

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 1134
Committee Substitute Favorable 5/31/16

Short Title: Admin. Changes Retirement System/Treasurer.

(Public)

Sponsors:

Referred to:

May 23, 2016

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

4 The General Assembly of North Carolina enacts:

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 b. For members who are law enforcement officers or eligible former law
35 enforcement officers, 50 years of age or older with 30 years of
36 creditable service or 55 years of age or older with five years of
37 membership service and five years of creditable service as a law
38 enforcement officer which may or may not be concurrent to the five
39 years of membership service."

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

41 "(a) Service Retirement Benefits.

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

49 (1a) Repealed by Session Laws 2014-88, s. 3(b), effective July 30, 2014.

50 (1b) Any member who became a member on or after January 1, 2017, may retire
51 upon electronic submission or written application to the Board of Trustees

setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, the member desires to be retired; provided, that the member at the time so specified for the member's retirement shall have attained normal retirement age.

- (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.
- (3) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired.
- (4) Any member who became a member prior to January 1, 2017, who is a law-enforcement ~~officer~~officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, ~~he~~the member desires to be retired; Provided, also, any member who has met the conditions herein required but does not retire, and later becomes a teacher or an employee other than as a law-enforcement officer shall continue to have the right to commence retirement.

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

(4b) Any member who became a member on or after January 1, 2017, who is a law enforcement officer and who attains age 50 and completes 30 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of membership service in this capacity, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the extension and filing thereof, the member desires to be retired; provided, that the member at the time so specified for the member's retirement shall have attained normal retirement age; provided also, any member who has met the conditions herein required but does not retire and later becomes a teacher or an employee other than as a law enforcement officer shall continue to have the right to commence retirement.

...."

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

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

- (1) A member who is 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 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of ~~his~~the member's average final compensation, multiplied by the number of years of ~~his~~the member's creditable service.

- 1 b. If the member's service retirement date occurs on or after ~~his~~the
2 member's 50th birthday and before ~~his~~the member's 55th birthday with
3 15 or more years of creditable service as a law enforcement officer and
4 prior to the completion of 30 years of creditable service, ~~his~~the
5 member's retirement allowance shall be equal to the greater of:
- 6 1. The service retirement allowance payable under
7 G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3 of
8 1%) thereof for each month by which ~~his~~the member's retirement
9 date precedes the first day of the month coincident with or next
10 following the month the member would have attained his or her
11 55th birthday; or
 - 12 2. The service retirement allowance as computed under
13 G.S. 135-5(b19)(1)a. reduced by five percent (5%) times the
14 difference between 30 years and ~~his~~the member's creditable
15 service at retirement.
- 16 (2) A member who is not a law enforcement officer or an eligible former law
17 enforcement officer shall receive a service retirement allowance computed as
18 follows:
- 19 a. If the member's service retirement date occurs on or after ~~his~~the
20 member's 65th birthday upon the completion of five years of
21 membership service or after the completion of 30 years of creditable
22 service or on or after ~~his~~the member's 60th birthday upon the
23 completion of 25 years of creditable service, the allowance shall be
24 equal to one and eighty-two hundredths percent (1.82%) of ~~his~~the
25 member's average final compensation, multiplied by the number of
26 years of creditable service.
 - 27 b. If the member's service retirement date occurs after ~~his~~the member's
28 60th birthday and before ~~his~~the member's 65th birthday and prior to
29 ~~his~~the member's completion of 25 years or more of creditable service,
30 ~~his~~the member's retirement allowance shall be computed as in
31 G.S. 135-5(b19)(2)a. but shall be reduced by one-quarter of one percent
32 (1/4 of 1%) thereof for each month by which ~~his~~the member's retirement
33 date precedes the first day of the month coincident with or next
34 following ~~his~~the member's 65th birthday.
 - 35 c. If the member's early service retirement date occurs on or after ~~his~~the
36 member's 50th birthday and before ~~his~~the member's 60th birthday and
37 after completion of 20 years of creditable service but prior to the
38 completion of 30 years of creditable service, ~~his~~the member's early
39 service retirement allowance shall be equal to the greater of:
- 40 1. The service retirement allowance as computed under
41 G.S. 135-5(b19)(2)a. but reduced by the sum of five-twelfths of
42 one percent (5/12 of 1%) thereof for each month by which ~~his~~the
43 member's retirement date precedes the first day of the month
44 coincident with or next following the month the member would
45 have attained his or her 60th birthday, plus one-quarter of one
46 percent (1/4 of 1%) thereof for each month by which ~~his~~the
47 member's 60th birthday precedes the first day of the month
48 coincident with or next following ~~his~~the member's 65th birthday;
49 or
 - 50 2. The service retirement allowance as computed under
51 G.S. 135-5(b19)(2)a. reduced by five percent (5%) times the

- 1 difference between 30 years and ~~his~~the member's creditable
2 service at retirement; or
- 3 3. If the member's creditable service commenced prior to July 1,
4 1994, the service retirement allowance equal to the actuarial
5 equivalent of the allowance payable at the age of 60 years as
6 computed in G.S. 135-5(b19)(2)b.
- 7 d. Notwithstanding the foregoing provisions, any member whose
8 creditable service commenced prior to July 1, 1963, shall not receive
9 less than the benefit provided by G.S. 135-5(b)."

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

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

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

18 a. If the member's service retirement date occurs on or after the member's
19 55th birthday and completion of five years membership service as a law
20 enforcement officer, or after the completion of 30 years creditable
21 service, the allowance shall be equal to one and eighty-two hundredths
22 percent (1.82%) of the member's average final compensation, multiplied
23 by the number of years of creditable service.

24 b. If the member's service retirement date occurs on or after the member's
25 50th birthday and before the member's 55th birthday, with 15 or more
26 years of creditable service as a law enforcement officer and prior to the
27 normal retirement age, the member's retirement allowance shall be equal
28 to the greater of the following amounts:

29 1. The service retirement allowance payable under sub-subdivision
30 a. of this subdivision reduced by one-third of one percent (1/3 of
31 1%) thereof for each month by which the member's retirement
32 date precedes the first day of the month coincident with or next
33 following the month the member would have attained age 55.

34 2. The service retirement allowance as computed under
35 sub-subdivision a. of this subdivision but reduced by the sum of
36 five-twelfths of one percent (5/12 of 1%) thereof for each month
37 by which the member's retirement date precedes the first day of
38 the month coincident with or next following the month the
39 member would have attained normal retirement age had the
40 member continued working.

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

44 a. If the member's service retirement date occurs on or after the member's
45 65th birthday upon completion of five years of membership service, on
46 or after the member's 60th birthday upon completion of 25 years of
47 creditable service, or on or after the member's 50th birthday upon
48 completion of 30 years creditable service, the allowance shall be equal
49 to one and eighty-two hundredths percent (1.82%) of the member's
50 average final compensation multiplied by the number of years of
51 creditable service.

- 1 b. If the member's service retirement date occurs after the member's 60th
2 birthday and before the member's 65th birthday and prior to the
3 member's completion of 25 years or more of creditable service, the
4 retirement allowance shall be computed as in sub-subdivision a. of this
5 subdivision but shall be reduced by one-quarter of one percent (1/4 of
6 1%) thereof for each month by which the member's retirement date
7 precedes the first day of the month coincident with or next following the
8 member's 65th birthday.
- 9 c. If the member's early service retirement date occurs on or after the
10 member's 50th birthday and before the member's 60th birthday and after
11 completion of 20 years creditable service but prior to the normal
12 retirement age, the early service retirement allowance shall be equal to
13 the greater of the following amounts:
- 14 1. The service retirement allowance as computed under
15 sub-subdivision a. of this subdivision but reduced by the sum of
16 five-twelfths of one percent (5/12 of 1%) thereof for each month
17 by which the member's retirement date precedes the first day of
18 the month coincident with or next following the month the
19 member would have attained age 60, plus one-quarter of one
20 percent (1/4 of 1%) thereof for each month by which the
21 member's 60th birthday precedes the first day of the month
22 coincident with or next following the member's 65th birthday.
- 23 2. The service retirement allowance as computed under
24 sub-subdivision a. of subdivision (1) of this subsection but
25 reduced by the sum of five-twelfths of one percent (5/12 of 1%)
26 thereof for each month by which the member's retirement date
27 precedes the first day of the month coincident with or next
28 following the month the member would have attained normal
29 retirement age had the member continued working."

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

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

- 37 (1) a. The member had attained such age or creditable service to be eligible to
38 commence retirement with an early or service retirement allowance, or
39 b. The member had obtained 20 years of creditable service in which case
40 the retirement allowance shall be computed in accordance with
41 sub-subdivision b. of subdivision (1) or sub-subdivision c. of
42 subdivision (2) of subsection (b21) of this section, notwithstanding the
43 requirement of obtaining age 50, or
44 b1. The member was a law enforcement officer who had obtained 15 years
45 of service as a law enforcement officer and was killed in the line of
46 duty, in which case the retirement allowance shall be computed in
47 accordance with sub-subdivision b. of subdivision (1) of subsection
48 (b21) of this section, notwithstanding the requirement of obtaining age
49 50.
- 50 (2) At the time of the member's death, one and only one beneficiary is eligible to
51 receive a return of the member's accumulated contributions.

1 (3) The member had not instructed the Board of Trustees in writing that the
2 member did not wish the provisions of this subsection to apply.

3 (4) The member had not commenced to receive a retirement allowance as provided
4 under this Chapter.

5 For the purpose of this benefit, a member is considered to be in service at the date of death if
6 the member's death occurs within 180 days from the last day of the member's actual service. The
7 last day of actual service shall be determined as provided in subsection (l) of this section. Upon
8 the death of a member in service, the surviving spouse may make all purchases for creditable
9 service as provided for under this Chapter for which the member had made application in writing
10 prior to the date of death, provided that the date of death occurred prior to or within 60 days after
11 notification of the cost to make the purchase. The term "in service" as used in this subsection
12 includes a member in receipt of a benefit under the Disability Income Plan, as provided in Article
13 6 of this Chapter.

14 Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation during
15 the period for which the member would have otherwise been eligible to receive short-term
16 benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the last day of the
17 member's actual service but on or before the date the benefits as provided in G.S. 135-105 would
18 have ended, shall be considered in service at the time of the member's death for the purpose of this
19 benefit.

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

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

25 "(14a) "Normal retirement age" shall mean, only for persons who became members on
26 or after January 1, 2017:

27 a. For members who are not law enforcement officers or eligible former
28 law enforcement officers, (i) 50 years of age or older with 30 years of
29 creditable service, (ii) 60 years of age or older with 25 years of
30 creditable service, or (iii) 65 years of age or older with five years of
31 creditable service.

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

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

37 (a) Service Retirement Benefits. –

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

47 (1b) Any member who became a member on or after January 1, 2017, may retire
48 upon electronic submission or written application to the Board of Trustees
49 setting forth at what time, as of the first day of a calendar month, not less than
50 one day nor more than 120 days subsequent to the execution of and filing
51 thereof, the member desires to be retired; provided, that the member at the time

1 so specified for the member's retirement shall have attained normal retirement
2 age.

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

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

5 (4) 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 (5) Any member who became a member prior to January 1, 2017, who is a law
11 enforcement officer, and who attains age 50 and completes 15 or more years of
12 creditable service in this capacity or who attains age 55 and completes five or
13 more years of creditable service in this capacity, may retire upon electronic
14 submission or written application to the Board of Trustees setting forth at what
15 time, as of the first day of a calendar month, not less than one day nor more
16 than 120 days subsequent to the execution and filing thereof, ~~he~~the member
17 desires to be retired; provided, also, any member who has met the conditions
18 required by this subdivision but does not retire, and later becomes an employee
19 other than as a law enforcement officer, continues to have the right to
20 commence retirement.

21 (6) Any member who became a member on or after January 1, 2017, who is a law
22 enforcement officer, and who attains age 50 and completes 30 or more years of
23 creditable service in this capacity or who attains age 55 and completes five or
24 more years of membership service in this capacity, may retire upon electronic
25 submission or written application to the Board of Trustees setting forth at what
26 time, as of the first day of a calendar month, not less than one day nor more
27 than 120 days subsequent to the extension and filing thereof, the member
28 desires to be retired; provided, that the member at the time so specified for the
29 member's retirement shall have attained normal retirement age; provided also,
30 any member who has met the conditions herein required but does not retire and
31 later becomes a teacher or an employee other than as a law enforcement officer
32 shall continue to have the right to commence retirement."

33 **SECTION 3.(h)** G.S. 128-27(b21) reads as rewritten:

34 "(b21) Service Retirement Allowance of Member Who Became a Member Prior to January 1,
35 2017, Retiring on or After July 1, 2003. – Upon retirement from service in accordance with
36 subsection (a) or (a1) above, on or after July 1, 2003, a member who became a member prior to
37 January 1, 2017, shall receive the following service retirement allowance:

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

41 a. If the member's service retirement date occurs on or after ~~his~~the
42 member's 55th birthday and completion of five years of creditable
43 service as a law enforcement officer, or after the completion of 30 years
44 of creditable service, the allowance shall be equal to one and eighty-five
45 hundredths percent (1.85%) of ~~his~~the member's average final
46 compensation, multiplied by the number of years of ~~his~~the member's
47 creditable service.

48 b. If the member's service retirement date occurs on or after ~~his~~the
49 member's 50th birthday and before ~~his~~the member's 55th birthday with
50 15 or more years of creditable service as a law enforcement officer and

- 1 prior to the completion of 30 years of creditable service, ~~his~~the
2 member's retirement allowance shall be equal to the greater of:
- 3 1. The service retirement allowance payable under
4 G.S. 128-27(b21)(1)a. reduced by one-third of one percent (1/3
5 of 1%) thereof for each month by which ~~his~~the member's
6 retirement date precedes the first day of the month coincident
7 with or next following the month the member would have
8 attained his or her 55th birthday;
 - 9 2. The service retirement allowance as computed under
10 G.S. 128-27(b21)(1)a. reduced by five percent (5%) times the
11 difference between 30 years and ~~his~~the member's creditable
12 service at retirement.
- 13 (2) A member who is not a law enforcement officer or an eligible former law
14 enforcement officer shall receive a service retirement allowance computed as
15 follows:
- 16 a. If the member's service retirement date occurs on or after ~~his~~the
17 member's 65th birthday upon the completion of five years of creditable
18 service or after the completion of 30 years of creditable service or on or
19 after ~~his~~the member's 60th birthday upon the completion of 25 years of
20 creditable service, the allowance shall be equal to one and eighty-five
21 hundredths percent (1.85%) of average final compensation, multiplied
22 by the number of years of creditable service.
 - 23 b. If the member's service retirement date occurs after ~~his~~the member's
24 60th birthday and before ~~his~~the member's 65th birthday and prior to
25 ~~his~~the member's completion of 25 years or more of creditable service,
26 ~~his~~the member's retirement allowance shall be computed as in
27 G.S. 128-27(b21)(2)a. but shall be reduced by one-quarter of one
28 percent (1/4 of 1%) thereof for each month by which ~~his~~the member's
29 retirement date precedes the first day of the month coincident with or
30 next following ~~his~~the member's 65th birthday.
 - 31 c. If the member's early service retirement date occurs on or after ~~his~~the
32 member's 50th birthday and before ~~his~~the member's 60th birthday and
33 after completion of 20 years of creditable service but prior to the
34 completion of 30 years of creditable service, ~~his~~the member's early
35 service retirement allowance shall be equal to the greater of:
 - 36 1. The service retirement allowance as computed under
37 G.S. 128-27(b21)(2)a. but reduced by the sum of five-twelfths of
38 one percent (5/12 of 1%) thereof for each month by which ~~his~~the
39 member's retirement date precedes the first day of the month
40 coincident with or next following the month the member would
41 have attained his or her 60th birthday, plus one-quarter of one
42 percent (1/4 of 1%) thereof for each month by which ~~his~~the
43 member's 60th birthday precedes the first day of the month
44 coincident with or next following ~~his~~the member's 65th birthday;
45 or
 - 46 2. The service retirement allowance as computed under
47 G.S. 128-27(b21)(2)a. reduced by five percent (5%) times the
48 difference between 30 years and ~~his~~the member's creditable
49 service at retirement; or
 - 50 3. If the member's creditable service commenced prior to July 1,
51 1995, 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. 128-27(b21)(2)b.

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

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

7 "(b22) 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's service retirement date occurs on or after the member's
15 55th birthday and completion of five years membership service as a law
16 enforcement officer, or after the completion of 30 years creditable
17 service, the allowance shall be equal to one and eighty-five hundredths
18 percent (1.85%) of the member's average final compensation, multiplied
19 by the number of years of creditable service.

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

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

30 2. The service retirement allowance as computed under
31 sub-subdivision a. of this subdivision but reduced by the sum of
32 five-twelfths of one percent (5/12 of 1%) thereof for each month
33 by which the member's retirement date precedes the first day of
34 the month coincident with or next following the month the
35 member would have attained normal retirement age had the
36 member continued working.

37 (2) A member who is not 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 the member's
41 65th birthday upon completion of five years creditable service, on or
42 after the member's 60th birthday upon completion of 25 years of
43 creditable service, or on or after the member's 50th birthday upon
44 completion of 30 years of creditable service, the allowance shall be
45 equal to one and eighty-five hundredths percent (1.85%) of the
46 member's average final compensation multiplied by the number of years
47 of creditable service.

48 b. If the member's service retirement date occurs after the member's 60th
49 birthday and before the member's 65th birthday and prior to the
50 member's completion of 25 years or more of creditable service, the
51 retirement allowance shall be computed as in sub-subdivision a. of this

1 subdivision but shall be reduced by one-quarter of one percent (1/4 of
2 1%) thereof for each month by which the member's retirement date
3 precedes the first day of the month coincident with or next following the
4 member's 65th birthday.

5 c. If the member's early service retirement date occurs on or after the
6 member's 50th birthday and before the member's 60th birthday and after
7 completion of 20 years creditable service but prior to the normal
8 retirement age, the early service retirement allowance shall be equal to
9 the greater of the following amounts:

10 1. The service retirement allowance as computed under
11 sub-subdivision a. of this subdivision but reduced by the sum of
12 five-twelfths of one percent (5/12 of 1%) thereof for each month
13 by which the member's retirement date precedes the first day of
14 the month coincident with or next following the month the
15 member would have attained age 60, plus one-quarter of one
16 percent (1/4 of 1%) thereof for each month by which the
17 member's 60th birthday precedes the first day of the month
18 coincident with or next following the member's 65th birthday.

19 2. The service retirement allowance as computed under
20 sub-subdivision a. of this subdivision but reduced by the sum of
21 five-twelfths of one percent (5/12 of 1%) thereof for each month
22 by which the member's retirement date precedes the first day of
23 the month coincident with or next following the month the
24 member would have attained normal retirement age had the
25 member continued working.

26 3. If the member's creditable service commenced prior to July 1,
27 1994, the service retirement allowance equal to the actuarial
28 equivalent of the allowance payable at the age of 60 years as
29 computed under sub-subdivision b. of this subdivision."

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

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

36 (1) a. The member had attained such age or creditable service to be eligible to
37 commence retirement with an early or service retirement allowance, or

38 b. The member had obtained 20 years of creditable service in which case
39 the retirement allowance shall be computed in accordance with
40 sub-subdivision b. of subdivision (1) or sub-subdivision c. of
41 subdivision (2) of subsection (b22) of this section, notwithstanding the
42 requirement of obtaining age 50, or

43 b1. The member was a law enforcement officer who had obtained 15 years
44 of service as a law enforcement officer and was killed in the line of
45 duty, or the member was a firefighter or a rescue squad worker who had
46 obtained 15 years of service as a firefighter or a rescue squad worker
47 and was killed in the line of duty, in which cases the retirement
48 allowance shall be computed in accordance with sub-subdivision b. of
49 subdivision (1) of subsection (b22) of this section, notwithstanding the
50 requirement of obtaining age 50.

- 1 (2) At the time of the member's death, one and only one beneficiary is eligible to
2 receive a return of the member's accumulated contributions.
3 (3) The member had not instructed the Board of Trustees in writing that the
4 member did not wish the provisions of this subsection to apply.
5 (4) The member had not commenced to receive a retirement allowance as provided
6 under this Chapter.

7 For the purpose of this benefit, a member is considered to be in service at the date of the
8 member's death if the death occurs within 180 days from the last day of the member's actual
9 service. The last day of actual service shall be determined as provided in subsection (1) of this
10 section. Upon the death of a member in service, the surviving spouse may make all purchases for
11 creditable service as provided for under this Chapter for which the member had made application
12 in writing prior to the date of death, provided that the date of death occurred prior to or within 60
13 days after notification of the cost to make the purchase.

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

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

19 "(12a) "Normal retirement age" shall mean, only for persons who became members on
20 or after January 1, 2017, 50 years of age or older with 30 years of creditable
21 service or 65 years of age or older with five years of membership service."

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

23 **"§ 135-58. Service retirement benefits.**

24 ...

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

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

1 transferred from the Local Governmental Employees' Retirement System to this
2 System as provided in G.S. 135-56; and

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

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

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

25 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
26 compensation, multiplied by the number of years of creditable service rendered
27 as a judge of the superior court;

28 (3) Three and two hundredths percent (3.02%) of the member's final compensation,
29 multiplied by the number of years of creditable service rendered as a judge of
30 the district court, district attorney, clerk of superior court, public defender, or
31 the Director of Indigent Defense Services;

32 (4) A service retirement allowance computed in accordance with the service
33 retirement provisions of Article 3 of Chapter 128 of the General Statutes using
34 an average final compensation, as defined in G.S. 135-53(2a), and creditable
35 service equal to the number of years of the member's creditable service that was
36 transferred from the Local Governmental Employees' Retirement System to this
37 System as provided in G.S. 135-56; and

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

45 (b) Any member who became a member prior to January 1, 2017, who retires under the
46 provisions of subsection (a) or subsection (c) of G.S. 135-57 before ~~he~~the member either has
47 attained his or her sixty-fifth birthday or has completed 24 years of creditable service shall receive
48 an annual retirement allowance, payable monthly, which shall commence on the effective date of
49 ~~his~~the member's retirement and shall be continued on the first day of each month thereafter during
50 ~~his~~the member's lifetime, the amount of which shall be determined in the same manner and be
51 subject to the same maximum limitation as provided for in subsection (a) above except that the

1 allowance so computed shall be reduced by one quarter of one percent (¼ of 1%) thereof for each
2 month by which the member's retirement date precedes the first day of the month coincident with
3 or next following the earlier of

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

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

8 For the sole purpose of determining whether a member has completed the required 24 years of
9 creditable service referred to in this subsection (b) or the date on which ~~hethe member~~
10 completed such period of creditable service if ~~hethe member~~ had remained in membership service,
11 in the case of a member of the Teachers' and State Employees' Retirement System who became a
12 member of this Retirement System under circumstances described in G.S. 135-28.1, and who at
13 the time of ~~histhe member's~~ retirement hereunder is in service and has retained his or her
14 membership in the Teachers' and State Employees' Retirement System as provided for in
15 G.S. 135-28.1, ~~histhe member's~~ creditable service shall be taken as the sum of ~~histhe member's~~
16 creditable service hereunder plus the amount of creditable service remaining to ~~histhe member's~~
17 credit in such other system as provided for in G.S. 135-28.1.

18 (b1) Any member who became a member on or after January 1, 2017, who retires under the
19 provisions of G.S. 135-57(a) or G.S. 135-57(c) before the member has attained normal retirement
20 age shall receive an annual retirement allowance, payable monthly, which shall commence on the
21 effective date of the member's retirement and shall be continued on the first day of each month
22 thereafter during the member's lifetime, the amount of which shall be determined in the same
23 manner and be subject to the same maximum limitation as provided for in subsection (a) of this
24 section except that the allowance so computed shall be reduced by one quarter of one percent (1/4
25 of 1%) thereof for each month by which the member's retirement date precedes the first day of the
26 month coincident with or next following the month the member would have attained normal
27 retirement age had the member continued working.

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

38"

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

40 "(c1) A member who has contributions in this System and is not eligible for a retirement
41 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
42 lump sum as provided in G.S. 135-62 by April 1 of the calendar year following the later of the
43 calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be
44 a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of
45 superior court as provided in G.S. 135-53, except by death. If such member fails, following
46 reasonable notification, to complete a refund application by such required date, the requirement
47 that a refund application be completed shall be waived and the refund shall be paid without a
48 refund application as a single lump-sum payment with applicable required North Carolina and
49 federal income taxes withheld. For purposes of this subsection, a member shall not be considered
50 to have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense
51 Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively

1 contributing to the Teachers' and State Employees' Retirement System, Local Governmental
2 Employees' Retirement System, or Consolidated Judicial Retirement System. A lump-sum refund
3 shall not be paid under this subsection if the member is actively contributing to the Teachers' and
4 State Employees' Retirement System, Local Governmental Employees' Retirement System, or
5 Consolidated Judicial Retirement System."

6 **SECTION 3.(n)** The Joint Legislative Program Evaluation Oversight Committee shall
7 include in the 2016 Work Plan for the Program Evaluation Division of the General Assembly an
8 examination of other states that have implemented a normal retirement age for a pension system
9 that was already in place and shall compare various elements of the total compensation and benefit
10 package for the employees covered by each state's pension system to the employees covered by
11 the pension systems amended in this section. The elements examined shall include the items
12 outlined below.

- 13 (1) The normal retirement age and years of service thresholds recently
14 implemented by each pension system for each employee group.
- 15 (2) An analysis of the total value of retirement benefits for State government
16 employees, teachers, and law enforcement officer members of the North
17 Carolina Teachers' and State Employees' Retirement System as compared to the
18 average value of retirement benefits offered by other state governments that
19 have implemented a normal retirement age.
- 20 (3) An analysis of the total value of retirement benefits for members of the North
21 Carolina Local Governmental Employees' Retirement System as compared to
22 the average value of retirement benefits offered by local governments in other
23 states that have implemented a normal retirement age.
- 24 (4) An analysis of the total value of retirement benefits for members of the North
25 Carolina Consolidated Judicial Retirement System as compared to the average
26 value of retirement benefits offered to similar employees in other states that
27 have implemented a normal retirement age.
- 28 (5) An analysis of employee, retiree, and dependent medical insurance subsidies
29 that the State provides employees compared to those subsidies offered by other
30 states that have implemented a normal retirement age.
- 31 (6) An analysis of recent changes in various elements of the salary structure
32 including cost-of-living adjustments, performance pay increases, vacation and
33 sick leave benefits, and the existence of longevity for other states that have
34 implemented a normal retirement age.

35 The Program Evaluation Division shall submit its findings and recommendations to the
36 Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Commission on
37 Governmental Operations, and the Fiscal Research Division on a date to be determined by the
38 Joint Legislative Program Evaluation Oversight Committee.

39 **SECTION 3.(o)** Subsection (n) of this section becomes effective when it becomes
40 law. The remainder of the section becomes effective January 1, 2017.

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

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

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

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

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

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

9 **"§ 135-6. Administration.**

10 ...

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

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

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

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

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

14"

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

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

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

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

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

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

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

35 ...

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

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

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

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

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

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

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

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

40 "

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 ...

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

32"

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

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

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

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

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

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

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

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

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

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

35"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39 (5) Reporting. – The Department of State Treasurer shall report to the Board of
40 Trustees, the Joint Legislative Commission on Government Operations, and the
41 Fiscal Research Division on or before August 1 of each year on the (i) amounts
42 and sources of funds collected by year pursuant to this section and (ii) the
43 amounts expended, the projects for which those funds were expended, and the
44 current status of the projects. The Board of Trustees shall also post this report
45 on its public website."

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

47 "(g) Legislative Enactment Implementation Arrangement. – The Legislative Enactment
48 Implementation Arrangement (LEIA) is established effective October 1, 2016, and placed under
49 the management of the Board of Trustees. The purpose of the LEIA is to provide for timely
50 administrative implementation of legislative provisions regarding the retirement of, or payment of

1 retirement benefits to, public officers or public employees. The LEIA shall have the following
2 parameters:

- 3 (1) Administration. – The LEIA shall be administered by the Board of Trustees,
4 which shall compile and maintain all records necessary or appropriate for
5 administration. The Board of Trustees shall have full discretionary authority to
6 interpret, construe, and implement the LEIA and to adopt such rules and
7 regulations as may be necessary or desirable to implement the provisions of the
8 LEIA.
- 9 (2) Funding of the LEIA. – In the event that the General Assembly creates or
10 modifies any provision for the retirement of, or payment of retirement benefits
11 to, public officers or public employees that has a cost savings as measured by
12 actuarial note required by Article 15 of Chapter 120 of the General Statutes, the
13 Board of Trustees may direct up to one hundredth percent (0.01%) of the
14 required contributions to fund the LEIA. These funds must be deposited in a
15 separate fund from the fund into which regular employer contributions are
16 deposited for the Retirement System. The Board of Trustees shall not direct any
17 employer contributions into the LEIA after November 1, 2021.
- 18 (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to
19 the implementation of legislative provisions regarding the retirement of, or
20 payment for retirement benefits to, public officers or public employees, subject
21 to the following restrictions:
- 22 a. The Board of Trustees must identify individual implementation projects
23 that will be paid for with LEIA funds. These implementation projects
24 must be necessitated by a specific statute or session law that was
25 enacted within five years of the allocation of the funds. The Board of
26 Trustees must also identify the number of years for which each
27 individual implementation project will be paid for with LEIA funds.
- 28 b. For implementation projects that will be paid for with LEIA funds for a
29 period of one year or less, the Board of Trustees must determine that the
30 cost savings from implementing the project is projected to be no less
31 than half of the amount of LEIA funds utilized to pay for
32 implementation.
- 33 c. For implementation projects that will be paid for with LEIA funds for a
34 period of greater than one year, but not more than four years, the Board
35 of Trustees must determine that the long-term cost savings from
36 implementing the project is projected to be at least three times greater
37 than the cost of implementation.
- 38 d. No implementation project shall be paid for with LEIA funds for a
39 period of more than four years.
- 40 (4) Treatment of unused assets. – Any assets of the LEIA not used to pay allowed
41 administrative expenses for timely administrative implementation of legislative
42 provisions shall be transferred to the Retirement System as an additional
43 employer contribution.
- 44 (5) Reporting. – The Department of State Treasurer shall report to the Board of
45 Trustees, the Joint Legislative Commission on Government Operations, and the
46 Fiscal Research Division on or before August 1 of each year on the (i) amounts
47 and sources of funds collected by year pursuant to this section and (ii) the
48 amounts expended, the projects for which those funds were expended, and the
49 current status of the projects. The Board of Trustees shall also post this report
50 on its public website."

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

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

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

13 **"§ 135-6.1. Member retirement record files held by the Retirement System.**

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

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

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

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

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

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

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

30 (1) Name.

31 (2) Age.

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

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

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

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

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

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

42 (9) The record of benefit payments made by one of the Retirement Systems or
43 Disability Benefits Programs administered by the Department of State
44 Treasurer to a member or to the survivor, beneficiary, or alternate payee of a
45 member.

46 (10) Purchases of educational leave.

47 (d) Subject only to rules and policies for the safekeeping of member retirement files
48 adopted by the Board of Trustees, every person having custody of the retirement file information
49 outlined in subsection (b) of this section shall permit the information to be inspected and examined
50 and copies thereof made by any person during regular business hours. Any person who is denied
51 access to any retirement file for the purpose of inspecting, examining, or copying the file has a

1 right to compel compliance with the provisions of this section by application to a court of
2 competent jurisdiction for a writ of mandamus or other appropriate relief.

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

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

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

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

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

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

25 (h) Any person not specifically authorized by this section to have access to a retirement
26 file designated as confidential by this section, who knowingly and willfully examines, removes, or
27 copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon
28 conviction shall be fined in the discretion of the court but not in excess of five hundred dollars
29 (\$500.00)."

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

32 **"§ 128-33.1. Public records held by the Retirement System.**

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

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

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

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

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

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

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

49 (1) Name.

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

51 **"§ 126-22. Personnel files not subject to inspection under § 132-6.**

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

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

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

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

8 (3) "Personnel file" means any employment-related or personal information
9 gathered by an ~~employer, the Retirement Systems Division of the Department~~
10 ~~of State Treasurer, employer~~ or by the Office of State Human Resources.
11 Employment-related information contained in a personnel file includes
12 information related to an individual's application, selection, promotion,
13 demotion, transfer, leave, salary, contract for employment, benefits, suspension,
14 performance evaluation, disciplinary actions, and termination. Personal
15 information contained in a personnel file includes an individual's home address,
16 social security number, medical history, personal financial data, marital status,
17 dependents, and beneficiaries.

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

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

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

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

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

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

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

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

36 **"§ 135-10.1. Failure to respond.**

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

1 Retirement Systems Division prevents the member from having sufficient time to meet the regular
2 deadline."

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

4 **"§ 128-32.1. 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 13.(a)** G.S. 135-18.8 reads as rewritten:

22 **"§ 135-18.8. Deduction for payments allowed.**

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

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

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

44 **"§ 135-75. Deduction for payments allowed.**

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

1 retirees' association engages in collective bargaining with the State, any political subdivision of
2 the State, or any local school administrative unit.

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

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

15 "**§ 128-38.3. Deduction for payments allowed.**

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

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

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

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

44 "**§ 120-4.32. Deduction for payments allowed.**

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

1 retirees' association engages in collective bargaining with the State, any political subdivision of
2 the State, or any local school administrative unit.

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

14 **SECTION 13.(e)** G.S. 127A-40(h1) reads as rewritten:

15 "(h1) Any member or former member of the North Carolina National Guard who is qualified
16 for benefits under this section and who is a member of a domiciled employees' or retirees'
17 association that has at least ~~2,000~~10,000 members, the majority of whom are active or retired
18 employees of the State or public school employees, may authorize, in writing, the periodic
19 deduction from the member's retirement benefits a designated lump sum to be paid to the
20 employees' or retirees' association. The authorization shall remain in effect until revoked by the
21 ~~member~~member, and proof of the authorization must be available upon request to the Department
22 of the State Treasurer. A plan of deductions pursuant to this subsection shall become void if the
23 employees' or retirees' association engages in collective bargaining with the State, any political
24 subdivision of the State, or any local school administrative unit."

25 **SECTION 14.** S.L. 2015-68, Section 2, is repealed.

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

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

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

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

35 **"§ 147-68.2. Confidentiality of warrants issued by the State.**

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

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

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

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

48 **"§ 115C-341.2. Department of State Treasurer sponsored 403(b) option.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 **SECTION 19.(b)** G.S. 135-8 is amended by adding a new subsection to read:

6 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System generated
 7 pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the employer made a
 8 contribution to the North Carolina Teachers' and State Employees' Retirement System that is
 9 likely to require an additional employer contribution should the employee elect to retire in the
 10 following 12 months, the employer's chief financial officer shall transmit a copy of the report to
 11 the chief executive of the employer, as well as to the governing body of the employer, including
 12 any board which exercises financial oversight of the employer, if applicable."

13 **SECTION 19. (c)** G.S. 128-30 is amended by adding a new subsection to read:

14 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System generated
 15 pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the employer made a
 16 contribution to the North Carolina Local Governmental Employees' Retirement System that is
 17 likely to require an additional employer contribution should the employee elect to retire in the
 18 following 12 months, the employer's chief financial officer shall transmit a copy of the report to
 19 the governing body of the employer, if applicable."

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

21 "(7a) a. "Compensation" shall ~~mean~~mean, for members who became members
 22 prior to January 1, 2017, all salaries and wages prior to any reduction
 23 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
 24 Internal Revenue Code, not including any terminal payments for unused
 25 sick leave, derived from public funds which are earned by a member of
 26 the Retirement System for service as an employee or teacher in the unit
 27 of the Retirement System for which he is performing full-time work. In
 28 addition to the foregoing, "compensation" shall ~~include~~include the
 29 following:

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

44 a1. "Compensation" shall mean, for members who became members on or
 45 after January 1, 2017, all salaries and wages prior to any reduction
 46 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
 47 Internal Revenue Code, not including any terminal payments for unused
 48 sick leave, derived from public funds which are earned by a member of
 49 the Retirement System for service as an employee or teacher in the unit
 50 of the Retirement System for which he or she is performing full-time

work. In addition to the foregoing, "compensation" shall include the following:

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

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

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

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

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

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

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

1 13. For members who became members after January 1, 2017,
2 conversion of additional benefits to salary, such as health, life, or
3 disability plans, so long as the benefits are other than mandated
4 by State law or regulation.

- 5 c. In the event an employer reports as "compensation" payments not
6 specifically included or excluded as "compensation", such payments
7 shall be "compensation" for retirement purposes only if the employer
8 pays the Retirement System the additional actuarial liability created by
9 such payments."

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

11 **SECTION 21.** G.S. 135-109 reads as rewritten:

12 **"§ 135-109. Reports of earnings.**

13 The Department of State Treasurer and Board of Trustees ~~shall~~may require each beneficiary to
14 annually provide a statement of the beneficiary's income received as compensation for services,
15 including fees, commissions, or similar items, income received from business, and benefits
16 received from the Social Security Administration, the federal Veterans Administration, any other
17 federal agency, under the North Carolina Workers' Compensation Act, or under the provisions of
18 G.S. 127A-108. The benefit payable to a beneficiary who does not or refuses to provide the
19 information requested within ~~60~~120 days after such request ~~shall not be paid a benefit~~may be
20 suspended until the information so requested is provided, and should such refusal or failure to
21 provide such information continue for ~~240~~180 days after such request the right of a beneficiary to
22 a benefit under the Article may be terminated."

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

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