

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023**

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HOUSE BILL 989

Short Title: Retirement Service Purchase Rewrite Part III. (Public)

Sponsors: Representative Carson Smith.

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement, if favorable, Rules, Calendar, and Operations of the House

May 6, 2024

A BILL TO BE ENTITLED
AN ACT TO RECODIFY AND STANDARDIZE THE LAWS RELATING TO SERVICE
PURCHASES, INCLUDING BY MAKING TECHNICAL, CLARIFYING, AND
CONFORMING CHANGES, UNDER THE TEACHERS' AND STATE EMPLOYEES'
RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES'
RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM,
AND THE LEGISLATIVE RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

**PART I. RECODIFY AND STANDARDIZE SERVICE PURCHASE UNDER THE
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**

SECTION 1. Article 1 of Chapter 135 of the General Statutes is amended by adding a new G.S. 135-4.5 to be entitled "Creditable service purchases."

SECTION 2.(a) The second through sixth sentences of subsection (j2) of G.S. 135-4 are recodified as subsection (a) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(b) The first and last sentences of subsection (j2) of G.S. 135-4 are recodified as the first two sentences of subdivision (a)(1) of G.S. 135-4.5, and subsection (k1) of G.S. 135-4 is recodified as the third through eighth sentences of that subdivision. The remaining subsection catch line for subsection (k1) of G.S. 135-4 is repealed.

SECTION 2.(c) Subsection (l2) of G.S. 135-4 is recodified as subdivision (a)(2) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(d) Subsection (p2) of G.S. 135-4 is recodified as subdivision (a)(3) of G.S. 135-4.5, as created by Section 1 of this act, and the existing subunits of subsection (p2) of G.S. 135-4 are redesignated accordingly.

SECTION 2.(e) Subsection (s) of G.S. 135-4 is recodified as subdivision (a)(4) of G.S. 135-4.5, as created by Section 1 of this act, and the existing subunits of subsection (s) of G.S. 135-4 are redesignated accordingly.

SECTION 2.(f) Subsection (bb1) of G.S. 135-4 is recodified as subdivision (a)(5) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(g) Subsection (z) of G.S. 135-4 is recodified as subdivision (a)(7) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(h) Subsection (aa) of G.S. 135-4 is recodified as subdivision (a)(8) of G.S. 135-4.5, as created by Section 1 of this act.



SECTION 2.(i) Subsection (cc1) of G.S. 135-4 is recodified as subdivision (a)(9) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(j) Subsection (hh) of G.S. 135-4 is recodified as subdivision (a)(10) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(k) Subdivision (f)(7) of G.S. 135-4 is recodified as subsection (b) of G.S. 135-4.5, as created by Section 1 of this act, and the existing subunits of subdivision (f)(7) of G.S. 135-4 are redesignated accordingly.

SECTION 2.(l) Subsection (r) of G.S. 135-4 is recodified as subsection (c) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(m) Subsection (v) of G.S. 135-4 is recodified as subsection (d) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(n) Subsection (ff) of G.S. 135-4 is recodified as subsection (e) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(o) Subsection (dd) of G.S. 135-4 is recodified as subsection (f) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(p) Subsection (ee) of G.S. 135-4 is recodified as subsection (g) of G.S. 135-4.5, as created by Section 1 of this act.

SECTION 2.(q) Subsections (j1), (p), and (cc) of G.S. 135-4 are repealed.

SECTION 3. G.S. 135-4.5, as created by Section 1 of this act and as amended by Section 2 of this act, reads as rewritten:

"§ 135-4.5. Creditable service purchases.

(a) ~~The amount of creditable service purchased under this subsection may not exceed a total of five years. The member shall purchase this service~~ General Purchases of Service Credit.
~~– Any member in service with five or more years of membership service may purchase creditable service authorized under this subsection by paying a lump sum amount to the Annuity Savings Fund-Fund. The amount payable shall be equal to the full liability increase of the Retirement System due to the additional service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases as-set by the Board of Trustees upon the advice of the consulting actuary.~~

Subject to the requirements of this subsection, an employer may pay all or part of the cost of a service purchase of a member in service. To the extent that the purchase is paid by the employer, the ~~cost amount~~ paid by the employer shall be credited to the ~~pension accumulation fund-Pension Accumulation Fund~~. To the extent that the purchase is paid by the member, the ~~cost amount~~ paid by the member shall be credited to the member's ~~annuity savings account-accumulated contributions and interest in the Annuity Savings Fund~~.

The total amount of creditable service purchased under each subdivision of this section shall not exceed five years. No purchase of service credit under any subdivision of this section shall be made if a benefit is allowable under another public retirement system as a result of the service. If there is a conflict between a provision of G.S. 135-4 and a provision of this subsection, then this subsection shall control.

The following purchases of creditable service are authorized under this subsection:

(1) ~~Notwithstanding any provision of this Chapter to the contrary on and after January 1, 2023, any member in service with five or more years of membership service may purchase creditable service for service as a member of the General Assembly not otherwise creditable under this section, provided the service is not credited in the Legislative Retirement Fund nor the Legislative Retirement System, by paying a total lump sum payment. The~~

1 creditable service of a member who was a member of the Local Governmental
2 Employees' Retirement System, the Consolidated Judicial Retirement System,
3 or the Legislative Retirement System, and whose accumulated contributions
4 and reserves are transferred from that System to this System, includes service
5 that was creditable in the Local Governmental Employees' Retirement
6 System, the Consolidated Judicial Retirement System, or the Legislative
7 Retirement System, and membership service with those Retirement Systems
8 is membership service with this Retirement System. Notwithstanding any
9 other provision of this Chapter to the contrary, on and after January 1, 2022,
10 any member who withdrew his or her contributions in accordance with the
11 provisions of G.S. 127-27(f) or G.S. 135-5(f) or the rules and regulations of
12 the Law Enforcement Officers' Retirement System, and who subsequently
13 returns to service and completes five years of membership service upon that
14 return, while in service may purchase an amount of creditable service totaling
15 the amount of the membership service associated with the withdrawn
16 contributions, provided that the total of the creditable service purchased under
17 this subsection may not exceed five years. The member shall purchase this
18 service by paying a lump sum amount to the Annuity Savings Fund equal to
19 the full liability increase due to the additional service credits on the basis of
20 the assumptions used for the purposes of the actuarial valuation of the
21 liabilities of the Retirement System, except for the following assumptions
22 specific to this calculation: (i) the allowance shall be assumed to commence
23 at the earliest age at which the member could retire on an unreduced retirement
24 allowance and (ii) assumed annual postretirement allowance increases as set
25 by the Board of Trustees upon the advice of the consulting actuary. The
26 calculation of the amount payable shall also include an administrative fee to
27 be set by the Board.

28 Subject to the requirements of this subsection, an employer may pay all or
29 part of the cost of a service purchase of a member in service. To the extent
30 that the purchase is paid by the employer, the cost paid by the employer shall
31 be credited to the pension accumulation fund. To the extent that the purchase
32 is paid by the member, the cost paid by the member shall be credited to the
33 member's annuity savings account. Withdrawn service. – Service withdrawn
34 in accordance with the provisions of any of the following, limited to a total
35 maximum purchase of five years:

36 a. G.S. 120-4.25.

37 b. G.S. 128-27(f).

38 c. G.S. 135-5(f).

39 d. G.S. 135-62.

40 e. Any rules adopted under Article 12 of Chapter 143 of the General
41 Statutes, as it existed prior to 1986.

- 42 (2) Notwithstanding any provision of this Chapter to the contrary, on and after
43 January 1, 2021, any member in service with five or more years of
44 membership service may purchase creditable service Federal, state, or local
45 government service. – Service previously rendered to the federal government
46 or to any state, territory, or other governmental subdivision of the United
47 States other than this State by paying a total lump sum payment. The amount
48 of creditable service purchased under this subsection may not exceed a total
49 of five years. The member shall purchase this service by paying a lump sum
50 amount to the Annuity Savings Fund equal to the full liability increase due to
51 the additional service credits on the basis of the assumptions used for the

purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board.

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

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

(3) ~~Part Time Service Credit.~~ Notwithstanding any other provision of this Chapter to the contrary, any member in service with five or more years of membership service may purchase service Part-time service. – Service previously rendered as a part-time teacher or employee of an employer, as defined in G.S. 135-1(11) or G.S. 128-21(11), except under either G.S. 135-1 or G.S. 128-21. For the purposes of this subdivision, the following service ~~may not~~ is not eligible to be purchased:

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

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

~~The Board of Trustees shall adopt rules regarding how much service in any year, as based on compensation, is equivalent to one year of service in proportion to earnable compensation, but in~~

~~In no case shall more than one year of service be creditable for all service in one year. Service rendered for the regular school year in any district shall be equivalent to one year of service.~~

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

(4) ~~Credit at Full Cost for Temporary Employment.—Any member in service with five or more years of membership service may purchase creditable service for State employment when classified as service. — Service previously rendered on a temporary teacher or employee subject to all basis to an employer, as defined under either G.S. 135-1 or G.S. 128-21, and that meets both of the following conditions:~~

~~a. The member was employed by an employer as defined in G.S. 135-1(11) or G.S. 128-21(11).~~

~~b.a. The member's temporary employment met all other requirements of G.S. 135-1(10) or (25), or G.S. 128-21(10).member would have met the definition of employee or teacher under either G.S. 135-1 or G.S. 128-21 except for the temporary nature of the service.~~

~~e. The member has completed five years or more of membership service.~~

~~d.b. The member has acquired from the employer such all certifications of temporary employment as that are required by the Board of Trustees.~~

~~The amount of creditable service purchased under this subsection may not exceed a total of five years. A member shall purchase this service by making a lump sum payment into the Annuity Savings Fund equal to the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board.~~

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

(5) ~~Credit at Full Cost for Probationary Local Government Employment Purchased On and After January 1, 2022.—Notwithstanding any other provision of this Chapter, on and after January 1, 2022, a member may purchase creditable service, prior to retirement, for employment with local government service. — Service previously rendered to any local employer employer, as defined in G.S. 128-21(11) under G.S. 128-21, when considered~~

1 ~~to be performed~~ in a probationary or employer-imposed waiting period ~~status,~~
2 ~~status that occurred~~ between the date of employment and the date of
3 membership service with the Local Governmental Employees' Retirement
4 System.

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

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

21 (6) ~~Involuntary furlough. – Periods of interrupted service due to involuntary~~
22 ~~administrative furlough caused by the lack of funds to support the position.~~

23 (7) ~~Credit at Full Cost for Leave Due to Extended Illness. – Any member in~~
24 ~~service with five or more years of membership service may purchase~~
25 ~~creditable service for periods due to extended illness. – Periods of interrupted~~
26 ~~service while on leave without pay status due to the member's illness or injury,~~
27 ~~excluding leave due to maternity, parental leave or pregnancy or~~
28 ~~childbirth-related leave, provided that any single such period of interrupted~~
29 ~~service shall have included such a period of time during which the member~~
30 ~~failed to earn at least two months membership service, by making a lump sum~~
31 ~~amount payable to the Annuity Savings Fund equal to the full liability increase~~
32 ~~due to the additional service credits on the basis of the assumptions used for~~
33 ~~the purposes of the actuarial valuation of the liabilities of the Retirement~~
34 ~~System, except for the following assumptions specific to this calculation: (i)~~
35 ~~the allowance shall be assumed to commence at the earliest age at which the~~
36 ~~member could retire on an unreduced retirement allowance and (ii) assumed~~
37 ~~annual postretirement allowance increases as set by the Board of Trustees~~
38 ~~upon the advice of the consulting actuary. The calculation of the amount~~
39 ~~payable shall also include an administrative fee to be set by the Board. The~~
40 ~~amount of creditable service purchased under this subsection may not exceed~~
41 ~~a total of five years.~~

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

48 (8) ~~Credit at Full Cost for Parental Leave, Pregnancy or Childbirth Related~~
49 ~~Leave, or Certain Involuntary Furloughs. – Notwithstanding other provisions~~
50 ~~of this Chapter, any member in service with five or more years of credited~~
51 ~~membership service may purchase creditable service for periods leave and~~

pregnancy or childbirth-related leave. – Periods of interrupted service which were interrupted due to parental leave, pregnancy or childbirth, or involuntary administrative furlough due to a lack of funds to support the position by making a lump sum amount payable to the Annuity Savings Fund equal to the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board. The amount of creditable service purchased under this subsection may not exceed a total of five years.

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

- (9) Notwithstanding any provision of this Chapter to the contrary, on and after January 1, 2023, any member in service with five or more years of membership service may purchase creditable service for any employment as Charter school service. – Periods of service previously rendered as an employee of a charter school operated by a private nonprofit corporation or a charter school operated by a municipality whose board of directors did not elect to participate in the Retirement System under G.S. 135-5.3 by paying a total lump sum payment. The amount of creditable service purchased under this subsection may not exceed a total of five years. The member shall purchase this service by paying a lump sum amount to the Annuity Savings Fund equal to the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. Subject to the requirements of this subsection, an employer may pay all or part of the cost of a service purchase of a member in service. To the extent that the purchase is paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund. To the extent that the purchase is paid by the member, the cost paid by the member shall be credited to the member's annuity savings account. G.S. 135-5.3.

- (10) Credit at Full Cost for Service With The University of North Carolina During Which a Member Participated in the Optional Retirement Program. — Notwithstanding any other provisions of this Chapter to the contrary, any member in service with five or more years of membership service may purchase creditable service for periods Program service. – Periods of employment with The University of North Carolina during which the member participated in the Optional Retirement Program Program, as provided for in G.S. 135-5.1, provided that the member is not receiving, and is not entitled to

1 receive, any retirement benefits resulting from this employment. ~~The amount~~
2 ~~of creditable service purchased under this subsection may not exceed a total~~
3 ~~of five years. The member shall purchase this service by making a lump sum~~
4 ~~amount payable to the Annuity Savings Fund equal to the full liability increase~~
5 ~~due to the additional service credits on the basis of the assumptions used for~~
6 ~~the purposes of the actuarial valuation of the liabilities of the Retirement~~
7 ~~System, except for the following assumptions specific to this calculation: (i)~~
8 ~~the allowance shall be assumed to commence at the earliest age at which the~~
9 ~~member could retire on an unreduced retirement allowance and (ii) assumed~~
10 ~~annual postretirement allowance increases as set by the Board of Trustees~~
11 ~~upon the advice of the consulting actuary. The calculation of the amount~~
12 ~~payable shall also include an administrative fee to be set by the Board.~~

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

19 (b) Armed Service Credit. – Notwithstanding any other provision of this Chapter, Article
20 to the contrary, any member ~~and or~~ any retired member ~~as herein described~~ may purchase
21 creditable service in the Armed Forces of the United States, ~~not otherwise allowed,~~ States by
22 paying a total lump sum payment determined as follows:

23 (1) ~~For On or before December 31, 2038,~~ members who completed 10 years of
24 membership service, and retired members who completed 10 years of
25 membership service prior to retirement, whose membership began on or prior
26 to July 1, 1981, ~~and who make this may purchase this service~~ within three
27 years after first becoming eligible, ~~the cost shall be eligible by paying an~~
28 amount equal to the monthly compensation the member earned when the
29 member first entered membership service times the employee contribution
30 rate at that time times the months of service to be purchased, multiplied by a
31 factor equivalent to the investment return assumptions determined by the
32 Board of Trustees, compounded annually, from the initial year of membership
33 to the year of payment so as to equal one-half of the cost of allowing this
34 service, plus an administrative fee to be set by the Board of Trustees.

35 (2) ~~For members~~ Members who complete five years of membership service, ~~and~~
36 retired members who complete five years of membership service prior to
37 retirement, and ~~eligible~~ members and retired members ~~covered by paragraph~~
38 ~~a. of this subdivision,~~ whose membership began on or before July 1, 1981, ~~and~~
39 ~~who were eligible to purchase service credits under subdivision (1) of this~~
40 ~~subsection but who did not or do not make this purchase within three years~~
41 ~~after first becoming eligible, the cost shall be an amount equal to the full~~
42 ~~liability of the service credits calculated on the basis of the assumptions used~~
43 ~~for the purposes of the actuarial valuation of the System's liabilities and shall~~
44 ~~take into account the retirement allowance arising on account of the additional~~
45 ~~service credits commencing at the earliest age at which the member could~~
46 ~~retire on an unreduced allowance, as determined by the Board of Trustees~~
47 ~~upon the advice of the consulting actuary, plus an administrative fee to be set~~
48 ~~by the Board of Trustees. Notwithstanding the foregoing provisions of this~~
49 ~~subsection that provide for the purchase of service credits, the term "full~~
50 ~~liability" includes assumed post-retirement allowance increases, as~~
51 ~~determined by the Board of Trustees, from the earliest age at which a member~~

~~could retire on an unreduced service retirement allowance.~~eligible, may purchase this service by paying a lump sum amount to the Annuity Savings Fund. The amount payable shall be equal to the full liability increase to the Retirement System due to the additional service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases set by the Board of Trustees upon the advice of the consulting actuary.

Creditable service allowed under this ~~subdivision~~subsection shall be only for the initial period of "active duty", as defined in 38 U.S. Code Section 101(21), in the Armed Forces of the United States up to the date the member was first eligible to be separated and released and for subsequent periods of "active duty", as defined in 38 U.S. Code Section 101(21), as required by the Armed Forces of the United States up to the date of first eligibility for separation or release, but shall not include periods of active duty in the Armed Forces of the United States creditable in any other retirement system except the National Guard or any reserve component of the Armed Forces of the United States, and shall not include periods of "active duty for training", as defined in 38 U.S. Code Section 101(22), or periods of "inactive duty training", as defined in 38 U.S. Code Section 101(23), rendered in any reserve component of the Armed Forces of the United States. ~~Provided, creditable~~Creditable service may~~shall be~~ allowed only for active duty in the Armed Forces of the United States of a member that resulted in a general or honorable discharge from duty. The member shall submit satisfactory evidence of the service claimed. For purposes of this subsection, membership service ~~may~~shall include any membership or prior service credits transferred to this Retirement System pursuant to G.S. 135-18.1.

(c) Periods When in Receipt of Benefits Under the North Carolina Workers' Compensation Act. – Notwithstanding any other provision of this Chapter, Article to the contrary, any member may purchase creditable service for periods of employer approved leaves of absence when in receipt of benefits under the North Carolina Workers' Compensation Act. ~~This service~~All of the following apply to purchases under this subsection:

(1) Service shall be purchased by paying a cost calculated in the following manner:

~~(1)a.~~ Leaves of Absence Terminated Prior to July 1, 1983. – The cost to a
A member whose employer approved leave of absence, when in receipt of benefits under the North Carolina Workers' Compensation Act, terminated upon return to service prior to July 1, 1983, shall be
may purchase creditable service for that period by paying a lump sum amount payable to the Annuity Savings Fund–Fund. The amount payable shall be equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, and shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the board of trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance

1 ~~increases, as determined by the Board of Trustees, from the earliest~~
2 ~~age at which a member could retire on an unreduced service~~
3 ~~allowance.~~ increase to the Retirement System due to the service credits
4 purchased plus an administrative fee that is set by the Board of
5 Trustees. The full liability increase shall be calculated on the basis of
6 the same assumptions used for the purposes of the actuarial valuation
7 of the liabilities of the Retirement System, except for the following
8 assumptions specific to this calculation: (i) the allowance shall be
9 assumed to commence at the earliest age at which the member could
10 retire on an unreduced retirement allowance and (ii) there shall be
11 assumed annual postretirement allowance increases set by the Board
12 of Trustees upon the advice of the consulting actuary.

13 (2)b. Leaves of Absence Terminating On and After July 1, 1983, but before
14 January 1, 1988. – ~~The cost to a~~ A member whose employer approved
15 leave of absence, when in receipt of benefits under the North Carolina
16 Workers' Compensation Act, terminates upon return to service on and
17 after July 1, 1983, but before January 1, 1988, ~~shall be a~~ may purchase
18 creditable service for that period by paying a lump sum amount due
19 ~~and payable to the Annuity Savings Fund.~~ Fund. If the creditable
20 service is purchased within six months from return to service,
21 then the amount payable shall be equal to the total employee and
22 employer percentage rates of contribution in effect at the time of
23 purchase and based on the annual rate of compensation of the member
24 immediately prior to the leave of absence; Provided, however, the cost
25 to a member whose amount due absence. If the credit is not purchased
26 and the amount payable is not paid within six months from return to
27 service, then the amount payable shall be the amount due as if
28 the purchase had taken place prior to six months from the end of the
29 leave of absence plus one percent (1%) per month penalty for each
30 month or fraction thereof the payment is made beyond the six-month
31 period.

32 (3)c. Leaves of Absence Terminating On and After January 1, 1988. – ~~The~~
33 ~~cost to a~~ A member whose employer approved leave of absence, when
34 in receipt of benefits under the North Carolina Workers' Compensation
35 Act, terminates on and after January 1, 1988, ~~shall be due and payable~~
36 may purchase creditable service for that period by paying a lump sum
37 amount to the Annuity Savings Fund within six months from end of
38 the leave of absence and absence. The amount payable shall be a lump
39 sum amount equal to the employee percentage rate of contribution in
40 effect at the time of purchase applied to the annual rate of
41 compensation of the member immediately prior to the leave of
42 absence. For members electing to make this payment, the member's
43 employer which granted the leave of absence, or the member's
44 employer upon a return to service, or both, shall make a matching lump
45 sum payment to the Pension Accumulation Fund within six months
46 from the end of the leave of absence equal to the employer percentage
47 rate of contribution in effect at the time of purchase applied to the
48 annual rate of compensation of the member immediately prior to the
49 leave of absence. Such ~~These~~ purchases of creditable service are
50 applicable only when members have membership service credits
51 within 30 days prior to the leave of absence and within 12 months

1 following the leave of absence and such membership service is
2 creditable service at the time of purchase. ~~Notwithstanding any other~~
3 ~~provision of this subdivision, the cost to a member and to a~~ If any
4 portion of the amount payable is not paid within six months from the
5 member's return to service, then the member, the member's employer
6 or former employer or both employers employer, or both if applicable,
7 whose amount due is not paid within six months from return to service
8 shall be service, then the applicable amount due plus shall be increased
9 one percent (1%) per month penalty for each month or fraction thereof
10 that the payment is made after the six-month period.

11 (2) A member who is in receipt of Workers' Compensation during the period for
12 which he or she would have otherwise been eligible to receive short-term
13 benefits as provided in G.S. 135-105 and who subsequently becomes a
14 beneficiary in receipt of a benefit as provided in G.S. 135-106 may purchase
15 creditable service for any period of employer approved leave of absence when
16 in receipt of benefits under the North Carolina Workers' Compensation Act.
17 The cost to purchase ~~such this~~ creditable service shall be as determined ~~above~~
18 ~~provided under subdivision (1) of this subsection. If the amount due if is not~~
19 ~~paid within six months from the beginning of the long-term disability period~~
20 ~~as determined in G.S. 135-106 under G.S. 135-106, then the amount payable~~
21 ~~for the purchase of the service credits shall be the initial amount due plus one~~
22 ~~percent (1%) per month penalty for each month or fraction thereof that the~~
23 ~~payment is made after the six-month period.~~

24 (3) Whenever the creditable service purchased pursuant to this subsection is for a
25 period that occurs during the four consecutive calendar years that would have
26 produced the highest average annual compensation pursuant to G.S. 135-1(5)
27 had the member not been on leave of absence without pay, then the
28 compensation that the member would have received during the purchased
29 period shall be included in calculating the member's average final
30 compensation. In ~~such these~~ cases, the compensation that the member would
31 have received during the purchased period shall be based on the annual rate
32 of compensation of the member immediately prior to the leave of absence.

33 Nothing in this subsection prevents an employer from voluntarily paying all or a part of the
34 employee portion of the total payment due for the service credit purchased. The employer shall
35 not discriminate against any eligible law enforcement officer employed by the employer in
36 paying all or a part of that portion of the total payment due. To the extent the employee portion
37 of the total payment due is paid by the employer, the employee portion paid by the employer
38 shall be credited to the Pension Accumulation Fund. To the extent the employee portion of the
39 total payment due is paid by the member, the employee portion paid by the member shall be
40 credited to the member's accumulated contributions and interest in the Annuity Savings Fund. A
41 member shall pay any part of the employee portion of the total payment due that is not paid by
42 the employer.

43 (d) Omitted Membership Service. – A member who (i) had service as an ~~employee~~
44 ~~employee~~, as defined in ~~G.S. 135-1(10) and G.S. 128-21(10)~~ under G.S. 135-1 or G.S. 128-21,
45 or as a ~~teacher~~ teacher, as defined in ~~G.S. 135-1(25)~~ under G.S. 135-1, and ~~who (ii) was omitted~~
46 from contributing membership through error ~~may shall~~ be allowed the omitted membership
47 service, after submitting service if the requirements of this subsection are met and the total
48 payment required for that service under this subsection is made. Submission of clear and
49 convincing evidence of the error, as follows: error is required prior to approval of, and payment
50 for, the omitted membership service. Payment for service under this subsection shall be made in
51 the following manner:

- (1) Within 90 days of the omission, by the payment of employee and employer contributions that would have been ~~paid; or paid.~~
- (2) After 90 days and prior to three years of the omission, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the ~~pension accumulation fund~~ Pension Accumulation Fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of ~~Trustees; or Trustees.~~
- (3) After three years of the omission, by ~~the payment of an amount equal to the full cost of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the system's liabilities, and shall take into account the additional retirement allowance arising on account of such additional service credit commencing at the earliest age at which a member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance paying a lump sum amount to the Annuity Savings Fund. The amount payable shall be equal to the full liability increase of the Retirement System due to the service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases set by the Board of Trustees upon the advice of the consulting actuary.~~

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the ~~cost of required payment for the omitted membership service; and to service. To the extent the amount is paid by the employer, the cost amount paid by the employer shall be credited to the pension accumulation fund; and to Pension Accumulation Fund. To the extent the amount is paid by the member, the cost amount paid by the members-member shall be credited to the member's annuity savings account; provided, however, an accumulated contributions and interest in the Annuity Savings Fund. An employer does shall not discriminate against any employed member or group of employed members in his employ in paying all or any part of the cost of payment required under this subsection for the omitted membership service.~~

(e) ~~Retroactive~~ Retroactively Reinstated or Restored Membership Service. – A member who is reinstated to service as an employee ~~as defined in G.S. 135-1(10) or as a teacher-teacher,~~ as ~~either is defined in G.S. 135-1(25) under G.S. 135-1,~~ retroactively to the date of prior involuntary termination with (i) back pay, as defined by the State Human Resources Commission, and (ii) associated benefits ~~may shall~~ be allowed membership service, ~~after submitting service for that period of reinstated service if the requirements of this subsection are met and the total payment required for that service under this subsection is made. Submission of clear and convincing evidence of the reinstatement, payment of back pay, and restoration of associated benefits, as follows: benefits is required prior to the approval of and payment for the retroactive membership service. The amount payable for the service under this subsection shall be calculated in the following manner:~~

(1) ~~When-If~~ the reinstatement to service is by court order, final decision of an Administrative Law Judge, or with the approval of the Office of State Human Resources Director, and is:

a. ~~Within~~ occurs within 90 days of the involuntary termination, ~~by the payment then the amount payable is the amount of employee and employer contributions that would have been paid; or paid.~~

b. After

(2) If the reinstatement to service is by court order, final decision of an Administrative Law Judge, or with the approval of the Office of State Human Resources Director, and occurs after 90 days of the involuntary termination, by the payment then the amount payable is the amount of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the ~~pension accumulation fund~~ Pension Accumulation Fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

~~(2)(3) When-If~~ the reinstatement to service is by settlement agreement voluntarily entered into by the affected parties, ~~by the payment of a lump sum amount, the member shall purchase this service by paying a lump sum amount to the annuity savings fund then the amount payable is an amount equal to the full liability increase to the Retirement System due to the additional service credits plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board.~~ The amount payable under this subdivision is required to be paid as a lump sum amount to the Annuity Savings Fund.

Subject to the requirements of this subsection, an employer may pay all or part of the ~~cost of a service purchase of amount payable due under this subsection for~~ a member in service. To the extent that the ~~purchase amount~~ is paid by the employer, the ~~cost amount~~ paid by the employer shall be credited to the ~~pension accumulation fund~~ Pension Accumulation Fund. To the extent the ~~purchase amount~~ is paid by the member, the ~~cost amount~~ paid by the member shall be credited to the member's ~~annuity savings account; provided, however, that an accumulated contributions and interest in the Annuity Savings Fund.~~ An employer ~~does~~ shall not discriminate against any employed member or group of employed members in paying all or any part of the ~~cost of payment required under this subsection for~~ the retroactive membership service.

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

(f) Purchase of Service Credits Through Rollover Contributions From Certain Other Plans. – Notwithstanding any other provision of this ~~Article~~, Article to the contrary, subject to the requirements of this subsection and any rules adopted, or policies established, by the Board of Trustees and without regard to any limitations on contributions otherwise set forth in this

Article, ~~a member, who is eligible to restore or purchase payments or repayments made for~~
membership or creditable service pursuant to the provisions of G.S. 135-4, may, subject to such
~~rules and regulations established by the Board of Trustees, purchase such service credits allowed~~
under this section or any other provision of this Article may be made by a member through
rollover contributions to the Annuity Savings Fund from ~~(i) an~~ any of the following sources:

- (1) An annuity contract described in Section 403(b) of the Internal Revenue Code,
~~(ii) an Code.~~
- (2) An eligible plan under Section 457(b) of the Internal Revenue Code which
that is maintained by a state, political subdivision of a state, or any agency or
instrumentality of a state or political subdivision of a state, ~~(iii) an state.~~
- (3) An individual retirement account or annuity described in Section 408(a) or
408(b) of the Internal Revenue Code that is eligible to be rolled over and
would otherwise be includible in gross income, or (iv) a income.
- (4) A qualified plan described in Section 401(a) or 403(a) of the Internal Revenue
Code. Notwithstanding the foregoing,

No rollover contribution shall be made under this subsection, and the Retirement System
shall not accept any amount as a rollover ~~contribution~~ contribution, unless such the amount
required for the payment or repayment is eligible to be rolled over to a qualified trust in
accordance with applicable law and the member provides evidence satisfactory to the Retirement
System that ~~such the~~ amount qualifies for rollover treatment. Unless received by the Retirement
System in the form of a direct rollover, the rollover contribution must be paid to the Retirement
System on or before the 60th day after the date it was received by the member.

~~Purchase of Service Credits Through Plan to Plan Transfers. — Notwithstanding any other~~
~~provision of this Article, and without regard to any limitations on contributions otherwise set~~
~~forth in this Article, a member, who is eligible to restore or purchase membership or creditable~~
~~service pursuant to the provisions of G.S. 135-4, may, subject to such rules and regulations~~
~~established by the Board of Trustees, purchase such service credits through a direct transfer to~~
~~the Annuity Savings Fund of funds from (i) an annuity contract described in Section 403(b) of~~
~~the Internal Revenue Code or (ii) an eligible plan under Section 457(b) of the Code which is~~
~~maintained by a state, political subdivision of a state, or any agency or instrumentality of a state~~
~~or political subdivision of a state.~~

(g) Purchase of Service Credits Through Plan-to-Plan Transfers. – Notwithstanding any
other provision of this ~~Article,~~ Article to the contrary, subject to the requirements of this
subsection and any rules adopted, or policies established, by the Board of Trustees and without
regard to any limitations on contributions otherwise set forth in this Article, ~~a member, who is~~
~~eligible to restore or purchase payments or repayments made for~~ membership or creditable
service pursuant to the provisions of G.S. 135-4, may, subject to such rules and regulations
established by the Board of Trustees, purchase such service credits allowed under this section or
any other provision of this Article may be made by a member through a direct transfer to the
Annuity Savings Fund of funds from ~~(i) the~~ any of the following sources:

- (1) An annuity contract described in Section 403(b) of the Internal Revenue Code.
- (2) An eligible plan under Section 457(b) of the Internal Revenue Code that is
maintained by a state, a political subdivision of a state, or any agency or
instrumentality of a state or a political subdivision of a state.
- (3) Supplemental Retirement Income Plans A, B, or C of North Carolina or (ii)
any Carolina.
- (4) Any other defined contribution plan qualified under Section 401(a) of the
Internal Revenue Code which that is maintained by the State of North
Carolina, a political subdivision of a the State or any other state, or any agency
or instrumentality of a the State or any other state or political subdivision of a
the State or any other state."

1 **SECTION 4.(a)** G.S. 135-1(8) reads as rewritten:

2 "(8) "Creditable service" shall mean the total of "prior service" plus "membership
3 service" plus service, both noncontributory and purchased, for which credit is
4 allowable as provided ~~in G.S. 135-4.~~ under this Article. In no event, however,
5 shall "creditable service" be deemed "membership service" for the purpose of
6 determining eligibility for benefits accruing under this ~~Chapter.~~ Article."

7 **SECTION 4.(b)** G.S. 135-4 is amended by adding a new subsection to read:

8 "(kk) Creditable service may be purchased in accordance with G.S. 135-4.5, or as otherwise
9 provided for in this Article."

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

11 "(b) Annuity Savings Fund. – ~~The annuity savings fund shall be a fund in which shall be~~
12 ~~accumulated contributions.~~ Contributions from the compensation of members to provide for their
13 ~~annuities.~~ annuities shall be deposited into the Annuity Savings Fund. Contributions to ~~any and~~
14 ~~payments from the annuity savings fund.~~ Annuity Savings Fund shall be made as follows:

15 ...
16 (5) The Board of Trustees may approve the purchase of creditable service by any
17 member for leaves of absence or for interrupted service to an employer only
18 for the purpose of acquiring knowledge, talents, or abilities and to increase the
19 efficiency of service to the employer, subject to the provisions of this
20 subdivision. A leave of absence or interrupted service may be approved for
21 purchase under this subdivision for a period of employment as a teacher in a
22 charter school. Any other leave of absence or interrupted service shall qualify
23 for purchase under this subdivision only if (i) during the time of the leave or
24 interrupted service the member is enrolled and participates in a full time
25 degree program at an accredited institution of higher education, (ii) the
26 member is not paid compensation, other than a stipend resulting from
27 participation in a full-time degree program, for the activity in which he or she
28 is acquiring knowledge, talents, or abilities, and (iii) the service is not
29 purchased for any month in which the member performed any services for any
30 of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor
31 to any of those organizations. Approval by the Board of Trustees under this
32 subdivision shall be made prior to the purchase of the creditable service, is
33 limited to a career total of six years for each member, and may be obtained in
34 the following manner:

35 ...
36 c. Educational program prior to July 1, 1981. – Creditable service for
37 leaves of absence or interrupted service for educational purposes prior
38 to July 1, 1981, may be purchased on or before December 31, 2038,
39 by a member, before or after retirement, who returned as a contributing
40 employee or teacher within 12 months after completing the
41 educational program and completed 10 years of subsequent
42 membership ~~service.~~ service. Purchases under this sub-subdivision
43 shall be made by making a lump sum payment into the annuity savings
44 ~~fund.~~ fund Annuity Savings Fund equal to the full cost of the service credits
45 calculated on the basis of the assumptions used for purposes of the
46 actuarial valuation of the system's liabilities and shall take into account
47 the retirement allowance arising on account of the additional service
48 credit commencing at the earliest age at which the member could retire
49 on an unreduced retirement allowance as determined by the Board of
50 Trustees upon the advice of the consulting actuary, plus a fee to be
51 determined by the Board of Trustees.

1 ...

2 Payments required to be made by the member, the employer, or both under
3 ~~subparagraphs a or b~~ sub-subdivision a. or b. of this subdivision are due by
4 the 15th of the month following the month for which the service credit is
5 allowed and payments made after the due date shall be assessed a penalty, in
6 lieu of interest, of one percent (1%) per month or fraction thereof the payment
7 is made beyond the due date; provided, that these payments shall be made
8 prior to retirement and provided further, that if the member did not become a
9 contributing member within 12 months after completing the educational
10 program and failed to complete three years of subsequent membership service,
11 except in the event of death or disability, any payment made by the member
12 including penalty shall be refunded with regular interest thereon and the
13 service credits cancelled prior to or at retirement.

14 "

15
16 **PART II. RECODIFY AND STANDARDIZE SERVICE PURCHASE UNDER THE**
17 **LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

18 **SECTION 6.** Article 3 of Chapter 128 of the General Statutes is amended by adding
19 a new G.S. 128-26.5 to be entitled "Creditable service purchases."

20 **SECTION 7.(a)** The second through sixth sentences of subsection (h2) of
21 G.S. 128-26 are recodified as subsection (a) of G.S. 128-26.5, as created by Section 6 of this act.

22 **SECTION 7.(b)** The first sentence of subsection (h2) of G.S. 128-26 is recodified
23 as the first sentence of subdivision (a)(1) of G.S. 128-26.5, and subsection (i1) of G.S. 128-26 is
24 recodified as the second through seventh sentences of subdivision (a)(1) of G.S. 128-26.5, as
25 created by Section 6 of this act. The remaining subsection catch line for subsection (i1) of
26 G.S. 128-26 is repealed.

27 **SECTION 7.(c)** Subsection (j3) of G.S. 128-26 is recodified as subdivision (a)(2) of
28 G.S. 128-26.5, as created by Section 6 of this act.

29 **SECTION 7.(d)** Subsection (p1) of G.S. 128-26 is recodified as subdivision (a)(3)
30 of G.S. 128-26.5, as created by Section 6 of this act, and the existing subunits of subsection (p1)
31 of G.S. 128-26 are redesignated accordingly.

32 **SECTION 7.(e)** Subsection (r) of G.S. 128-26 is recodified as subdivision (a)(4) of
33 G.S. 128-26.5, as created by Section 6 of this act, and the existing subunits of subsection (r) of
34 G.S. 128-26 are redesignated accordingly.

35 **SECTION 7.(f)** Subsection (q1) of G.S. 128-26 is recodified as subdivision (a)(5) of
36 G.S. 128-26.5, as created by Section 6 of this act.

37 **SECTION 7.(g)** Subsection (s) of G.S. 128-26 is recodified as subdivision (a)(7) of
38 G.S. 128-26.5, as created by Section 6 of this act.

39 **SECTION 7.(h)** Subsection (j1) of G.S. 128-26 is recodified as subsection (b) of
40 G.S. 128-26.5, as created by Section 6 of this act.

41 **SECTION 7.(i)** Subsection (l) of G.S. 128-26 is recodified as subsection (c) of
42 G.S. 128-26.5, as created by Section 6 of this act.

43 **SECTION 7.(j)** Subsection (m) of G.S. 128-26 is recodified as subsection (d) of
44 G.S. 128-26.5, as created by Section 6 of this act.

45 **SECTION 7.(k)** Subsection (v) of G.S. 128-26 is recodified as subsection (e) of
46 G.S. 128-26.5, as created by Section 6 of this act.

47 **SECTION 7.(l)** Subsection (t) of G.S. 128-26 is recodified as subsection (f) of
48 G.S. 128-26.5, as created by Section 6 of this act.

49 **SECTION 7.(m)** Subsection (u) of G.S. 128-26 is recodified as subsection (g) of
50 G.S. 128-26.5, as created by Section 6 of this act.

51 **SECTION 7.(n)** Subsections (h1), (i), (j2), and (q) of G.S. 128-26 are repealed.

1 **SECTION 8.** G.S. 128-26.5, as created by Section 6 of this act and amended by
2 Section 7 of this act, reads as rewritten:

3 **"§ 128-26.5. Creditable service purchases.**

4 (a) ~~The amount of creditable service purchased under this subsection may not exceed a~~
5 ~~total of five years. The member shall purchase this service~~ General Purchases of Service Credit.
6 ~~– Any member in service with five or more years of membership service may purchase creditable~~
7 ~~service authorized under this subsection by paying a lump sum amount to the Annuity Savings~~
8 ~~Fund-Fund. The amount payable shall be equal to the full liability increase of the Retirement~~
9 ~~System due to the additional service credits purchased plus an administrative fee that is set by~~
10 ~~the Board of Trustees. The full liability increase shall be calculated on the basis of the same~~
11 ~~assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement~~
12 ~~System, except for the following assumptions specific to this calculation: (i) the allowance shall~~
13 ~~be assumed to commence at the earliest age at which the member could retire on an unreduced~~
14 ~~retirement allowance and (ii) there shall be assumed annual postretirement allowance increases~~
15 ~~as set by the Board of Trustees upon the advice of the consulting actuary.~~

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

22 The total amount of creditable service purchased under each subdivision of this section shall
23 not exceed five years. No purchase of service credit under any subdivision of this section shall
24 be made if a benefit is allowable under another public retirement system as a result of the service.
25 If there is a conflict between a provision of G.S. 128-26 and a provision of this subsection, then
26 this subsection shall control.

27 The following purchases of creditable service are authorized under this subsection:

- 28 (1) ~~Notwithstanding any provision of this Chapter to the contrary on and after~~
29 ~~January 1, 2023, any member in service with five or more years of~~
30 ~~membership service may purchase creditable service for service as a member~~
31 ~~of the General Assembly not otherwise creditable under this section, provided~~
32 ~~the service is not credited in the Legislative Retirement Fund nor the~~
33 ~~Legislative Retirement System, by paying a total lump sum payment.~~
34 ~~Notwithstanding any other provision of this Article to the contrary, on and~~
35 ~~after January 1, 2022, any member who withdrew his or her contributions in~~
36 ~~accordance with the provisions of G.S. 128-27(f) or G.S. 135-5(f) or the rules~~
37 ~~of the Law Enforcement Officers' Retirement System, and who subsequently~~
38 ~~returns to service and completes five years of membership service upon that~~
39 ~~return, while in service may purchase an amount of creditable service totaling~~
40 ~~the amount of the membership service associated with the withdrawn~~
41 ~~contributions, provided that the total of the creditable service purchased under~~
42 ~~this subsection may not exceed a total of five years. The member shall~~
43 ~~purchase this service by paying a lump sum amount to the Annuity Savings~~
44 ~~Fund equal to the full liability increase due to the additional service credits on~~
45 ~~the basis of the assumptions used for the purposes of the actuarial valuation~~
46 ~~of the liabilities of the Retirement System, except for the following~~
47 ~~assumptions specific to this calculation: (i) the allowance shall be assumed to~~
48 ~~commence at the earliest age at which the member could retire on an~~
49 ~~unreduced retirement allowance and (ii) assumed annual postretirement~~
50 ~~allowance increases as set by the Board of Trustees upon the advice of the~~

consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board.

Subject to the requirements of this subsection, an employer may pay all or part of the cost of a service purchase of a member in service. To the extent that the purchase is paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund. To the extent that the purchase is paid by the member, the cost paid by the member shall be credited to the member's annuity savings account. Withdrawn service. – Service withdrawn in accordance with the provisions of any of the following, limited to a total maximum purchase of five years:

a. G.S. 120-4.25.

b. G.S. 128-27(f).

c. G.S. 135-5(f).

d. G.S. 135-62.

e. Any rules adopted under Article 12 of Chapter 143 of the General Statutes, as it existed prior to 1986.

- (2) ~~Notwithstanding any provision of this Article to the contrary, on and after January 1, 2022, any member in service with five or more years of membership service may purchase creditable service Federal, state, or local government service. – Service previously rendered to the federal government or to any state, territory, or other governmental subdivision of the United States other than this State by paying a total lump sum payment. The amount of creditable service purchased under this subsection may not exceed a total of five years. The member shall purchase this service by paying a lump sum amount to the Annuity Savings Fund equal to the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The increases as set by the Board of Trustees upon the advice of the consulting actuary shall also include an administrative fee to be set by the Board.~~

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

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

- (3) ~~Part Time Service Credit. – Notwithstanding any other provision of this Article to the contrary, any member in service with five or more years of membership service may purchase service~~ Part-time service. – Service previously rendered as a part-time teacher or employee of an employer, as

defined in G.S. 135-1(11) or G.S. 128-21(11), ~~except under either G.S. 135-1 or G.S. 128-21. For the purposes of this subdivision, the following service may not~~ is not eligible to be purchased:

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

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

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

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

- (4) ~~Credit at Full Cost for Temporary Government Employment.— Notwithstanding any other provisions of this Chapter, any member in service with five or more years of membership service may purchase creditable service for government employment when classified as service. — Service previously rendered on a temporary employee subject to all basis to an employer, as defined under either G.S. 135-1 or G.S. 128-21, and that meets both of the following conditions:~~

- a. ~~The member was employed by an employer as defined in G.S. 128-21(11) or G.S. 135-1(11).~~
- b. ~~a. The member's temporary employment met all other requirements of G.S. 128-21(10), or G.S. 135-1(10) or (25). member would have met the definition of employee or teacher under either G.S. 135-1 or G.S. 128-21 except for the temporary nature of the service.~~
- c. ~~The member has completed five years or more of membership service.~~

~~d.b.~~ The member has acquired from the employer such all certifications of temporary employment as that are required by the Board of Trustees.

~~The amount of creditable service purchased under this subsection may not exceed a total of five years. A member shall purchase this service by making a lump sum payment into the Annuity Savings Fund equal to the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board.~~

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

- (5) ~~Credit at Full Cost for Probationary Employment Purchased On or After January 1, 2022. Notwithstanding any other provision of this Chapter, on and after January 1, 2022, a member in service with five or more years of service may purchase creditable service for employment with an employer local government service. – Service previously rendered to any local employer, as defined in this Article Article, when considered to be performed in a probationary or employer-imposed waiting period status and thereby not regularly employed that occurred between date of employment and date of membership service with the retirement system. The amount of creditable service purchased under this subsection may not exceed five years. Retirement System.~~

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

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

- (6) Involuntary furlough. – Periods of interrupted service due to involuntary administrative furlough caused by the lack of funds to support the position.

(7) ~~Credit at Full Cost for Employment Not Otherwise Creditable.~~
Notwithstanding any other provisions of this Chapter, any member in service with five or more years of membership service may purchase creditable service for any employment not otherwise creditable. – Service not creditable in any other retirement system or plan that was previously rendered as an employee, as defined in ~~G.S. 128-21(10), under G.S. 128-21,~~ of a local government employer ~~not creditable in any other retirement system or plan,~~ provided that the that meets both of the following criteria:

a. The local government employer is, at the time of purchase, a participating employer in the Retirement System but System.

b. The local government employer was not a participating employer in the Retirement System at the time the service was rendered by the member. ~~The amount of creditable service purchased under this subsection may not exceed a total of five years. A member shall purchase this service by making a lump sum payment into the Annuity Savings Fund equal to the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board.~~

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

(b) Armed Service Credit. – Notwithstanding any other provision of this Chapter, Article to the contrary, any member ~~and or~~ any retired member ~~as herein described~~ may purchase creditable service for service in the Armed Forces of the United States, ~~not otherwise allowed, States~~ by paying a total lump sum payment determined as follows:

(1) ~~For On or before December 31, 2038,~~ members who completed 10 years of membership service, and retired members who completed 10 years of membership service prior to retirement, and whose membership began on or prior to January 1, 1988, ~~and who make such~~ may purchase this service within three years after first becoming eligible, ~~the cost shall be eligible by paying~~ an amount equal to the monthly compensation the member earned when the member first entered membership service times the employee contribution rate at that time times the months of service to be purchased multiplied by a factor equivalent to the investment return assumptions determined by the Board of Trustees, compounded annually, from the initial year of membership to the year of payment so as to equal one-half of the cost of allowing such service, plus an administrative fee to be set by the Board of Trustees.

(2) ~~For members~~ Members who complete five years of membership service, ~~and~~ retired members who complete five years of membership service prior to retirement, and ~~eligible~~ members and retired members ~~covered by paragraph (1) of this subdivision,~~ whose membership began on or before January 1,

1 1988, and who were eligible to purchase service credits under subdivision (1)
2 of this subsection but who did not or do not make such purchase within three
3 years after first becoming eligible, the cost shall be an amount equal to the full
4 liability of the service credits calculated on the basis of the assumptions used
5 for the purposes of the actuarial valuation of the System's liabilities and shall
6 take into account the retirement allowance arising on account of the additional
7 service credits commencing at the earliest age at which the member could
8 retire on an unreduced allowance, as determined by the Board of Trustees
9 upon the advice of the consulting actuary, plus an administrative fee to be set
10 by the Board of Trustees. Notwithstanding the foregoing provisions of this
11 subsection that provide for the purchase of service credits, the term "full
12 liability" includes assumed post retirement allowance increases, as
13 determined by the Board of Trustees, from the earliest age at which a member
14 could retire on an unreduced service retirement allowance. eligible, may
15 purchase this service by paying a lump sum amount to the Annuity Savings
16 Fund. The amount payable shall be equal to the full liability increase to the
17 Retirement System due to the additional service credits purchased plus an
18 administrative fee that is set by the Board of Trustees. The full liability
19 increase shall be calculated on the basis of the same assumptions used for the
20 purposes of the actuarial valuation of the liabilities of the Retirement System,
21 except for the following assumptions specific to this calculation: (i) the
22 allowance shall be assumed to commence at the earliest age at which the
23 member could retire on an unreduced retirement allowance and (ii) there shall
24 be assumed annual postretirement allowance increases set by the Board of
25 Trustees upon the advice of the consulting actuary.

26 Creditable service allowed under this ~~subdivision~~ subsection shall be only for the initial
27 period of "active duty", as defined in 38 U.S. Code Section 101(21), in the Armed Forces of the
28 United States up to the date the member was first eligible to be separated and released and for
29 subsequent periods of "active duty", as defined in 38 U.S. Code Section 101(21), as required by
30 the Armed Forces of the United States up to the date of first eligibility for separation or release,
31 but shall not include periods of active duty in the Armed Forces of the United States creditable
32 in any other retirement system except the National Guard or any reserve component of the Armed
33 Forces of the United States, and shall not include periods of "active duty for training", as defined
34 in 38 U.S. Code Section 101(22), or periods of "inactive duty training", as defined in 38 U.S.
35 Code Section 101(23), rendered in any reserve component of the Armed Forces of the United
36 States. ~~Provided, creditable~~ Creditable service ~~may~~ shall be allowed only for active duty in the
37 Armed Forces of the United States of a member that resulted in a general or honorable discharge
38 from duty. The member shall submit satisfactory evidence of the service claimed. For purposes
39 of this subsection, membership service ~~may~~ shall include any membership or prior service credits
40 transferred to this Retirement System pursuant to G.S. 128-24.

41 (c) Periods When in Receipt of Benefits Under the North Carolina Workers'
42 Compensation Act. – Notwithstanding any other provision of this Chapter, Article to the
43 contrary, any member may purchase creditable service for periods of employer approved leaves
44 of absence when in receipt of benefits under the North Carolina Workers' Compensation Act.
45 ~~This service~~ All of the following apply to purchases under this subsection:

46 (1) Service shall be purchased by paying a cost calculated in the following
47 manner:

48 (1)a. Leaves of Absence Terminated Prior to July 1, 1983. – The cost to a
49 A member whose employer approved leave of absence, when in
50 receipt of benefits under the North Carolina Workers' Compensation
51 Act, terminated upon return to service prior to July 1, 1983, shall be a

may purchase creditable service for that period by paying a lump sum amount payable to the Annuity Savings Fund-Fund. The amount payable shall be equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, and shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance increase to the Retirement System due to the service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases set by the Board of Trustees upon the advice of the consulting actuary.

(2)b. Leaves of Absence Terminating On and After July 1, 1983. – The cost to a member whose employer approved leave of absence, when in receipt of benefits under the North Carolina Workers' Compensation Act, terminates on and after July 1, 1983, shall be a may purchase creditable service for that period by paying a lump sum amount due and payable to the Annuity Savings Fund-Fund. If the creditable service is purchased within six months from end of the leave of absence-absence, then the amount payable shall be equal to the total employee and employer percentage rates of contribution in effect at the time of purchase and based on the annual rate of compensation of the member immediately prior to the leave of absence; Provided, however, the cost to a member whose amount due absence. If the creditable service is not purchased and the amount payable is not paid within six months from the end of the leave of absence shall absence, then the amount payable shall be the amount due as if the purchase had taken place prior to six months from the end of the leave of absence plus one percent (1%) per month penalty for each month or fraction thereof the payment is made beyond the six-month period.

(2) Whenever the creditable service purchased pursuant to this subsection is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 128-21(5) had the member not been on leave of absence without pay, then the compensation that the member would have received during the purchased period shall be included in calculating the member's average final compensation. In such these cases, the compensation that the member would

1 have received during the purchased period shall be based on the annual rate
2 of compensation of the member immediately prior to the leave of absence.
3 (3) In the case of a law enforcement officer electing to purchase service under this
4 ~~section-subsection~~ who is in receipt of benefits under the North Carolina
5 Workers' Compensation Act due to serious bodily injury suffered in the line
6 of duty as a result of an intentional or unlawful act of another, as certified by
7 the head of the employing law enforcement agency, and whose approved leave
8 of absence terminates on or before a return to service on and after August 1,
9 2006, the employer percentage rate of contribution payable under ~~subdivision~~
10 ~~(2)-sub-subdivision b. of subdivision (2)~~ of this subsection shall be made by
11 the employer that granted the leave of absence. The cost to the law
12 enforcement officer shall be reduced by the amount paid by the employer. For
13 purposes of this ~~subsection-subdivision~~, "serious bodily injury" means bodily
14 injury that creates a substantial risk of death, ~~or~~ that causes serious permanent
15 disfigurement, a coma, a permanent or protracted condition that causes
16 extreme pain, or a permanent or protracted loss or impairment of the function
17 of any bodily member or organ, or that results in prolonged hospitalization.

18 Nothing in this subsection prevents an employer from voluntarily paying all or a part of the
19 employee portion of the ~~total cost of total payment due for the service credit purchased, and the~~
20 ~~purchased. The employer does shall~~ not discriminate against any eligible law enforcement officer
21 ~~in this subsection~~ employed by the employer by paying all or a part of that portion of cost-the
22 total payment due. To the extent the employee portion of the total payment due is paid by the
23 employer, the employee portion paid by the employer shall be credited to the Pension
24 Accumulation Fund; ~~to Fund.~~ To the extent the employee portion of the total payment due is paid
25 by the member, the employee portion paid by the member shall be credited to the member's
26 ~~annuity savings account-accumulated contributions and interest in the Annuity Savings Fund.~~ A
27 member shall pay any part of the employee portion of the total ~~cost-payment due that is~~ not paid
28 by the employer.

29 (d) Omitted Membership Service. – A member who (i) had service as an ~~employee~~
30 ~~employee, as defined in G.S. 135-1(10) and G.S. 128-21(10) under G.S. 135-1 or G.S. 128-21,~~
31 or as a ~~teacher-teacher~~, as defined in ~~G.S. 135-1(25) under G.S. 135-1, and who~~ (ii) was omitted
32 from contributing membership through error ~~may shall~~ be allowed the omitted membership
33 ~~service, after submitting service if the requirements of this subsection are met and the total~~
34 payment required for that service under this subsection is made. Submission of clear and
35 convincing evidence of the error, as follows: error is required prior to approval of, and payment
36 for, the omitted membership service. Payment for service under this subsection shall be made in
37 the following manner:

- 38 (1) ~~within-Within~~ 90 days of the omission, by the payment of employee and
39 employer contributions that would have been ~~paid; or paid.~~
- 40 (2) ~~after-After~~ 90 days and prior to three years of the omission, by the payment of
41 the employee and employer contributions that would have been paid plus
42 interest compounded annually at a rate equal to the greater of the average yield
43 on the ~~pension-accumulation fund-Pension Accumulation Fund~~ for the
44 preceding calendar year or the actuarial investment rate-of-return assumption,
45 as adopted by the Board of ~~Trustees; or Trustees.~~
- 46 (3) ~~after-After~~ three years of the omission, by ~~the payment of an amount equal to~~
47 ~~the full cost of the service credits calculated on the basis of the assumptions~~
48 ~~used for the purposes of the actuarial valuation of the System's liabilities, and~~
49 ~~shall take into account the additional retirement allowance arising on account~~
50 ~~of such additional service credit commencing at the earliest age at which a~~
51 ~~member could retire on an unreduced retirement allowance, as determined by~~

the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance paying a lump sum amount to the Annuity Savings Fund. The amount payable shall be equal to the full liability increase of the Retirement System due to the service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases set by the Board of Trustees upon the advice of the consulting actuary.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the ~~cost of required payment for the omitted membership service; and to service.~~ To the extent the amount is paid by the employer, the ~~cost amount~~ paid by the employer shall be credited to the ~~pension accumulation fund; and to Pension Accumulation Fund.~~ To the extent the amount is paid by the member, the ~~cost amount~~ paid by the ~~members member~~ shall be credited to the member's ~~annuity savings account; provided, however, an accumulated contributions and interest in the Annuity Savings Fund.~~ An employer ~~does shall~~ not discriminate against any employed member or group of employed members in his employ in paying all or any part of the ~~cost of payment required under this subsection for the omitted membership service. In the event an employer pays all or a part of the full actuarial cost as determined in subdivision (3) of this subsection, the employer may, at its option, pay such amount either in a lump sum or by increasing its "accrued liability contribution" for the remainder of its accrued liability period. In the event an employer has satisfied its accrued liability contribution, the employer may amortize its portion of the full actuarial cost over a period not to exceed ten years. The expense of making an actuarial valuation to determine the accrued liability contribution or the additional accrued liability contribution, required to amortize the portion of the full actuarial cost paid by the employer, shall be paid by the employer in a lump sum at the time of the actuarial valuation.~~

(e) ~~Retroactive~~ Retroactively Reinstated or Restored Membership Service. – A member who is reinstated to service as an ~~employee employee~~, as defined in ~~G.S. 128-21(10) under G.S. 128-21,~~ retroactively to the date of prior involuntary termination with back pay and associated benefits ~~may shall~~ be allowed membership service, ~~after submitting service for that period of reinstated service if the requirements of this subsection are met and the total payment required for that service under this subsection is made. Submission of clear and convincing evidence of the reinstatement, payment of back pay, and restoration of associated benefits, as follows: benefits is required prior to the approval of and payment for the retroactive membership service. The amount payable for service under this subsection shall be calculated in the following manner:~~

- (1) ~~When~~ If the reinstatement to service is by court order and is:
 - a. ~~Within occurs within~~ 90 days of the involuntary termination, ~~by the payment then the amount payable is the amount of employee and employer contributions that would have been paid; or paid.~~
 - b. ~~After~~
- (2) If the reinstatement to service is by court order and occurs after 90 days of the involuntary termination, ~~by the payment then the amount payable is the~~

amount of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the ~~pension accumulation fund~~ Pension Accumulation Fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

(2)(3) ~~When~~ If the reinstatement to service is by settlement agreement voluntarily entered into by the affected parties, ~~by the payment of a lump sum amount, the member shall purchase this service by paying a lump sum amount to the annuity savings fund~~ then the amount payable shall be equal to the full liability increase to the Retirement System due to the additional service credits plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board. ~~The amount payable under this subdivision is required to be paid as a lump sum amount to the Annuity Savings Fund.~~

Subject to the requirements of this subsection, an employer may pay all or part of the ~~cost of a service purchase of amount payable due under this subsection for a member in service. To the extent that the purchase amount is paid by the employer, the cost amount paid by the employer shall be credited to the pension accumulation fund.~~ Pension Accumulation Fund. To the extent the ~~purchase amount~~ is paid by the member, the ~~cost amount~~ paid by the member shall be credited to the member's annuity savings account; ~~provided, however, that an accumulated contributions and interest in the Annuity Savings Fund. An employer does shall not discriminate against any employed member or group of employed members in paying all or any part of the cost of payment required under this subsection for the retroactive membership service.~~

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

(f) Purchase of Service Credits Through Rollover Contributions From Certain Other Plans. – Notwithstanding any other provision of this ~~Article,~~ Article to the contrary, subject to the requirements of this subsection and any rules adopted, or policies established, by the Board of Trustees and without regard to any limitations on contributions otherwise set forth in this Article, a member, who is eligible to restore or purchase payments or repayments made for membership or creditable service pursuant to the provisions of G.S. 128-26, may, subject to such rules and regulations established by the Board of Trustees, purchase such service credits allowed under this section or any other provision of this Article may be made by a member through rollover contributions to the Annuity Savings Fund from (i) an any of the following sources:

- (1) An annuity contract described in Section 403(b) of the Internal Revenue Code,
~~(ii) an Code.~~
- (2) An eligible plan under Section 457(b) of the Internal Revenue Code which that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, ~~(iii) an state.~~

(3) An individual retirement account or annuity described in Section 408(a) or 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income, or (iv) a income.

(4) A qualified plan described in Section 401(a) or 403(a) of the Internal Revenue Code.~~Notwithstanding the foregoing,~~

No rollover contribution shall be made under this subsection, and the Retirement System shall not accept any amount as a rollover contribution, unless such the amount required for the payment or repayment is eligible to be rolled over to a qualified trust in accordance with applicable law and the member provides evidence satisfactory to the Retirement System that such the amount qualifies for rollover treatment. Unless received by the Retirement System in the form of a direct rollover, the rollover contribution must be paid to the Retirement System on or before the 60th day after the date it was received by the member.

~~Purchase of Service Credits Through Plan-to-Plan Transfers. — Notwithstanding any other provision of this Article, and without regard to any limitations on contributions otherwise set forth in this Article, a member, who is eligible to restore or purchase membership or creditable service pursuant to the provisions of G.S. 128-26, may, subject to such rules and regulations established by the Board of Trustees, purchase such service credits through a direct transfer to the Annuity Savings Fund of funds from (i) an annuity contract described in Section 403(b) of the Internal Revenue Code or (ii) an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.~~

(g) Purchase of Service Credits Through Plan-to-Plan Transfers. – Notwithstanding any other provision of this Article, Article to the contrary, subject to the requirements of this subsection and any rules adopted, or policies established, by the Board of Trustees and without regard to any limitations on contributions otherwise set forth in this Article, a member, who is eligible to restore or purchase payments or repayments made for membership or creditable service pursuant to the provisions of G.S. 128-26, may, subject to such rules and regulations established by the Board of Trustees, purchase such service credits allowed under this section or any other provision of this Article may be made by a member through a direct transfer to the Annuity Savings Fund of funds from (i) the any of the following sources:

(1) An annuity contract described in Section 403(b) of the Internal Revenue Code.

(2) An eligible plan under Section 457(b) of the Internal Revenue Code that is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or a political subdivision of a state.

(3) Supplemental Retirement Income Plans A, B, or C of North Carolina or (ii) any Carolina.

(4) Any other defined contribution plan qualified under Section 401(a) of the Internal Revenue Code which that is maintained by the State of North Carolina, a political subdivision of a the State or any other state, or any agency or instrumentality of a the State or any other state or political subdivision of a the State or any other state."

SECTION 9.(a) G.S. 128-21(8) reads as rewritten:

"(8) "Creditable service" shall mean the total of "prior service" plus "membership service" plus service, both noncontributory and purchased, for which credit is allowable ~~as provided in G.S. 128-26, under this Article.~~ In no event, however, shall "creditable service" be deemed "membership service" for the purpose of determining eligibility for benefits accruing under this ~~Chapter.~~Article."

SECTION 9.(b) G.S. 128-26 is amended by adding a new subsection to read:

"(z) Creditable service may be purchased in accordance with G.S. 128-26.5, or as otherwise provided for in this Article."

1 **SECTION 10.** G.S. 128-30(b) reads as rewritten:

2 "(b) Annuity Savings Fund. – ~~The annuity savings fund shall be a fund in which shall be~~
3 ~~accumulated contributions~~ Contributions from the compensation of members to provide for their
4 ~~annuities.~~ annuities shall be deposited into the Annuity Savings Fund. Contributions to and
5 payments from the ~~annuity savings fund~~ Annuity Savings Fund shall be made as follows:

6 ...
7 (4) The Board of Trustees may approve the purchase of creditable service by any
8 member for leaves of absence or for interrupted service to an employer only
9 for the purpose of acquiring knowledge, talents, or abilities and to increase the
10 efficiency of service to the employer, subject to the provisions of this
11 subdivision. A leave of absence or interrupted service may be approved for
12 purchase under this subdivision for a period of employment as a teacher in a
13 charter school. Any other leave of absence or interrupted service shall qualify
14 for purchase under this subdivision only if (i) during the time of the leave or
15 interrupted service the member is enrolled and participates in a full-time
16 degree program at an accredited institution of higher education, (ii) the
17 member is not paid compensation, other than a stipend resulting from
18 participation in a full-time degree program, for the activity in which he or she
19 is acquiring knowledge, talents, or abilities, and (iii) the service is not
20 purchased for any month in which the member performed any services for any
21 of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor
22 to any of those organizations. Approval by the Board of Trustees under this
23 subdivision shall be made prior to the purchase of the creditable service, is
24 limited to a career total of four years for each member, and may be obtained
25 in the following manner:

26 ...
27 c. Educational program prior to July 1, 1981. – Creditable service for
28 leaves of absence or interrupted service for educational purposes prior
29 to July 1, 1981, may be purchased on or before December 31, 2038,
30 by a member, before or after retirement, who returned as a contributing
31 employee or teacher within 12 months after completing the
32 educational program and completed 10 years of subsequent
33 membership ~~service,~~ service. Purchases under this sub-subdivision
34 shall be made by making a lump sum payment into the annuity savings
35 fund ~~fund~~ Annuity Savings Fund equal to the full cost of the service credits
36 calculated on the basis of the assumptions used for purposes of the
37 actuarial valuation of the system's liabilities and shall take into account
38 the retirement allowance arising on account of the additional service
39 credit commencing at the earliest age at which the member could retire
40 on an unreduced retirement allowance as determined by the ~~board~~
41 Board of trustees ~~Trustees~~ upon the advice of the consulting actuary,
42 plus a fee to be determined by the ~~board~~ Board of trustees ~~Trustees~~.

43 Payments required to be made by the ~~member and/or member,~~ the
44 ~~employer~~ employer, or both under subparagraphs a or b ~~sub-subdivision a. or~~
45 b. of this subdivision are due by the 15th of the month following the month
46 for which the service credit is allowed and payments made after the due date
47 shall be assessed a penalty, in lieu of interest, of one percent (1%) per month
48 or fraction thereof the payment is made beyond the due date; provided, that
49 these payments shall be made prior to retirement and provided further, that if
50 the member did not become a contributing member within 12 months after
51 completing the educational program and failed to complete three years of

subsequent membership service, except in the event of death or disability, any payment made by the member including penalty shall be refunded with regular interest thereon and the service credits cancelled prior to or at retirement.

...."

PART III. RECODIFY AND STANDARDIZE SERVICE PURCHASE UNDER THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 11. Article 4 of Chapter 135 of the General Statutes is amended by adding a new G.S. 135-56.5 to be entitled "Creditable service purchases."

SECTION 12.(a) The third through seventh sentences of subsection (b1) of G.S. 135-56 are recodified as subsection (a) of G.S. 135-56.5, as created by Section 11 of this act.

SECTION 12.(b) The second sentence of subsection (b1) of G.S. 135-56 is recodified as the first sentence of subdivision (a)(1) of G.S. 135-56.5, as created by Section 11 of this act, and subsection (e1) of G.S. 135-56 is recodified as the second through seventh sentences of that subdivision.

SECTION 12.(c) The first through fifth sentences and the seventh sentence of G.S. 135-56.2 are recodified as subdivision (a)(2) of G.S. 135-56.5, as created by Section 11 of this act.

SECTION 12.(d) Subsection (d1) of G.S. 135-56 is recodified as subdivision (a)(11) of G.S. 135-56.5, as created by Section 11 of this act.

SECTION 12.(e) Subsection (a) of G.S. 135-56.3 is recodified as subsection (c) of G.S. 135-56.5, as created by Section 11 of this act.

SECTION 12.(f) Subsection (b) of G.S. 135-56.3 is recodified as subsection (d) of G.S. 135-56.5, as created by Section 11 of this act.

SECTION 12.(g) Subsections (b), (b1), (d), and (e) of G.S. 135-56 are repealed.

SECTION 12.(h) The sixth sentence of G.S. 135-56.2 is recodified as subsection (c) of G.S. 135-70.1.

SECTION 13. G.S. 135-56.5, as created by Section 11 of this act and amended by Section 12 of this act, reads as rewritten:

"§ 135-56.5. Creditable service purchases.

(a) ~~The member shall purchase this service~~General Purchases of Service Credit. – Any member in service with five or more years of membership service may purchase creditable service authorized under this subsection by paying a lump sum amount to the Annuity Savings Fund-Fund. The amount payable shall be equal to the full liability increase of the Retirement System due to the additional service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The increases as set by the Board of Trustees upon the advice of the consulting actuary shall also include an administrative fee to be set by the Board.

Subject to the requirements of this subsection, an employer may pay all or part of the cost of a service purchase of a member in service. To the extent that the purchase is paid by the employer, the ~~cost amount~~ paid by the employer shall be credited to the ~~pension accumulation fund. Pension Accumulation Fund.~~ To the extent that the purchase is paid by the member, the ~~cost amount~~ paid by the member shall be credited to the member's ~~annuity savings account. accumulated contributions and interest in the Annuity Savings Fund.~~

The total amount of creditable service purchased under each subdivision of this section shall not exceed five years. No purchase of service credit under any subdivision of this section shall be made if a benefit is allowable under another public retirement system as a result of the service. If there is a conflict between a provision of G.S. 135-56 and a provision of this subsection, then this subsection shall control.

The following purchases of creditable service are authorized under this subsection:

(1) ~~If a member whose creditable service has been cancelled in accordance with this subsection subsequently returns to membership service and completes five years of membership service upon that return, then the member may purchase an amount of creditable service corresponding to the total of the membership service associated with the withdrawn contributions, provided that the total amount of creditable service purchased under this subsection may not exceed five years. Notwithstanding any provision of this Chapter to the contrary, on and after January 1, 2023, any member in service with five or more years of membership service may purchase creditable service for service as a member of the General Assembly not otherwise creditable under this section, provided the service is not credited in the Legislative Retirement Fund nor the Legislative Retirement System, by paying a total lump sum payment. The amount of creditable service purchased under this subsection may not exceed a total of five years. The member shall purchase this service by paying a lump sum amount to the Annuity Savings Fund equal to the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. Subject to the requirements of this subsection, an employer may pay all or part of the cost of a service purchase of a member in service. To the extent that the purchase is paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund. To the extent that the purchase is paid by the member, the cost paid by the member shall be credited to the member's annuity savings account.~~ Withdrawn service. – Service withdrawn in accordance with the provisions of any of the following, limited to a total maximum purchase of five years:

a. G.S. 120-4.25.

b. G.S. 128-27(f).

c. G.S. 135-5(f).

d. G.S. 135-62.

e. Any rules adopted under Article 12 of Chapter 143 of the General Statutes, as it existed prior to 1986.

(2) ~~Any member may purchase creditable service for service as a State teacher or employee, as defined under G.S. 135-1(10) and (25), and for service as an employee of local government, as defined under G.S. 128-21(10). A member, upon the completion of 10 years of membership service, may also purchase creditable service for periods of federal employment, provided that the member is not receiving any retirement benefits resulting from this federal employment, and provided that the member is not vested in the particular federal retirement system to which the member may have belonged while a federal employee. The member, after the transfer of any accumulated~~

1 contributions from the Teachers' and State Employees' Retirement System or
2 Local Governmental Employees' Retirement System, shall purchase this
3 service by paying a lump sum amount to the annuity savings fund equal to the
4 full liability increase due to the additional service credits on the basis of the
5 assumptions used for the purposes of the actuarial valuation of the liabilities
6 of the Retirement System, except for the following assumptions specific to
7 this calculation: (i) the allowance shall be assumed to commence at the earliest
8 age at which the member could retire on an unreduced retirement allowance
9 and (ii) assumed annual postretirement allowance increases as set by the
10 Board of Trustees upon the advice of the consulting actuary. Subject to the
11 requirements of this subsection, an employer may pay all or part of the cost of
12 a service purchase of a member in service. To the extent that the purchase is
13 paid by the employer, the cost paid by the employer shall be credited to the
14 pension accumulation fund. Notwithstanding the foregoing provisions of this
15 section that provide for the purchase of service credits, the terms "full cost",
16 "full liability", and "full actuarial cost" include assumed annual
17 post retirement allowance increases, as determined by the Board of Trustees,
18 from the earliest age at which a member could retire on an unreduced service
19 allowance. Federal, state, or local government service. – Service previously
20 rendered to the federal government or to any state, territory, or other
21 governmental subdivision of the United States other than this State. Service
22 under this subdivision is limited to full-time service that would be allowable
23 under the laws governing this Retirement System.

24 (3) Part-time service. – Service previously rendered on a part-time basis to an
25 employer, as defined under either G.S. 135-1 or G.S. 128-21, for which the
26 member would have met the definition of employee or teacher under either
27 G.S. 135-1 or G.S. 128-21 except for the part-time nature of the service. For
28 the purposes of this subdivision, the following service is not eligible to be
29 purchased:

- 30 a. Part-time service rendered as a bus driver to a public school while a
31 full-time high school student.
32 b. Temporary or part-time service rendered while a full-time student in
33 pursuit of a degree or diploma in a degree-granting program, unless
34 that service was rendered on a permanent part-time basis and required
35 at least 20 hours of service per week.

36 The amount of the single lump sum to be paid for the purchase of service
37 credit under this subdivision shall be calculated by applying the ratio of actual
38 gross compensation earned as a part-time employee to the gross compensation
39 that would have been earned as a full-time employee to the period of service
40 rendered in months.

41 In no case shall more than one year of service be creditable for all service
42 in one year. Service rendered for the regular school year in any district shall
43 be equivalent to one year of service.

44 (4) Temporary service. – Service previously rendered on a temporary basis to an
45 employer, as defined under either G.S. 135-1 or G.S. 128-21, and that meets
46 both of the following conditions:

- 47 a. The member would have met the definition of employee or teacher
48 under either G.S. 135-1 or G.S. 128-21 except for the temporary
49 nature of the service.
50 b. The member has acquired from the employer all certifications of
51 temporary employment that are required by the Board of Trustees.

- (5) Probationary local government service. – Service previously rendered to any local employer, as defined under G.S. 128-21, when performed in a probationary or employer-imposed waiting period status that occurred between the date of employment and the date of membership service with the Local Governmental Employees' Retirement System.
- (6) Involuntary furlough. – Periods of interrupted service due to involuntary administrative furlough caused by the lack of funds to support the position.
- (7) Leave due to extended illness. – Periods of interrupted service while on leave without pay status due to the member's illness or injury, excluding leave due to parental leave or pregnancy or childbirth-related leave, provided that any single period of interrupted service included a period of time during which the member failed to earn at least two months membership service.
- (8) Parental leave and pregnancy or childbirth-related leave. – Periods of interrupted service due to parental leave, pregnancy, or childbirth.
- (9) Charter school service. – Periods of service previously rendered as an employee of a charter school operated by a private nonprofit corporation or a charter school operated by a municipality whose board of directors did not elect to participate in the Teachers' and State Employees' Retirement System under G.S. 135-5.3.
- (10) The University of North Carolina Optional Retirement Program service. – Periods of employment with The University of North Carolina during which the member participated in the Optional Retirement Program, as provided for under G.S. 135-5.1, provided that the member is not receiving, and is not entitled to receive, any retirement benefits resulting from this employment.
- (11) Notwithstanding any provision of this Chapter to the contrary, on and after January 1, 2023, any member may purchase creditable service for service Employment not otherwise creditable. – Service not creditable in any other retirement system or plan that was previously rendered as a judge, district attorney, or clerk of superior court, when not otherwise provided for in this section, and or as a judge of any lawfully constituted court of this State inferior to the superior court, not to include service as a magistrate, justice of the peace, or mayor's court judge. The member, after the transfer of any accumulated contributions from the Teachers' and State Employees' Retirement System or Local Governmental Employees' Retirement System, shall pay an amount equal to the full cost of the additional service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the System's liabilities, taking into account the additional retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire with an unreduced retirement allowance as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance.

(b) Omitted Membership Service. – A member who (i) had service qualifying for membership under G.S. 135-55 as a judge, a clerk of superior court, a Director of Indigent Defense Services, a district attorney, or a public defender and (ii) was omitted from contributing membership through error shall be allowed the omitted membership service if the requirements

of this subsection are met and the total payment required for that service under this subsection is made. Submission of clear and convincing evidence of the error is required prior to approval of, and payment for, the omitted membership service. Payment for service under this subsection shall be made in the following manner:

- (1) Within 90 days of the omission, by the payment of employee and employer contributions that would have been paid.
- (2) After 90 days and prior to three years of the omission, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the Pension Accumulation Fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.
- (3) After three years of the omission, by paying a lump sum amount to the Annuity Savings Fund. The amount payable shall be equal to the full liability increase of the Retirement System due to the service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases set by the Board of Trustees upon the advice of the consulting actuary.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the required payment for the omitted membership service. To the extent the amount is paid by the employer, the amount paid by the employer shall be credited to the Pension Accumulation Fund. To the extent the amount is paid by the member, the amount paid by the member shall be credited to the member's accumulated contributions and interest in the Annuity Savings Fund. An employer shall not discriminate against any employed member or group of employed members in paying all or any part of the payment required under this subsection for the omitted membership service.

(c) Purchase of Service Credits Through Rollover Contributions From Certain Other Plans. – Notwithstanding any other provision of this Article, ~~Article to the contrary, subject to the requirements of this subsection and any rules adopted, or policies established, by the Board of Trustees~~ and without regard to any limitations on contributions otherwise set forth in this Article, a member, who is eligible to restore or purchase payments or repayments made for membership or creditable service pursuant to the provisions of this Article, may, subject to such rules and regulations established by the Board of Trustees, purchase such service credits allowed under this section or any other provision of this Article may be made by a member through rollover contributions to the Annuity Savings Fund from ~~(i) any of the following sources:~~

- (1) An annuity contract described in Section 403(b) of the Internal Revenue Code, ~~(ii) an Code.~~
- (2) An eligible plan under Section 457(b) of the Internal Revenue Code which that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, ~~(iii) an state.~~
- (3) An individual retirement account or annuity described in Section 408(a) or 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income, or ~~(iv) an income.~~
- (4) A qualified plan described in Section 401(a) or 403(a) of the Internal Revenue Code. ~~Notwithstanding the foregoing,~~

No rollover contribution shall be made under this subsection, and the Retirement System shall not accept any amount as a rollover ~~contribution~~ contribution, unless such the amount

1 required for the payment or repayment is eligible to be rolled over to a qualified trust in
2 accordance with applicable law and the member provides evidence satisfactory to the Retirement
3 System that ~~such~~ the amount qualifies for rollover treatment. Unless received by the Retirement
4 System in the form of a direct rollover, the rollover contribution must be paid to the Retirement
5 System on or before the 60th day after the date it was received by the member.

6 ~~Purchase of Service Credits Through Plan-to-Plan Transfers. — Notwithstanding any other~~
7 ~~provision of this Article, and without regard to any limitations on contributions otherwise set~~
8 ~~forth in this Article, a member, who is eligible to restore or purchase membership or creditable~~
9 ~~service pursuant to the provisions of this Article, may, subject to such rules and regulations~~
10 ~~established by the Board of Trustees, purchase such service credits through a direct transfer to~~
11 ~~the Annuity Savings Fund of funds from (i) an annuity contract described in Section 403(b) of~~
12 ~~the Internal Revenue Code or (ii) an eligible plan under Section 457(b) of the Code which is~~
13 ~~maintained by a state, political subdivision of a state, or any agency or instrumentality of a state~~
14 ~~or political subdivision of a state.~~

15 (d) ~~Purchase of Service Credits Through Plan-to-Plan Transfers. — Notwithstanding any~~
16 ~~other provision of this Article, Article to the contrary, subject to the requirements of this~~
17 ~~subsection and any rules adopted, or policies established, by the Board of Trustees and without~~
18 ~~regard to any limitations on contributions otherwise set forth in this Article, a member, who is~~
19 ~~eligible to restore or purchase payments or repayments made for membership or creditable~~
20 ~~service pursuant to the provisions of this Article, may, subject to such rules and regulations~~
21 ~~established by the Board of Trustees, purchase such service credits allowed under this section or~~
22 ~~any other provision of this Article may be made by a member through a direct transfer to the~~
23 ~~Annuity Savings Fund of funds from (i) the any of the following sources:~~

- 24 (1) An annuity contract described in Section 403(b) of the Internal Revenue Code.
25 (2) An eligible plan under Section 457(b) of the Internal Revenue Code that is
26 maintained by a state, a political subdivision of a state, or any agency or
27 instrumentality of a state or a political subdivision of a state.
28 (3) Supplemental Retirement Income Plans A, B, or C of North Carolina or (ii)
29 any Carolina.
30 (4) Any other defined contribution plan qualified under Section 401(a) of the
31 Internal Revenue Code which that is maintained by the State of North
32 Carolina, a political subdivision of a the State or any other state, or any agency
33 or instrumentality of a the State or any other state or political subdivision of a
34 the State or any other state."

35 **SECTION 14.(a)** G.S. 135-53(6) reads as rewritten:

- 36 "(6) "Creditable service" shall mean for any member the total of his prior service
37 plus his membership service. service for which credit is allowable under this
38 Article. In no event shall creditable service be deemed membership service
39 for the purpose of determining eligibility for benefits accruing under this
40 Article."

41 **SECTION 14.(b)** G.S. 135-56 is amended by adding a new subsection to read:

- 42 "(k) Creditable service may be purchased in accordance with G.S. 135-56.5, or as
43 otherwise provided for in this Article."

44 **SECTION 14.(c)** G.S. 135-58(a6) reads as rewritten:

- 45 "(a6) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on
46 or after July 1, 2008, after the member has either attained the member's 65th birthday or has
47 completed 24 years or more of creditable service, shall receive an annual retirement allowance,
48 payable ~~monthly, which monthly.~~ The payments shall commence on the effective date of the
49 member's retirement and shall be continued on the first day of each month thereafter during the
50 member's lifetime, the lifetime. The amount of which the monthly retirement allowance
51 payments shall be computed as the sum of the applicable amounts in subdivisions (1), (2), (3),

(4), and (5) contained in the subdivisions of this subsection, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior System, prior in any case to any reduction for early retirement or for an optional mode of payment), payment, would total three-fourths of the member's final compensation; compensation. The following amounts shall be used for the purposes of calculations under this subsection:

- (1) Four and two hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme Court, a judge of the Court of Appeals, or the Director of the Administrative Office of the Courts; Courts.
- (2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court; court.
- (3) Three and two hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the district court, district attorney, clerk of superior court, public defender, or the Director of Indigent Defense Services; Services.
- (4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred or purchased from the Local Governmental Employees' Retirement System to this System-System, as provided in G.S. 135-56; and for under this Article.
- (5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred or purchased from the Teachers' and State Employees' Retirement System or the Legislative Retirement System to this System-System, as provided in G.S. 135-56 for under this Article."

PART IV. RECODIFY AND STANDARDIZE SERVICE PURCHASE UNDER THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 15.(a) Article 1A of Chapter 120 of the General Statutes is amended by adding a new G.S. 120-4.12B to be entitled "Purchase of creditable service for service in Armed Forces."

SECTION 15.(b) Subsection (d) of G.S. 120-4.12 is recodified as subsection (a) of G.S. 120-4.12B, as created by subsection (a) of this section.

SECTION 15.(c) G.S. 120-4.12(e) is repealed.

SECTION 16. G.S. 120-4.12B, as created and amended by Section 15 of this act, reads as rewritten:

"§ 120-4.12B. Purchase of creditable service for service in Armed Forces.

(a) ~~Any~~ On or before December 31, 2024, any member of the Retirement System who has eight or more years of creditable service as a member of the General Assembly may purchase prior service credit for service in the Armed Forces of the United States at the same rates and conditions as set forth in G.S. 120-4.14 and G.S. 120-4.16; provided that credit is allowed only for the initial period of active duty in the Armed Forces of the United States up to the time the

member was first eligible to be separated or released therefrom, and subsequent periods of such active duty as required by the Armed Forces of the United States up to the date of first eligibility for separation or release therefrom; ~~and further provided that the member submits satisfactory evidence of the service claimed and that service credit be allowed only for the period of active service in the Armed Forces of the United States not creditable in any other retirement system, except the National Guard or any reserve component of the Armed Forces of the United States therefrom.~~

(b) On or after January 1, 2025, any member or retired member with five or more years of membership service may purchase creditable service for service in the Armed Forces of the United States by paying a lump sum amount to the Annuity Savings Fund. The amount payable shall be equal to the full liability increase of the Retirement System due to the additional service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases set by the Board of Trustees upon the advice of the consulting actuary.

(c) Only periods of active service in the Armed Forces of the United States are eligible for the purchase of creditable service under this section, except that service in the National Guard or any reserve component of the Armed Forces of the United States shall be eligible. To make a purchase under this section, the member is required to submit satisfactory evidence of the claimed service in the Armed Forces of the United States. No purchase of service credit under this section shall be made if a benefit is allowable under another public retirement system as a result of the service in the Armed Forces of the United States."

SECTION 17.(a) G.S. 120-4.8 reads as rewritten:

"§ 120-4.8. Definitions.

The following ~~words and phrases as used~~ definitions apply in this Article, unless the context clearly requires otherwise, ~~have the following meanings: otherwise:~~

- (1) ~~"Accumulated contributions" means the Accumulated contributions.~~ – The sum of all the amounts deducted from the compensation of a member and credited to his individual account in the annuity savings fund, together with regular interest as provided in G.S. 135-7(b).
- (2) ~~"Actuarial equivalent" means a Actuarial equivalent.~~ – A benefit of equal value when computed upon the basis of the mortality tables as adopted by the Board of Trustees, and regular interest.
- (3) ~~"Annuity" means payment Annuity.~~ – Payment for life derived from the ~~"Accumulated contribution" accumulated contributions~~ of a member. All ~~"annuities" annuities~~ are payable in equal monthly installments.
- (4) ~~"Annuity reserve" means the Annuity reserve.~~ – The present value of all payments to be made on account of any ~~annuity annuity~~, or benefit in lieu of any annuity, computed upon the basis of the mortality tables as adopted by the Board of Trustees, and regular interest.
- (5) Board of Trustees. – The Board of Trustees of the Teachers' and State Employees' Retirement System, which is responsible for administering the Legislative Retirement System.
- ~~(5)(6)~~ "Compensation" means salary Compensation. – Salary and expense allowance paid for service as a legislator in the North Carolina General Assembly, exclusive of travel and per diem. Effective July 1, 2009, ~~"compensation"~~ compensation also ~~means includes~~ includes payment of military differential wages.

(7) Creditable service. – The total of a member's prior service plus membership service for which credit is allowable under this Article. In no event shall creditable service be deemed membership service for the purpose of determining eligibility for benefits accruing under this Article.

~~(6)(8)~~ "Filing," when Filing. – When used in reference to an application for retirement, means the receipt of an acceptable application on a form provided by the Retirement System.

~~(7)(9)~~ "Highest Highest annual salary" means the salary. – The twelve consecutive months of compensation authorized during a member's final legislative term for the highest position that a member ever held as a member of the General Assembly.

~~(8)(10)~~ "Medical Board" means the Medical Board. – The board of physicians provided for in G.S. 135-6, which shall determine disability as provided in this Article.

~~(9)(11)~~ "Member in service" means a Member in service. – A member in service on or after June 15, 1983.

~~(10)(12)~~ "Pension reserve" means the Pension reserve. – The present value of all payments to be made on account of any pension pension, or benefit in lieu of any pension pension, computed upon the basis of the mortality tables adopted by the Board of Trustees, and regular interest.

~~(11)(13)~~ "Pensions" means payments Pensions. – Payment for life derived from money provided by the State of North Carolina. All pensions are payable in equal monthly installments.

~~(12)(14)~~ "Present member of the General Assembly" means a Present member of the General Assembly. – A person who is a member of the North Carolina General Assembly on or after June 15, 1983.

~~(13)(15)~~ "Regular interest" means interest Regular interest. – Interest compounded annually at the rate determined by the Board of Trustees in accordance with G.S. 135-7(b) and G.S. 120-4.10.

~~(14)(16)~~ "Retirement" means the Retirement. – The withdrawal from active service with a retirement allowance granted under the provisions of this Article. In order for a member's retirement to become effective in any month, the member must render no service at any time during that month.

~~(17)~~ Retirement System. – The Legislative Retirement System of North Carolina.

~~(15)(18)~~ "Year" as used in this Article shall mean the Year. – The regular State fiscal year beginning July 1, and ending June 30 in the following calendar year year, unless otherwise defined by in rule of adopted by the Board of Trustees."

SECTION 17.(b) G.S. 120-4.12(c1) reads as rewritten:

"(c1) ~~Any~~ On or before December 31, 2024, any member of the Retirement System who was a member of the General Assembly as of January 1985 may purchase prior service credit for the month of January 1985 based upon seven percent (7%) of the compensation received for that period."

SECTION 17.(c) G.S. 120-4.15 reads as rewritten:

"§ 120-4.15. Repayment of contributions.

...

(b) On and after January 1, 2022, but before January 1, 2025, repayment of contributions withdrawn from the Legislative Retirement Fund and System shall be in an amount equal to the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement

allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees of the Teachers' and State Employees' Retirement System upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board of Trustees of the Teachers' and State Employees' Retirement System.

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

(c) On or after January 1, 2025, any member who withdrew his or her contributions in accordance with the provisions of G.S. 120-4.25 and who subsequently returns to service and completes at least five years of service, may, while in service, purchase creditable service in an amount up to the total amount of membership service associated with the withdrawn contributions, but not to exceed a total of five years. Creditable service shall be purchased under this subsection by paying a lump sum amount to the Annuity Savings Fund. The amount payable shall be equal to the full liability increase of the Retirement System due to the additional service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases set by the Board of Trustees upon the advice of the consulting actuary."

SECTION 17.(d) G.S. 120-4.16 reads as rewritten:

"§ 120-4.16. Repayments and purchases.

(a) ~~All repayments and purchases of service credit, allowed under this Article, shall be made within two years after the member first becomes eligible to make such repayments and purchases. All such repayments and purchases not made within two years after the member becomes eligible shall equal the full liability increase due to the additional service credits on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees of the Teachers' and State Employees' Retirement System upon the advice of the consulting actuary. The calculation of the amount payable shall also include an administrative fee to be set by the Board of Trustees of the Teachers' and State Employees' Retirement System.~~

(b) Purchase of Service Credits Through Rollover Contributions From Certain Other Plans. – Notwithstanding any other provision of this Article, Article to the contrary, subject to the requirements of this subsection and any rules adopted, or policies established, by the Board of Trustees and without regard to any limitations on contributions otherwise set forth in this Article, a member, who is eligible to restore or purchase payments or repayments made for membership or creditable service pursuant to the provisions of this Article, may purchase such service credits allowed under this Article may be made by a member through rollover contributions to the Annuity Savings Fund from (i) any of the following sources:

(1) An annuity contract described in Section 403(b) of the Internal Revenue Code,
(ii) ~~an Code.~~

(2) An eligible plan under Section 457(b) of the Internal Revenue Code which
that is maintained by a state, political subdivision of a state, or any agency or
instrumentality of a state or political subdivision of a state, (iii) an state.

(3) An individual retirement account or annuity described in Section 408(a) or 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income, or (iv) ~~income~~.

(4) A qualified plan described in Section 401(a) or 403(a) of the Internal Revenue Code. ~~Notwithstanding the foregoing,~~

No rollover contribution shall be made under this section, and the Retirement System shall not accept any amount as a rollover ~~contribution~~ contribution, unless such the amount required for the payment or repayment is eligible to be rolled over to a qualified trust in accordance with applicable law and the member provides evidence satisfactory to the Retirement System that such the amount qualifies for rollover treatment. Unless received by the Retirement System in the form of a direct rollover, the rollover contribution must be paid to the Retirement System on or before the 60th day after the date it was received by the member.

~~(b1) Purchase of Service Credits Through Plan-to-Plan Transfers. — Notwithstanding any other provision of this Article, and without regard to any limitations on contributions otherwise set forth in this Article, a member, who is eligible to restore or purchase membership or creditable service pursuant to the provisions of this Article, may purchase such service credits through a direct transfer to the Annuity Savings Fund of funds from (i) an annuity contract described in Section 403(b) of the Internal Revenue Code or (ii) an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.~~

(c) Purchase of Service Credits Through Plan-to-Plan Transfers. — Notwithstanding any other provision of this ~~Article~~, Article to the contrary, subject to the requirements of this section and any rules adopted, or policies established, by the Board of Trustees and without regard to any limitations on contributions otherwise set forth in this Article, ~~a member, who is eligible to restore or purchase payments or repayments made for membership or creditable service pursuant to the provisions of this Article, may purchase such service credits allowed under this Article~~ may be made by a member through a direct transfer to the Annuity Savings Fund of funds from (i) the any of the following sources:

(1) An annuity contract described in Section 403(b) of the Internal Revenue Code.

(2) An eligible plan under Section 457(b) of the Internal Revenue Code that is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or a political subdivision of a state.

(3) Supplemental Retirement Income Plans A, B, or C of North ~~Carolina~~ or (ii) any Carolina.

(4) Any other defined contribution plan qualified under Section 401(a) of the Internal Revenue Code ~~which that~~ is maintained by the State of North Carolina, a political subdivision of a the State or any other state, or any agency or instrumentality of a the State or any other state or political subdivision of a the State or any other state."

PART V. CROSS-REFERENCE CONFORMING CHANGES

SECTION 18.(a) G.S. 135-5(a3)(1) reads as rewritten:

"(1) Determine an amount equal to the member's accumulated contributions as required under G.S. 135-8(b)(1) for all years during which the member earned membership service, other than service earned through armed service credit under ~~G.S. 135-4(f) or G.S. 135-4(f)~~, G.S. 135-4(g), or G.S. 135-4.5, used in the calculation of the retirement allowance that the member would receive under this section."

SECTION 18.(b) G.S. 128-27(a3)(1) reads as rewritten:

"(1) Determine an amount equal to the member's accumulated contributions as required under G.S. 128-30(b)(1) for all years during which the member

1 earned membership service, other than service earned through armed service
2 credit under ~~G.S. 128-26(a1)~~ or ~~G.S. 128-26(a1)~~, G.S. 128-26(j1), or
3 G.S. 128-26.5, used in the calculation of the retirement allowance that the
4 member would receive under this section."

5 **SECTION 18.(c)** G.S. 135-53(1) reads as rewritten:

6 "(1) "Accumulated contributions" with respect to any member shall mean the sum
7 of all the amounts deducted from the compensation of the member pursuant
8 to G.S. 135-68 since ~~he~~ the member last became a member and credited to ~~his~~
9 the member's account in the annuity savings fund, plus any amount standing
10 to ~~his~~ the member's credit pursuant to G.S. 135-67(c) as a result of a prior
11 period of membership, plus any amounts credited to his account pursuant to
12 G.S. 135-28.1(b) or ~~435-56(b)~~, purchased in accordance with this Article,
13 together with regular interest on all such amounts computed as provided in
14 G.S. 135-7(b)."

15 **SECTION 18.(d)** The Revisor of Statutes shall replace the reference to
16 "G.S. 135-56(b)" with "G.S. 135-56.5(a)" in G.S. 135-62(a).

17 **SECTION 18.(e)** The Revisor of Statutes shall replace the reference to
18 "G.S. 135-56.2" with "G.S. 135-70.1" in G.S. 128-27(f) and G.S. 135-5(f).

19 **SECTION 18.(f)** The Revisor of Statutes shall replace the reference to
20 "G.S. 120-4.8(1)" with "G.S. 120-4.8" in G.S. 120-4.19.

21
22 **PART VI. EFFECTIVE DATE**

23 **SECTION 19.** This act is effective when it becomes law.