) thereof for each full  
2 year, if any, by which the age of the member at his or her date of death exceeds that of ~~his~~the  
3 member's spouse. If the retirement allowance to the spouse shall terminate on the remarriage or  
4 death of the spouse before the total of the retirement allowance payments made equals the amount  
5 of the member's accumulated contributions at date of death, the excess of such accumulated  
6 contributions over the total of the retirement allowances paid to the spouse shall be paid in a lump  
7 sum to such person as the member shall have nominated by electronic submission in a form  
8 approved by the Board of Trustees or by written designation duly acknowledged and filed with the  
9 Board of Trustees, if such person is living at the time such payment falls due, otherwise to the  
10 former member's legal representatives.

11 ...

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

18 ...."

19 **SECTION 6.(d)** G.S. 128-27(f) reads as rewritten:

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

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

45 **SECTION 6.(e)** G.S. 128-27(l) reads as rewritten:

46 "(l) Death Benefit Plan. – The provisions of this subsection shall become effective for any  
47 employer only after an agreement to that effect has been executed by the employer and the  
48 Director of the Retirement System. There is hereby created a Group Life Insurance Plan  
49 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
50 separate and apart from the Retirement System and under which the members of the Retirement  
51 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,

1 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance  
 2 Plan, of the death, in service, of a member who had completed at least one full calendar year of  
 3 membership in the Retirement System, there shall be paid to such person as ~~hethe member~~ shall  
 4 have nominated by electronic submission ~~prior to completing 10 years of service~~ in a form  
 5 approved by the Board of Trustees or by written designation duly acknowledged and filed with the  
 6 Board of Trustees, if such person is living at the time of the member's death, otherwise to the  
 7 member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

- 8 (1) The compensation on which contributions were made by the member during the  
 9 calendar year preceding the year in which ~~his~~the member's death occurs, or
- 10 (2) The greatest compensation on which contributions were made by the member  
 11 during a 12-month period of service within the 24-month period of service  
 12 ending on the last day of the month preceding the month in which ~~his~~the  
 13 member's last day of actual service occurs;
- 14 (3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;  
 15 subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty thousand  
 16 dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the  
 17 member's accumulated contributions under the System on ~~his~~ the member's death pursuant to the  
 18 provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed  
 19 to be in service at the date of ~~his~~the member's death if ~~his~~the member's death occurs within 180  
 20 days from the last day of ~~his~~the member's actual service.

21 ...."

22 **SECTION 6.(f)** G.S. 120-4.25 reads as rewritten:

23 **"§ 120-4.25. Return of accumulated contributions.**

24 If a member ceases to be a member of the General Assembly except by death or retirement,  
 25 ~~hethe member~~ shall, upon submission of an application, be paid not earlier than 60 days following  
 26 the date of termination of service the sum of ~~his~~the member's accumulated contributions provided  
 27 ~~hethe member~~ has not in the meantime returned to service. Upon payment of this sum ~~his~~ or her  
 28 membership in the System ceases. If ~~hethe individual~~ becomes a member afterwards, no credit  
 29 shall be allowed for any service previously rendered except as provided in G.S. 120-4.14 and the  
 30 payment shall be in full and complete discharge of any rights in or to any benefits otherwise  
 31 payable under this Article. Upon receipt of proof satisfactory to the Board of Trustees of the death,  
 32 prior to retirement, of a member or former member, there shall be paid to the person or persons  
 33 ~~hethe member or former member~~ nominated by electronic submission ~~prior to completing 10 years~~  
 34 ~~of service~~ in a form approved by the Board of Trustees or by written designation duly  
 35 acknowledged and filed with the Board of Trustees, if the person or persons are living at the time  
 36 of the member's death, otherwise to the member's legal representatives, the amount of ~~his~~the  
 37 member's accumulated contributions at the time of ~~his~~the member's death, unless the beneficiary  
 38 elects to receive the alternate benefit under the provisions of G.S. 120-4.28."

39 **SECTION 6.(g)** This section becomes effective January 1, 2017.

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

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

- 43 (1) The State Treasurer, ex ~~officio;~~officio.
- 44 (2) The Superintendent of Public Instruction, ex ~~officio;~~officio.
- 45 (3) The Director of the Office of State Human Resources, ex officio.
- 46 (3)(4) ~~Nine~~Eight members to be appointed by the Governor and confirmed by the  
 47 Senate of North Carolina. One of the appointive members shall be a member of  
 48 the teaching profession of the State; ~~one of the appointive members shall be a~~  
 49 ~~representative of higher education appointed by the Governor for a term of four~~  
 50 ~~years commencing July 1, 1969, and quadrennially thereafter;~~ one of the  
 51 appointive members shall be a retired teacher who is drawing a retirement

1 allowance, appointed by the Governor for a term of four years commencing  
2 July 1, 1969, and quadrennially thereafter; one shall be a retired State employee  
3 who is drawing a retirement allowance, appointed by the Governor for a term of  
4 four years commencing July 1, 1977, and quadrennially thereafter; one to be a  
5 general State employee, and two who are not members of the teaching  
6 profession or State employees; two to be appointed for a term of two years, two  
7 for a term of three years and one for a term of four years; one appointive  
8 member shall be a law-enforcement officer employed by the State, appointed by  
9 the Governor, for a term of four years commencing April 1, 1985. One member  
10 shall be an active or retired member of the North Carolina National Guard  
11 appointed by the Governor for a term of four years commencing July 1, 2013.  
12 At the expiration of these terms of office the appointment shall be for a term of  
13 four ~~years;~~years.

14 (4)(5) Two members appointed by the General Assembly, one appointed upon the  
15 recommendation of the Speaker of the House of Representatives, and one  
16 appointed upon the recommendation of the President Pro Tempore of the  
17 Senate in accordance with G.S. 120-121. Neither of these members may be an  
18 active or retired teacher or State employee or an employee of a unit of local  
19 government. The initial members appointed by the General Assembly shall  
20 serve for terms expiring June 30, 1983. Thereafter, their successors shall serve  
21 for two-year terms beginning July 1 of odd-numbered years. Vacancies in  
22 appointments made by the General Assembly shall be filled in accordance with  
23 G.S. 120-122."

24 **SECTION 7.(b)** G.S. 135-6(g) reads as rewritten:

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

35 **SECTION 7.(c)** G.S. 128-28(h) reads as rewritten:

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

44 **SECTION 8.(a)** G.S. 135-6 is amended by adding a new subsection to read:

45 "(u) In order to promote achievement of long-term administrative objectives and to retain  
46 key public employees with benefits administration expertise, the State Treasurer is authorized to  
47 establish market-oriented compensation plans for employees in positions designated as key  
48 management roles who possess specialized skills or knowledge necessary for the effective  
49 administration of retirement benefits and who shall be exempt from the classification and  
50 compensation rules established by the Office of State Human Resources. The design and  
51 administration of those compensation plans shall be based on compensation studies conducted by

1 a nationally recognized firm specializing in employee benefits. The costs of the compensation and  
2 other associated employee benefits shall be apportioned from administrative receipts of the  
3 Retirement System. The Treasurer shall report the salaries paid under this provision to the Joint  
4 Legislative Oversight Committee on General Government annually, on or before December 1 of  
5 each year."

6 **SECTION 8.(b)** G.S. 128-28 is amended by adding a new subsection to read:

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

19 **SECTION 8.(c)** G.S. 126-5 is amended by adding a new subsection to read:

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

25 **SECTION 8.(d)** This section becomes effective January 1, 2017.

26 **SECTION 9.(a)** G.S. 135-7 is amended by adding a new subsection to read:

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

33 (1) Administration. – The LEIA shall be administered by the Board of Trustees,  
34 which shall compile and maintain all records necessary or appropriate for  
35 administration. The Board of Trustees shall have full discretionary authority to  
36 interpret, construe, and implement the LEIA and to adopt such rules and  
37 regulations as may be necessary or desirable to implement the provisions of the  
38 LEIA.

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

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

- 1           a.     The Board of Trustees must identify individual implementation projects  
2           that will be paid for with LEIA funds. These implementation projects  
3           must be necessitated by a specific statute or session law that was  
4           enacted within five years of the allocation of the funds. The Board of  
5           Trustees must also identify the number of years for which each  
6           individual implementation project will be paid for with LEIA funds.  
7           b.     For implementation projects that will be paid for with LEIA funds for a  
8           period of one year or less, the Board of Trustees must determine that the  
9           cost savings from implementing the project is projected to be no less  
10          than half of the amount of LEIA funds utilized to pay for  
11          implementation.  
12          c.     For implementation projects that will be paid for with LEIA funds for a  
13          period of greater than one year, but not more than four years, the Board  
14          of Trustees must determine that the long-term cost savings from  
15          implementing the project is projected to be at least three times greater  
16          than the cost of implementation.  
17          d.     No implementation project shall be paid for with LEIA funds for a  
18          period of more than four years.  
19          (4)    Treatment of unused assets. – Any assets of the LEIA not used to pay allowed  
20          administrative expenses for timely administrative implementation of legislative  
21          provisions shall be transferred to the Retirement System as an additional  
22          employer contribution."

23           **SECTION 9.(b)** G.S. 128-29 is amended by adding a new subsection to read:

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

- 30           (1)    Administration. – The LEIA shall be administered by the Board of Trustees,  
31           which shall compile and maintain all records necessary or appropriate for  
32           administration. The Board of Trustees shall have full discretionary authority to  
33           interpret, construe, and implement the LEIA and to adopt such rules and  
34           regulations as may be necessary or desirable to implement the provisions of the  
35           LEIA.  
36           (2)    Funding of the LEIA. – In the event that the General Assembly creates or  
37           modifies any provision for the retirement of, or payment of retirement benefits  
38           to, public officers or public employees that has a cost savings as measured by  
39           actuarial note required by Article 15 of Chapter 120 of the General Statutes, the  
40           Board of Trustees may direct up to one hundredth percent (0.01%) of the  
41           required contributions to fund the LEIA. These funds must be deposited in a  
42           separate fund from the fund into which regular employer contributions are  
43           deposited for the Retirement System. The Board of Trustees shall not direct any  
44           employer contributions into the LEIA after November 1, 2021.  
45           (3)    Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to  
46           the implementation of legislative provisions regarding the retirement of, or  
47           payment for retirement benefits to, public officers or public employees, subject  
48           to the following restrictions:  
49           a.     The Board of Trustees must identify individual implementation projects  
50           that will be paid for with LEIA funds. These implementation projects  
51           must be necessitated by a specific statute or session law that was

1 enacted within five years of the allocation of the funds. The Board of  
2 Trustees must also identify the number of years for which each  
3 individual implementation project will be paid for with LEIA funds.

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

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

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

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

20 **SECTION 9.(c)** This section becomes effective October 1, 2016.

21 **SECTION 10.(a)** The February 5, 2008, Attorney General's advisory opinion entitled  
22 "Advisory Opinion: Confidentiality of Retirement Benefit Information; Session Law 2007-508"  
23 concluded that information about retirement benefits was intended to be included among those  
24 records required to be maintained for public inspection by each department, agency, institution,  
25 commission, and bureau of the State and that as a result the Retirement Systems Division of the  
26 Department of the State Treasurer makes that information available for public inspection and  
27 examination. The General Assembly finds that the interests of clarity require statutory language  
28 providing guidance to the Retirement Systems Division in determining and maintaining  
29 consistency as to what information should be made available about the retirement accounts of  
30 State and local employees.

31 **SECTION 10.(b)** Article 1 of Chapter 135 of the General Statutes is amended by  
32 adding a new section to read:

33 **"§ 135-6.1. Member retirement record files held by the Retirement System.**

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

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

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

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

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

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

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

50 (1) Name.

51 (2) Age.



- 1           (3)    Date of membership in the applicable retirement system, first service earned  
2           date, date of first enrollment, date of first employment, and date of retirement.  
3           (4)    The terms of any contract by which the member is employed whether written or  
4           oral, past and current, to the extent that the Retirement System has the written  
5           contract or a record of the oral contract in its possession.  
6           (5)    Current or most recently held position or title.  
7           (6)    Compensation and other relevant remuneration history and benefits paid.  
8           (7)    Date, general description, and type of each change and the corresponding  
9           employing agency.  
10          (8)    The office or station to which the member is currently assigned, if any.  
11          (9)    The record of benefit payments made by one of the Retirement Systems or  
12          Disability Benefits Programs administered by the Department of State  
13          Treasurer to a member or to the survivor, beneficiary, or alternate payee of a  
14          member.  
15          (10) Purchases of educational leave.  
16          (d)    Subject only to rules and policies for the safekeeping of member retirement files  
17          adopted by the Board of Trustees, every person having custody of the retirement file information  
18          outlined in subsection (b) of this section shall permit the information to be inspected and examined  
19          and copies thereof made by any person during regular business hours. Any person who is denied  
20          access to any retirement file for the purpose of inspecting, examining, or copying the file has a  
21          right to compel compliance with the provisions of this section by application to a court of  
22          competent jurisdiction for a writ of mandamus or other appropriate relief.  
23          (e)    The Retirement Systems Division of the Department of State Treasurer may disclose  
24          the name and mailing address of former State employees, former public school employees, or  
25          former community college employees to domiciled, nonprofit organizations representing 10,000  
26          or more retired State government, local government, or public school employees.  
27          (f)    All information other than the information listed in subsection (c) of this section  
28          contained in a retirement file is confidential and not open for inspection and examination except to  
29          the following persons:  
30               (1)    The member, or the member's authorized agent, who may examine his or her  
31               own retirement file, except for any information concerning a medical disability,  
32               mental or physical, that a prudent physician would not divulge to a patient. A  
33               member's medical record may be disclosed to a licensed physician in writing by  
34               the member.  
35               (2)    A member of the General Assembly who may inspect and examine records  
36               under the authority of G.S. 120-19.  
37               (3)    A party by authority of a proper court order may inspect and examine a  
38               particular confidential portion of a member's retirement file.  
39          (g)    Any public official or employee who knowingly and willfully permits any person to  
40          have access to or custody or possession of any portion of a retirement file designated as  
41          confidential by this section, unless the person is one specifically authorized by this section to have  
42          access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon  
43          conviction shall only be fined in the discretion of the court but not in excess of five hundred  
44          dollars (\$500.00).  
45          (h)    Any person not specifically authorized by this section to have access to a retirement  
46          file designated as confidential by this section, who knowingly and willfully examines, removes, or  
47          copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon  
48          conviction shall be fined in the discretion of the court but not in excess of five hundred dollars  
49          (\$500.00)."

50               **SECTION 10.(c)** Article 3 of Chapter 128 of the General Statutes is amended by  
51 adding a new section to read:

1 **"§ 128-33.1. Public records held by the Retirement System.**

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

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

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

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

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

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

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

18 (1) Name.

19 (2) Age.

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

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

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

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

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

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

30 (9) The record of benefit payments made by one of the Retirement Systems or  
31 Disability Benefits Programs administered by the Department of State  
32 Treasurer to a member or to the survivor, beneficiary, or alternate payee of a  
33 member.

34 (10) Purchases of educational leave.

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

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

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

49 (1) The member, or the member's authorized agent, who may examine his or her  
50 own retirement file, except for any information concerning a medical disability,  
51 mental or physical, that a prudent physician would not divulge to a patient. A

1 member's medical record may be disclosed to a licensed physician in writing by  
2 the member.

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

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

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

13 (h) Any person not specifically authorized by this section to have access to a retirement  
14 file designated as confidential by this section, who knowingly and willfully examines, removes, or  
15 copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon  
16 conviction shall be fined in the discretion of the court but not in excess of five hundred dollars  
17 (\$500.00)."

18 **SECTION 10.(d)** G.S. 126-22 reads as rewritten:

19 **"§ 126-22. Personnel files not subject to inspection under § 132-6.**

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

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

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

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

27 (3) "Personnel file" means any employment-related or personal information  
28 gathered by an employer, ~~the Retirement Systems Division of the Department~~  
29 ~~of State Treasurer, employer~~ or by the Office of State Human Resources.  
30 Employment-related information contained in a personnel file includes  
31 information related to an individual's application, selection, promotion,  
32 demotion, transfer, leave, salary, contract for employment, benefits, suspension,  
33 performance evaluation, disciplinary actions, and termination. Personal  
34 information contained in a personnel file includes an individual's home address,  
35 social security number, medical history, personal financial data, marital status,  
36 dependents, and beneficiaries.

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

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

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

50 **SECTION 10.(e)** G.S. 115C-321(b1) is repealed.

51 **SECTION 10.(f)** G.S. 115D-29(c) is repealed.

1           **SECTION 10.(g)** G.S. 153A-98(c3) is repealed.

2           **SECTION 10.(h)** G.S. 160A-168(c3) is repealed.

3           **SECTION 11.(a)** G.S. 135-10.1 reads as rewritten:

4    **"§ 135-10.1. Failure to respond.**

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

21           **SECTION 11.(b)** G.S. 128-32.1 reads as rewritten:

22    **"§ 128-32.1. Failure to respond.**

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

39           **SECTION 12.(a)** G.S. 135-18.8 reads as rewritten:

40    **"§ 135-18.8. Deduction for payments allowed.**

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

50           (b) Any beneficiary may also authorize, in writing, the monthly deduction from the  
51 beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan for

1 any dependent whom the beneficiary wishes to cover under the State Health Plan. In the event that  
2 the beneficiary's own State Health Plan coverage is contributory, in whole or in part, the  
3 beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on  
4 behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for  
5 supplemental voluntary insurance benefits, provided that the deduction is authorized by the  
6 Department of State Treasurer and is payable to a company with which the Department of State  
7 Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain in  
8 effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be  
9 available on request by the Department of the State Treasurer."

10 **SECTION 12.(b)** G.S. 135-75 reads as rewritten:

11 **"§ 135-75. Deduction for payments allowed.**

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

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

32 **SECTION 12.(c)** G.S. 128-38.3 reads as rewritten:

33 **"§ 128-38.3. Deduction for payments allowed.**

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

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

1 authorization shall remain in effect until revoked by the ~~beneficiary~~-beneficiary, and proof of the  
2 authorization must be available on request of the Department of the State Treasurer.

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

10 **SECTION 12.(d)** G.S. 120-4.32 reads as rewritten:

11 "**§ 120-4.32. Deduction for payments allowed.**

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

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

32 **SECTION 12.(e)** G.S. 135-18.8(a) is repealed.

33 **SECTION 12.(f)** G.S. 135-75(a) is repealed.

34 **SECTION 12.(g)** G.S. 128-38.3(a) is repealed.

35 **SECTION 12.(h)** G.S. 128-38.3(c) is repealed.

36 **SECTION 12.(i)** G.S. 120-4.32(a) is repealed.

37 **SECTION 12.(j)** Subsections (e), (f), (g), (h), and (i) of this section become effective  
38 July 1, 2017. The remainder of this section is effective when it becomes law.

39 **SECTION 13.(a)** G.S. 135-106(b) reads as rewritten:

40 "(b) After the commencement of benefits under this section, the benefits payable under the  
41 terms of this section during the first 36 months of the long-term disability period shall be equal to  
42 sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the  
43 participant or beneficiary prior to the beginning of the short-term disability period as may be  
44 adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of  
45 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible,  
46 to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by any primary  
47 Social Security disability benefits to which the beneficiary may be entitled, effective as of the first  
48 of the month following the month of initial entitlement, and by monthly payments for Workers'  
49 Compensation to which the participant or beneficiary may be entitled. When primary Social  
50 Security disability benefits are increased by cost-of-living adjustments, the increased reduction  
51 shall be applied in the first month following the month in which the member becomes entitled to

1 the increased Social Security benefit. The monthly benefit shall be further reduced by the amount  
2 of any monthly payments from the federal Department of Veterans Affairs, any other federal  
3 agency or any payments made under the provisions of G.S. 127A-108, to which the participant or  
4 beneficiary may be entitled on account of the same disability. Provided, in any event, the benefit  
5 payable shall be no less than ten dollars (\$10.00) a month. However, a disabled participant may  
6 elect to receive any salary continuation as provided in G.S. 135-104 in lieu of long-term disability  
7 benefits; provided such election shall not extend the first 36 consecutive calendar months of the  
8 long-term disability period. An election to receive any salary continuation for any part of any  
9 given day shall be in lieu of any long-term benefit payable for that day, provided further, any  
10 lump-sum payout for vacation leave shall be treated as if the beneficiary or participant had  
11 exhausted the leave and shall be in lieu of any long-term benefit otherwise payable. Provided that,  
12 in any event, a beneficiary's benefit shall be reduced during the first 36 months of the long-term  
13 disability period by an amount, as determined by the Board of Trustees, equal to a primary Social  
14 Security retirement benefit to which the beneficiary might be entitled, effective the first of the  
15 month following the month of initial entitlement.

16 After 36 months of long-term disability, no further benefits are payable under the terms of this  
17 section unless the member has been approved and is in receipt of primary Social Security  
18 disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of  
19 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior  
20 to the beginning of the short-term disability period as may be adjusted for percentage increases as  
21 provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity  
22 payment to which the participant or beneficiary would be eligible, to a maximum of three  
23 thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security  
24 disability benefits to which the beneficiary may be entitled, effective as of the first of the month  
25 following the month of initial entitlement, and by monthly payments for Workers' Compensation  
26 to which the participant or beneficiary may be entitled. When primary Social Security disability  
27 benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the  
28 first month following the month in which the member becomes entitled to the increased Social  
29 Security benefit. The monthly benefit shall be further reduced by the amount of any monthly  
30 payments from the federal Department of Veterans Affairs, for payments from any other federal  
31 agency, or for any payments made under the provisions of G.S. 127A-108, to which the participant  
32 or beneficiary may be entitled on account of the same disability. Provided, in any event, the  
33 benefit payable shall be no less than ten dollars (\$10.00) a month.

34 ~~Notwithstanding the foregoing, the long-term disability benefit is payable so long as the~~  
35 ~~beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the~~  
36 ~~earliest date at which the beneficiary is eligible for an unreduced service retirement allowance~~  
37 ~~from the Retirement System, at which time the beneficiary would receive a retirement~~  
38 ~~allowance.~~At such time as the beneficiary receiving long-term disability benefits becomes eligible  
39 for an unreduced service retirement, the long-term disability benefit of the beneficiary shall be  
40 recalculated according to the formula set forth in G.S. 135-5(b21), calculated on the basis of the  
41 beneficiary's average final compensation at the time of disability as adjusted to reflect  
42 compensation increases subsequent to the time of disability and the creditable service accumulated  
43 by the beneficiary, including creditable service while in receipt of benefits under the Plan. In the  
44 event the beneficiary has not been approved and is not in receipt of a primary Social Security  
45 disability benefit, the long-term disability benefit shall cease after the first 36 months of the  
46 long-term disability period. In lieu of the recalculated long-term benefit described in this  
47 subsection, the beneficiary shall have the right to elect to convert to an unreduced service  
48 retirement benefit and thereby cease to receive further long-term benefits, provided all other  
49 requirements are met pursuant to the provisions of G.S. 135-5. When such a long-term disability  
50 recipient begins receiving this unreduced service retirement allowance from the System, that  
51 recipient shall not be subject to the six-month waiting period set forth in G.S. 135-1(20). However,

1 a beneficiary shall be entitled to a restoration of the long-term disability benefit in the event the  
2 Social Security Administration grants a retroactive approval for primary Social Security disability  
3 benefits with a benefit effective date within the first 36 months of the long-term disability period.  
4 In such event, the long-term disability benefit shall be restored retroactively to the date of  
5 cessation."

6 **SECTION 13.(b)** This section becomes effective January 1, 2017.

7 **SECTION 14.(a)** G.S. 143B-426.40G(b) reads as rewritten:

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

13 **SECTION 14.(b)** This section becomes effective October 1, 2016.

14 **SECTION 15.** Article 6 of Chapter 147 of the General Statutes is amended by adding  
15 a new section to read:

16 "**§ 147-68.2. Confidentiality of warrants issued by the State.**

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

20 **SECTION 16.** G.S. 147-79(a) reads as rewritten:

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

28 **SECTION 17.(a)** G.S. 115C-341.2 reads as rewritten:

29 "**§ 115C-341.2. Department of State Treasurer sponsored 403(b) option.**

30 (a) In addition to the opportunities for local boards of education to offer section 403(b) of  
31 the Internal Revenue Code of 1986 retirement annuities and/or mutual funds to their employees  
32 under G.S. 115C-341, the Department of State Treasurer may establish an approved third-party  
33 vendor of retirement offerings as described in section 403(b) of the Internal Revenue Code of  
34 1986, as now and hereafter amended, pursuant to which employees of local school boards may  
35 enter into nonforfeitable 403(b) plan options by way of salary reduction through the auspices of  
36 the Department of State Treasurer. This statewide plan of 403(b) offerings shall be known as the  
37 "North Carolina Public School Teachers' and Professional Educators' Investment Plan." The  
38 vendor authorized under this section shall be selected by use of State Supplemental Retirement  
39 Board of Trustees procurement ~~procedures,~~ procedures under Article 5 of Chapter 135 of the  
40 General Statutes, with the goal of attaining lower administrative fees and enhanced services for  
41 participants and employer compliance with applicable law and regulations. Eligible employees of  
42 local school boards shall all be allowed to use this vendor for the tax-deferred 403(b) option of  
43 their choice.

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

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



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

- 4 a. Maintain a written plan document.
- 5 b. Review hardship withdrawal requests, loan requests, and other  
6 disbursements permitted under section 403(b) of the Internal Revenue  
7 Code of 1986.
- 8 c. Maintain specimen salary reduction agreements for the employer and  
9 employees of that employer to initiate payroll deferrals.
- 10 d. Monitor maximum contributions.
- 11 e. Coordinate responses to the Internal Revenue Service in any case of an  
12 IRS audit.
- 13 f. Generate educational communication materials to employees concerning  
14 the enrollment process, program eligibility, and investment options.
- 15 g. Maintain internal reports to ensure compliance with Section 403(b) of  
16 the Internal Revenue Code and Title 26 of the Code of Federal  
17 Regulations.
- 18 h. Provide compliance monitoring/oversight for all 403(b) plans  
19 established under G.S. 115C-341 within each participating local board  
20 of education plan by creating and establishing the necessary connections  
21 and processes with existing and future vendors.
- 22 i. Keep an updated schedule of vendor fees and commissions as to the  
23 Department's statewide ~~plan-plan~~ of 403(b) offerings.

24 (2) Governance and oversight of the North Carolina Public School Teachers' and  
25 Professional Educators' Investment Plan will be performed under Article 5 of  
26 Chapter 135 of the General Statutes by the Department of State Treasurer and  
27 the Supplemental Retirement Board of Trustees ~~for the North Carolina~~  
28 ~~Supplemental Retirement Plans~~ established pursuant to G.S. 135-96. Because of  
29 the administrative and record-keeping duties enumerated in subdivision (1) of  
30 this subsection, any existing vendor of a 403(b) with a participating employer  
31 must either agree to share data with the State's 403(b) vendor under this  
32 provision (so as to permit oversight over contribution limits, loans, and  
33 hardship withdrawals) or be directed by the participating employer to cease  
34 accepting new contributions, loans, and hardship withdrawals.

35 (3) Investment options shall be solely determined by the Department of State  
36 Treasurer and the Supplemental Retirement Board of Trustees ~~for the North~~  
37 ~~Carolina Supplemental Retirement Plans~~ consistent with section 403(b) of the  
38 Internal Revenue Code of 1986, as amended.

39 (4) Investment staff of the Department of State Treasurer may make  
40 recommendations to the State Treasurer and the Supplemental Retirement  
41 Board of Trustees ~~for the North Carolina Supplemental Retirement Plans~~ as to  
42 appropriate investment options. The Pursuant to G.S. 135-96, the State  
43 Treasurer and Board of Trustees shall have sole responsibility for the selection  
44 of the vendor, third-party administrator, providers of investment options, and  
45 any other service provider for the North Carolina Public School Teachers' and  
46 Professional Educators' Investment Plan.

47 (5) All contributions made in accordance with the provisions of section 403(b) of  
48 the Internal Revenue Code of 1986, as amended, and this section shall be  
49 remitted directly to the administrator and held by the administrator in a  
50 custodial account on behalf of each participating employee. Any investment  
51 gains or losses shall be credited to those accounts. The forms of payment and

1 disbursement procedures shall be consistent with those generally offered by  
2 similar annuity contracts, trust accounts, and custodial accounts and applicable  
3 federal and State statutes governing those contracts and accounts.

4 (6) Any local board of education may elect to make contributions to the employee's  
5 account on behalf of the employee. The employer shall take whatever action is  
6 necessary to implement this section.

7 (7) The design and administration of annuity contracts, trust accounts, and  
8 custodial accounts under this provision shall comply with all applicable  
9 provisions of the Internal Revenue Code of 1986, as amended."

10 **SECTION 17.(b)** G.S. 115D-25.4(b) reads as rewritten:

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

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

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

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

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

1 hardship withdrawals) or be directed by the participating employer to cease  
2 accepting new contributions, loans, and hardship withdrawals.

3 (3) Investment options shall be solely determined by the Department of State  
4 Treasurer and the Supplemental Retirement Board of Trustees for the North  
5 Carolina Supplemental Retirement Plans consistent with section 403(b) of the  
6 Internal Revenue Code of 1986, as amended.

7 (4) Investment staff of the Department of State Treasurer may make  
8 recommendations to the State Treasurer and the Supplemental Retirement  
9 Board of Trustees for the North Carolina Supplemental Retirement Plans as to  
10 appropriate investment options. The Pursuant to G.S. 135-96, the State  
11 Treasurer and Board of Trustees shall have sole responsibility for the selection  
12 of the vendor, third-party administrator, providers of investment options, and  
13 any other service provider for the North Carolina Public School Teachers' and  
14 Professional Educators' Investment Plan.

15 (5) All contributions made in accordance with the provisions of section 403(b) of  
16 the Internal Revenue Code of 1986, as amended, and this section shall be  
17 remitted directly to the administrator and held by the administrator in a  
18 custodial account on behalf of each participating employee. Any investment  
19 gains or losses shall be credited to those accounts. The forms of payment and  
20 disbursement procedures shall be consistent with those generally offered by  
21 similar annuity contracts, trust accounts, and custodial accounts and applicable  
22 federal and State statutes governing those contracts and accounts.

23 (6) Any local board of trustees may elect to make contributions to the employee's  
24 account on behalf of the employee. The local board of trustees shall take  
25 whatever action is necessary to implement this section.

26 (7) The design and administration of annuity contracts, trust accounts, and  
27 custodial accounts under this provision shall comply with all applicable  
28 provisions of the Internal Revenue Code of 1986, as amended."

29 **SECTION 18.** G.S. 115C-436 is amended by adding a new subsection to read:

30 "(c) Upon receipt of a report from the North Carolina Teachers' and State Employees'  
31 Retirement System, generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for  
32 whom the local board of education made a contribution to the North Carolina Teachers' and State  
33 Employees' Retirement System that is likely to require an additional employer contribution should  
34 the employee elect to retire in the following 12 months, the school financial officer shall transmit a  
35 copy of the report to the local board of education. The school financial officer shall also notify the  
36 board of county commissioners of the county in which the local administrative unit is located that  
37 the report was received and the number of employees listed in the report."

38 **SECTION 19.(a)** G.S. 135-1(7a) reads as rewritten:

39 "(7a) a. "Compensation" shall ~~mean~~mean, for members who became members  
40 prior to January 1, 2017, all salaries and wages prior to any reduction  
41 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the  
42 Internal Revenue Code, not including any terminal payments for unused  
43 sick leave, derived from public funds which are earned by a member of  
44 the Retirement System for service as an employee or teacher in the unit  
45 of the Retirement System for which he is performing full-time work. In  
46 addition to the foregoing, "compensation" shall ~~include~~include the  
47 following:

- 48 1. Performance-based compensation (regardless of whether paid in  
49 a lump sum, in periodic installments, or on a monthly  
50 ~~basis~~basis).

- 1 2. Conversion of additional benefits to salary (additional benefits  
2 such as health, life, or disability plans), so long as the benefits  
3 are other than mandated by State law or ~~regulation; regulation.~~
- 4 3. Payment of tax consequences for benefits provided by the  
5 employer, so long as they constitute an adjustment or increase in  
6 salary and not a "reimbursement of ~~expenses"; expenses."~~
- 7 4. Payout of vacation ~~leave~~leave, so long as such payouts are  
8 permitted by applicable law and ~~regulation; regulation.~~
- 9 5. Employee contributions to eligible deferred compensation ~~plans;~~  
10 ~~and plans.~~
- 11 6. Effective July 1, 2009, payment of military differential wages.
- 12 a1. "Compensation" shall mean, for members who became members on or  
13 after January 1, 2017, all salaries and wages prior to any reduction  
14 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the  
15 Internal Revenue Code, not including any terminal payments for unused  
16 sick leave, derived from public funds which are earned by a member of  
17 the Retirement System for service as an employee or teacher in the unit  
18 of the Retirement System for which he or she is performing full-time  
19 work. In addition to the foregoing, "compensation" shall include the  
20 following:
  - 21 1. Performance-based compensation (regardless of whether paid in  
22 a lump sum, in periodic installments, or on a monthly basis).
  - 23 2. Payment of tax consequences for benefits provided by the  
24 employer, so long as they constitute an adjustment or increase in  
25 salary and not a "reimbursement of expenses."
  - 26 3. Payout of vacation leave, so long as such payouts are permitted  
27 by applicable law and regulation.
  - 28 4. Employee contributions to eligible deferred compensation plans.
  - 29 5. Payment of military differential wages.
- 30 b. "Compensation" shall not include any payment, as determined by the  
31 Board of Trustees, for the reimbursement of expenses or payments for  
32 housing or any other allowances whether or not classified as salary and  
33 wages. "Compensation" includes all special pay contribution of annual  
34 leave made to a 401(a) Special Pay Plan for the benefit of an employee.  
35 Notwithstanding any other provision of this Chapter, "compensation"  
36 shall not include:
  - 37 1. Supplement/allowance provided to employee to purchase  
38 additional benefits such as health, life, or disability plans;
  - 39 2. Travel supplement/allowance (nonaccountable allowance plans);
  - 40 3. Employer contributions to eligible deferred compensation plans;
  - 41 4. Employer-provided fringe benefits (additional benefits such as  
42 health, life, or disability plans);
  - 43 5. Reimbursement of uninsured medical expenses;
  - 44 6. Reimbursement of business expenses;
  - 45 7. Reimbursement of moving expenses;
  - 46 8. Reimbursement/payment of personal expenses;
  - 47 9. Incentive payments for early retirement;
  - 48 10. Bonuses paid incident to retirement;
  - 49 10a. Local supplementation as authorized under G.S. 7A-300.1 for  
50 Judicial Department employees;
  - 51 11. Contract buyout/severance payments; and

- 1 12. Payouts for unused sick leave.
- 2 13. For members who became members after January 1, 2017,
- 3 conversion of additional benefits to salary, such as health, life, or
- 4 disability plans, so long as the benefits are other than mandated
- 5 by State law or regulation.
- 6 c. In the event an employer reports as "compensation" payments not
- 7 specifically included or excluded as "compensation", such payments
- 8 shall be "compensation" for retirement purposes only if the employer
- 9 pays the Retirement System the additional actuarial liability created by
- 10 such payments."

11 **SECTION 19.(b)** G.S. 128-21(7a) reads as rewritten:

12 "(7a) a. "Compensation" shall ~~mean~~mean, for members who became members

13 prior to January 1, 2017, all salaries and wages prior to any reduction

14 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the

15 Internal Revenue Code, not including any terminal payments for unused

16 sick leave, derived from public funds which are earned by a member of

17 the Retirement System for service as an employee in the unit of the

18 Retirement System for which he is performing full-time work. In

19 addition to the foregoing, "compensation" shall ~~include~~include the

20 following:

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

33 a1. "Compensation" shall mean, for members who became members on or

34 after January 1, 2017, all salaries and wages prior to any reduction

35 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the

36 Internal Revenue Code, not including any terminal payments for unused

37 sick leave, derived from public funds which are earned by a member of

38 the Retirement System for service as an employee in the unit of the

39 Retirement System for which he or she is performing full-time work. In

40 addition to the foregoing, "compensation" shall include the following:

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

- 1                   b.     "Compensation" shall not include any payment, as determined by the  
2                   Board of Trustees, for the reimbursement of expenses or payments for  
3                   housing or any other allowances whether or not classified as salary and  
4                   wages. Notwithstanding any other provision of this Chapter,  
5                   "compensation" shall not include:
- 6                   1.     Supplement/allowance provided to employee to purchase  
7                   additional benefits such as health, life, or disability plans;
  - 8                   2.     Travel supplement/allowance (nonaccountable allowance plans);
  - 9                   3.     Employer contributions to eligible deferred compensation plans;
  - 10                  4.     Employer-provided fringe benefits (additional benefits such as  
11                  health, life, or disability plans);
  - 12                  5.     Reimbursement of uninsured medical expenses;
  - 13                  6.     Reimbursement of business expenses;
  - 14                  7.     Reimbursement of moving expenses;
  - 15                  8.     Reimbursement/payment of personal expenses;
  - 16                  9.     Incentive payments for early retirement;
  - 17                  10.    Bonuses paid incident to retirement;
  - 18                  11.    Contract buyout/severance payments; and
  - 19                  12.    Payouts for unused sick leave.
  - 20                  13.    For members who became members after January 1, 2017,  
21                  conversion of additional benefits to salary, such as health, life, or  
22                  disability plans, so long as the benefits are other than mandated  
23                  by State law or regulation.
- 24                  c.     In the event an employer reports as "compensation" payments not  
25                  specifically included or excluded as "compensation", such payments  
26                  shall be "compensation" for retirement purposes only if the employer  
27                  pays the Retirement System the additional actuarial liability created by  
28                  such payments."

29                  **SECTION 19.(c)** This section becomes effective January 1, 2017.

30                  **SECTION 20.(a)** G.S. 135-4(e) reads as rewritten:

31                  "(e)    Creditable service at retirement on which the retirement allowance of a member shall  
32                  be based shall consist of the membership service rendered by ~~him~~the member since he or she last  
33                  became a member, and also if ~~he~~the member has a prior service certificate which is in full force  
34                  and effect, the amount of service certified on ~~his~~the prior service certificate; and if he certificate. If  
35                  the member became a member prior to January 1, 2017, and the member has sick leave standing to  
36                  ~~his~~the member's credit upon retirement on or after July 1, 1971, one month of credit for each 20  
37                  days or portion thereof, but not less than one hour; sick leave shall not be counted in computing  
38                  creditable service for the purpose of determining eligibility for disability retirement or for a vested  
39                  deferred allowance. Creditable service for unused sick leave shall be allowed only for sick leave  
40                  accrued monthly during employment under a duly adopted sick leave policy and for which the  
41                  member may be able to take credits and be paid for sick leave without restriction. However, in no  
42                  instance shall unused sick leave be credited to a member's account at retirement if the member's  
43                  last day of actual service is more than five years prior to the effective date of the member's  
44                  retirement. Further, any agency with a sick leave policy that is more generous than that of all State  
45                  agencies subject to the rules of the Office of State Human Resources shall proportionately adjust  
46                  each of its retiring employees' sick leave balance to the balance that employee would have had  
47                  under the rules of the Office of State Human Resources. Creditable sick leave shall be reported to  
48                  the Retirement System as days granted as if the policy awarded sick leave with a day being equal  
49                  to eight hours within a 40-hour workweek.

50                  On and after July 1, 1971, a member whose account was closed on account of absence from  
51                  service under the provisions of G.S. 135-3(3) and who subsequently returns to service for a period

1 of five years, may thereafter repay in a lump sum the amount withdrawn plus regular interest  
2 thereon from the date of withdrawal through the year of repayment and thereby increase his  
3 creditable service by the amount of creditable service lost when his account was closed.

4 On and after July 1, 1973, a member whose account in the North Carolina Local Governmental  
5 Employees' Retirement System was closed on account of absence from service under the  
6 provisions of G.S. 128-24(1a) and who subsequently became or becomes a member of this System  
7 with credit for five years of service, may thereafter repay in a lump sum the amount withdrawn  
8 from the North Carolina Local Governmental Employees' Retirement System plus regular interest  
9 thereon from the date of withdrawal through the year of repayment and thereby increase his  
10 creditable service in this System by the amount of creditable service lost when his account was  
11 closed.

12 On or after July 1, 1979, a member who has obtained 60 months of aggregate service, or five  
13 years of membership service, as an employee of the North Carolina General Assembly, except  
14 legislators, participants in the Legislative Intern Program and pages, may make a lump sum  
15 payment together with interest, and an administrative fee for such service, to the Teachers' and  
16 State Employees' Retirement System of an amount equal to what he would have contributed had  
17 he been a member on his first day of employment.

18 On and after January 1, 1985, the creditable service of a member who was a member of the  
19 Law-Enforcement Officers' Retirement System at the time of the transfer of law-enforcement  
20 officers employed by the State from that System to this Retirement System and whose  
21 accumulated contributions are transferred from that System to this Retirement System, shall  
22 include service that was creditable in the Law-Enforcement Officers' Retirement System; and  
23 membership service with that System shall be membership service with this Retirement System;  
24 provided, notwithstanding any provision of this Article to the contrary, any inchoate or accrued  
25 rights of such a member to purchase creditable service for military service, withdrawn service and  
26 prior service under the rules and regulations of the Law-Enforcement Officers' Retirement System  
27 shall not be diminished and may be purchased as creditable service with this Retirement System  
28 under the same conditions which would have otherwise applied."

29 **SECTION 20.(b)** G.S. 128-26(e) reads as rewritten:

30 "(e) Creditable service at retirement on which the retirement allowance of a member shall  
31 be based shall consist of the membership service rendered by ~~him~~the member since he or she last  
32 became a member, and also if ~~he~~the member has a prior service certificate which is in full force  
33 and effect, the amount of the service certified on ~~his~~the prior service ~~certificate; and if~~  
34 ~~he~~certificate. If the member became a member prior to January 1, 2017, and the member has sick  
35 leave standing to ~~his~~the member's credit upon retirement on or after July 1, 1971, one month of  
36 credit for each 20 days or portion thereof, but not less than one hour; sick leave shall not be  
37 counted in computing creditable service for the purpose of determining eligibility for disability  
38 retirement or for a vested deferred allowance. Creditable service for unused sick leave shall be  
39 allowed only for sick leave accrued monthly during employment under a duly adopted sick leave  
40 policy and for which the member may be able to take credits and be paid for sick leave without  
41 restriction. However, in no instance shall unused sick leave be credited to a member's account at  
42 retirement if the member's last day of actual service is more than 365 days prior to the effective  
43 date of the member's retirement. Creditable sick leave shall be reported to the Retirement System  
44 as days granted as if the policy awarded sick leave with a day being equal to eight hours within a  
45 40-hour workweek.

46 On and after July 1, 1971, a member whose account was closed on account of absence from  
47 service under the provisions of G.S. 128-24(1a) and who subsequently returns to service for a  
48 period of five years, may thereafter repay the amount withdrawn plus regular interest thereon from  
49 the date of withdrawal through the year of repayment and thereby increase his creditable service  
50 by the amount of creditable service lost when this account was closed.

1 On and after July 1, 1973, a member whose account in the Teachers' and State Employees'  
 2 Retirement System was closed on account of absence from service under the provisions of  
 3 G.S. 135-3(3) and who subsequently became or becomes a member of this System with credit for  
 4 five years of service, may thereafter repay in a lump sum the amount withdrawn from the  
 5 Teachers' and State Employees' Retirement System plus regular interest thereon from the date of  
 6 withdrawal through the year of repayment and thereby increase his creditable service in this  
 7 System by the amount of creditable service lost when his account was closed.

8 Notwithstanding any other provision of this Chapter, any member who entered service or was  
 9 restored to service prior to July 1, 1982, and was excluded from membership service solely on  
 10 account of having attained the age of 62 years, in accordance with former G.S. 128-24(3a), may  
 11 purchase membership service credits for such excluded service by making a lump-sum payment  
 12 equal to the contributions that would have been deducted pursuant to G.S. 128-30(b) had he been a  
 13 member of the Retirement System, increased by interest calculated at a rate of seven percent (7%)  
 14 per annum.

15 On and after January 1, 1986, the creditable service of a member who was a member of the  
 16 Law Enforcement Officers' Retirement System at the time of the transfer of law enforcement  
 17 officers employed by participating employers from that System to this Retirement System and  
 18 whose accumulated contributions are transferred from that System to this Retirement System,  
 19 includes service that was creditable in the Law Enforcement Officers' Retirement System; and  
 20 membership service with that System is membership service with this Retirement System;  
 21 provided, notwithstanding any provisions of this Article to the contrary, any inchoate or accrued  
 22 rights of such a member to purchase creditable service for military service, withdrawn service and  
 23 prior service under the rules and regulations of the Law Enforcement Officers' Retirement System  
 24 may not be diminished and may be purchased as creditable service with this Retirement System  
 25 under the same conditions that would have otherwise applied."

26 **SECTION 20.(c)** This section is effective January 1, 2017.

27 **SECTION 21.(a)** G.S. 135-1 is amended by adding a new subdivision to read:

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

30 a. For members who are not law enforcement officers or eligible former  
 31 law enforcement officers, 65 years of age or older with 30 years of  
 32 creditable service.

33 b. For members who are law enforcement officers or eligible former law  
 34 enforcement officers, 50 years of age or older with 30 years of  
 35 creditable service or 55 years of age or older with five years of  
 36 membership service."

37 **SECTION 21.(b)** G.S. 135-5(a) reads as rewritten:

38 "(a) Service Retirement Benefits.

39 (1) Any member who became a member prior to January 1, 2017, may retire upon  
 40 electronic submission or written application to the Board of Trustees setting  
 41 forth at what time, as of the first day of a calendar month, not less than one day  
 42 nor more than 120 days subsequent to the execution of and filing thereof, ~~hethe~~  
 43 member desires to be retired: Provided, that the said member at the time so  
 44 specified for ~~histe~~ the member's retirement shall have attained the age of 60 years  
 45 and have at least five years of membership service or shall have completed 30  
 46 years of creditable service.

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

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



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

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

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

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

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

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

31 ...."

32 **SECTION 21.(c)** G.S. 135-5(b19) reads as rewritten:

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

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

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

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

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

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

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

6 **SECTION 21.(d)** G.S. 135-5 is amended by adding a new subsection to read:

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

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

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

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

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

28 2. The service retirement allowance as computed under  
29 sub-subdivision a. of this subdivision reduced by five percent  
30 (5%) multiplied by the difference between 30 years and the  
31 member's creditable service at retirement.

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

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

39 b. If the member's early service retirement date occurs before the member  
40 attains normal retirement age, but after age 50 with 20 or more years of  
41 creditable service, the service retirement allowance payable under  
42 sub-subdivision a. of this subdivision shall be reduced by five-twelfths  
43 of one percent (5/12 of 1%) thereof for each month by which the  
44 member's retirement date precedes the first day of the month coincident  
45 with or next following the month the member would have attained  
46 normal retirement age had the member continued working."

47 **SECTION 21.(e)** G.S. 135-5 is amended by adding a new subsection to read:

48 "(m5) Survivor's Alternate Benefit. – Upon the death of a member in service who became a  
49 member on or after January 1, 2017, the beneficiary designated to receive a return of accumulated  
50 contributions shall have the right to elect to receive in lieu thereof the reduced retirement  
51 allowance provided by Option 2 of subsection (g) of this section computed by assuming that the



1 (1) Any member may retire upon electronic submission or written application to  
2 the Board of Trustees setting forth at what time, as of the first day of a calendar  
3 month, not less than one day nor more than 120 days subsequent to the  
4 execution and filing thereof, ~~he~~the member desires to be retired: Provided, that  
5 the said member at the time so specified for ~~his~~the member's retirement shall  
6 have attained the age of 60 years and have at least five years of creditable  
7 service or shall have completed 30 years of creditable service, or if a firefighter  
8 or rescue squad worker, ~~he~~the member shall have attained the age of 55 years  
9 and have at least five years of creditable service.

10 (1b) Any member who became a member on or after January 1, 2017, may retire  
11 upon electronic submission or written application to the Board of Trustees  
12 setting forth at what time, as of the first day of a calendar month, not less than  
13 one day nor more than 120 days subsequent to the execution of and filing  
14 thereof, the member desires to be retired; provided, that the member at the time  
15 so specified for the member's retirement shall have attained normal retirement  
16 age.

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

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

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

24 (5) Any member who became a member prior to January 1, 2017, who is a law  
25 enforcement officer, and who attains age 50 and completes 15 or more years of  
26 creditable service in this capacity or who attains age 55 and completes five or  
27 more years of creditable service in this capacity, may retire upon electronic  
28 submission or written application to the Board of Trustees setting forth at what  
29 time, as of the first day of a calendar month, not less than one day nor more  
30 than 120 days subsequent to the execution and filing thereof, ~~he~~the member  
31 desires to be retired; provided, also, any member who has met the conditions  
32 required by this subdivision but does not retire, and later becomes an employee  
33 other than as a law enforcement officer, continues to have the right to  
34 commence retirement.

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

44 **SECTION 21.(h)** G.S. 128-27(b1) reads as rewritten:

45 "(b21) Service Retirement Allowance of Member Who Became a Member Prior to January 1,  
46 2017, Retiring on or After July 1, 2003. – Upon retirement from service in accordance with  
47 subsection (a) or (a1) above, on or after July 1, 2003, a member who became a member prior to  
48 January 1, 2017, shall receive the following service retirement allowance:

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

- 1 a. If the member's service retirement date occurs on or after ~~his~~the  
2 member's 55th birthday and completion of five years of creditable  
3 service as a law enforcement officer, or after the completion of 30 years  
4 of creditable service, the allowance shall be equal to one and eighty-five  
5 hundredths percent (1.85%) of ~~his~~the member's average final  
6 compensation, multiplied by the number of years of ~~his~~the member's  
7 creditable service.
- 8 b. If the member's service retirement date occurs on or after ~~his~~the  
9 member's 50th birthday and before ~~his~~the member's 55th birthday with  
10 15 or more years of creditable service as a law enforcement officer and  
11 prior to the completion of 30 years of creditable service, ~~his~~the  
12 member's retirement allowance shall be equal to the greater of:
- 13 1. The service retirement allowance payable under  
14 G.S. 128-27(b21)(1)a. reduced by one-third of one percent (1/3  
15 of 1%) thereof for each month by which ~~his~~the member's  
16 retirement date precedes the first day of the month coincident  
17 with or next following the month the member would have  
18 attained his or her 55th birthday;
- 19 2. The service retirement allowance as computed under  
20 G.S. 128-27(b21)(1)a. reduced by five percent (5%) times the  
21 difference between 30 years and ~~his~~the member's creditable  
22 service at retirement.
- 23 (2) A member who is not a law enforcement officer or an eligible former law  
24 enforcement officer shall receive a service retirement allowance computed as  
25 follows:
- 26 a. If the member's service retirement date occurs on or after ~~his~~the  
27 member's 65th birthday upon the completion of five years of creditable  
28 service or after the completion of 30 years of creditable service or on or  
29 after ~~his~~the member's 60th birthday upon the completion of 25 years of  
30 creditable service, the allowance shall be equal to one and eighty-five  
31 hundredths percent (1.85%) of average final compensation, multiplied  
32 by the number of years of creditable service.
- 33 b. If the member's service retirement date occurs after ~~his~~the member's  
34 60th birthday and before ~~his~~the member's 65th birthday and prior to  
35 ~~his~~the member's completion of 25 years or more of creditable service,  
36 ~~his~~the member's retirement allowance shall be computed as in  
37 G.S. 128-27(b21)(2)a. but shall be reduced by one-quarter of one  
38 percent (1/4 of 1%) thereof for each month by which ~~his~~the member's  
39 retirement date precedes the first day of the month coincident with or  
40 next following ~~his~~the member's 65th birthday.
- 41 c. If the member's early service retirement date occurs on or after ~~his~~the  
42 member's 50th birthday and before ~~his~~the member's 60th birthday and  
43 after completion of 20 years of creditable service but prior to the  
44 completion of 30 years of creditable service, ~~his~~the member's early  
45 service retirement allowance shall be equal to the greater of:
- 46 1. The service retirement allowance as computed under  
47 G.S. 128-27(b21)(2)a. but reduced by the sum of five-twelfths of  
48 one percent (5/12 of 1%) thereof for each month by which ~~his~~the  
49 member's retirement date precedes the first day of the month  
50 coincident with or next following the month the member would  
51 have attained his or her 60th birthday, plus one-quarter of one

1 percent (1/4 of 1%) thereof for each month by which ~~his~~the  
2 member's 60th birthday precedes the first day of the month  
3 coincident with or next following ~~his~~the member's 65th birthday;  
4 or

5 2. The service retirement allowance as computed under  
6 G.S. 128-27(b21)(2)a. reduced by five percent (5%) times the  
7 difference between 30 years and ~~his~~the member's creditable  
8 service at retirement; or

9 3. If the member's creditable service commenced prior to July 1,  
10 1995, the service retirement allowance equal to the actuarial  
11 equivalent of the allowance payable at the age of 60 years as  
12 computed in G.S. 128-27(b21)(2)b.

13 d. Notwithstanding the foregoing provisions, any member whose  
14 creditable service commenced prior to July 1, 1965, shall not receive  
15 less than the benefit provided by G.S. 128-27(b)."

16 **SECTION 21.(i)** G.S. 128-27 is amended by adding a new subsection to read:

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

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

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

28 b. If the member's service retirement date occurs on or after the member's  
29 50th birthday, and before the member's 55th birthday, with 20 or more  
30 years of creditable service as a law enforcement officer and prior to  
31 completion of 30 years of creditable service, the member's retirement  
32 allowance shall be equal to the greater of the following amounts:

33 1. The service retirement allowance payable under sub-subdivision  
34 a. of this subdivision reduced by one-third of one percent (1/3 of  
35 1%) thereof for each month by which the member's retirement  
36 date precedes the first day of the month coincident with or next  
37 following the month the member would have attained age 55.

38 2. The service retirement allowance as computed under  
39 sub-subdivision a. of this subdivision reduced by five percent  
40 (5%) multiplied by the difference between 30 years and the  
41 member's creditable service at retirement.

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

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

49 b. If the member's early service retirement date occurs before the member  
50 attains normal retirement age, but after age 50 with 20 or more years  
51 creditable service, the service retirement allowance payable under

1 sub-subdivision a. of this subdivision shall be reduced by five-twelfths  
2 of one percent (5/12 of 1%) thereof for each month by which the  
3 member's retirement precedes the first day of the month coincident with  
4 or next following the month the member would have attained normal  
5 retirement age had the member continued working."

6 **SECTION 21.(j)** G.S. 128-27 is amended by adding a new subsection to read:

7 "(m4) Survivor's Alternate Benefit. – Upon the death of a member in service, the beneficiary  
8 designated to receive a return of accumulated contributions shall have the right to elect to receive  
9 in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) of this  
10 section computed by assuming that the member had retired on the first day of the month following  
11 the date of the member's death, provided that all four of the following conditions apply:

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

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

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

44 **SECTION 21.(k)** G.S. 135-53 is amended by adding a new subdivision to read:

45 "(12a) "Normal retirement age" shall mean, only for persons who became members on  
46 or after January 1, 2017, 65 years of age or older with 30 years of creditable  
47 service or 65 years of age or older with five years of membership service."

48 **SECTION 21.(l)** G.S. 135-58 reads as rewritten:

49 **"§ 135-58. Service retirement benefits.**

50 ...



1 (a6) Any member who became a member prior to January 1, 2017, and who retires under  
2 the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2008, after the member has  
3 either attained the member's 65th birthday or has completed 24 years or more of creditable service,  
4 shall receive an annual retirement allowance, payable monthly, which shall commence on the  
5 effective date of the member's retirement and shall be continued on the first day of each month  
6 thereafter during the member's lifetime, the amount of which shall be computed as the sum of the  
7 amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall  
8 the annual allowance payable to any member be greater than an amount which, when added to the  
9 allowance, if any, to which the member is entitled under the Teachers' and State Employees'  
10 Retirement System, the Legislative Retirement System, or the Local Governmental Employees'  
11 Retirement System (prior in any case to any reduction for early retirement or for an optional mode  
12 of payment), would total three-fourths of the member's final compensation:

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

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

- 48 (1) Four and two hundredths percent (4.02%) of the member's final compensation,  
49 multiplied by the number of years of creditable service rendered as a justice of  
50 the Supreme Court, a judge of the Court of Appeals, or the Director of the  
51 Administrative Office of the Courts;

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

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

- 31           (1)    The member's sixty-fifth birthday or  
32           (2)    The date the member would have completed 24 years of creditable service if  
33           ~~he~~the member had been in membership service from his or her retirement date  
34           until such date.

35           For the sole purpose of determining whether a member has completed the required 24 years of  
36           creditable service referred to in this subsection (b) or the date on which ~~he~~the member would have  
37           completed such period of creditable service if ~~he~~the member had remained in membership service,  
38           in the case of a member of the Teachers' and State Employees' Retirement System who became a  
39           member of this Retirement System under circumstances described in G.S. 135-28.1, and who at  
40           the time of ~~his~~the member's retirement hereunder is in service and has retained his or her  
41           membership in the Teachers' and State Employees' Retirement System as provided for in  
42           G.S. 135-28.1, ~~his~~the member's creditable service shall be taken as the sum of ~~his~~the member's  
43           creditable service hereunder plus the amount of creditable service remaining to ~~his~~the member's  
44           credit in such other system as provided for in G.S. 135-28.1.

45           (b1)   Any member who became a member on or after January 1, 2017, who retires under the  
46           provisions of G.S. 135-57(a) or G.S. 135-57(c) before the member has attained normal retirement  
47           age shall receive an annual retirement allowance, payable monthly, which shall commence on the  
48           effective date of the member's retirement and shall be continued on the first day of each month  
49           thereafter during the member's lifetime, the amount of which shall be determined in the same  
50           manner and be subject to the same maximum limitation as provided for in subsection (a) of this  
51           section except that the allowance so computed shall be reduced by one quarter of one percent ( $\frac{1}{4}$

1 of 1%) thereof for each month by which the member's retirement date precedes the first day of the  
2 month coincident with or next following the month the member would have attained normal  
3 retirement age had the member continued working.

4 For the sole purpose of determining whether a member has completed the required 30 years of  
5 creditable service referred to in this subsection or the date on which the member would have  
6 completed such period of creditable service if the member had remained in membership service, in  
7 the case of a member of the Teachers' and State Employees' Retirement System who became a  
8 member of this Retirement System under circumstances described in G.S. 135-28.1, and who at  
9 the time of the member's retirement hereunder is in service and has retained his or her membership  
10 in the Teachers' and State Employees' Retirement System as provided for in G.S. 135-28.1, the  
11 member's creditable service shall be taken as the sum of the member's creditable service hereunder  
12 plus the amount of creditable service remaining to the member's credit in such other system as  
13 provided for in G.S. 135-28.1.

14 ...."

15 **SECTION 21.(m)** G.S. 135-74(c1) reads as rewritten:

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

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

50 **SECTION 21.(n)** This section becomes effective January 1, 2017.

1           **SECTION 22.** If any provision of this act or its application is held invalid, the  
2   invalidity does not affect other provisions or applications of this act that can be given effect  
3   without the invalid provisions or application, and to this end the provisions of this act are  
4   severable.

5           **SECTION 23.** Except as otherwise provided, this act is effective when it becomes  
6   law.