

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 887

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

Sponsors: Senators Wells, Apodaca (Primary Sponsors); and Rabin.

Referred to: Pensions & Retirement and Aging

May 23, 2016

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

45 "§ 135-6. Administration.

46 ...

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

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

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

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

51"

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

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

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

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

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

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

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

21 ...

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

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

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

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

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

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

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

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

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

25"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 ...

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

18"

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

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

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

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

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

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

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

21"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

50 (1) Name.

51 (2) Age.

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

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

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

(a) The following definitions apply in this section:

- (1) Employment-related information. – As defined in G.S. 126-22(b)(3).
- (2) Personal information. – As defined in G.S. 126-22(b)(3).
- (3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.
- (4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

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

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

- (1) Name.
- (2) Age.
- (3) Date of membership in the applicable retirement system, first service earned date, date of first enrollment, date of first employment, and date of retirement.
- (4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.
- (5) Current or most recently held position or title.
- (6) Compensation and other relevant remuneration history and benefits paid.
- (7) Date, general description, and type of each change and the corresponding employing agency.
- (8) The office or station to which the member is currently assigned, if any.
- (9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.
- (10) Purchases of educational leave.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 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 19.(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 addition to the foregoing, "compensation" shall ~~include~~include the following:

- 1. Performance-based compensation (regardless of whether paid in a lump sum, periodic installments, or on a monthly ~~basis~~basis).
- 2. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or ~~regulation~~regulation.
- 3. 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~~expenses."
- 4. Payout of vacation ~~leave~~leave, so long as such payouts are permitted by applicable law and ~~regulation~~regulation.
- 5. Employee contributions to eligible deferred compensation ~~plans~~and plans.
- 6. Effective July 1, 2009, payment of military differential wages.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 "(a) Service Retirement Benefits.

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

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

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

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

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

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

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

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

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

31"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 member had retired on the first day of the month following the date of the member's death,
 2 provided that all four of the following conditions apply:

- 3 (1) a. The member had attained such age or creditable service to be eligible to
 4 commence retirement with an early or service retirement allowance; or
 5 b. The member had obtained 20 years of creditable service in which case
 6 the retirement allowance shall be computed in accordance with
 7 G.S. 135-5(b21)(1)b. or G.S. 135-5(b21)(2)b., notwithstanding the
 8 requirement of obtaining age 50; or
 9 b1. The member was a law enforcement officer who had obtained 15 years
 10 of service as a law enforcement officer and was killed in the line of
 11 duty, in which case the retirement allowance shall be computed in
 12 accordance with G.S. 135-5(b21)(1)b., notwithstanding the requirement
 13 of obtaining age 50.
 14 (2) At the time of the member's death, one and only one beneficiary is eligible to
 15 receive a return of the member's accumulated contributions.
 16 (3) The member had not instructed the Board of Trustees in writing that the
 17 member did not wish the provisions of this subsection to apply.
 18 (4) The member had not commenced to receive a retirement allowance as provided
 19 under this Chapter.

20 For the purpose of this benefit, a member is considered to be in service at the date of death if
 21 the member's death occurs within 180 days from the last day of the member's actual service. The
 22 last day of actual service shall be determined as provided in subsection (1) of this section. Upon
 23 the death of a member in service, the surviving spouse may make all purchases for creditable
 24 service as provided for under this Chapter for which the member had made application in writing
 25 prior to the date of death, provided that the date of death occurred prior to or within 60 days after
 26 notification of the cost to make the purchase. The term "in service" as used in this subsection
 27 includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6
 28 of this Chapter.

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

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

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

40 "(14a) "Normal retirement age" shall mean, only for persons who became members on
 41 or after January 1, 2017:

- 42 a. For members who are not law enforcement officers or eligible former
 43 law enforcement officers, 65 years of age or older with 30 years of
 44 creditable service.
 45 b. For members who are law enforcement officers or eligible former law
 46 enforcement officers, 50 years of age or older with 30 years of
 47 creditable service or 55 years of age or older with five years of
 48 membership service."

49 **SECTION 21.(g)** G.S. 128-27(a) reads as rewritten:

50 "(a) Service Retirement Benefits. –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

50 ...

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

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

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

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

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

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

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

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

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

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

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

14"

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

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

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

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

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

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