

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2021

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HOUSE BILL 160

Short Title: Retirement Service Purchase Rewrite Part II.-AB (Public)

Sponsors: Representatives McNeill and C. Smith (Primary Sponsors).

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

Referred to: State Government, if favorable, State Personnel, if favorable, Rules, Calendar, and Operations of the House

March 1, 2021

1 A BILL TO BE ENTITLED

2 AN ACT MAKING TECHNICAL, CLARIFYING, AND ADMINISTRATIVE CHANGES TO
3 LAWS RELATING TO CREDITABLE SERVICE PURCHASES UNDER THE
4 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL
5 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE
6 CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

9 **PART I. CHANGES RELATED TO CREDITABLE SERVICE PURCHASES UNDER
10 THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**

11 **SECTION 1.1.** Subdivision (f)(7) and subsections (j1), (k1), (l2), (p), (p2), (r), (s),
12 (w), (z), (aa), (bb1), (cc), and (hh) of G.S. 135-4 are recodified as subdivisions (1), (2), (4)
13 through (13), and (15), respectively, of G.S. 135-4.5(b), and read as rewritten:

14 **"§ 135-4.5. Creditable service purchases."**

15 (a) Notwithstanding any other provision of this Chapter to the contrary, any member who
16 meets the eligibility requirements specified in subsection (b) of this section may purchase
17 creditable service authorized under subsection (b) of this section by paying a lump sum amount
18 to the annuity savings fund equal to the full liability increase due to the additional service credits
19 on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities
20 of the Retirement System, except for the following assumptions specific to this calculation: (i)
21 the allowance shall be assumed to commence at the earliest age at which the member could retire
22 on an unreduced retirement allowance and (ii) assumed annual postretirement allowance
23 increases as set by the Board of Trustees upon the advice of the consulting actuary. The
24 calculation of the amount payable shall also include an administrative fee to be set by the Board.
25 Subject to the requirements of subsection (b), an employer may pay all or part of the cost of a
26 service purchase of a member in service. To the extent that the purchase is paid by the employer,
27 the cost paid by the employer shall be credited to the pension accumulation fund. To the extent
28 that the purchase is paid by the member, the cost paid by the member shall be credited to the
29 member's annuity savings account. In the event of a conflict between the provisions of this
30 subsection and the provisions of subsection (b) of this section, the provisions of subsection (b)
31 of this section control.

32 (b) The following purchases of creditable service are authorized under this section:

33 (1) Purchase of Armed Service Credit. – Notwithstanding any other provision of
34 this Chapter, any member and any retired member as herein described may



1 purchase creditable service in the Armed Forces of the United States, not
2 otherwise allowed, by paying a total lump sum payment determined as
3 follows:

- 4 a. For members who completed 10 years of membership service, and
5 retired members who completed 10 years of membership service prior
6 to retirement, whose membership began on or prior to July 1, 1981,
7 and who make this purchase within three years after first becoming
8 eligible, the cost shall be an amount equal to the monthly
9 compensation the member earned when the member first entered
10 membership service times the employee contribution rate at that time
11 times the months of service to be purchased, multiplied by a factor
12 equivalent to the investment return assumptions determined by the
13 Board of Trustees, compounded annually, from the initial year of
14 membership to the year of payment so as to equal one-half of the cost
15 of allowing this service, plus an administrative fee to be set by the
16 Board of Trustees.
- 17 b. For members who complete five years of membership service, and
18 retired members who complete five years of membership service prior
19 to retirement, and eligible members and retired members covered by
20 paragraph a. of this subdivision, whose membership began on or
21 before July 1, 1981, but who did not or do not make this purchase
22 within three years after first becoming eligible, the cost shall be ~~an amount equal to the full liability 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 retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced 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 term "full liability" includes assumed 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 retirement allowance as provided in subsection (a) of this section.~~

37 Creditable service allowed under this subdivision shall be only for the
38 initial period of "active duty", as defined in 38 U.S. Code Section 101(21), in
39 the Armed Forces of the United States up to the date the member was first
40 eligible to be separated and released and for subsequent periods of "active
41 duty", as defined in 38 U.S. Code Section 101(21), as required by the Armed
42 Forces of the United States up to the date of first eligibility for separation or
43 release, but shall not include periods of active duty in the Armed Forces of the
44 United States creditable in any other retirement system except the National
45 Guard or any reserve component of the Armed Forces of the United States,
46 and shall not include periods of "active duty for training", as defined in 38
47 U.S. Code Section 101(22), or periods of "inactive duty training", as defined
48 in 38 U.S. Code Section 101(23), rendered in any reserve component of the
49 Armed Forces of the United States. Provided, creditable service may be
50 allowed only for active duty in the Armed Forces of the United States of a
51 member that resulted in a general or honorable discharge from duty. The

1 member shall submit satisfactory evidence of the service claimed. For
2 purposes of this subsection, subdivision, membership service may include any
3 membership or prior service credits transferred to this Retirement System
4 pursuant to G.S. 135-18.1.

5 (2) Any Purchase of General Assembly Service by Members. – Prior to January
6 1, 2023, any member may purchase creditable service for service as a member
7 of the General Assembly not otherwise creditable under this section, provided
8 the service is not credited in the Legislative Retirement Fund nor the
9 Legislative Retirement System, and further provided the member pays a lump
10 sum amount equal to the full cost of the additional service credits calculated
11 on the basis of the assumptions used for the purposes of the actuarial valuation
12 of the System's liabilities, taking into account the additional retirement
13 allowance arising on account of the additional service credits commencing at
14 the earliest age at which a member could retire on an unreduced retirement
15 allowance as determined by the Board of Trustees upon the advice of the
16 consulting actuary, plus an administrative fee to be set by the Board of
17 Trustees. Notwithstanding the foregoing provisions of this subsection that
18 provide for the purchase of service credits, the terms "full cost", "full
19 liability", and "full actuarial cost" include assumed annual post-retirement
20 allowance increases, as determined by the Board of Trustees, from the earliest
21 age at which a member could retire on an unreduced service
22 allowance.System.

23 (3) On and after January 1, 2023, any member in service with five or more years
24 of membership service may purchase creditable service for service as a
25 member of the General Assembly not otherwise creditable under this section,
26 provided that the service is not credited in the Legislative Retirement Fund or
27 the Legislative Retirement System. The amount of creditable service
28 purchased under this subdivision may not exceed a total of five years.

29 (4) North Carolina Withdrawn Service Purchased On and After January 1, 2022.
30 – Notwithstanding any other provision of this Chapter to the contrary, on and
31 after January 1, 2022, any member who withdrew his or her contributions in
32 accordance with the provisions of G.S. 127-27(f) or G.S. 135-5(f) or the rules
33 and regulations of the Law Enforcement Officers' Retirement System, and
34 who subsequently returns to service and completes five years of membership
35 service upon that return, while in service may purchase an amount of
36 creditable service totaling the amount of the membership service associated
37 with the withdrawn contributions, provided that the total of the creditable
38 service purchased under this subsection subdivision may not exceed five
39 years. The member shall purchase this service by paying a lump sum amount
40 to the Annuity Savings Fund equal to the full liability increase due to the
41 additional service credits on the basis of the assumptions used for the purposes
42 of the actuarial valuation of the liabilities of the Retirement System, except
43 for the following assumptions specific to this calculation: (i) the allowance
44 shall be assumed to commence at the earliest age at which the member could
45 retire on an unreduced retirement allowance and (ii) assumed annual
46 postretirement allowance increases as set by the Board of Trustees upon the
47 advice of the consulting actuary. The calculation of the amount payable shall
48 also include an administrative fee to be set by the Board.

49 Subject to the requirements of this subsection, an employer may pay all or
50 part of the cost of a service purchase of a member in service. To the extent
51 that the purchase is paid by the employer, the cost paid by the employer shall

1 be credited to the pension accumulation fund. To the extent that the purchase
2 is paid by the member, the cost paid by the member shall be credited to the
3 member's annuity savings account.

4 (5) Previous Federal, State, or Local Government Service. – Notwithstanding any
5 provision of this Chapter to the contrary, on and after January 1, 2021, any
6 member in service with five or more years of membership service may
7 purchase creditable service previously rendered to the federal government or
8 to any state, territory, or other governmental subdivision of the United States
9 other than this State by paying a total lump sum payment. The amount of
10 creditable service purchased under this subsection-subdivision may not exceed
11 a total of five years. ~~The member shall purchase this service by paying a lump~~
12 ~~sum amount to the Annuity Savings Fund equal to the full liability increase~~
13 ~~due to the additional service credits on the basis of the assumptions used for~~
14 ~~the purposes of the actuarial valuation of the liabilities of the Retirement~~
15 ~~System, except for the following assumptions specific to this calculation:~~ (i)
16 ~~the allowance shall be assumed to commence at the earliest age at which the~~
17 ~~member could retire on an unreduced retirement allowance and (ii) assumed~~
18 ~~annual postretirement allowance increases as set by the Board of Trustees~~
19 ~~upon the advice of the consulting actuary. The calculation of the amount~~
20 ~~payable shall also include an administrative fee to be set by the Board.~~

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

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.

34 (6) Credit for prior temporary Prior Temporary State employment. –
35 Notwithstanding any other provision of this Chapter, on or before December
36 31, 2021, a member may purchase service credit for temporary State
37 employment upon completion of 10 years of membership service and subject
38 to the condition that the member had been classified as a temporary employee
39 for more than three years. Each employer shall certify to the Board of Trustees
40 that an employee is eligible to purchase this service credit prior to the member
41 making payment. Payment for the service credit shall be in a single lump sum
42 based upon the amount the member would have contributed if he the member
43 had been properly classified as a permanent employee and been a member of
44 this retirement system.Retirement System.

45 Notwithstanding any provision of this subdivision or any other provision
46 of this Article to the contrary, any inchoate or accrued rights of such a member
47 to purchase creditable service that existed prior to December 31, 2021, may
48 not be diminished and may be purchased as creditable service with this
49 Retirement System under the same conditions that would have otherwise
50 applied.

- (7) 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 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 the following service may not 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 under this subsection 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 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.

- (8) 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 a temporary teacher or employee subject to all 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. The member's temporary employment met all other requirements of G.S. 135-1(10) or (25), or G.S. 128-21(10).
 - c. The member has completed five years or more of membership service.
 - d. The member has acquired from the employer such certifications of temporary employment as are required by the Board of Trustees.

The amount of creditable service purchased under this subsection subdivision 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

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

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

15 (9) Credit at Full Cost for Federal Employment. – Notwithstanding any other
16 provisions of this Chapter, a member in service with five or more years of
17 membership service may purchase creditable service for periods of federal
18 employment, provided that the member is not receiving any retirement
19 benefits resulting from this federal employment, and provided that the
20 member is not vested in the particular federal retirement system to which the
21 member may have belonged while a federal employee. The amount of
22 creditable service purchased under this subsection subdivision may not exceed
23 a total of five years. ~~The member shall purchase this service by making a lump~~
24 ~~sum amount payable to the Annuity Savings Fund equal to the full liability~~
25 ~~increase due to the additional service credits on the basis of the assumptions~~
26 ~~used for the purposes of the actuarial valuation of the liabilities of the~~
27 ~~Retirement System, except for the following assumptions specific to this~~
28 ~~calculation: (i) the allowance shall be assumed to commence at the earliest~~
29 ~~age at which the member could retire on an unreduced retirement allowance~~
30 ~~and (ii) assumed annual postretirement allowance increases as set by the~~
31 ~~Board of Trustees upon the advice of the consulting actuary. The calculation~~
32 ~~of the amount payable shall also include an administrative fee to be set by the~~
33 ~~Board.~~

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

40 On or before December 31, 2021, members in service may also purchase
41 creditable service for periods of employment with public community service
42 entities within the State funded entirely with federal funds, other than the
43 federal government, that are not covered by the provisions of G.S. 128-21(11)
44 or G.S. 135-1(11), under the same terms and conditions that are applicable to
45 the purchase of creditable service for periods of federal employment in
46 accordance with this subsection. "Public community service entities" as used
47 in this subsection shall mean community action, human relations, manpower
48 development, and community development programs as defined in Articles
49 19 and 21 of Chapter 160A and Article 18 of Chapter 153A of the General
50 Statutes.

- (10) Credit at Full Cost for Leave Due to Extended Illness. – Any member in service with five or more years of membership service may purchase creditable service for periods of interrupted service while on leave without pay status due to the member's illness or injury, excluding leave due to maternity, provided that any single such interrupted service shall have included such period of time during which the member failed to earn at least two months membership service, 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.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.

(11) Credit at Full Cost for Parental Leave, Pregnancy or Childbirth-Related Leave, or Certain Involuntary Furloughs. – Notwithstanding other provisions of this Chapter, any member in service with five or more years of credited membership service may purchase creditable service for periods of 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. position. The amount of creditable service purchased under this subsection subdivision 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.

(12) 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 any local

1 employer as defined in G.S. 128-21(11) when considered to be in a
2 probationary or employer-imposed waiting period status, between the date of
3 employment and the date of membership service with the Local Governmental
4 Employees' Retirement 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 (13) Credit for Employment in a Charter School Operated by a Private Nonprofit
22 Corporation or a Charter School Operated by a Municipality. – Any Prior to
23 January 1, 2023, any member may purchase creditable service for any
24 employment as an employee of a charter school operated by a private
25 nonprofit corporation or a charter school operated by a municipality whose
26 board of directors did not elect to participate in the Retirement System under
27 G.S. 135-5.3 upon completion of five years of membership service by making
28 a lump sum payment into the Annuity Savings Fund. The payment by the
29 member shall be equal to the full liability of the service credits calculated on
30 the basis of the assumptions used for purposes of the actuarial valuation of the
31 Retirement System's liabilities, taking into account the additional retirement
32 allowance arising on account of the additional service credits commencing at
33 the earliest age at which the member could retire with an unreduced retirement
34 allowance, as determined by the Board of Trustees upon the advice of the
35 actuary plus an administrative expense fee to be determined by the Board of
36 Trustees. service. Creditable service purchased under this subsection
37 subdivision shall not exceed a total of five years. Notwithstanding the
38 foregoing provisions of this subsection that provide for the purchase of service
39 credits, the terms "full cost", "full liability", and "full actuarial cost" include
40 assumed annual postretirement allowance increases, as determined by the
41 Board of Trustees, from the earliest age at which a member could retire on an
42 unreduced service allowance.

43 (14) Credit for Employment in a Charter School Operated by a Private Nonprofit
44 Corporation or a Charter School Operated by a Municipality. – Notwithstanding any provision of this Chapter to the contrary, on and after
45 January 1, 2023, any member in service with five or more years of
46 membership service may purchase creditable service for any employment as
47 an employee of a charter school operated by a private nonprofit corporation
48 or a charter school operated by a municipality whose board of directors did
49 not elect to participate in the Retirement System under G.S. 135-5.3. The

1 amount of creditable service purchased under this subdivision may not exceed
2 a total of five years.

3 (15) Credit at Full Cost for Service With The University of North Carolina During
4 Which a Member Participated in the Optional Retirement Program. –
5 Notwithstanding any other provisions of this Chapter to the contrary, any
6 member in service with five or more years of membership service may
7 purchase creditable service for periods of employment with The University of
8 North Carolina during which the member participated in the Optional
9 Retirement Program as provided for in G.S. 135-5.1, provided that the
10 member is not receiving, and is not entitled to receive, any retirement benefits
11 resulting from this employment. The amount of creditable service purchased
12 under this subsection subdivision may not exceed a total of five years. ~~The member shall purchase this service 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.~~

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

SECTION 1.2. G.S. 135-4(ff) reads as rewritten:

30 "(ff) Retroactive Membership Service. – A member who is reinstated to service as an
31 employee as defined in G.S. 135-1(10) or as a teacher as defined in G.S. 135-1(25) retroactively
32 to the date of prior involuntary termination with back pay, as defined by the State Human
33 Resources Commission, and associated benefits may be allowed membership service, after
34 submitting clear and convincing evidence of the reinstatement, payment of back pay, and
35 restoration of associated benefits, as follows:

- 36 (1) When the reinstatement to service is by court order, final decision of an
37 Administrative Law Judge, or with the approval of the Office of State Human
38 Resources Director, and is:
- 39 a. Within 90 days of the involuntary termination, by the payment of
40 employee and employer contributions that would have been paid; or
41 b. After 90 days of the involuntary termination, by the payment of the
42 employee and employer contributions that would have been paid plus
43 interest compounded annually at a rate equal to the greater of the
44 average yield on the pension accumulation fund for the preceding
45 calendar year or the actuarial investment rate-of-return assumption, as
46 adopted by the Board of Trustees.
- 47 (2) When the reinstatement to service is by settlement agreement voluntarily
48 entered into by the affected parties, by the payment of a lump-sum ~~amount 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, taking into account the retirement allowance arising on account of~~

1 the additional service credit commencing at the earliest age at which the
2 member could retire on an unreduced retirement allowance, as determined by
3 the Board of Trustees upon the advice of the consulting actuary, plus an
4 administrative fee to be set by the Board of Trustees. Notwithstanding the
5 foregoing provisions of this subsection that provide for the purchase of service
6 credits, the terms "full cost," "full liability," and "full actuarial cost" include
7 assumed annual postretirement allowance increases, as determined by the
8 Board of Trustees, from the earliest age at which a member could retire on an
9 unreduced service allowance.

10 Nothing contained in this subsection shall prevent an employer or member
11 from paying all or a part of the cost of the retroactive membership service; and
12 to the extent paid by the employer, the cost paid by the employer shall be
13 credited to the pension accumulation fund; and to the extent paid by the
14 member, the cost paid by the member shall be credited to the member's
15 annuity savings account;amount. The member shall purchase this service by
16 paying a lump-sum amount to the annuity savings fund equal to the full
17 liability increase due to the additional service credits on the basis of the
18 assumptions used for the purposes of the actuarial valuation of the liabilities
19 of the Retirement System, except for the following assumptions specific to
20 this calculation: (i) the allowance shall be assumed to commence at the earliest
21 age at which the member could retire on an unreduced retirement allowance
22 and (ii) assumed annual postretirement allowance increases as set by the
23 Board of Trustees upon the advice of the consulting actuary. The calculation
24 of the amount payable shall also include an administrative fee to be set by the
25 Board.

26 Subject to the requirements of this subsection, an employer may pay all or part of the cost of
27 a service purchase of a member in service. To the extent that the purchase is paid by the employer,
28 the cost paid by the employer shall be credited to the pension accumulation fund. To the extent
29 the purchase is paid by the member, the cost paid by the member shall be credited to the member's
30 annuity savings account; provided, however, that an employer does not discriminate against any
31 employed member or group of employed members in his employ in paying all or any part of the
32 cost of the retroactive membership service.

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

39 **SECTION 1.3.** Subsections (j), (k), (l1), and (bb) of G.S. 135-4 are repealed.
40

41 **PART II. CHANGES RELATED TO CREDITABLE SERVICE PURCHASES UNDER 42 THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

43 **SECTION 2.1.** G.S. 128-24(2) reads as rewritten:

44 "(2) All persons who are employees of a participating county, city, or town except
45 those who shall notify the Board of Trustees in writing, on or before 30 days
46 following the date of participation in the Retirement System by such county,
47 city or town: Provided, further, that employees of county social services and
48 health departments whose compensation is derived from federal, State, and
49 local funds may be members of the North Carolina Local Governmental
50 Employees' Retirement System to the full extent of their compensation. Any
51 member on or after July 1, 1969, and prior to January 1, 2023, may deposit in

the annuity savings fund by a single payment the contributions plus interest which would have been credited to his account had he not signed a nonelection blank, and be entitled to such membership service credits and any prior service credits which became void upon execution of such nonelection blank; provided that the employer will pay the appropriate matching contributions.

On and after January 1, 2023, 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 provided, however, that an employer does not discriminate against any employed member or group of employed members in paying all or any part of the cost of the membership service."

SECTION 2.2. G.S. 128-26(h1) reads as rewritten:

"(h1) Any Prior to January 1, 2023, any member 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, and further provided the member pays a lump sum amount equal to the full cost of the additional service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities, taking into account the additional retirement allowance arising on account of the additional service credits 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 subsection 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."

SECTION 2.3. G.S. 128-26(v) reads as rewritten:

"(v) Retroactive Membership Service. – A member who is reinstated to service as an employee as defined in G.S. 128-21(10) retroactively to the date of prior involuntary termination with back pay and associated benefits may be allowed membership service, after submitting clear and convincing evidence of the reinstatement, payment of back pay, and restoration of associated benefits, as follows:

- (1) When the reinstatement to service is by court order and is:

 - a. Within 90 days of the involuntary termination, by the payment of employee and employer contributions that would have been paid; or
 - b. After 90 days of the involuntary termination, 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.

(2) When the reinstatement to service is by settlement agreement voluntarily entered into by the affected parties, by the payment of a lump-sum amount 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, taking 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 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.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the retroactive membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the member shall be credited to the member's annuity savings account;amount. 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.

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 the purchase is paid by the member, the cost paid by the member shall be credited to the member's annuity savings account; provided, however, that an employer does not discriminate against any employed member or group of employed members in his employ in paying all or any part of the cost of the retroactive membership service.

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

SECTION 2.4. G.S. 128-26(h) is repealed.

PART III. CHANGES RELATED TO CREDITABLE SERVICE PURCHASES UNDER THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 3.1. G.S. 135-56 reads as rewritten:

"§ 135-56. Creditable service.

(d) Any Prior to January 1, 2023, any member may purchase creditable service for service as a judge, district attorney, or clerk of superior court, when not otherwise provided for in this section, and as a judge of any lawfully constituted court of this State inferior to the superior court,

1 not to include service as a magistrate, justice of the peace or mayor's court judge. The member,
2 after the transfer of any accumulated contributions from the Teachers' and State Employees'
3 Retirement System or Local Governmental Employees' Retirement System, shall pay an amount
4 equal to the full cost of the service credits calculated on the basis of the assumptions used for
5 purposes of the actuarial valuation of the System's liabilities, taking into account the additional
6 retirement allowance arising on account of the additional service credit commencing at the
7 earliest age at which the member could retire with an unreduced retirement allowance as
8 determined by the Board of Trustees upon the advice of the consulting actuary. Notwithstanding
9 the foregoing provisions of this subsection that provide for the purchase of service credits, the
10 terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement
11 allowance increases, as determined by the Board of Trustees, from the earliest age at which a
12 member could retire on an unreduced service allowance.

13 (d1) Notwithstanding any provision of this Chapter to the contrary, on and after January
14 1, 2023, any member may purchase creditable service for service as a judge, district attorney, or
15 clerk of superior court, when not otherwise provided for in this section, and as a judge of any
16 lawfully constituted court of this State inferior to the superior court, not to include service as a
17 magistrate, justice of the peace, or mayor's court judge. The member, after the transfer of any
18 accumulated contributions from the Teachers' and State Employees' Retirement System or Local
19 Governmental Employees' Retirement System, shall pay an amount equal to the full cost of the
20 additional service credits calculated on the basis of the assumptions used for purposes of the
21 actuarial valuation of the System's liabilities, taking into account the additional retirement
22 allowance arising on account of the additional service credit commencing at the earliest age at
23 which the member could retire with an unreduced retirement allowance as determined by the
24 Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set
25 by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that
26 provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial
27 cost" include assumed annual postretirement allowance increases, as determined by the Board of
28 Trustees, from the earliest age at which a member could retire on an unreduced service allowance.

29 (e) Any Prior to January 1, 2023, any member may purchase creditable service for service
30 as a member of the General Assembly not otherwise creditable under this section, provided the
31 service is not credited in the Legislative Retirement Fund nor the Legislative Retirement System,
32 and further provided the member pays a lump sum amount equal to the full cost of the additional
33 service credits calculated on the basis of the assumptions used for the purposes of the actuarial
34 valuation of the System's liabilities, taking into account the additional retirement allowance
35 arising on account of the additional service credits commencing at the earliest age at which a
36 member could retire on an unreduced retirement allowance as determined by the Board of
37 Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the
38 Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for
39 the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost"
40 include assumed annual post-retirement allowance increases, as determined by the Board of
41 Trustees, from the earliest age at which a member could retire on an unreduced service allowance.

42"

43 **SECTION 3.2.** G.S. 135-56.2 reads as rewritten:

44 **"§ 135-56.2. Creditable service for other employment.**

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

1 accumulated contributions from the Teachers' and State Employees' Retirement System or Local
2 Governmental Employees' Retirement System, shall pay an amount equal to the full cost of the
3 service credits calculated on the basis of the assumptions used for purposes of the actuarial
4 valuation of the Retirement System's liabilities, taking into account the additional retirement
5 allowance arising on account of the additional service credits commencing at the earliest age at
6 which the member could retire with an unreduced retirement allowance as determined by the
7 Board of Trustees upon the advice of the consulting actuary, plus an administrative fee as set by
8 the Board of Trustees. purchase this service by paying a lump sum amount to the annuity savings
9 fund equal to the full liability increase due to the additional service credits on the basis of the
10 assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement
11 System, except for the following assumptions specific to this calculation: (i) the allowance shall
12 be assumed to commence at the earliest age at which the member could retire on an unreduced
13 retirement allowance and (ii) assumed annual postretirement allowance increases as set by the
14 Board of Trustees upon the advice of the consulting actuary. Subject to the requirements of this
15 subsection, an employer may pay all or part of the cost of a service purchase of a member in
16 service. To the extent that the purchase is paid by the employer, the cost paid by the employer
17 shall be credited to the pension accumulation fund. As an alternative to transferring any
18 accumulated contributions from the Teachers' and State Employees' Retirement System or the
19 Local Governmental Employees' Retirement System to the Consolidated Judicial Retirement
20 System, a member may irrevocably elect to transfer these contributions to the Supplemental
21 Retirement Income Plan of North Carolina as determined by the Plan's Board of Trustees and the
22 Department of State Treasurer in accordance with the provisions of G.S. 135-94(a)(4).
23 Notwithstanding the foregoing provisions of this section that provide for the purchase of service
24 credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual
25 post-retirement allowance increases, as determined by the Board of Trustees, from the earliest
26 age at which a member could retire on an unreduced service allowance."

27

PART IV. EFFECTIVE DATE

28

29 **SECTION 4.1.** This act becomes effective January 1, 2022, and applies to purchases
30 of creditable service occurring on or after that date.