

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023

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HOUSE BILL 989

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

Sponsors: Representative Carson Smith.

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

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

May 6, 2024

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

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

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

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

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 The remaining subsection catch line for subsection (k1) of G.S. 135-4 is repealed.

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

21        "**§ 135-4.5. Creditable service purchases.**

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

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

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

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

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

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

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

36           a.       G.S. 120-4.25.

37           b.       G.S. 128-27(f).

38           c.       G.S. 135-5(f).

39           d.       G.S. 135-62.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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. pregnancy, or childbirth.

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1           (1) ~~When~~If the reinstatement to service is by court order, final decision of an  
 2           Administrative Law Judge, or with the approval of the Office of State Human  
 3           Resources Director, and is:
- 4           a. ~~Within~~occurs within 90 days of the involuntary termination, ~~by the~~  
 5           ~~payment then the amount payable is the amount of~~ employee and  
 6           employer contributions that would have been paid; ~~or paid.~~
- 7           b. ~~After~~
- 8           (2) If the reinstatement to service is by court order, final decision of an  
 9           Administrative Law Judge, or with the approval of the Office of State Human  
 10           Resources Director, and occurs after 90 days of the involuntary termination,  
 11           ~~by the payment then the amount payable is the amount of~~ the employee and  
 12           employer contributions that would have been paid plus interest compounded  
 13           annually at a rate equal to the greater of the average yield on the ~~pension~~  
 14           ~~accumulation fund~~Pension Accumulation Fund for the preceding calendar  
 15           year or the actuarial investment rate-of-return assumption, as adopted by the  
 16           Board of Trustees.
- 17           (2)(3) ~~When~~If the reinstatement to service is by settlement agreement voluntarily  
 18           entered into by the affected parties, ~~by the payment of a lump sum amount,~~  
 19           ~~the member shall purchase this service by paying a lump sum amount to the~~  
 20           ~~annuity savings fund then the amount payable is an amount~~ equal to the full  
 21           liability increase to the Retirement System due to the additional service credits  
 22           plus an administrative fee that is set by the Board of Trustees. The full liability  
 23           increase shall be calculated on the basis of the same assumptions used for the  
 24           purposes of the actuarial valuation of the liabilities of the Retirement System,  
 25           except for the following assumptions specific to this calculation: (i) the  
 26           allowance shall be assumed to commence at the earliest age at which the  
 27           member could retire on an unreduced retirement allowance and (ii) there shall  
 28           be assumed annual postretirement allowance increases as set by the Board of  
 29           Trustees upon the advice of the consulting actuary. The calculation of the  
 30           ~~amount payable shall also include an administrative fee to be set by the~~  
 31           ~~Board.~~The amount payable under this subdivision is required to be paid as a  
 32           lump sum amount to the Annuity Savings Fund.

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

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

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

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

- 6 (1) An annuity contract described in Section 403(b) of the Internal Revenue Code,  
7 (ii) an Code.
- 8 (2) An eligible plan under Section 457(b) of the Internal Revenue Code which  
9 that is maintained by a state, political subdivision of a state, or any agency or  
10 instrumentality of a state or political subdivision of a state, (iii) an state.
- 11 (3) An individual retirement account or annuity described in Section 408(a) or  
12 408(b) of the Internal Revenue Code that is eligible to be rolled over and  
13 would otherwise be includible in gross income, or (iv) a income.
- 14 (4) A qualified plan described in Section 401(a) or 403(a) of the Internal Revenue  
15 Code. Notwithstanding the foregoing,

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

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

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

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

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

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

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

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

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

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

15          ...

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

35          ...

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

1 ...

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

14 ...."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

- a. G.S. 120-4.25.
- b. G.S. 128-27(f).
- c. G.S. 135-5(f).
- d. G.S. 135-62.
- e. Any rules adopted under Article 12 of Chapter 143 of the General Statutes, as it existed prior to 1986.

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

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

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

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

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

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

10 ~~Payment for service purchased. The amount of the single lump sum to be~~  
 11 ~~paid for the purchase of service credit under this subsection-subdivision shall~~  
 12 ~~be made in a single lump sum in an amount calculated by applying the ratio~~  
 13 ~~of actual gross compensation earned as a part-time employee to the gross~~  
 14 ~~compensation that would have been earned as a full-time employee to the~~  
 15 ~~period of service rendered in months. The member shall purchase this service~~  
 16 ~~by 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 ~~The Board of Trustees shall adopt rules regarding how much service in~~  
 27 ~~any year, as based on compensation, is equivalent to one year of service in~~  
 28 ~~proportion to earnable compensation, but in In no case shall more than one~~  
 29 ~~year of service be creditable for all service in one year. Service rendered for~~  
 30 ~~the regular school year in any district shall be equivalent to one year of service.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

6 ~~(2)~~(3) ~~When~~ If the reinstatement to service is by settlement agreement voluntarily  
 7 entered into by the affected parties, ~~by the payment of a lump sum amount,~~  
 8 ~~the member shall purchase this service by paying a lump sum amount to the~~  
 9 ~~annuity savings fund~~ then the amount payable shall be equal to the full liability  
 10 increase to the Retirement System due to the additional service credits plus an  
 11 administrative fee that is set by the Board of Trustees. The full liability  
 12 increase shall be calculated on the basis of the same assumptions used for the  
 13 purposes of the actuarial valuation of the liabilities of the Retirement System,  
 14 except for the following assumptions specific to this calculation: (i) the  
 15 allowance shall be assumed to commence at the earliest age at which the  
 16 member could retire on an unreduced retirement allowance and (ii) there shall  
 17 be assumed annual postretirement allowance increases as set by the Board of  
 18 Trustees upon the advice of the consulting actuary. The calculation of the  
 19 amount payable shall also include an administrative fee to be set by the  
 20 ~~Board.~~ The amount payable under this subdivision is required to be paid as a  
 21 lump sum amount to the Annuity Savings Fund.

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

31 ~~In the event~~ If a member received a return of accumulated contributions subsequent to an  
 32 involuntary termination as provided in G.S. 128-27(f), then the member may redeposit, within  
 33 90 days after reinstatement retroactive to the date of prior involuntary termination, in the ~~annuity~~  
 34 ~~savings fund~~ Annuity Savings Fund by single payment, an amount equal to the total amount the  
 35 member previously withdrew plus regular interest and restore the creditable service forfeited  
 36 upon receiving the return of accumulated contributions.

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

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

1           (3) An individual retirement account or annuity described in Section 408(a) or  
 2           408(b) of the Internal Revenue Code that is eligible to be rolled over and  
 3           would otherwise be includible in gross ~~income, or (iv) a income.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6           ...

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

26           ...

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

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

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

4 ...."

5  
 6 **PART III. RECODIFY AND STANDARDIZE SERVICE PURCHASE UNDER THE**  
 7 **CONSOLIDATED JUDICIAL RETIREMENT SYSTEM**

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

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

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

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

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

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

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

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

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

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

31 "**§ 135-56.5. Creditable service purchases.**

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

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

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

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

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

37            a.        G.S. 120-4.25.

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

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

40            d.        G.S. 135-62.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

- 40       (1) An annuity contract described in Section 403(b) of the Internal Revenue Code,  
 41 ~~(ii) an Code.~~  
 42       (2) An eligible plan under Section 457(b) of the Internal Revenue Code which  
 43 that is maintained by a state, political subdivision of a state, or any agency or  
 44 instrumentality of a state or political subdivision of a state, ~~(iii) an state.~~  
 45       (3) An individual retirement account or annuity described in Section 408(a) or  
 46 408(b) of the Internal Revenue Code that is eligible to be rolled over and  
 47 would otherwise be includible in gross income, or ~~(iv) a income.~~  
 48       (4) A qualified plan described in Section 401(a) or 403(a) of the Internal Revenue  
 49 Code. ~~Notwithstanding the foregoing,~~

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 35 36 **PART IV. RECODIFY AND STANDARDIZE SERVICE PURCHASE UNDER THE** 37 **LEGISLATIVE RETIREMENT SYSTEM**

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

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

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

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

46 **"§ 120-4.12B. Purchase of creditable service for service in Armed Forces.**

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

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

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

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

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

27 **"§ 120-4.8. Definitions.**

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

- 30 (1) ~~"Accumulated contributions" means the Accumulated contributions.~~ – The  
 31 sum of all the amounts deducted from the compensation of a member and  
 32 credited to his individual account in the annuity savings fund, together with  
 33 regular interest as provided in G.S. 135-7(b).  
 34 (2) ~~"Actuarial equivalent" means a Actuarial equivalent.~~ – A benefit of equal  
 35 value when computed upon the basis of the mortality tables as adopted by the  
 36 Board of Trustees, and regular interest.  
 37 (3) ~~"Annuity" means payment Annuity.~~ – Payment for life derived from the  
 38 ~~"Accumulated contribution" accumulated contributions~~ of a member. All  
 39 ~~"annuities" annuities~~ are payable in equal monthly installments.  
 40 (4) ~~"Annuity reserve" means the Annuity reserve.~~ – The present value of all  
 41 payments to be made on account of any ~~annuity annuity~~, or benefit in lieu of  
 42 any annuity, computed upon the basis of the mortality tables as adopted by the  
 43 Board of Trustees, and regular interest.  
 44 (5) Board of Trustees. – The Board of Trustees of the Teachers' and State  
 45 Employees' Retirement System, which is responsible for administering the  
 46 Legislative Retirement System.  
 47 (5)(6) ~~"Compensation" means salary Compensation.~~ – Salary and expense allowance  
 48 paid for service as a legislator in the North Carolina General Assembly,  
 49 exclusive of travel and per diem. Effective July 1, 2009, ~~"compensation"~~  
 50 compensation also means includes payment of military differential wages.

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

5           ~~(6)~~(8) "Filing," when Filing. – When used in reference to an application for  
6           retirement, ~~means~~ the receipt of an acceptable application on a form provided  
7           by the Retirement System.

8           ~~(7)~~(9) "Highest Highest annual salary" means the salary. – The twelve consecutive  
9           months of compensation authorized during a member's final legislative term  
10          for the highest position that a member ever held as a member of the General  
11          Assembly.

12          ~~(8)~~(10) "Medical Board" means the Medical Board. – The board of physicians  
13          provided for in G.S. 135-6, which shall determine disability as provided in  
14          this Article.

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

17          ~~(10)~~(12) "Pension reserve" means the Pension reserve. – The present value of all  
18          payments to be made on account of any ~~pension pension~~, or benefit in lieu of  
19          any ~~pension pension~~, computed upon the basis of the mortality tables adopted  
20          by the Board of Trustees, and regular interest.

21          ~~(11)~~(13) "Pensions" means payments Pensions. – Payment for life derived from  
22          money provided by the State of North Carolina. All pensions are payable in  
23          equal monthly installments.

24          ~~(12)~~(14) "Present member of the General Assembly" means a Present member of  
25          the General Assembly. – A person who is a member of the North Carolina  
26          General Assembly on or after June 15, 1983.

27          ~~(13)~~(15) "Regular interest" means interest Regular interest. – Interest compounded  
28          annually at the rate determined by the Board of Trustees in accordance with  
29          G.S. 135-7(b) and G.S. 120-4.10.

30          ~~(14)~~(16) "Retirement" means the Retirement. – The withdrawal from active service  
31          with a retirement allowance granted under the provisions of this Article. In  
32          order for a member's retirement to become effective in any month, the member  
33          must render no service at any time during that month.

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

35          ~~(15)~~(18) "Year" as used in this Article shall mean the Year. – The regular State  
36          fiscal year beginning July 1, and ending June 30 in the following calendar ~~year~~  
37          year, unless otherwise defined ~~by in rule of adopted by~~ the Board of Trustees."

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

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

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

44          "**§ 120-4.15. Repayment of contributions.**

45          ...

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

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

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

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

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

25 **"§ 120-4.16. Repayments and purchases.**

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

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

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

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

1           (3)    An individual retirement account or annuity described in Section 408(a) or  
 2           408(b) of the Internal Revenue Code that is eligible to be rolled over and  
 3           would otherwise be includible in gross ~~income, or (iv) a income.~~

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

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

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

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

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

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

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

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

## 41   **PART V. CROSS-REFERENCE CONFORMING CHANGES**

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

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

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

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

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

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

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

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

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

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

21  
22 **PART VI. EFFECTIVE DATE**

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