

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003**

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**HOUSE BILL 331\***

Short Title: Retirement System Technical Changes.-AB (Public)

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Sponsors: Representatives Bell, G. Wilson (Primary Sponsors); McLawhorn and Warren.

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Referred to: Pensions and Retirement.

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March 6, 2003

A BILL TO BE ENTITLED

1 AN ACT TO MAKE TECHNICAL CHANGES TO THE TEACHERS' AND STATE  
2 EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL  
3 EMPLOYEES' RETIREMENT SYSTEM, AND THE DISABILITY INCOME  
4 PLAN OF NORTH CAROLINA.  
5

6 The General Assembly of North Carolina enacts:

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

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

- 16 a. Performance-based compensation (regardless of whether paid in  
17 a lump sum, periodic installments, or on a monthly basis);  
18 b. Conversion of additional benefits to salary (additional benefits  
19 such as health, life, or disability plans), so long as the benefits  
20 are other than mandated by State law or regulation;  
21 c. Payment of tax consequences for benefits provided by the  
22 employer so long as they constitute an adjustment or increase in  
23 salary, and not a "reimbursement of expenses";  
24 d. Payout of vacation leave so long as such payouts are permitted  
25 by applicable law and regulation; and  
26 e. Employee contributions to eligible deferred compensation  
27 plans.

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

- 8 a. Supplement/allowance provided to employee to purchase  
9 additional benefits such as health, life, or disability plans;
- 10 b. Travel supplement/allowance (nonaccountable allowance  
11 plans);
- 12 c. Employer contributions to eligible deferred compensation  
13 plans;
- 14 d. Employer provided fringe benefits (additional benefits such as  
15 health, life, or disability plans);
- 16 e. Reimbursement of uninsured medical expenses;
- 17 f. Reimbursement of business expenses;
- 18 g. Reimbursement of moving expenses;
- 19 h. Reimbursement/payment of personal expenses;
- 20 i. Incentive payments for early retirement;
- 21 j. Bonuses paid incident to retirement;
- 22 k. Contract buyout/severance payments; and
- 23 l. Payouts for unused sick leave.

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

29 **SECTION 2.** G.S. 135-1(8) reads as rewritten:

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

36 **SECTION 3.** G.S. 135-5(b18) reads as rewritten:

37 "(b18) Service Retirement Allowance of Members Retiring on or After July 1, 2000,  
38 but Before July 1, 2002. – Upon retirement from service in accordance with subsection  
39 (a) or (a1) above, on or after July 1, 2000, but before July 1, 2002, a member shall  
40 receive the following service retirement allowance.

- 41 (1) A member who is a law enforcement officer or an eligible former law  
42 enforcement officer shall receive a service retirement allowance  
43 computed as follows:

- 1 a. If the member's service retirement date occurs on or after his  
2 55th birthday, and completion of five years of creditable service  
3 as a law enforcement officer, or after the completion of 30 years  
4 of creditable service, the allowance shall be equal to one and  
5 eighty-one hundredths percent (1.81%) of his average final  
6 compensation, multiplied by the number of years of his  
7 creditable service.
- 8 b. If the member's service retirement date occurs on or after his  
9 50th birthday and before his 55th birthday with 15 or more  
10 years of creditable service as a law enforcement officer and  
11 prior to the completion of 30 years of creditable service, his  
12 retirement allowance shall be equal to the greater of:
- 13 1. The service retirement allowance payable under G.S.  
14 135-5(b18)(1)a. reduced by one-third of one percent (1/3  
15 of 1%) thereof for each month by which his retirement  
16 date precedes the first day of the month coincident with  
17 or next following the month the member would have  
18 attained his 55th birthday; or
- 19 2. The service retirement allowance as computed under  
20 G.S. 135-5(b18)(1)a. reduced by five percent (5%) times  
21 the difference between 30 years and his creditable  
22 service at retirement.
- 23 (2) A member who is not a law enforcement officer or an eligible former  
24 law enforcement officer shall receive a service retirement allowance  
25 computed as follows:
- 26 a. If the member's service retirement date occurs on or after his  
27 65th birthday upon the completion of five years of membership  
28 service or after the completion of 30 years of creditable service  
29 or on or after his 60th birthday upon the completion of 25 years  
30 of creditable service, the allowance shall be equal to one and  
31 eighty-one hundredths percent (1.81%) of his average final  
32 compensation, multiplied by the number of years of creditable  
33 service.
- 34 b. If the member's service retirement date occurs after his 60th  
35 birthday and before his 65th birthday and prior to his  
36 completion of 25 years or more of creditable service, his  
37 retirement allowance shall be computed as in G.S.  
38 135-5(b18)(2)a. but shall be reduced by one-quarter of one  
39 percent (1/4 of 1%) thereof for each month by which his  
40 retirement date precedes the first day of the month coincident  
41 with or next following his 65th birthday.
- 42 c. If the member's early service retirement date occurs on or after  
43 his 50th birthday and before his 60th birthday and after  
44 completion of 20 years of creditable service but prior to the

1 completion of 30 years of creditable service, his early service  
2 retirement allowance shall be equal to the greater of:

- 3 1. The service retirement allowance as computed under  
4 G.S. 135-5(b18)(2)a. but reduced by the sum of  
5 five-twelfths of one percent (5/12 of 1%) thereof for  
6 each month by which his retirement date precedes the  
7 first day of the month coincident with or next following  
8 the month the member would have attained his 60th  
9 birthday, plus one-quarter of one percent (1/4 of 1%)  
10 thereof for each month by which his 60th birthday  
11 precedes the first day of the month coincident with or  
12 next following his 65th birthday; or
- 13 2. The service retirement allowance as computed under  
14 G.S. 135-5(b18)(2)a. reduced by five percent (5%) times  
15 the difference between 30 years and his creditable  
16 service at retirement; or
- 17 3. If the member's creditable service commenced prior to  
18 July 1, 1994, the service retirement allowance equal to  
19 the actuarial equivalent of the allowance payable at the  
20 age of 60 years as computed in ~~G.S. 135-5(b18)b.~~ G.S.  
21 135-5(b18)(2)b.

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

25 **SECTION 4.** G.S. 135-5(b19) reads as rewritten:

26 "(b19) Service Retirement Allowance of Members Retiring on or After July 1, 2002.  
27 – Upon retirement from service in accordance with subsection (a) or (a1) above, on or  
28 after July 1, 2002, a member shall receive the following service retirement allowance:

- 29 (1) A member who is a law enforcement officer or an eligible former law  
30 enforcement officer shall receive a service retirement allowance  
31 computed as follows:
  - 32 a. If the member's service retirement date occurs on or after his  
33 55th birthday, and completion of five years of creditable service  
34 as a law enforcement officer, or after the completion of 30 years  
35 of creditable service, the allowance shall be equal to one and  
36 eighty-two hundredths percent (1.82%) of his average final  
37 compensation, multiplied by the number of years of his  
38 creditable service.
  - 39 b. If the member's service retirement date occurs on or after his  
40 50th birthday and before his 55th birthday with 15 or more  
41 years of creditable service as a law enforcement officer and  
42 prior to the completion of 30 years of creditable service, his  
43 retirement allowance shall be equal to the greater of:

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

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

13                  **SECTION 5.** G.S. 135-5(g1) reads as rewritten:

14                  "(g1) In the event of the death of a retired member while in receipt of a retirement  
15                  allowance under the provisions of this Article, there shall be paid to such person or  
16                  persons as the retiree shall have nominated by written designation duly acknowledged  
17                  and filed with the Board of Trustees, if such person or persons are living at the time of  
18                  the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal  
19                  to the excess, if any, of the accumulated contributions of the retiree at the date of  
20                  retirement over the total of the retirement allowances paid prior to the death of the  
21                  retiree.

22                  In the event that a retirement allowance becomes payable to the designated survivor  
23                  of a retired member under the provisions above and such retirement allowance to the  
24                  survivor shall terminate upon the death of the survivor before the total of the retirement  
25                  allowances paid to the retiree and the designated survivor combined equals the amount  
26                  of the accumulated contributions of the retiree at the date of retirement, the excess, if  
27                  any, of such accumulated contributions over the total of the retirement allowances paid  
28                  to the retiree and the survivor combined shall be paid in a lump sum to such person or  
29                  persons as the retiree shall have nominated by written designation duly acknowledged  
30                  and filed with the Board of Trustees, if such person or persons are living at the time  
31                  such payment falls due, otherwise to the retiree's legal representative.

32                  In the event a retiree purchases creditable service as provided in G.S. 135-4, there  
33                  shall be paid to such person or persons as the retiree shall have nominated by written  
34                  designation duly acknowledged and filed with the Board of Trustees, if such person or  
35                  persons are living at the time of the retiree's death, otherwise to the retiree's legal  
36                  representatives, an additional death benefit equal to the excess, if any, of the cost of the  
37                  creditable service purchased less the administrative fee, if any, over the total of the  
38                  increase in the retirement allowance attributable to the additional creditable service,  
39                  paid from the month following the month in which payment was received to the death  
40                  of the retiree.

41                  In the event that a retirement allowance becomes payable to the designated survivor  
42                  of a retired member under the provisions above and such retirement allowance to the  
43                  survivor shall terminate upon the death of the survivor before the total of the increase in  
44                  the retirement allowance attributable to the additional creditable service paid to the

1 retiree and the designated survivor combined equals the cost of the creditable service  
2 purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to  
3 such person or persons as the retiree shall have nominated by written designation duly  
4 acknowledged and filed with the Board of Trustees, if such person or persons are living  
5 at the time such payment falls due, otherwise to the retiree's legal representative."

6 **SECTION 6.** G.S. 135-5(m) reads as rewritten:

7 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the  
8 principal beneficiary designated to receive a return of accumulated contributions shall  
9 have the right to elect to receive in lieu thereof the reduced retirement allowance  
10 provided by Option 2 of subsection (g) above computed by assuming that the member  
11 had retired on the first day of the month following the date of his death, provided that  
12 the following conditions apply:

- 13 (1) a. The member had attained such age and/or creditable service to  
14 be eligible to commence retirement with an early or service  
15 retirement allowance, or  
16 b. The member had obtained 20 years of creditable service in  
17 which case the retirement allowance shall be computed in  
18 accordance with G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c.,  
19 notwithstanding the requirement of obtaining age 50.  
20 c. The member had not commenced to receive a retirement  
21 allowance as provided under this Chapter.  
22 (2) The member had designated as the principal beneficiary to receive a  
23 return of his accumulated contributions one and only one person who  
24 was living at the time of his death.  
25 (3) The member had not instructed the Board of Trustees in writing that he  
26 did not wish the provisions of this subsection to apply.

27 For the purpose of this benefit, a member is considered to be in service at the date of  
28 his death if his death occurs within 180 days from the last day of his actual service. The  
29 last day of actual service shall be determined as provided in subsection (l) of this  
30 section. Upon the death of a member in service, the surviving spouse may make all  
31 purchases for creditable service as provided for under this Chapter for which the  
32 member had made application in writing prior to the date of death, provided that the  
33 date of death occurred prior to or within 60 days after notification of the cost to make  
34 the purchase. The term "in service" as used in this subsection includes a member in  
35 receipt of a benefit under the Disability Income Plan as provided in Article 6 of this  
36 Chapter."

37 **SECTION 7.** G.S. 135-4(f) reads as rewritten:

38 "(f) Armed Service Credit. –

- 39 (1) Teachers and other State employees who entered the armed services of  
40 the United States on or after September 16, 1940, and prior to  
41 February 17, 1941, and who returned to the service of the State within  
42 a period of two years after they were first eligible to be separated or  
43 released from such armed services under other than dishonorable  
44 conditions shall be entitled to full credit for all prior service.

- 1 (2) Teachers and other State employees who entered the armed services of  
2 the United States on or after September 16, 1940, and who returned to  
3 the service of the State prior to October 1, 1952, or who devote not  
4 less than 10 years of service to the State after they are separated or  
5 released from such armed services under other than dishonorable  
6 conditions, shall be entitled to full credit for all prior service, and, in  
7 addition they shall receive membership service credit for the period of  
8 service in such armed services up to the date they were first eligible to  
9 be separated or released therefrom, occurring after the date of  
10 establishment of the Retirement System.
- 11 (3) Teachers and other State employees who enter the armed services of  
12 the United States on or after July 1, 1950, or who engage in active  
13 military service on or after July 1, 1950, and who return to the service  
14 of the State within a period of two years after they are first eligible to  
15 be separated or released from such active military service under other  
16 than dishonorable conditions shall be entitled to full membership  
17 service credit for the period of such active service in the armed  
18 services.
- 19 (4) Under such rules as the Board of Trustees shall adopt, credit will be  
20 provided by the Retirement System with respect to each such teacher  
21 or other State employee in the amounts that he would have been paid  
22 during such service in such armed services on the basis of his earnable  
23 compensation when such service commenced. Such contributions shall  
24 be credited to the individual account of the member in the annuity  
25 savings fund, in such manner as the Board of Trustees shall determine,  
26 but any such contributions so credited and any regular interest thereon  
27 shall be available to the member only in the form of an annuity, or  
28 benefit in lieu thereof, upon his retirement on a service, disability or  
29 special retirement allowance; and in the event of cessation of  
30 membership or death prior thereto, any such contributions so credited  
31 and regular interest thereon shall not be payable to him or on his  
32 account, but shall be transferred from the annuity savings fund to the  
33 pension accumulation fund. If any payments were made by a member  
34 on account of such service as provided by subdivision (5) of  
35 subsection (b) of G.S. 135-8, the Board of Trustees shall refund to or  
36 reimburse such member for such payments.
- 37 (5) The provisions of this subsection shall also apply to members of the  
38 national guard with respect to teachers and State employees who are  
39 called into federal service or who are called into State service, to the  
40 extent that such persons fail to receive compensation for performance  
41 of the duties of their employment other than for service in the national  
42 guard.
- 43 (6) Repealed by Session Laws 1981, c. 636, s. 1. For proviso as to  
44 inchoate or accrued rights, see Editor's Note below.



1           (7) Notwithstanding any other provision of this Chapter, any member and  
2 any retired member as herein described may purchase creditable  
3 service in the Armed Forces of the United States, not otherwise  
4 allowed, by paying a total lump sum payment determined as follows:

5           a. For members who completed 10 years of membership service,  
6 and retired members who completed 10 years of membership  
7 service prior to retirement, whose ~~current~~ membership began on  
8 or prior to July 1, 1981, and who make this purchase within  
9 three years after first becoming eligible, the cost shall be an  
10 amount equal to the monthly compensation the member earned  
11 when he first entered ~~current~~ membership service times the  
12 employee contribution rate at that time times the months of  
13 service to be purchased, with sufficient interest added thereto so  
14 as to equal one-half of the cost of allowing this service, plus an  
15 administrative fee to be set by the Board of Trustees.

16           b. For members who complete five years of membership service,  
17 and retired members who complete five years of membership  
18 service prior to retirement, and eligible members and retired  
19 members covered by paragraph a. of this subdivision, whose  
20 ~~current~~ membership began on or before July 1, 1981, but who  
21 did not or do not make this purchase within three years after  
22 first becoming eligible, the cost shall be an amount equal to the  
23 full liability of the service credits calculated on the basis of the  
24 assumptions used for the purposes of the actuarial valuation of  
25 the System's liabilities and shall take into account the retirement  
26 allowance arising on account of the additional service credits  
27 commencing at the earliest age at which the member could  
28 retire on an unreduced allowance, as determined by the Board  
29 of Trustees upon the advice of the consulting actuary, plus an  
30 administrative fee to be set by the Board of Trustees.  
31 Notwithstanding the foregoing provisions of this subsection that  
32 provide for the purchase of service credits, the term "full  
33 liability" includes assumed post-retirement allowance increases,  
34 as determined by the Board of Trustees, from the earliest age at  
35 which a member could retire on an unreduced service  
36 retirement allowance.

37           Creditable service allowed under this subdivision shall be only for the initial period  
38 of ~~active duty~~ "active duty", as defined in 38 U.S. Code Section 101(21), in the Armed  
39 Forces of the United States up to the date the member was first eligible to be separated  
40 and released and for subsequent periods of ~~active duty~~ "active duty", as defined in 38  
41 U.S. Code Section 101(21), as required by the Armed Forces of the United States up to  
42 the date of first eligibility for separation or release, but shall not include periods of  
43 active duty in the Armed Forces of the United States creditable in any other retirement  
44 system except the national guard or any reserve component of the Armed Forces of the

1 ~~United States.~~ States, and shall not include periods of "active duty for training", as  
2 defined in 38 U.S. Code Section 101(22), or periods of "inactive duty training", as  
3 defined in 38 U.S. Code Section 101(23), rendered in any reserve component of the  
4 Armed Forces of the United States. Provided, creditable service may be allowed only  
5 for active duty in the Armed Forces of the United States of a member that resulted in a  
6 general or honorable discharge from duty. The member shall submit satisfactory  
7 evidence of the service claimed. For purposes of this subsection, membership service  
8 may include any membership or prior service credits transferred to this Retirement  
9 System pursuant to G.S. 135-18.1."

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

11 "(1 1) Notwithstanding any other provision of this Chapter, any member and any  
12 retired member as herein described may purchase creditable service previously rendered  
13 to any state, territory, or other governmental subdivision of the United States other than  
14 this State by paying a total lump-sum payment determined as follows:

15 (1) For members who completed 10 years of current membership service,  
16 and retired members who completed 10 years of current membership  
17 service prior to retirement, whose ~~current~~ membership began on or  
18 before July 1, 1981, and who make such purchase within three years  
19 after first becoming eligible, the cost shall be an amount equal to the  
20 monthly compensation the member earned when he first entered  
21 ~~current~~ membership service, times the employee contribution rate at  
22 that time, times the months of service to be purchased, times two, with  
23 sufficient interest added thereto so as to equal the full cost of allowing  
24 such service, plus an administrative fee to be set by the Board of  
25 Trustees.

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

1 Current membership service shall mean membership service earned since the service  
2 previously rendered to any state, territory, or other governmental subdivision of the  
3 United States other than this State. Creditable service under this subsection shall be  
4 allowed only at the rate of one year of out-of-state service for each two years of current  
5 membership service in this State, with a maximum allowable of 10 years of out-of-state  
6 service. Such service is limited to full-time service which would be allowable under the  
7 laws governing this System. Credit will be allowed only if no benefit is allowable in  
8 another public retirement system as a result of the service."

9 **SECTION 9.** G.S. 135-4 is amended by adding a new subsection to read:

10 "(ff) Retroactive Membership Service. – A member who is reinstated to service as  
11 an employee as defined in G.S. 135-1(10) or as a teacher as defined in G.S. 135-1(25)  
12 retroactively to the date of prior involuntary termination (with backpay and benefits)  
13 may be allowed membership service, after submitting clear and convincing evidence of  
14 the reinstatement, as follows:

- 15 (1) Within 90 days of the involuntary termination, by the payment of  
16 employee and employer contributions that would have been paid; or  
17 (2) After 90 days of the involuntary termination, by the payment of the  
18 employee and employer contributions that would have been paid plus  
19 interest compounded annually at a rate equal to the greater of the  
20 average yield on the pension accumulation fund for the preceding  
21 calendar year or the actuarial investment rate-of-return assumption, as  
22 adopted by the Board of Trustees.

23 Nothing contained in this subsection shall prevent an employer or member from  
24 paying all or a part of the cost of the retroactive membership service; and to the extent  
25 paid by the employer, the cost paid by the employer shall be credited to the pension  
26 accumulation fund; and to the extent paid by the member, the cost paid by the member  
27 shall be credited to the member's annuity savings account; provided, however, an  
28 employer does not discriminate against any member or group of members in his employ  
29 in paying all or any part of the cost of the retroactive membership service.

30 In the event a member received a return of accumulated contributions subsequent to  
31 an involuntary termination as provided in G.S. 135-5(f), the member may redeposit,  
32 within 90 days of reinstatement retroactive to the date of prior involuntary termination,  
33 in the annuity savings fund by single payment an amount equal to the total amount he  
34 previously withdrew plus regular interest and restore the creditable service forfeited  
35 upon receiving his return of accumulated contributions."

36 **SECTION 10.** G.S. 135-8 is amended by adding a new subsection to read:

37 "(b2) Retroactive Adjustment in Compensation or an Underreporting of  
38 Compensation. – A member who is awarded backpay in cases of a denied promotional  
39 opportunity in which the aggrieved member is granted a promotion retroactively, or in  
40 cases in which an employer errs in the reporting of compensation, including the  
41 employee and employer contributions, the member and employer may make employee  
42 and employer contributions on the retroactive or additional compensation after  
43 submitting clear and convincing evidence of the retroactive promotion or underreporting  
44 of compensation, as follows:

- 1           (1) Within 90 days of the denial of the promotion or the error in reporting,  
2 by the payment of employee and employer contributions that would  
3 have been paid; or
- 4           (2) After 90 days of the denial of the promotion or the error in reporting,  
5 by the payment of the employee and employer contributions that  
6 would have been paid plus interest compounded annually at a rate  
7 equal to the greater of the average yield on the pension accumulation  
8 fund for the preceding calendar year or the actuarial investment  
9 rate-of-return assumption, as adopted by the Board of Trustees.

10       For members electing to make the employee contributions on the retroactive  
11 adjustment in compensation or on the underreported compensation, the member's  
12 employer, which granted the retroactive promotion or erred in underreporting  
13 compensation and contributions, shall make the required employer contributions.  
14 Nothing contained in this subsection shall prevent an employer from paying all or a part  
15 of the interest assessed on the employee contributions; and to the extent paid by the  
16 employer, the interest paid by the employer shall be credited to the pension  
17 accumulation fund; provided, however, an employer does not discriminate against any  
18 member or group of members in his employ in paying all or any part of the interest  
19 assessed on the employee contributions due.

20       In the event the retroactive adjustment in compensation or the underreported  
21 compensation is for a period that occurs during the four consecutive calendar years that  
22 would have produced the highest average annual compensation pursuant to G.S.  
23 135-1(5), the compensation the member would have received during the period shall be  
24 included in calculating the member's average final compensation only in the event the  
25 appropriate employee and employer contributions are paid on such compensation.

26       An employer error in underreporting compensation shall not include a retroactive  
27 increase in compensation that occurs during the four consecutive calendar years that  
28 would have produced the highest average annual compensation pursuant to G.S.  
29 135-1(5), for reasons other than a wrongfully denied promotional opportunity where the  
30 member is promoted retroactively."

31       **SECTION 11.** G.S. 135-5(e)(4) reads as rewritten:

32       "(4) As a condition to the receipt of the disability retirement allowance  
33 provided for in G.S. 135-5(d), (d1), (d2) and (d3) each member retired  
34 on a disability retirement allowance shall, on or before April 15 of  
35 each calendar year, provide the Board of Trustees with a statement of  
36 his or her income received as compensation for services, including  
37 fees, commissions or similar items, and income received from  
38 business, for the previous calendar year. Such statement shall be filed  
39 on a form as required by the Board of Trustees. The benefit payable to  
40 a beneficiary who does not or refuses to provide the information  
41 requested within 60 days after such request shall not be paid a benefit  
42 until the information so requested is provided, and should such refusal  
43 or failure to provide such information continue for 240 days after such

1                    request, the right of a beneficiary to a benefit under the Article may be  
2                    terminated.

3                    The Director of the State Retirement System shall contact any State  
4                    or federal agency which can provide information to substantiate the  
5                    statement required to be submitted by this subdivision and may enter  
6                    into agreements for the exchange of information."

7                    **SECTION 12.** G.S. 135-4(v) reads as rewritten:

8                    "(v) Omitted Membership Service. – A member who had service as an employee  
9                    as defined in G.S. 135-1(10) and G.S. 128-21(10) or as a teacher as defined in G.S.  
10                    135-1(25) and who was omitted from contributing membership through error may be  
11                    allowed membership service, after submitting clear and convincing evidence of the  
12                    error, as follows:

- 13                    (1) Within 90 days of the omission, by the payment of employee and  
14                    employer contributions that would have been paid; or  
15                    (2) After 90 days and prior to three years of the omission, by the payment  
16                    of the employee and employer contributions that would have been paid  
17                    plus interest compounded annually at a rate equal to the greater of the  
18                    average yield on the pension accumulation fund for the preceding  
19                    calendar year;—year or the actuarial investment rate-of-return  
20                    assumption, as adopted by the Board of Trustees; or  
21                    (3) After three years of the omission, by the payment of an amount equal  
22                    to the full cost of the service credits calculated on the basis of the  
23                    assumptions used for the purposes of the actuarial valuation of the  
24                    system's liabilities, and shall take into account the additional  
25                    retirement allowance arising on account of such additional service  
26                    credit commencing at the earliest age at which a member could retire  
27                    on an unreduced retirement allowance, as determined by the Board of  
28                    Trustees upon the advice of the consulting actuary, plus an  
29                    administrative fee to be set by the Board of Trustees. Notwithstanding  
30                    the foregoing provisions of this subdivision that provide for the  
31                    purchase of service credits, the terms "full cost", "full liability", and  
32                    "full actuarial cost" include assumed annual post-retirement allowance  
33                    increases, as determined by the Board of Trustees, from the earliest  
34                    age at which a member could retire on an unreduced service  
35                    allowance.

36                    Nothing contained in this subsection shall prevent an employer or member from  
37                    paying all or a part of the cost of the omitted membership service; and to the extent paid  
38                    by the employer, the cost paid by the employer shall be credited to the pension  
39                    accumulation fund; and to the extent paid by the member, the cost paid by the members  
40                    shall be credited to the member's annuity savings account; provided, however, an  
41                    employer does not discriminate against any member or group of members in his employ  
42                    in paying all or any part of the cost of the omitted membership service."

43                    **SECTION 13.** G.S. 128-21(7a) reads as rewritten:

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

- 8           a. Performance-based compensation (regardless of whether paid in  
9           a lump sum, periodic installments, or on a monthly basis);
- 10           b. Conversion of additional benefits to salary (additional benefits  
11           such as health, life, or disability plans), so long as the benefits  
12           are other than mandated by State law or regulation;
- 13           c. Payment of tax consequences for benefits provided by the  
14           employer so long as they constitute an adjustment or increase in  
15           salary and not a "reimbursement of expenses";
- 16           d. Payout of vacation leave so long as such payouts are permitted  
17           by applicable law and regulation; and
- 18           e. Employee contributions to eligible deferred compensation  
19           plans.

20           "Compensation" shall not include any payment, as determined by the  
21           Board of Trustees, for the reimbursement of expenses or payments for  
22           housing or any other allowances whether or not classified as salary and  
23           wages. Notwithstanding any other provision of this Chapter,  
24           "compensation" shall not include:

- 25           a. Supplement/allowance provided to employee to purchase  
26           additional benefits such as health, life, or disability plans;
- 27           b. Travel supplement/allowance (nonaccountable allowance  
28           plans);
- 29           c. Employer contributions to eligible deferred compensation  
30           plans;
- 31           d. Employer-provided fringe benefits (additional benefits such as  
32           health, life, or disability plans);
- 33           e. Reimbursement of uninsured medical expenses;
- 34           f. Reimbursement of business expenses;
- 35           g. Reimbursement of moving expenses;
- 36           h. Reimbursement/payment of personal expenses;
- 37           i. Incentive payments for early retirement;
- 38           j. Bonuses paid incident to retirement;
- 39           k. Contract buyout/severance payments; and
- 40           l. Payouts for unused sick leave.

41           In the event an employer reports as "compensation" payments not  
42           specifically included or excluded as "compensation", such payments  
43           shall be "compensation" for retirement purposes only if the employer

1           pays the Retirement System the additional actuarial liability created by  
2           such payments."

3           **SECTION 14.** G.S. 128-21(8) reads as rewritten:

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

10          **SECTION 15.** G.S. 128-27(g1) reads as rewritten:

11          "(g1) In the event of the death of a retired member while in receipt of a retirement  
12          allowance under the provisions of this Article, there shall be paid to such person or  
13          persons as the retiree shall have nominated by written designation duly acknowledged  
14          and filed with the Board of Trustees, if such person or persons are living at the time of  
15          the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal  
16          to the excess, if any, of the accumulated contributions of the retiree at the date of  
17          retirement over the total of the retirement allowances paid prior to the death of the  
18          retiree.

19          In the event that a retirement allowance becomes payable to the designated survivor  
20          of a retired member under the provisions above and such retirement allowance to the  
21          survivor shall terminate upon the death of the survivor before the total of the retirement  
22          allowances paid to the retiree and the designated survivor combined equals the amount  
23          of the accumulated contributions of the retiree at the date of retirement, the excess, if  
24          any, of such accumulated contributions over the total of the retirement allowances paid  
25          to the retiree and the survivor combined shall be paid in a lump sum to such person or  
26          persons as the retiree shall have nominated by written designation duly acknowledged  
27          and filed with the Board of Trustees, if such person or persons are living at the time  
28          such payment falls due, otherwise to the retiree's legal representative.

29          In the event a retiree purchases creditable service as provided in G.S. 128-26, there  
30          shall be paid to such person or persons as the retiree shall have nominated by written  
31          designation duly acknowledged and filed with the Board of Trustees, if such person or  
32          persons are living at the time of the retiree's death, otherwise to the retiree's legal  
33          representatives, an additional death benefit equal to the excess, if any, of the cost of the  
34          creditable service purchased less the administrative fee, if any, over the total of the  
35          increase in the retirement allowance attributable to the additional creditable service,  
36          paid from the month following the month in which payment was received to the death  
37          of the retiree.

38          In the event that a retirement allowance becomes payable to the designated survivor  
39          of a retired member under the provisions above, and such retirement allowance to the  
40          survivor shall terminate upon the death of the survivor before the total of the increase in  
41          the retirement allowance attributable to the additional creditable service paid to the  
42          retiree and the designated survivor combined equals the cost of the creditable service  
43          purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to  
44          such person or persons as the retiree shall have nominated by written designation duly

1 acknowledged and filed with the Board of Trustees, if such person or persons are living  
2 at the time such payment falls due, otherwise to the retiree's legal representative."

3 **SECTION 16.** G.S. 128-27(m) reads as rewritten:

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

- 10 (1) a. The member had attained such age and/or creditable service to  
11 be eligible to commence retirement with an early or service  
12 retirement allowance, or  
13 b. The member had obtained 20 years of creditable service in  
14 which case the retirement allowance shall be computed in  
15 accordance with G.S. 128-27(b20)(1)b. or G.S.  
16 128-27(b20)(2)c., notwithstanding the requirement of obtaining  
17 age 50.  
18 c. The member had not commenced to receive a retirement  
19 allowance as provided under this Chapter.

20 (2) The member had designated as the principal beneficiary to receive a  
21 return of his accumulated contributions one and only one person who  
22 is living at the time of his death.

23 (3) The member had not instructed the Board of Trustees in writing that he  
24 did not wish the provisions of this subsection apply.

25 For the purpose of this benefit, a member is considered to be in service at the date of  
26 his death if his death occurs within 180 days from the last day of his actual service. The  
27 last day of actual service shall be determined as provided in subsection (l) of this  
28 section. Upon the death of a member in service, the surviving spouse may make all  
29 purchases for creditable service as provided for under this Chapter for which the  
30 member had made application in writing prior to the date of death, provided that the  
31 date of death occurred prior to or within 60 days after notification of the cost to make  
32 the purchase."

33 **SECTION 17.** G.S. 128-26(j1) reads as rewritten:

34 "(j1) Notwithstanding any other provision of this Chapter, any member and any  
35 retired member as herein described may purchase creditable service for service in the  
36 Armed Forces of the United States, not otherwise allowed, by paying a total lump sum  
37 payment determined as follows:

- 38 (1) For members who completed 10 years of membership service, and  
39 retired members who completed 10 years of membership service prior  
40 to retirement, and whose ~~current~~-membership began on or prior to  
41 January 1, 1988, and who make such purchase within three years after  
42 first becoming eligible, the cost shall be an amount equal to the  
43 monthly compensation the member earned when he first entered  
44 ~~current~~-membership service times the employee contribution rate at



1 that time times the months of service to be purchased with sufficient  
2 interest added thereto so as to equal one-half of the cost of allowing  
3 such service, plus an administrative fee to be set by the Board of  
4 Trustees.

- 5 (2) For members who complete five years of membership service, and  
6 retired members who complete five years of membership service prior  
7 to retirement, and eligible members and retired members covered by  
8 paragraph (1) of this subdivision, whose ~~current~~ membership began on  
9 or before January 1, 1988, but who did not or do not make such  
10 purchase within three years after first becoming eligible, the cost shall  
11 be an amount equal to the full liability of the service credits calculated  
12 on the basis of the assumptions used for the purposes of the actuarial  
13 valuation of the System's liabilities and shall take into account the  
14 retirement allowance arising on account of the additional service  
15 credits commencing at the earliest age at which the member could  
16 retire on an unreduced allowance, as determined by the Board of  
17 Trustees upon the advice of the consulting actuary, plus an  
18 administrative fee to be set by the Board of Trustees. Notwithstanding  
19 the foregoing provisions of this subsection that provide for the  
20 purchase of service credits, the term "full liability" includes assumed  
21 post-retirement allowance increases, as determined by the Board of  
22 Trustees, from the earliest age at which a member could retire on an  
23 unreduced service retirement allowance.

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

41 **SECTION 18.** G.S. 128-26(j2) reads as rewritten:

42 "(j2) Notwithstanding any other provision of this Chapter, any member and any  
43 retired member as herein described may purchase creditable service previously rendered

1 to any state, territory, or other governmental subdivision of the United States other than  
2 this State by paying a total lump-sum payment determined as follows:

3 (1) For members who completed 10 years of prior and current  
4 membership service, and retired members who completed 10 years of  
5 prior and current membership service prior to retirement, and whose  
6 ~~current~~-membership began on or before January 1, 1988, and who  
7 make such purchase within three years after first becoming eligible,  
8 the cost shall be an amount equal to the monthly compensation the  
9 member earned when he first entered ~~current~~-membership service,  
10 times the employee contribution rate at that time, times the months of  
11 service to be purchased, times two, with sufficient interest added  
12 thereto so as to equal the full cost of allowing such service, plus an  
13 administrative fee to be set by the Board of Trustees.

14 (2) For members who complete five years of prior and current  
15 membership service, and retired members who complete five years of  
16 prior and current membership service prior to retirement, and eligible  
17 members and retired members covered by subdivision (1) of this  
18 subsection, whose ~~current~~-membership began on or before January 1,  
19 1988, but who did not or do not make such purchase within three years  
20 after first becoming eligible, the cost shall be an amount equal to the  
21 full liability of the service credits calculated on the basis of the  
22 assumptions used for the purposes of the actuarial valuation of the  
23 System's liabilities and shall take into account the retirement  
24 allowance arising on account of the additional service credits  
25 commencing at the earliest age at which the member could retire on an  
26 unreduced allowance, as determined by the Board of Trustees upon the  
27 advice of the consulting actuary, plus an administrative fee to be set by  
28 the Board of Trustees. Notwithstanding the foregoing provisions of  
29 this subsection that provide for the purchase of service credits, the  
30 term "full liability" includes assumed postretirement allowance  
31 increases, as determined by the Board of Trustees, from the earliest  
32 age at which a member could retire on an unreduced service retirement  
33 allowance.

34 Current membership service shall mean membership service earned since the service  
35 previously rendered to any state, territory, or other governmental subdivision of the  
36 United States other than this State. Creditable service under this subsection shall be  
37 allowed only at the rate of one year of out-of-state service for each two years of service  
38 in this State, with a maximum allowable of 10 years of out-of-state service. Such service  
39 is limited to full-time service which would be allowable under the laws governing this  
40 System. Credit will be allowed only if no benefit is allowable in another public  
41 retirement system as a result of the service."

42 **SECTION 19.** G.S. 128-26 is amended by adding a new subsection to read:

43 "(v) Retroactive Membership Service. – A member who is reinstated to service as  
44 an employee as defined in G.S. 128-21(10) retroactively to the date of prior involuntary

1 termination (with backpay and benefits) may be allowed membership service, after  
2 submitting clear and convincing evidence of the reinstatement, as follows:

- 3       (1) Within 90 days of the involuntary termination, by the payment of  
4 employee and employer contributions that would have been paid; or  
5       (2) After 90 days of the involuntary termination, by the payment of the  
6 employee and employer contributions that would have been paid plus  
7 interest compounded annually at a rate equal to the greater of the  
8 average yield on the pension accumulation fund for the preceding  
9 calendar year or the actuarial investment rate-of-return assumption, as  
10 adopted by the Board of Trustees.

11 Nothing contained in this subsection shall prevent an employer or member from  
12 paying all or a part of the cost of the retroactive membership service; and to the extent  
13 paid by the employer, the cost paid by the employer shall be credited to the pension  
14 accumulation fund; and to the extent paid by the member, the cost paid by the member  
15 shall be credited to the member's annuity savings account; provided, however, an  
16 employer does not discriminate against any member or group of members in his employ  
17 in paying all or any part of the cost of the retroactive membership service.

18 In the event a member received a return of accumulated contributions subsequent to  
19 an involuntary termination as provided in G.S. 128-27(f), the member may redeposit,  
20 within 90 days of reinstatement retroactive to the date of prior involuntary termination,  
21 in the annuity savings fund by single payment an amount equal to the total amount he  
22 previously withdrew plus regular interest and restore the creditable service forfeited  
23 upon receiving his return of accumulated contributions."

24 **SECTION 20.** G.S. 128-30 is amended by adding a new subsection to read:

25 "(b2) Retroactive Adjustment in Compensation or an Underreporting of  
26 Compensation. – A member who is awarded backpay in cases of a denied promotional  
27 opportunity in which the aggrieved member is granted a promotion retroactively, or in  
28 cases in which an employer errs in the reporting of compensation, including the  
29 employee and employer contributions, the member and employer may make employee  
30 and employer contributions on the retroactive or additional compensation after  
31 submitting clear and convincing evidence of the retroactive promotion or underreporting  
32 of compensation, as follows:

- 33       (1) Within 90 days of the denial of the promotion or the error in reporting,  
34 by the payment of employee and employer contributions that would  
35 have been paid; or  
36       (2) After 90 days of the denial of the promotion or the error in reporting,  
37 by the payment of the employee and employer contributions that  
38 would have been paid plus interest compounded annually at a rate  
39 equal to the greater of the average yield on the pension accumulation  
40 fund for the preceding calendar year or the actuarial investment  
41 rate-of-return assumption, as adopted by the Board of Trustees.

42 For members electing to make the employee contributions on the retroactive  
43 adjustment in compensation or on the underreported compensation, the member's  
44 employer, which granted the retroactive promotion or erred in underreporting

1 compensation and contributions, shall make the required employer contributions.  
2 Nothing contained in this subsection shall prevent an employer from paying all or a part  
3 of the interest assessed on the employee contributions; and to the extent paid by the  
4 employer, the interest paid by the employer shall be credited to the pension  
5 accumulation fund; provided, however, an employer does not discriminate against any  
6 member or group of members in his employ in paying all or any part of the interest  
7 assessed on the employee contributions due.

8 In the event the retroactive adjustment in compensation or the underreported  
9 compensation is for a period that occurs during the four consecutive calendar years that  
10 would have produced the highest average annual compensation pursuant to G.S.  
11 135-1(5), the compensation the member would have received during the period shall be  
12 included in calculating the member's average final compensation only in the event the  
13 appropriate employee and employer contributions are paid on such compensation.

14 An employer error in underreporting compensation shall not include a retroactive  
15 increase in compensation that occurs during the four consecutive calendar years that  
16 would have produced the highest average annual compensation pursuant to G.S.  
17 135-1(5), for reasons other than a wrongfully denied promotional opportunity where the  
18 member is promoted retroactively."

19 **SECTION 21.** G.S. 128-27(e)(4) reads as rewritten:

20 "(4) As a condition to the receipt of the disability retirement allowance  
21 provided for in G.S. 128-27(d), (d1), (d2) and (d3) each member  
22 retired on a disability retirement allowance shall, on or before April 15  
23 of each calendar year, provide the Board of Trustees with a statement  
24 of his or her income received as compensation for services, including  
25 fees, commissions or similar items, and income received from  
26 business, for the previous calendar year. Such statement shall be filed  
27 on a form as required by the Board of Trustees. The benefit payable to  
28 a beneficiary who does not or refuses to provide the information  
29 requested within 60 days after such request shall not be paid a benefit  
30 until the information so requested is provided, and should such refusal  
31 or failure to provide such information continue for 240 days after such  
32 request, the right of a beneficiary to a benefit under the Article may be  
33 terminated.

34 The Director of the State Retirement Systems shall contact any  
35 State or federal agency which can provide information to substantiate  
36 the statement required to be submitted by this subdivision and may  
37 enter into agreements for the exchange of information."

38 **SECTION 22.** G.S. 128-26(m) reads as rewritten:

39 "(m) Omitted Membership Service. – A member who had service as an employee  
40 as defined in G.S. 135-1(10) and G.S. 128-21(10) or as a teacher as defined in G.S.  
41 135-1(25) and who was omitted from contributing membership through error may be  
42 allowed membership service, after submitting clear and convincing evidence of the  
43 error, as follows:

- 1 (1) within 90 days of the omission, by the payment of employee and  
2 employer contributions that would have been paid; or  
3 (2) after 90 days and prior to three years of the omission, by the payment  
4 of the employee and employer contributions that would have been paid  
5 plus interest compounded annually at a rate equal to the greater of the  
6 average yield on the pension accumulation fund for the preceding  
7 calendar year;—year or the actuarial investment rate-of-return  
8 assumption, as adopted by the Board of Trustees; or  
9 (3) after three years of the omission, by the payment of an amount equal to  
10 the full cost of the service credits calculated on the basis of the  
11 assumptions used for the purposes of the actuarial valuation of the  
12 System's liabilities, and shall take into account the additional  
13 retirement allowance arising on account of such additional service  
14 credit commencing at the earliest age at which a member could retire  
15 on an unreduced retirement allowance, as determined by the Board of  
16 Trustees upon the advice of the consulting actuary, plus an  
17 administrative fee to be set by the Board of Trustees. Notwithstanding  
18 the foregoing provisions of this subdivision that provide for the  
19 purchase of service credits, the terms "full cost", "full liability", and  
20 "full actuarial cost" include assumed annual post-retirement allowance  
21 increases, as determined by the Board of Trustees, from the earliest  
22 age at which a member could retire on an unreduced service  
23 allowance.

24 Nothing contained in this subsection shall prevent an employer or member from  
25 paying all or a part of the cost of the omitted membership service; and to the extent paid  
26 by the employer, the cost paid by the employer shall be credited to the pension  
27 accumulation fund; and to the extent paid by the member, the cost paid by the members  
28 shall be credited to the member's annuity savings account; provided, however, an  
29 employer does not discriminate against any member or group of members in his employ  
30 in paying all or any part of the cost of the omitted membership service."

31 **SECTION 23.** G.S. 135-109 reads as rewritten:

32 "**§ 135-109. Reports of earnings.**

33 The Department of State Treasurer and Board of Trustees shall require each  
34 beneficiary to annually provide a ~~copy of the beneficiary's federal income tax return~~  
35 ~~certified by the beneficiary to be a true and exact copy of such tax return filed with the~~  
36 ~~United States Internal Revenue Service and shall require such other statements of~~  
37 ~~earnings as may be necessary to administer the provisions of this Article.~~ statement of  
38 the beneficiary's income received as compensation for services, including fees,  
39 commissions, or similar items, income received from business, and benefits received  
40 from the Social Security Administration, the federal Veterans Administration, any other  
41 federal agency, under the North Carolina Workers' Compensation Act, or under the  
42 provisions of G.S. 127A-108. The benefit payable to a beneficiary who does not or  
43 refuses to provide the information requested within 60 days after such request shall not  
44 be paid a benefit until the information so requested is provided, and should such refusal

1 or failure to provide such information continue for ~~180~~240 days after such request the  
2 right of a beneficiary to a benefit under the Article ~~shall~~may be terminated."  
3           **SECTION 24.** This act is effective when it becomes law.