Chapter 135.

Retirement System for Teachers and State Employees; Social Security; State Health Plan for Teachers and State Employees.

Article 1.

Retirement System for Teachers and State Employees.

§ 135-1. Definitions.

The following words and phrases as used in this Chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

(1) "Accumulated contributions" shall mean the sum of all the amounts deducted from the compensation of a member and accredited to his individual account in the annuity savings fund, together with regular interest thereon as provided in G.S. 135-8.

(2) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the basis of actuarial assumptions as shall be adopted by the Board of Trustees.

(3) "Annuity" shall mean payments for life derived from that "accumulated contribution" of a member. All annuities shall be payable in equal monthly installments.

(4) "Annuity reserve" shall mean the present value of all payments to be made on account of any annuity or benefit in lieu of any annuity, computed upon the basis of such mortality tables as shall be adopted by the Board of Trustees, and regular interest.

(4a) "Authorized representatives who are assisting the Retirement Systems Division staff" means only other staff of the Department of State Treasurer, staff of the Department of Justice, or persons providing internal auditing assistance required under G.S. 143-746(b).

(4b) Expired pursuant to Session Laws 2021-72, s. 2.1(d), effective July 1, 2022.

(5) "Average final compensation" shall mean the average annual compensation of a member during the four consecutive calendar years of membership service producing the highest such average; but shall not include any compensation, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. Payout of vacation leave shall be included in "average final compensation" only if the payout is received by the member during the four consecutive calendar years of membership service producing the highest average annual compensation of the member. In the event a member is or has been in receipt of a benefit under the provisions of G.S. 135-105 or G.S. 135-106, the compensation used in the calculation of "average final compensation" shall be the higher of compensation of the member under the provisions of this Article or compensation used in calculating the payment of benefits under Article 6 of this Chapter as adjusted for percentage increases in the post disability benefit.

(6) "Beneficiary" shall mean any person in receipt of a pension, an annuity, a retirement allowance or other benefit as provided by this Chapter.

(7) "Board of Trustees" shall mean the Board provided for in G.S. 135-6 to administer the Retirement System.

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

1. Performance-based compensation (regardless of whether paid in a lump sum, in periodic installments, or on a monthly basis);
2. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or regulation;
3. Payment of tax consequences for benefits provided by the employer, so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses";
4. Payout of vacation leave so long as such payouts are permitted by applicable law and regulation;
5. Employee contributions to eligible deferred compensation plans; and
6. Effective July 1, 2009, payment of military differential wages.

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

1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
2. Travel supplement/allowance (nonaccountable allowance plans);
3. Employer contributions to eligible deferred compensation plans;
4. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
5. Reimbursement of uninsured medical expenses;
6. Reimbursement of business expenses;
7. Reimbursement of moving expenses;
8. Reimbursement/payment of personal expenses;
9. Incentive payments for early retirement;
10. Bonuses paid incident to retirement;
10a. Local supplementation as authorized under G.S. 7A-300.1 for Judicial Department employees;
11. Contract buyout/severance payments; and
12. Payouts for unused sick leave.

c. In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments

shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments.

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

(7c) "Conduct directly related to the office or employment" shall mean conduct by the member resulting in a felony conviction that:

a. Is an offense identified in G.S. 115C-270.35(b), and the commission of the offense occurred while the member was employed in a public school or working in a public school subject to a memorandum of understanding.

b. Is an offense which required the revocation of the member's licensure or certification required for the member's employment or office at the time of the commission of the offense.

c. Is conduct that was directly related to the member's employment or office as determined by the Board of Trustees.

(7d) "Consumer Price Index" shall mean the Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, all items, not seasonally adjusted, standard reference base, as published by the Bureau of Labor Statistics of the U.S. Department of Labor.

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

(8a) "Duly acknowledged" means notarized, including electronic notarization, or verified through an identity authentication service approved by the Department of State Treasurer.

(9) "Earnable compensation" shall mean the full rate of the compensation that would be payable to a teacher or employee if he worked in full normal working time. In cases where compensation includes maintenance, the Board of Trustees shall fix the value of that part of the compensation not paid in money.

(10) "Employee" shall mean all full-time employees, agents or officers of the State of North Carolina or any of its departments, bureaus and institutions other than educational, whether such employees are elected, appointed or employed: Provided that the term "employee" shall not include employees of the University of North Carolina Health Care System who are not eligible for participation under G.S. 135-5.6, employees of the East Carolina University School of Medicine or Dental School of Medicine who are not eligible for participation under G.S. 135-5.7, any person who is a member of the Consolidated Judicial Retirement System, any member of the General

Assembly or any part-time or temporary employee. Notwithstanding any other provision of law, "employee" shall include all employees of the General Assembly except participants in the Legislative Intern Program, pages, and beneficiaries in receipt of a monthly retirement allowance under this Chapter who are reemployed on a temporary basis. "Employee" also includes any participant whose employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, if that participant was an employee at the time of the interruption; if the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from his or her involuntary military service. In all cases of doubt, the Board of Trustees shall determine whether any person is an employee as defined in this Chapter. "Employee" shall also mean every full-time civilian employee of the North Carolina National Guard who is employed pursuant to section 709 of Title 32 of the United States Code and paid from federal appropriated funds, but held by the federal authorities not to be a federal employee: Provided, however, that the authority or agency paying the salaries of such employees shall deduct or cause to be deducted from each employee's salary the employee's contribution in accordance with applicable provisions of G.S. 135-8 and remit the same, either directly or indirectly, to the Retirement System; coverage of employees described in this sentence shall commence upon the first day of the calendar year or fiscal year, whichever is earlier, next following the date of execution of an agreement between the Secretary of Defense of the United States and the Adjutant General of the State acting for the Governor in behalf of the State, but no credit shall be allowed pursuant to this sentence for any service previously rendered in the above-described capacity as a civilian employee of the North Carolina National Guard: Provided, further, that the Adjutant General, in the Adjutant General's discretion, may terminate the Retirement System coverage of the above-described North Carolina National Guard employees if a federal retirement system is established for such employees and the Adjutant General elects to secure coverage of such employees under such federal retirement system. Any full-time civilian employee of the North Carolina National Guard described above who is now or hereafter may become a member of the Retirement System may secure Retirement System credit for such service as a North Carolina National Guard civilian employee for the period preceding the time when such employees became eligible for Retirement System coverage by paying to the Retirement System an amount equal to that which would have constituted employee contributions if the employee had been a member during the years of ineligibility, plus interest. Employees of State agencies, departments, institutions, boards, and commissions who are employed in permanent job positions on a recurring basis must work at least 30 hours per week for nine or more months per calendar year in order to be covered by the provisions of this subdivision. On and after August 1, 2001, a person who is a nonimmigrant alien

and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa.

(11) "Employer" shall mean the State of North Carolina, the county board of education, the city board of education, the State Board of Education, the board of trustees of the University of North Carolina, the University of North Carolina Health Care System, the board of trustees of other institutions and agencies supported and under the control of the State, or any other agency of and within the State by which a teacher or other employee is paid. For purposes of reporting under the pronouncements by the Governmental Accounting Standards Board, the Retirement System is a multi-employer plan.

(11a) "Filing" when used in reference to an application for retirement shall mean the receipt of an acceptable application on a form provided by the Retirement System.

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

(11c) "Law-Enforcement Officer" means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State. "Law-Enforcement Officer" also means a probation/parole officer as defined in this section with respect to any service rendered on or after July 1, 2017.

(12) "Medical board" shall mean the board of physicians provided for in G.S. 135-6.

(13) "Member" shall mean any teacher or State employee included in the membership of the System as provided in G.S. 135-3 and 135-4.

(14) "Membership service" shall mean service as a teacher or State employee rendered while a member of the Retirement System or membership service in a North Carolina Retirement System that has been transferred into this system.

(15) "Pension reserve" shall mean the present value of all payments to be made on account of any pension or benefit in lieu of any pension computed upon the basis of such mortality tables as shall be adopted by the Board of Trustees, and regular interest.

(16) "Pensions" shall mean payments for life derived from money provided by the State of North Carolina, and by county or city boards of education. All pensions shall be payable in equal monthly installments.

(17) "Prior service" shall mean service rendered prior to the date of establishment of the Retirement System for which credit is allowable under G.S. 135-4; provided, persons now employed by the Board of Transportation shall be

entitled to credit for employment in road maintenance by the various counties and road districts prior to 1931.

(17a) "Probation/Parole Officer" shall mean a full-time paid employee of the Division of Community Supervision and Reentry of the Department of Adult Correction whose duties include supervising, evaluating, or otherwise instructing offenders who have been placed on probation, parole, or post-release supervision or have been assigned to any other community-based program operated by the Division of Community Supervision and Reentry.

(18) "Public school" shall mean any day school conducted within the State under the authority and supervision of a duly elected or appointed city or county school board, and any educational institution supported by and under the control of the State.

(19) "Regular interest" shall mean interest compounded annually at such a rate as shall be determined by the Board of Trustees in accordance with G.S. 135-7, subsection (b).

(20) "Retirement" under this Chapter, except as otherwise provided, means the commencement of monthly retirement benefits along with termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must perform no work for an employer, including part-time, temporary, substitute, or contractor work, at any time during the six months immediately following the effective date of retirement. A member who is a full-time faculty member of The University of North Carolina may effect a retirement allowance under this Chapter, notwithstanding the six-month requirement above, provided the member immediately enters the University's Phased Retirement Program for Tenured Faculty as that program existed on May 25, 2011. For purposes of this subdivision, all of the following shall not be considered service or work:

a. Serving as an unpaid bona fide volunteer in a local school administrative unit.

b. Serving as an unpaid bona fide volunteer guardian ad litem in the guardian ad litem program.

c. Serving on an authority, board, commission, committee, council, or other body of the State or of one or more counties, cities, local school administrative units, community colleges, constituent institutions of The University of North Carolina, or other political subdivisions or public corporations in the State, that is authorized to function as legislative, policy-making, quasi-judicial, administrative, or advisory body in a position that does not require membership in the Retirement System.

d. Volunteering in a position normally designated as an unpaid bona fide volunteer position.

(21) "Retirement allowance" shall mean the sum of the "annuity and the pensions," or any optional benefit payable in lieu thereof.

(22) "Retirement System" shall mean the Teachers' and State Employees' Retirement System of North Carolina as defined in G.S. 135-2.

(23) "Service" shall mean service as a teacher or State employee as described in subdivision (10) or (25) of this section.

(24) "Social security breakpoint" shall mean the maximum amount of taxable wages under the Federal Insurance Contributions Act as from time to time in effect.

(25) "Teacher" shall mean (i) any teacher, helping teacher, teacher in a job-sharing position under G.S. 115C-326.5 except for a beneficiary in that position, librarian, superintendent principal, supervisor, superintendent of public schools or any full-time employee, city or county, of public instruction, or any full-time employee of the Department of Public Instruction, president, dean or teacher, or any full-time employee in any educational institution supported by and under the control of the State; (ii) who works at least 30 or more hours per week for at least nine or more months per calendar year. The term "teacher" shall not include any employee or teacher in a part-time, temporary, or substitute position, except for a teacher in a job-sharing position. The term "teacher" does not include those participating in an optional retirement program provided for in G.S. 135-5.1 or G.S. 135-5.4. In all cases of doubt, the Board of Trustees shall determine whether any person is a teacher as defined in this Chapter. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "teacher" solely because the person holds a temporary or time-limited visa. Notwithstanding the foregoing, the term "teacher" shall not include any nonimmigrant alien employed in elementary or secondary public schools, whether employed in a full-time, part-time, temporary, permanent, or substitute teacher position, and participating in an exchange visitor program designated by the United States Department of State pursuant to 22 C.F.R. Part 62 or by the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q).

(26) "Year" as used in this Article shall mean the regular fiscal year beginning July 1 and ending June 30 in the following calendar year unless otherwise defined by regulation of the Board of Trustees. (1941, c. 25, s. 1; 1943, c. 431; 1945, c. 924; 1947, c. 458, s. 6; 1953, c. 1053; 1955, c. 818; c. 1155, s. 81/2; 1959, c. 513, s. 1; c. 1263, s. 1; 1963, c. 687, s. 1; 1965, c. 750; c. 780, s. 1; 1969, c. 44, s. 74; c. 1223, s. 16; c. 1227; 1971, c. 117, ss. 1-5; c. 338, s. 1; 1973, c. 507, s. 5; c. 640, s. 2; c. 1233; 1975, c. 475, s. 1; 1977, c. 574, s. 1; 1979, c. 972, s. 1; 1981, c. 557, ss. 1, 2; 1983, c. 412, ss. 1, 2; 1983 (Reg. Sess., 1984), c. 1034, s. 227; 1985, c. 649, s. 3; 1987, c. 738, ss. 29(a), 36(a); 1991, c. 51, s. 2; 1993 (Reg. Sess., 1994), c. 769, s. 7.31(c); 1998-1, s. 4(g); 2001-424, s. 32.24(b); 2001-426, ss. 2, 3; 2001-513, s. 24; 2002-110, s. 1; 2002-126, ss. 28.6(b), 28.12(a); 2002-174, s. 2; 2003-359, ss. 1, 2; 2004-81, s. 1; 2004-199, s. 34(a); 2005-276, s. 29.28(e); 2006-66, s. 22.21; 2007-143, s. 1; 2009-11, s. 1; 2009-66, s. 6(e), (i); 2009-281, s. 1; 2009-451, s. 26.22; 2010-31, s. 29.7(d); 2011-145, s. 29.24(b); 2011-183, s. 100; 2012-130, s. 6; 2012-185, s. 2(b); 2013-288, ss. 3(a), 4(a); 2013-291, s. 1; 2014-97, s. 4(a); 2015-67, s. 1; 2015-164, s. 4; 2017-57, s. 35.19B(a); 2017-125, s. 1(a); 2017-128, s. 1(a)-(c); 2017-129, s.

4(a); 2017-186, s. 3(a); 2018-85, s. 10; 2019-110, s. 3; 2020-48, s. 1.1(b); 2021-72, s. 2.1(a); 2021-75, s. 3.1(b); 2021-180, s. 19C.9(t), (u); 2023-128, s. 3A(b); 2023-134, s. 4.10(k), (*l*); 2024-9, s. 4(a); 2024-10, s. 4(a).)

§ 135-1.1. Licensing and examining boards.

(a) Any State board or agency charged with the duty of administering any law relating to the examination and licensing of persons to practice a profession, trade or occupation, in its discretion, may elect on or before July 1, 1983, by an appropriate resolution of said board, to cause its employees so employed prior to July 1, 1983 to become members of the Teachers' and State Employees' Retirement System. Such Retirement System coverage shall be conditioned on such board's paying all of the employer's contributions or matching funds from funds of the board and on such board's collecting from its employees the employees' contributions, at such rates as may be fixed by law and by the regulations of the Board of Trustees of the Retirement System, all of such funds to be paid to the Retirement System and placed in the appropriate funds. Retroactive coverage of the employees of any such board may also be effected to the extent that such board requests provided the board pays all of the employer's contributions or matching funds necessary for such purpose and provided said board collects from its employees all employees' contributions necessary for such purpose, computed at such rates and in such amount as the Board of Trustees of the Retirement System determines, all of such funds to be paid to the Retirement System, together with such interest as may be due, and placed in the appropriate funds.

(b) Notwithstanding any other provision of this Chapter, any State board or agency charged with the duty of administering any law relating to the examination and licensing of persons to practice a profession, trade, or occupation, and who is subject to the provisions of the State Budget Act, Chapter 143C of the General Statutes, may make an irrevocable election by appropriate resolution of the board, on or before October 1, 2000, to become an employer in the Teachers' and State Employees' Retirement System. Retirement System coverage shall be conditioned on the board's payment of all of the employer's contributions or matching funds from funds of the board and on the board's collecting from its employees the employees' contributions, at such rates as may be fixed under G.S. 135-8, the Current Operations Appropriations Act, or any other applicable law, all of such funds to be paid to the Retirement System and placed in the appropriate funds. Any person who was an employee of the board on the date the board makes an irrevocable election to participate in the Retirement System may purchase creditable service for periods of employment with the board prior to the election, provided that (i) the person is a member in service and (ii) the purchase is made on or before December 31, 2021. The amount of creditable service purchased under this subsection may not exceed a total of five years. A 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 employee 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. (1959, c. 1012; 1983, c. 412, s. 3; 2000-187, s. 1; 2006-203, s. 72; 2020-29, s. 1(c).)

§ 135-2. Name and date of establishment.

A Retirement System is hereby established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits under the provisions of this Chapter for teachers and State employees of the State of North Carolina. The Retirement System so created shall be established as of the first day of July, 1941.

This Retirement System is a governmental plan, within the meaning of Section 414(d) of the Internal Revenue Code. Therefore, the nondiscrimination rules of Sections 401(a)(5) and 401(a)(26) of the Code do not apply. This System shall have the power and privileges of a corporation and shall be known as the "Teachers' and State Employees' Retirement System of North Carolina," and by such name all of its business shall be transacted, all of its funds invested, and all of its cash and securities and other property held.

Consistent with Section 401(a)(1) of the Internal Revenue Code, all contributions from participating employers and participating employees to this Retirement System shall be made to funds held in trust through trust instruments that have the purposes of distributing trust principal and income to retired members and their beneficiaries and of paying other definitely determinable benefits under this Chapter, after meeting the necessary expenses of administering this Retirement System. Neither the trust corpus nor income from this trust can be used for purposes other than the exclusive benefit of members or their beneficiaries, except that employer contributions made to the trust under a good faith mistake of fact may be returned to an employer, where the refund can occur within less than one year after the mistaken contribution was made, consistent with the rule adopted by the Board of Trustees. The Retirement System shall have a consolidated Plan document, consisting of Article V, Section 6(2) of the North Carolina Constitution, relevant statutory provisions in this Chapter; associated regulations in the North Carolina Administrative Code, substantive and procedural information on the official forms used by the Retirement System, and policies and minutes of the Board of Trustees. (1941, c. 25, s. 2; 2012-130, s. 7(c).)

§ 135-3. Membership.

(a) The membership of this Retirement System shall be composed as follows:

(1) All persons who shall become teachers or State employees after the date as of which the Retirement System is established. On and after July 1, 1947, membership in the Retirement System shall begin 90 days after the election, appointment or employment of a "teacher or employee" as the terms are defined in this Chapter. On and after July 1, 1955, membership in the Retirement System shall begin immediately upon the election, appointment or employment of a "teacher or employee," as the terms are defined in this Chapter. Under such rules and regulations as the Board of Trustees may establish and promulgate, Cooperative Agricultural Extension Service employees excluded from coverage under Title II of the Social Security Act may in the discretion of the governing authority of a county, become members of the Teachers' and State Employees' Retirement System to the extent of that part of their compensation derived from a county. On and after July 1, 1965, new extension service employees excluded from coverage under Title II of the Social Security Act in the employ of a county participating in the Local Governmental Employees' Retirement System are hereby excluded from participation in the Teachers' and State Employees' Retirement System to the extent of that part of their compensation derived from a county; provided that on and after July 1, 1965, new extension service employees excluded from coverage under Title II of the

Social Security Act who are required to accept a federal civil service appointment may elect in writing, on a form acceptable to the Retirement System, to be excluded from the Teachers' and State Employees' Retirement System and the Local Retirement System; provided further, that effective July 1, 1985, an extension service employee excluded from coverage under Title II of the Social Security Act who is employed in part by a county and who is compensated in whole by the Cooperative Agricultural Extension Service pursuant to a contract where the Cooperative Agricultural Extension Service is reimbursed by the county for the county's share of the compensation shall participate exclusively in the Teachers' and State Employees' Retirement System to the extent of their full compensation. On or after July 1, 1979, upon election, appointment or employment, a legislative employee shall automatically become a member of the Teachers' and State Employees' Retirement System. At such time as Cooperative Agricultural Extension Service Employees excluded from coverage under Title II of the Social Security Act become covered by Title II of the Social Security Act, such employees shall no longer be covered by the provisions of this section, provided no accrued rights of these employees under this section prior to coverage by Title II of the Social Security Act shall be diminished.

(2) Repealed by Session Laws 2012-130, s. 8, effective July 1, 2012.

(3) A member shall cease to be a member only if the member withdraws his or her accumulated contributions, or becomes a beneficiary, or dies.

(4) Notwithstanding any provisions contained in this section, any employee of the State of North Carolina who was taken over and required to perform services for the federal government, on a loan basis, and by virtue of an executive order of the President of the United States effective on or after January 1, 1942, and who on the effective date of such executive order was a member of the Retirement System and had not withdrawn all of his or her accumulated contributions, shall be deemed to be a member of the Retirement System during such period of federal service or employment by virtue of such executive order of the President of the United States. Any such employee who within a period of 12 months after the cessation of such federal service or employment, is again employed by the State or any employer as said term is defined in this Chapter, or within said period of 12 months engages in service or membership service, shall be permitted to resume active participation in the Retirement System and to resume his or her contributions as provided by this Chapter. If such member so elects, he or she may pay to the Board of Trustees for the benefit of the proper fund or account an amount equal to his or her accumulated contributions previously withdrawn with interest from date of withdrawal to time of payment and the accumulated contributions, with interest thereon, that such member would have made during such period of federal employment to the same extent as if such member had been in service or engaged in the membership service for the State or an employer as defined in this Chapter, which such payment of accumulated contributions shall be computed on the basis of the salary or earnable compensation received by such member on the effective date of such executive order.

(5) Repealed by Session Laws 2012-130, s. 8, effective July 1, 2012.

(6) Repealed by Session Laws 1981 (Regular Session, 1982), c. 1396, s. 1.

(7) The provisions of this subdivision (7) shall apply to any member whose retirement became effective prior to July 1, 1963, and who became entitled to benefits hereunder in accordance with the provisions hereof. Such benefits shall be computed in accordance with the provisions of G.S. 135-5(b) as in effect at the date of such retirement.

a. Notwithstanding any other provision of this Chapter, any member who separates from service prior to the attainment of the age of 60 years for any reason other than death or retirement for disability as provided in G.S. 135-5(d), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System shall have the right to retire on a deferred retirement allowance upon attaining the age of 60 years: Provided, that such member may retire only upon written application to the Board of Trustees setting forth at what time, not less than 30 days nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the provisions of G.S. 135-5(b), subdivisions (1), (2) and (3).

b. In lieu of the benefits provided in paragraph a of this subdivision (7) any member who separates from service on or after July 1, 1951, and prior to the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 135-5(d), after completing 30 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on an early retirement allowance; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than 30 days nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired; provided further that such application shall be duly filed within 60 days following the date of such separation. Such early retirement allowance so elected shall be the actuarial equivalent of the deferred retirement allowance otherwise payable at the attainment of the age of 60 years upon proper application therefor.

c. In lieu of the benefits provided in paragraph a of this subdivision (7), any member who separated from service before July 1, 1951, and prior to the age of 60 years for any reason other than death or retirement for disability as provided in G.S. 135-5(d), and who left his total accumulated contributions in said System, may elect to retire on an early retirement allowance; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, subsequent to July 1, 1951, and not less than 30 days nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired; provided that such application shall be duly filed not later than August 31, 1951. Such early retirement allowance so elected shall be the actuarial equivalent of the deferred retirement allowance otherwise

payable at the attainment of the age of 60 years upon proper application therefor.

d. Should a teacher or employee who retired on an early or service retirement allowance be restored to service prior to the attainment of the age of 62 years, his allowance shall cease, he shall again become a member of the Retirement System, and he shall contribute thereafter at the uniform contribution rate payable by all members. Upon his subsequent retirement, he shall be entitled to the allowance described in 1 below reduced by the amount in 2 below.
   1. The allowance to which he would have been entitled if he were retiring for the first time, calculated on the basis of his total creditable service represented by the sum of his creditable service at the time of his first retirement, and his creditable service after he was restored to service.
   2. The actuarial equivalent of the retirement benefits he previously received.

e. Should a teacher or employee who retired on an early or service retirement allowance be restored to service after the attainment of the age of 62 years, his retirement allowance shall be reduced to the extent necessary (if any) so that the sum of the retirement allowance at the time of his retirement and earnings from employment by a unit of the Retirement System for any year (beginning January 1, and ending December 31) will not exceed the member's compensation received for the 12 months of service prior to retirement. Provided, however, that under no circumstances will the member's retirement allowance be reduced below the amount of his annuity as defined in G.S. 135-1(3).

(8) The provisions of this subdivision shall apply to any member whose membership is terminated on or after July 1, 1963 and who becomes entitled to benefits hereunder in accordance with all of the following provisions:

a. Notwithstanding any other provision of this Chapter, any member who separates from service prior to the attainment of the age of 60 years for any reason other than death or retirement for disability as provided in G.S. 135-5(c), after completing 15 or more years of creditable service, and who leaves his total accumulated contributions in said System shall have the right to retire on a deferred retirement allowance upon attaining the age of 60 years; provided that such member may retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired; and further provided that in the case of a member who so separates from service on or after July 1, 1967, or whose account is active on July 1, 1967, or has not withdrawn his contributions, the aforestated requirement of 15 or more years of creditable service shall be reduced to 12 or more years of creditable service; and further provided that in the case of a member who so separates from service on or after July 1, 1971, or whose account is active on July 1, 1971, the aforestated requirement

of 12 or more years of creditable service shall be reduced to five or more years of creditable service. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or an eligible former law enforcement officer. Notwithstanding the foregoing, any member whose services as a teacher or employee are terminated for any reason other than retirement, who becomes employed by a nonprofit, nonsectarian private school in North Carolina below the college level within one year after such teacher or employee has ceased to be a teacher or employee, may elect to leave his total accumulated contributions in the Teachers' and State Employees' Retirement System during the period he is in the employment of such employer; provided that he files notice thereof in writing with the Board of Trustees of the Retirement System within five years after separation from service as a public school teacher or State employee; such member shall be deemed to have met the requirements of the above provisions of this subdivision upon attainment of age 60 while in such employment provided that he is otherwise vested.

b. In lieu of the benefits provided in paragraph a of this subdivision (8), any member who separates from service prior to the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 135-5(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35
53	39
52	43
51	46
50	50

b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law-enforcement officer at the time of separation

from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law-enforcement officers.

b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law-enforcement officer at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred early retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law-enforcement officers.

b3. Vested deferred retirement allowance of members retiring on or after July 1, 1994. – In lieu of the benefits provided in paragraphs a. and b. of this subdivision, any member who separates from service prior to attainment of age 60 years, after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on a deferred retirement allowance upon attaining the age of 50 years or any time thereafter; provided that such member may so retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or an eligible former law enforcement officer.

b4, b5. Repealed by Session Laws 2014-88, s. 3(a), effective July 30, 2014.

c. Unless otherwise provided, if a beneficiary who retired on an early or service retirement allowance under this Article is reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part time, temporary, interim, or on a fee for service basis, whether contractual or otherwise, and if the beneficiary earns an amount during the 12 month period immediately following the effective date of retirement or in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars ($20,000), whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the indexed amount, for the balance of the calendar year, unless the reemployment earnings exceed the indexed amount in the month of December. If the reemployment earnings exceed the indexed amount in December, then the retirement allowance shall not be suspended. A suspended retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the percentage change between the December Consumer Price Index in the year prior to retirement and the December Consumer Price Index in the year most recently ended, calculated to the nearest tenth of a percent (1/10 of 1%), provided that this percentage change is positive.

c1. Within 90 days of the end of each month in which a beneficiary is reemployed under the provisions of sub-subdivision c. of this subdivision, each employer shall provide a report for that month on each reemployed beneficiary, including the terms of the reemployment, the date of the reemployment, and the amount of the monthly compensation. If the required report is not received within the required 90 days, the Board may do any or all of the following:

1. Assess the employer with a penalty of ten percent (10%) of the compensation of the unreported reemployed beneficiaries during the months for which the employer did not report the reemployed beneficiaries, with a minimum penalty of twenty-five dollars ($25.00). If after being assessed a penalty, an employer provides clear and convincing evidence that the failure to report resulted from a lack of oversight or some other event beyond the employer's control and was not a deliberate attempt to omit the reporting of reemployed beneficiaries, the Board may reduce the penalty to not less than two percent (2%) of the compensation of the unreported reemployed beneficiaries during the months for which the employer failed to report, with a minimum penalty of twenty five dollars ($25.00).
2. Require the employer to reimburse the Retirement System for any retirement allowance paid to the beneficiary during a period

when the allowance would have been suspended under sub-subdivision c. of this subdivision had the report been received within the required 90 days.

3. Require the employer to pay any amounts that the beneficiary would have been required to pay to the Retirement System under sub-subdivision f. of this subdivision had the report been received within the required 90 days.

Upon receipt by the employer of notice that any payment is due to the Retirement System under this sub-subdivision, the employer shall remit the payment of the amount due to the Retirement System, in one lump sum, no later than 90 days from the date of the notice.

If an employer is required to make payments to the Retirement System under sub-sub-subdivision 2. or sub-sub-subdivision 3. of this sub-subdivision, then (i) the beneficiary shall have no obligation to reimburse the Retirement System for related amounts under sub-subdivisions c. or f. of this subdivision, (ii) the provisions of G.S. 135-9(b) relating to offsetting overpayments against payments made from the Retirement System to the member or beneficiary shall not apply, (iii) the Retirement System shall have no duty under G.S. 143-64.80 to pursue repayment of overpayments from the beneficiary, (iv) the overpayments shall not be considered a debt of the beneficiary under Chapter 105A of the General Statutes, and (v) the beneficiary's effective date of retirement shall be adjusted if the adjustment is required under sub-subdivision f. of this subdivision.

d. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be restored to service as an employee or teacher, then the retirement allowance shall cease as of the first of the month following the month in which the beneficiary is restored to service and the beneficiary shall become a member of the Retirement System and shall contribute thereafter as allowed by law at the uniform contribution payable by all members.

Upon his subsequent retirement, he shall be paid a retirement allowance determined as follows:

1. For a member who earns at least three years' membership service after restoration to service, creditable service earned while in receipt of disability benefits under Article 6 of this Chapter shall count as membership service for this purpose only, and the retirement allowance shall be computed on the basis of his compensation and service before and after the period of prior retirement without restrictions; provided, that if the prior allowance was based on a social security leveling payment option, the allowance shall be adjusted actuarially for the difference between the amount received under the optional payment and what would have been paid if the retirement allowance had been paid without optional modification. In the alternative, the member may receive a refund of the member's

accumulated contributions for the period of service after restoration to service in accordance with G.S. 135-5(f).

2. For a member who does not earn three years' membership service after restoration to service, the retirement allowance shall be equal to the sum of the retirement allowance to which he would have been entitled had he not been restored to service, without modification of the election of an optional allowance previously made, and the retirement allowance that results from service earned since being restored to service; provided, that if the prior retirement allowance was based on a social security leveling payment option, the prior allowance shall be adjusted actuarially for the difference between the amount that would have been paid for each month had the payment not been suspended and what would have been paid if the retirement allowance had been paid without optional modification. In the alternative, the member may receive a refund of the member's accumulated contributions for the period of service after restoration to service in accordance with G.S. 135-5(f), or the member may allow this new account to remain inactive.

e. Any beneficiary who retired on an early or service retirement allowance as an employee of any State department, agency or institution under the Law Enforcement Officers' Retirement System and becomes employed as an employee by a State department, agency, or institution as an employer participating in the Retirement System shall become subject to the provisions of sub-subdivisions c. and d. of this subdivision on and after January 1, 1989.

f. Recodified as G.S. 135-3(d) by Session Laws 2023-134, s. 4.10(m), effective October 3, 2023.

g. Expired June 30, 2021, pursuant to Session Laws 2019-110, s. 6.

h. If a beneficiary who retired on an early or service retirement allowance under this Article is reemployed by an employer with an option to elect to participate in either the Optional Retirement Program or a similar benefit to the Optional Retirement Program offered pursuant to G.S. 116-350.30 or G.S. 116-360.15 and that beneficiary does elect to participate in either program, then that beneficiary's retirement allowance shall be suspended as of the first day of the month following the month in which the beneficiary was reemployed. The beneficiary's retirement allowance shall be reinstated as of the first day of the month following the month in which the beneficiary ceases contributing employment in the Optional Retirement Program or a similar benefit to the Optional Retirement Program offered pursuant to G.S. 116-350.30 or G.S. 116-360.15.

(8a) Recodified as G.S. 135-3(b) by Session Laws 2023-134, s. 4.10(n), effective October 3, 2023.

(9) Recodified as G.S. 135-3(c) by Session Laws 2023-134, s. 4.10(n), effective October 3, 2023.

(b) Notwithstanding the provisions of sub-subdivisions c. and d. of subdivision (a)(8) of this section to the contrary, a beneficiary who was a beneficiary retired on an early or service retirement with the Law Enforcement Officers' Retirement System at the time of the transfer of law enforcement officers employed by the State and beneficiaries last employed by the State to this Retirement System on January 1, 1985, and who also was a contributing member of this Retirement System on January 1, 1985, shall continue to be paid his or her retirement allowance without restriction and may continue as a member of this Retirement System with all the rights and privileges appendant to membership.

(c) Members who are participating in an intergovernmental exchange of personnel under the provisions of Article 10 of Chapter 126 may retain their membership status and receive all benefits provided by this Chapter during the period of the exchange provided the requirements of Article 10 of Chapter 126 are met. A member participating in an intergovernmental exchange of personnel under Article 10 of Chapter 126 shall, notwithstanding whether the member and the member's employer are making contributions to the member's account during the exchange period, be entitled to the death benefit and, if applicable, benefits under the Death Benefit Plan under Article 8 of this Chapter, if the member otherwise qualifies under the provisions of this Article, except that no duplicate benefits shall be paid.

(d) If a beneficiary who retired on an early or service retirement allowance under this Chapter is reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on a fee for service basis, whether contractual or otherwise at any time during the six months immediately following the effective date of retirement, then the option of the following subdivisions that has the lesser financial impact on the member, as determined by the Retirement System, shall be applied:

(1) The member's retirement is deemed effective the month after the last month the member performed services for a participating employer, and the member shall repay all retirement benefits paid up to the deemed effective date, provided the member thereafter has satisfied the six-month separation required by G.S. 135-1(20).

(2) The member shall make a lump-sum payment to the Retirement System equal to three times the amount of compensation earned during the six months immediately following the effective date of retirement. If the member is unable to make a lump-sum payment, the member can elect to have the entirety of their monthly retirement benefit withheld until the Retirement System has recovered three times the amount of compensation earned during the six months immediately following the effective date of retirement.

(e) Notwithstanding any other provision of this Article to the contrary, if a member who retires on an early or service retirement as an employee of the University of North Carolina Health Care System or the East Carolina University School of Medicine or School of Dental Medicine is subsequently employed by a non-State entity affiliated with the University of North Carolina Health Care System or East Carolina University School of Medicine, then that member shall continue to be paid the member's retirement allowance without restriction. For the purposes of this subsection, "non-State entity" means an entity that does not satisfy the requirements of being an employer pursuant to G.S. 135-1(11). (1941, c. 25, s. 3; 1945, c. 799; 1947, c. 414; c. 457, ss. 1, 2; c. 458, s. 5; c. 464, s. 2; 1949, c. 1056, s. 1; 1951, c. 561; 1955, c. 1155, s. 91/2; 1961, c. 516, ss. 1, 2; 1963, c. 687, s. 2; 1965, c. 780, s. 1; c. 1187; 1967, c. 720, ss. 1, 2, 15; c. 1234; 1969, c. 1223, ss. 1, 2, 14; 1971, c. 117, ss. 6-8; c. 118, ss. 1, 2; 1973, c. 241, s. 1; c. 994, s. 5; c. 1363; 1977, c. 783, s.

3; 1979, c. 396; c. 972, s. 2; 1981, c. 979, s. 1; 1981 (Reg. Sess., 1982), c. 1396, ss. 1, 2; 1983, c. 556, ss. 1, 2; 1983 (Reg. Sess., 1984), c. 1034, ss. 228, 229, 236; c. 1106, ss. 1, 2, 4; 1985, c. 520, s. 1; c. 649, ss. 2, 11; 1987, c. 513, s. 1; c. 738, s. 38(b); 1989, c. 791; 1993 (Reg. Sess., 1994), c. 769, ss. 7.30(e), (f), 7.31(d), (e); 1995, c. 509, s. 73.1; 1998-212, s. 28.24(a); 1998-217, s. 67; 2000-67, s. 8.24(a); 2001-424, s. 32.25(a); 2002-126, ss. 28.10(a), (b), (d), 28.13(a); 2004-124, s. 31.18A(a), (b); 2004-199, s. 57(a); 2005-144, ss. 7A.1, 7A.2, 7A.4; 2005-276, ss. 29.28(a)-(d); 2005-345, s. 43; 2006-226, s. 25(a); 2007-145, s. 7(a), (b), (d)-(f); 2007-326, ss. 1, 3(a), (b), (d)-(f); 2007-431, s. 9; 2009-66, ss. 8(a), 12(a), (b); 2009-137, s. 1; 2010-72, s. 4(a); 2011-232, s. 1; 2011-294, s. 2(a); 2012-130, s. 8; 2013-405, s. 5; 2014-88, s. 3(a); 2014-97, s. 4(d); 2015-164, s. 11(a); 2019-110, s. 2(a), (b); 2019-212, s. 7(b); 2020-29, ss. 1(i), 7(a); 2021-60, s. 2.1; 2023-89, s. 1.1; 2023-134, s. 4.10(m), (n); 2024-8, s. 1; 2025-11, s. 10(a); 2025-19, s. 5.1(b), (c).)

§§ 135-3.1 through 135-3.2: Repealed by Session Laws 1961, c. 516, s. 9.

§ 135-4. Creditable service.

(a) Repealed by Session Laws 2020-29, s. 1(a), effective June 19, 2020.

(b) In no case shall more than one year of service be creditable for all services in one year. Service rendered for the regular school year in any district shall be equivalent to one year's service. Service rendered by a school employee in a job-sharing position shall be credited at the rate of one-half year for each regular school year of employment.

(c) Repealed by Session Laws 2018-85, s. 7, effective June 25, 2018.

(d) Any member may, up to his date of retirement and within one year thereafter, request the Board of Trustees to modify or correct service credit that was earned prior to retirement.

(e) Creditable service at retirement on which the retirement allowance of a member shall be based shall consist of the membership service rendered by the member since he or she last became a member, and also if the member has a prior service certificate which is in full force and effect, the amount of service certified on the prior service certificate; and if the member has sick leave standing to the member's credit upon retirement on or after July 1, 1971, one month of credit for each 20 days or portion thereof, but not less than one hour; sick leave shall not be counted in computing creditable service for the purpose of determining eligibility for disability retirement or for a vested deferred allowance. Creditable service for unused sick leave shall be allowed only for sick leave accrued monthly during employment under a duly adopted sick leave policy and for which the member may be able to take credits and be paid for sick leave without restriction. However, in no instance shall unused sick leave be credited to a member's account at retirement if the member's last day of actual service is more than five years prior to the effective date of the member's retirement. Further, any agency with a sick leave policy that is more generous than that of all State agencies subject to the rules of the Office of State Human Resources shall proportionately adjust each of its retiring employees' sick leave balance to the balance that employee would have had under the rules of the Office of State Human Resources. Days of sick leave standing to a member's credit at retirement shall be determined by dividing the member's total hours of sick leave at retirement by the hours per month such leave was awarded under the employer's duly adopted sick leave policy as the policy applied to the member when the leave was accrued.

(e1) The creditable service of a member who was a member of the Law-Enforcement Officers' Retirement System at the time of the transfer of law-enforcement officers employed by the State from that System to this Retirement System and whose accumulated contributions are

transferred from that System to this Retirement System, shall include service that was creditable in the Law-Enforcement Officers' Retirement System; and membership service with that System shall be membership service with this Retirement System; provided, notwithstanding any provision of this Article to the contrary, any inchoate or accrued rights of such a member to purchase creditable service for military service, withdrawn service and prior service under the rules and regulations of the Law-Enforcement Officers' Retirement System shall not be diminished and may be purchased as creditable service with this Retirement System under the same conditions which would have otherwise applied.

(f) Armed Service Credit. –

(1) Teachers and other State employees who entered the Armed Forces of the United States on or after September 16, 1940, and prior to February 17, 1941, and who returned to the service of the State within a period of two years after they were first eligible to be separated or released from the Armed Forces of the United States under other than dishonorable conditions shall be entitled to full credit for all prior service. Pursuant to 38 U.S.C. § 4318(b)(1), when a member who has been on military leave returns to work consistent with the provisions of this subdivision, then the member's employer must remit to the System all the employer contributions for the full period of that member's military service.

(2) Teachers and other State employees who entered the Armed Forces of the United States on or after September 16, 1940, and who returned to the service of the State prior to October 1, 1952, or who devote not less than 10 years of service to the State after they are separated or released from the Armed Forces of the United States under other than dishonorable conditions, shall be entitled to full credit for all prior service, and, in addition they shall receive membership service credit for the period of service in the Armed Forces of the United States up to the date they were first eligible to be separated or released therefrom, occurring after the date of establishment of the Retirement System.

(3) Teachers and other State employees who enter the Armed Forces of the United States on or after July 1, 1950, or who engage in active military service on or after July 1, 1950, and who return to the service of the State within a period of two years after they are first eligible to be separated or released from such active military service under other than dishonorable conditions shall be entitled to full membership service credit for the period of such active service in the Armed Forces of the United States.

(4) Under such rules as the Board of Trustees shall adopt, credit will be provided by the Retirement System with respect to each such teacher or other State employee in the amounts that he or she would have been paid during such service in the Armed Forces of the United States on the basis of his or her earnable compensation when such service commenced. Such contributions shall be credited to the individual account of the member in the annuity savings fund, in such manner as the Board of Trustees shall determine, but any such contributions so credited and any regular interest thereon shall be available to the member only in the form of an annuity, or benefit in lieu thereof, upon the member's retirement on a service, disability or special retirement allowance; and in the event of cessation of membership or death prior thereto, any such contributions so credited and regular interest thereon shall not be payable to the

member or on the member's account, but shall be transferred from the annuity savings fund to the pension accumulation fund. If any payments were made by a member on account of such service as provided by subdivision (5) of subsection (b) of G.S. 135-8, the Board of Trustees shall refund to or reimburse such member for such payments.

(5) The provisions of this subsection shall also apply to members of the North Carolina National Guard with respect to teachers and State employees who are called into federal service or who are called into State service, to the extent that such persons fail to receive compensation for performance of the duties of their employment other than for service in the North Carolina National Guard.

(6) Repealed by Session Laws 1981, c. 636, s. 1. For proviso as to inchoate or accrued rights, see Editor's note below.

(7) Recodified as G.S. 135-4.5(b) by Session Laws 2024-10, s. 2(k).

(g) Teachers and other State employees who served in the uniformed services as defined in the Uniformed Services Employment and Reemployment Rights Act of 1994, 38 U.S.C. § 4303, who were not dishonorably discharged, and who returned to the service of the State within a period of two years from date of discharge shall be credited with prior service for such period of service in the uniformed services for the maximum period that they are entitled to reemployment under the Uniformed Services Employment and Reemployment Rights Act of 1994, 38 U.S.C. § 4301, et seq., or other federal law, and the salary or compensation of such a teacher or State employee during that period of service is deemed to be that salary or compensation the employee would have received but for the period of service had the employee remained continuously employed, if the determination of that salary or compensation is reasonably certain. If the determination of the salary or compensation is not reasonably certain, then it is deemed to be that employee's average rate of compensation during the 12-month period immediately preceding the period of service. When a member who has served in the uniformed services returns to work in compliance with the conditions of this subsection, that member's employer shall remit to the System all employer and employee contributions for the full period of that member's military service.

(h) During periods when a member is on an approved leave of absence and is receiving less than the member's full compensation, the member will be deemed to be in service only if the member is contributing to the Retirement System as provided in G.S. 135-8(b)(5). If the member is so contributing, the annual rate of compensation paid to such employee immediately before the approved leave of absence began will be deemed to be the actual compensation rate of the employee during the leave of absence.

(i) Repealed by Session Laws 2020-29, s. 1(a), effective June 19, 2020.

(j) Repealed by Session Laws 2021-57, s. 1.4(a), effective July 1, 2022.

(j1) Repealed by Session Laws 2024-10, s. 2(q).

(j2) Recodified as part of G.S. 135-4.5(a) by Session Laws 2024-10, s. 2(a), (b).

(k) Repealed by Session Laws 2021-57, s. 1.4(a), effective July 1, 2022.

(k1) Recodified as part of G.S. 135-4.5(a)(1) by Session Laws 2024-10, s. 2(b).

(*l*) Repealed by Session Laws 1981, c. 636, s. 1. For proviso as to inchoate or accrued rights, see Editor's note below.

(*l*1) Repealed by Session Laws 2021-57, s. 1.4(a), effective July 1, 2022.

(*l*2) Recodified as G.S. 135-4.5(a)(2) by Session Laws 2024-10, s. 2(c).

(m) Notwithstanding any language to the contrary of any provision of this section, or of any repealed provision of this section that was repealed with the inchoate and accrued rights preserved,

all repayments and purchases of service credits, allowed under the provisions of this section or of any repealed provision of this section that was repealed with inchoate and accrued rights preserved, must be made within three years after the member first becomes eligible to make such repayments and purchases. Any member who does not repay or purchase service credits within said three years after first eligibility to make such repayments and purchases may, under the same conditions as are otherwise required, repay or purchase service credits provided that the repayment or purchase equals the full cost of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities and shall take into account the additional retirement allowance arising on account of such additional service credit commencing at the earliest age at which such member could retire on an unreduced retirement allowance as determined by the Board of Trustees upon the advice of the consulting actuary. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance. Notwithstanding the foregoing, on and after July 1, 2001, the provisions of this subsection shall not apply to the repayment of contributions withdrawn pursuant to subsection (k) of this section.

(n) Repealed by Session Laws 1981, c. 636, s. 1. For proviso as to inchoate or accrued rights, see Editor's note below.

(o) Repealed by Session Laws 1981, c. 636, s. 1. For proviso as to inchoate or accrued rights, see Editor's note below.

(p) Repealed by Session Laws 2024-10, s. 2(q).

(p1) Repealed by Session Laws 2020-29, s. 1(a), effective June 19, 2020.

(p2) Recodified as G.S. 135-4.5(a)(3) by Session Laws 2024-10, s. 2(d).

(q) Repealed by Session Laws 2020-29, s. 1(a), effective June 19, 2020.

(r) Recodified as G.S. 135-4.5(c) by Session Laws 2024-10, s. 2(*l*).

(s) Recodified as G.S. 135-4.5(a)(4) by Session Laws 2024-10, s. 2(e).

(t), (u) Repealed by Session Laws 2020-29, s. 1(a), effective June 19, 2020.

(v) Recodified as G.S. 135-4.5(d) by Session Laws 2024-10, s. 2(m).

(w) Repealed by Session Laws 2021-57, s. 1.4(a), effective July 1, 2022.

(x) Repealed by Session Laws 2001-424, s. 32.32(c), effective July 1, 2001.

(y) A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of this Chapter shall be granted creditable service for each month that the member is eligible for and for which a benefit is paid under the provisions of G.S. 135-105 and G.S. 135-106; provided, however, that in no instance shall a member be granted creditable service under this subsection if creditable service is earned or credited for the same month in this retirement system or any other retirement system administered by the State.

(z) Recodified as G.S. 135-4.5(a)(7) by Session Laws 2024-10, s. 2(g).

(aa) Recodified as G.S. 135-4.5(a)(8) by Session Laws 2024-10, s. 2(h).

(bb) Repealed by Session Laws 2021-57, s. 1.4(a), effective July 1, 2022.

(bb1) Recodified as G.S. 135-4.5(a)(5) by Session Laws 2024-10, s. 2(f).

(cc) Repealed by Session Laws 2024-10, s. 2(q).

(cc1) Recodified as G.S. 135-4.5(a)(9) by Session Laws 2024-10, s. 2(i).

(dd) Recodified as G.S. 135-4.5(f) by Session Laws 2024-10, s. 2(o).

(ee) Recodified as G.S. 135-4.5(g) by Session Laws 2024-10, s. 2(p).

(ff) Recodified as G.S. 135-4.5(e) by Session Laws 2024-10, s. 2(n).

(gg) If a member who is an elected government official and has not vested in this System on July 1, 2007, is convicted of an offense listed in G.S. 135-18.10 for acts committed after July 1, 2007, then that member shall forfeit all benefits under this System, except for a return of member contributions plus interest. If a member who is an elected government official and has vested in this System on July 1, 2007, is convicted of an offense listed in G.S. 135-18.10 for acts committed after July 1, 2007, then that member is not entitled to any creditable service that accrued after July 1, 2007, regardless of whether that creditable service was earned by virtue of membership in the System, accrued by conversion of sick leave at the point of the member's retirement, accrued by transfer of service from another retirement system, purchased by the member in accordance with this Chapter, or accrued by any other means. No member shall forfeit any benefit or creditable service earned from a position not as an elected government official. For purposes of this subsection, creditable service attributable to the conversion of sick leave accrues in this System on the date of retirement, service transferred to this System from another system accrues in this System on the effective date of the transfer, and purchased service accrues in this System on the date of the purchase.

(hh) Recodified as G.S. 135-4.5(a)(10) by Session Laws 2024-10, s. 2(j).

(ii) If a member who is in service and has not vested in this System on December 1, 2012, is convicted of an offense listed in G.S. 135-18.10A for acts committed after December 1, 2012, then that member shall forfeit all benefits under this System, except for a return of member contributions plus interest. If a member who is in service and has vested in this System on December 1, 2012, is convicted of an offense listed in G.S. 135-18.10A for acts committed after December 1, 2012, then that member is not entitled to any creditable service that accrued after December 1, 2012, regardless of whether that creditable service was earned by virtue of membership in the System, accrued by conversion of sick leave at the point of the member's retirement, accrued by transfer of service from another retirement system, purchased by the member in accordance with this Chapter, or accrued by any other means. For purposes of this subsection, creditable service attributable to the conversion of sick leave accrues in this System on the date of retirement, service transferred to this System from another system accrues in this System on the effective date of the transfer, and purchased service accrues in this System on the date of the purchase.

(jj) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement allowance is subject to an adjustment pursuant to the contribution-based benefit cap established in G.S. 135-5(a3), except as otherwise provided under this subsection, the retirement system shall notify the member and the member's employer that the member's retirement allowance has been capped. The retirement system shall compute and notify the member and the member's employer of the total additional amount the member would need to contribute in order to make the member not subject to the contribution-based benefit cap. This total additional amount shall be the actuarial equivalent of a single life annuity adjusted for the age of the member at the time of retirement, or when appropriate, the age at the time of the member's death that would have had to have been purchased to increase the member's benefit to the pre-cap level. If the member's employer did not report to the retirement system any compensation paid to the member during the period used to compute the member's average final compensation, the retirement system shall not notify the member's employer, but instead shall notify the employer or employers who reported compensation during the member's average final compensation period, with the notification for each such employer specifying that employer's share of the amount that would have had to have been purchased to increase the member's benefit to the pre-cap level, allocated proportionally to

each employer based on the total amount of compensation to the member that each employer reported during the period used to compute the member's average final compensation. Except as otherwise provided in this subsection, the member shall have until 90 days after notification regarding this additional amount or until 90 days after the effective date of retirement, whichever is later, to submit a lump sum payment to the annuity savings fund in order for the retirement system to restore the retirement allowance to the uncapped amount. Nothing contained in this subsection shall prevent an employer or former employer from paying all or part of the cost of the amount necessary to restore the member's retirement allowance to the pre-cap amount. Notwithstanding the requirement that the payment be made as a lump sum, and notwithstanding Chapter 150B of the General Statutes, the retirement system may allow an employer or former employer of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the retirement system after January 1, 2015, to pay the additional amount required in this subsection over an extended period using one of the following three options:

(1) Option one. – An installment payment plan ending no more than 15 months after the retirement of the member.

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

(3) Option three. – An adjustment to the required employer contribution rate for the employer as provided in G.S. 135-8(f)(5).

Payment under the selected option must be completed regardless of whether the member continues to receive a recurring monthly retirement benefit through the end of the extended payment period. An employer's continuing compliance with a payment option selected from the three options above will be deemed payment of the employer's additional contribution required by this subsection for purposes of G.S. 135-8(f)(3).

(kk) Creditable service may be purchased in accordance with G.S. 135-4.5, or as otherwise provided for in this Article. (1941, c. 25, s. 4; 1943, cc. 200, 783; 1945, c. 797; 1947, c. 575; 1949, c. 1056, ss. 2, 4; 1953, c. 1050, s. 3; 1959, c. 513, s. 11/2; 1961, c. 516, s. 3; c. 779, s. 2; 1963, c. 1262; 1965, c. 780, s. 1; c. 924; 1967, c. 720, s. 3; 1969, c. 1223, ss. 3, 4; 1971, c. 117, ss. 9, 10; c. 993; 1973, c. 241, s. 2; c. 242, s. 1; c. 667, s. 2; c. 737, s. 1; c. 816, s. 1; c. 1063; c. 1311, ss. 1-5; 1975, c. 205, s. 2; c. 875, s. 47; 1977, cc. 317, 790; 1979, c. 826; c. 866, s. 2; c. 867; c. 972, s. 3; 1981, c. 557, s. 3; c. 636, s. 1; c. 1116, s. 1; 1981 (Reg. Sess., 1982), c. 1396, s. 4; 1983, c. 533, s. 1; c. 725; 1983 (Reg. Sess., 1984), c. 1030; c. 1034, ss. 230, 231; c. 1045, ss. 1, 2; 1985, c. 401, ss. 1, 2; c. 407, s. 1; c. 479, s. 193; c. 512; c. 530; c. 649, ss. 1, 4; c. 749, s. 1; 1987, c. 533, s. 1; c. 717, s. 2; c. 738, s. 29(b); c. 809, s. 2; c. 821; c. 825; 1987 (Reg. Sess., 1988), c. 1088, ss. 1-4; c. 1103; c. 1110, s. 9; 1989, c. 255, ss. 11-20; c. 762, s. 3; 1991 (Reg. Sess., 1992), c. 1017, s. 2; c. 1029, s. 1; 1995, c. 507, s. 7.23D(b); 1998-71, ss. 3, 4; 1998-190, s. 1; 1998-212, s. 9.14A(c); 1998-214, s. 2; 1999-71, s. 1; 1999-158, s. 2; 2001-424, ss. 32.28(a), 32.32(a), 32.32(b), 32.32(c); 2002-71, s. 5; 2002-153, s. 4; 2002-174, s. 3; 2003-284, s. 30.18(b); 2003-358, s. 3; 2003-359, ss. 7, 8, 9, 12.; 2005-91, s. 1; 2007-179, s. 3(b); 2007-233, s. 1; 2007-431, ss. 8, 11; 2009-281, s. 1; 2010-72, s. 5(a); 2011-183, s. 101; 2011-294, s. 5(a); 2012-130, s. 3(b), (c); 2012-193, s. 2; 2013-382, s. 9.1(c); 2013-405, s. 6(a); 2014-88, s. 1(c); 2014-115, s. 55.3(f); 2015-67, s. 6; 2015-168, s. 7(a); 2016-82, s. 1; 2017-128, s. 2(a); 2017-129, s. 9(a); 2018-85, ss. 7, 14; 2018-145, s. 20(b); 2020-29, s. 1(a);

2020-48, s. 4.4(a), (b); 2021-57, ss. 1.1, 1.2(a), (b), 1.3, 1.4(a); 2021-72, ss. 1.1(d), 3.1(d); 2022-16, s. 1.1; 2023-89, s. 1.2; 2024-10, ss. 2(a)-(q), 4(b).)

§ 135-4A: Recodified.

§ 135-4.1. Reciprocity of creditable service with other State-administered retirement systems.

(a) Members First Hired Prior to January 1, 2021. – Only for the purpose of determining eligibility for benefits accruing under this Article for members first hired prior to January 1, 2021, creditable service standing to the credit of a member of the Legislative Retirement System, Consolidated Judicial Retirement System, or the Local Governmental Employees' Retirement System or service standing to the credit of a member of the Optional Retirement Program shall be added to the creditable service standing to the credit of a member of this System; provided, that in the event a person is a retired member of any of the foregoing retirement systems or the Optional Retirement Program, such creditable service standing or service standing to the credit of the retired member prior to retirement shall be likewise counted. In no instance shall service credits maintained in the aforementioned retirement systems or the Optional Retirement Program be added to the creditable service in this System for application of this System's benefit accrual rate in computing a service retirement benefit unless specifically authorized by this Article.

(a1) Members First Hired on or After January 1, 2021. – Only for the purpose of determining eligibility for benefits accruing under this Article for members first hired on or after January 1, 2021, creditable service standing to the credit of a member of the Legislative Retirement System, Consolidated Judicial Retirement System, or the Local Governmental Employees' Retirement System shall be added to the creditable service standing to the credit of a member of this System, provided that in the event a person is a retired member of any of the foregoing retirement systems such creditable service standing or service standing to the credit of the retired member prior to retirement shall be likewise counted. In no instance shall service credits maintained in the aforementioned retirement systems be added to the creditable service in this System for application of this System's benefit accrual rate in computing a service retirement benefit unless specifically authorized by this Article.

(b) A person who was a former member of this System and who has forfeited his creditable service in this System by receiving a return of contributions and who has creditable service in the Legislative Retirement System, Consolidated Judicial Retirement System, or the Local Governmental Employees' Retirement System may count such creditable service for the purpose of restoring the creditable service forfeited in this System under the terms and conditions as set forth in this Article and reestablish membership in this System.

(c) Creditable service under this section shall not be counted twice for the same period of time whether earned as a member, purchased, or granted as prior service credits. (1989 (Reg. Sess., 1990), c. 1066, s. 35(c); 2006-264, s. 14; 2010-38, s. 1; 2018-52, s. 7.)

§ 135-4.5. Creditable service purchases.

(a) General Purchases of Service Credit. – Any member in service with five or more years of membership service may purchase creditable service authorized under this subsection by paying a lump sum amount to the Annuity Savings Fund. The amount payable shall be equal to the full liability increase of the Retirement System due to the additional service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated

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

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 amount paid by the employer shall be credited to the Pension Accumulation Fund. To the extent that the purchase is paid by the member, the amount paid by the member shall be credited to the member's accumulated contributions and interest in the Annuity Savings Fund.

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

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

(1) 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) 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. Service under this subdivision is limited to full-time service that would be allowable under the laws governing this Retirement System.

(3) Part-time service. – Service previously rendered as a part-time teacher or employee of an employer, as defined under either G.S. 135-1 or G.S. 128-21. For the purposes of this subdivision, the following service is not eligible to be purchased:
   a. Part-time service rendered as a bus driver to a public school while a full-time high school student.
   b. Temporary or part-time service rendered while a full-time student in pursuit of a degree or diploma in a degree-granting program, unless that service was rendered on a permanent part-time basis and required at least 20 hours of service per week.

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

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

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

a. The member would have met the definition of employee or teacher under either G.S. 135-1 or G.S. 128-21 except for the temporary nature of the service.

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

(5) Probationary local government service. – Service previously rendered to any local employer, as defined under G.S. 128-21, when performed in a probationary or employer-imposed waiting period status that occurred between the date of employment and the date of membership service with the Local Governmental Employees' Retirement System.

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

(7) Leave due to extended illness. – Periods of interrupted service while on leave without pay status due to the member's illness or injury, excluding leave due to parental leave or pregnancy or childbirth-related leave, provided that any single period of interrupted service included a period of time during which the member failed to earn at least two months membership service.

(8) Parental leave and pregnancy or childbirth-related leave. – Periods of interrupted service due to parental leave, pregnancy, or childbirth.

(9) Charter school service. – Periods of service previously rendered as an employee of a charter school operated by a private nonprofit corporation or a charter school operated by a municipality whose board of directors did not elect to participate in the Retirement System under G.S. 135-5.3.

(10) The University of North Carolina Optional Retirement Program service. – Periods of employment with The University of North Carolina during which the member participated in the Optional Retirement Program, as provided for in G.S. 135-5.1, provided that the member is not receiving, and is not entitled to receive, any retirement benefits resulting from this employment.

(b) Armed Service Credit. – Notwithstanding any other provision of this Article to the contrary, any member or any retired member may purchase creditable service in the Armed Forces of the United States by paying a total lump sum payment determined as follows:

(1) 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, whose membership began on or prior to July 1, 1981, may purchase this service within three years after first becoming 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 this service, plus an administrative fee to be set by the Board of Trustees.

(2) Members who complete five years of membership service, retired members who complete five years of membership service prior to retirement, and members and retired members whose membership began on or before July 1, 1981, and who were eligible to purchase service credits under subdivision (1) of this subsection but who did not or do not make this purchase within three years after first becoming eligible, may purchase this service by paying a lump sum amount to the Annuity Savings Fund. The amount payable shall be equal to the full liability increase to the Retirement System due to the additional service credits purchased plus an administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases set by the Board of Trustees upon the advice of the consulting actuary.

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

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

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

a. Leaves of Absence Terminated Prior to July 1, 1983. - A member whose employer approved leave of absence, when in receipt of benefits under the North Carolina Workers' Compensation Act, terminated upon return to service prior to July 1, 1983, may purchase creditable service for that period by paying a lump sum amount to the Annuity Savings Fund. The amount payable shall be equal to the full liability increase to the Retirement System due to the service credits purchased plus an

administrative fee that is set by the Board of Trustees. The full liability increase shall be calculated on the basis of the same assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) there shall be assumed annual postretirement allowance increases set by the Board of Trustees upon the advice of the consulting actuary.

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

c. Leaves of Absence Terminating On and After January 1, 1988. - A member whose employer approved leave of absence, when in receipt of benefits under the North Carolina Workers' Compensation Act, terminates on and after January 1, 1988, may purchase creditable service for that period by paying a lump sum amount to the Annuity Savings Fund within six months from end of the leave of absence. The amount payable shall be equal to the employee percentage rate of contribution in effect at the time of purchase applied to the annual rate of compensation of the member immediately prior to the leave of absence. For members electing to make this payment, the member's employer which granted the leave of absence, or the member's employer upon a return to service, or both, shall make a matching lump sum payment to the Pension Accumulation Fund within six months from the end of the leave of absence equal to the employer percentage rate of contribution in effect at the time of purchase applied to the annual rate of compensation of the member immediately prior to the leave of absence. These purchases of creditable service are applicable only when members have membership service credits within 30 days prior to the leave of absence and within 12 months following the leave of absence and such membership service is creditable service at the time of purchase. If any portion of the amount payable is not paid within six months from the

member's return to service, then the member, the member's employer or former employer, or both if applicable, whose amount due is not paid within six months from return to service, then the applicable amount due shall be increased one percent (1%) per month penalty for each month or fraction thereof that the payment is made after the six-month period.

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

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

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

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

(1) Within 90 days of the omission, by the payment of employee and employer contributions that would have been paid.

(2) After 90 days and prior to three years of the omission, by the payment of the employee and employer contributions that would have been paid plus interest

compounded annually at a rate equal to the greater of the average yield on the Pension Accumulation Fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

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

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

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

(1) If the reinstatement to service is by court order, final decision of an Administrative Law Judge, or with the approval of the Office of State Human Resources Director, and occurs within 90 days of the involuntary termination, then the amount payable is the amount of employee and employer contributions that would have been paid.

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

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

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

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

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

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

No rollover contribution shall be made under this subsection, and the Retirement System shall not accept any amount as a rollover contribution, unless the amount required for the payment or repayment is eligible to be rolled over to a qualified trust in accordance with applicable law and the

member provides evidence satisfactory to the Retirement System that the amount qualifies for rollover treatment. Unless received by the Retirement System in the form of a direct rollover, the rollover contribution must be paid to the Retirement System on or before the 60th day after the date it was received by the member.

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

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

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

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

(4) Any other defined contribution plan qualified under Section 401(a) of the Internal Revenue Code that is maintained by the State of North Carolina, a political subdivision of the State or any other state, or any agency or instrumentality of the State or any other state or political subdivision of the State or any other state. (2024-10, ss. 1, 2(a)-(p), 3.)

§ 135-5. Benefits.

(a) Service Retirement Benefits.

(1) Any member may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 60 years and have at least five years of membership service or shall have completed 30 years of creditable service.

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

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

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

(4) Any member who is a law-enforcement officer and who (i) attains age 50 and completes 15 or more years of creditable service in this capacity, (ii) attains age 55 and completes five or more years of creditable service in this capacity, or (iii) has completed 25 years of creditable service with a minimum of 15 years of creditable service in a law enforcement capacity may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, the member desires to

be retired; Provided, also, any member who has met the conditions herein required but does not retire, and later becomes a teacher or an employee other than as a law-enforcement officer shall continue to have the right to commence retirement.

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

(5) Any member who is eligible for and is being paid a benefit under the Disability Income Plan as provided in G.S. 135-105 or G.S. 135-106 shall be deemed a member in service and may not retire under the provisions of this section. Any member who has made electronic submission or written application for long-term or extended short-term benefits under the Disability Income Plan as provided in G.S. 135-105 or G.S. 135-106, and who has been rejected by the Plan's Medical Board for a long-term benefit or the Retirement Systems Division of the Department of State Treasurer for an extended short-term benefit shall have 90 days from the date of notification of the rejection to convert his application to an early or service retirement application, provided that the member meets the eligibility requirements, effective the first day of the month following the month in which short-term disability benefits ended or the first day of the month following the month in which any salary continuation as may be provided in G.S. 135-104 ended, whichever is later.

(a1) Early Service Retirement Benefits. – Any member may retire and receive a reduced retirement allowance upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 50 years and have at least 20 years of creditable service.

(a2) Repealed by Session Laws 2014-88, s. 3(c), effective July 30, 2014.

(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding any other provision of this section, every service retirement allowance provided under this section for members who retire on or after January 1, 2015, is subject to adjustment pursuant to a contribution-based benefit cap under this subsection. The Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary, based upon actual experience, such that no more than three-quarters of one percent (0.75%) of retirement allowances are expected to be capped. The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 135-6(n). Prior to establishing a service retirement allowance under this section, the Board shall:

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

(2) Determine the amount of a single life annuity that is the actuarial equivalent of the amount determined under subdivision (1) of this subsection, adjusted for the age of the member at the time of retirement or, when appropriate, the age at the time of the member's death.

(3) Multiply the annuity amount determined under subdivision (2) of this subsection by the contribution-based benefit cap factor.

(4) Determine the amount of the retirement allowance that results from the member's membership service, to which the member would be entitled but for the adjustment under this subsection. The amount shall be calculated in the same manner as the member's service retirement allowance, with the following exceptions: The applicable percentage of the member's average final compensation shall be multiplied by the number of years of membership service, rather than the number of years of creditable service; the amount shall include the effect of any percentage reduction that applies to the member's service retirement allowance by virtue of the member's age or amount of creditable service as of the service retirement date; and the amount shall not be adjusted for an optional allowance elected under subsection (g) of this section.

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

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

Notwithstanding the foregoing, the retirement allowance of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the Retirement System after January 1, 2015, shall not be reduced; however, the member's last employer, or if the member's last employer did not report to the retirement system any compensation paid to the member during the period used to compute the member's average final compensation, the member's employer or employers who reported compensation to the member during such period, shall be required to make an additional contribution as specified in G.S. 135-8(f)(2)f., if applicable.

(a4) Effect of Severance Pay. – Notwithstanding any provision of this section to the contrary, a member in receipt of severance pay from an employer is not eligible to receive a retirement allowance under this Article while in receipt of that severance pay. If a member is entitled to receive a lump sum severance payment based on a certain period of time, such as a number of weeks or months, then the member is not eligible to receive a retirement allowance under this Article for any month, beginning immediately after the member's separation from service to that employer, that includes the time period used to determine the lump sum severance payment.

(b) Service Retirement Allowances of Persons Retiring on or after July 1, 1959, but prior to July 1, 1963. – Upon retirement from service on or after July 1, 1959, but prior to July 1, 1963, a member shall receive a service retirement allowance which shall consist of:

(1) An annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and

(2) A pension equal to the annuity allowable at the age of 65 years or at his retirement age, whichever is the earlier age, computed on the basis of contributions made prior to such earlier age; and

(3) If he has a prior service certificate in full force and effect, an additional pension which shall be equal to the sum of:

a. The annuity which would have been provided at his retirement age by the contributions which he would have made during such prior service had the System been in operation and had he contributed thereunder at the rate of six and twenty-five hundredths per centum (6.25%) of his compensation; and

b. The pension which would have been provided on account of such contributions at age 65, or at his retirement age, whichever is the earlier age.

If the member has not less than 20 years of creditable service, he shall be entitled to a total retirement allowance of not less than seventy dollars ($70.00) per month; provided that the computation shall be made prior to any reduction resulting from the selection of an optional allowance as provided by subsection (g) of this section.

(b1) Service Retirement Allowances of Members Retiring on or after July 1, 1963, but prior to July 1, 1967. – Upon retirement from service, in accordance with subsection (a) above, on or after July 1, 1963, but prior to July 1, 1967, a member shall receive a service retirement allowance computed as follows:

(1) If the member's service retirement date occurs on or after his sixty-fifth birthday, such allowance shall be equal to the sum of (i) one percent (1%) of the portion of his average final compensation not in excess of forty-eight hundred dollars ($4,800) plus one and one-half percent (1 1/2%) of the portion of such compensation in excess of forty-eight hundred dollars ($4,800), multiplied by the number of years of his creditable service rendered prior to January 1, 1966, and (ii) one percent (1%) of the portion of his average final compensation not in excess of fifty-six hundred dollars ($5,600) plus one and one-half percent (1 1/2%) of the portion of such compensation in excess of fifty-six hundred dollars ($5,600), multiplied by the number of years of his creditable service rendered after January 1, 1966.

(2) If the member's service retirement date occurs before his sixty-fifth birthday, his service retirement allowance shall be computed as in (1) above, but shall be reduced by five twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his sixty-fifth birthday.

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

(b2) Service Retirement Allowance of Members Retiring on or after July 1, 1967, but prior to July 1, 1969. – Upon retirement from service in accordance with subsection (a) above, on or after July 1, 1967, but prior to July 1, 1969, a member shall receive a service retirement allowance computed as follows:

(1) If the member's service retirement date occurs on or after his sixty-fifth birthday, such allowance shall be equal to one and one-quarter percent (1 1/4%)

of the portion of his average final compensation not in excess of fifty-six hundred dollars ($5,600) plus one and one-half percent (1 1/2%) of the portion of such compensation in excess of fifty-six hundred dollars ($5,600), multiplied by the number of years of his creditable service.

(2) If the member's service retirement date occurs before his sixty-fifth birthday, his service retirement allowance shall be computed as in (1) above, but shall be reduced by one third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his sixty-fifth birthday.

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

(b3) Service Retirement Allowances of Members Retiring on or after July 1, 1969, but prior to July 1, 1973. – Upon retirement from service, in accordance with subsection (a) above, on or after July 1, 1969, but prior to July 1, 1973, a member shall receive a service retirement allowance computed as follows:

(1) If the member's service retirement date occurs on or after his sixty-fifth birthday, regardless of his years of creditable service, or on or after his sixty-second birthday and the completion of 30 years of creditable service, such allowance shall be equal to one and one-quarter percent (1 1/4%) of the portion of his average final compensation not in excess of fifty-six hundred dollars ($5,600) plus one and one-half percent (1 1/2%) of the portion of such compensation in excess of fifty-six hundred dollars ($5,600), multiplied by the number of years of his creditable service.

(2) If the member's service retirement date occurs before his sixty-fifth birthday and prior to his completion of 30 or more years of creditable service, his service retirement allowance shall be computed as in (1) above, but shall be reduced by one quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his sixty-fifth birthday.

(3) If the member's service retirement date occurs before his sixty-second birthday but on or after his completion of 30 or more years of creditable service, his service retirement allowance shall be computed as in (1) above, but shall be reduced by one quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his sixty-second birthday.

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

(b4) Service Retirement Allowances of Members Retiring on or after July 1, 1973, but prior to July 1, 1975. – Upon retirement from service, in accordance with subsection (a) above, on or after July 1, 1973, but prior to July 1, 1975, a member shall receive a service retirement allowance computed as follows:

(1) If the member's service retirement date occurs on or after his sixty-fifth birthday, regardless of his years of creditable service, or after the completion of 30 years of creditable service, such allowance shall be equal to one and

one-quarter percent (1 1/4%) of the portion of his average final compensation not in excess of five thousand six hundred dollars ($5,600) plus one and one-half percent (1 1/2%) of the portion of such compensation in excess of five thousand six hundred dollars ($5,600), multiplied by the number of years of his creditable service.

(2) If the member's service retirement date occurs before his sixty-fifth birthday and prior to his completion of 30 or more years of creditable service, his service retirement allowance shall be computed as in (1) above, but shall be reduced by one quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his sixty-fifth birthday.

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

(b5) Service Retirement Allowance of Members Retiring on or after July 1, 1975, but prior to July 1, 1977. – Upon retirement from service, in accordance with subsection (a) above, on or after July 1, 1975, but prior to July 1, 1977, a member shall receive a service retirement allowance computed as follows:

(1) If the member's service retirement date occurs on or after his sixty-fifth birthday, regardless of his years of creditable service, or after the completion of 30 years of creditable service, such allowance shall be equal to one and one-half percent (1 1/2%) of his average final compensation, multiplied by the number of years of his creditable service.

(2) If the member's service retirement date occurs before his sixty-fifth birthday and prior to his completion of 30 or more years of creditable service, his retirement allowance shall be computed as in (1) above, but shall be reduced by one quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his sixty-fifth birthday.

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

(b6) Service Retirement Allowance of Members Retiring on or after July 1, 1977, but prior to July 1, 1980. – Upon retirement from service, in accordance with subsection (a) above, on or after July 1, 1977, but prior to July 1, 1980, a member shall receive a service retirement allowance computed as follows:

(1) If the member's service retirement date occurs on or after his sixty-fifth birthday, regardless of his years of creditable service, or after the completion of 30 years of creditable service, such allowance shall be equal to one and fifty-five one hundredths percent (1.55%) of his average final compensation, multiplied by the number of years of his creditable service.

(2a) If the member's service retirement date occurs after his sixtieth and before his sixty-fifth birthday and prior to his completion of 30 or more years of creditable service, his retirement allowance shall be computed as in (1) above, but shall be reduced by one quarter of one percent (1/4 of 1%) thereof for each month by

which his retirement date precedes the first day of the month coincident with or next following his sixty-fifth birthday.

(2b) If the member's service retirement date occurs before his sixtieth birthday and prior to his completion of 30 or more years of creditable service, his service retirement allowance shall be the actuarial equivalent of the allowance payable at the age of 60 years as computed in (2a) above.

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

(b7) Service Retirement Allowance of Members Retiring on or after July 1, 1980, but prior to July 1, 1985. – Upon retirement from service, in accordance with subsection (a) above, on or after July 1, 1980, but prior to July 1, 1985, a member shall receive a service retirement allowance computed as follows:

(1) If the member's service retirement date occurs on or after his sixty-fifth birthday or after the completion of 30 years of creditable service, such allowance shall be equal to one and fifty-seven hundredths percent (1.57%) of his average final compensation, multiplied by the number of years of his creditable service.

(2) If the member's service retirement date occurs after his sixtieth and before his sixty-fifth birthday and prior to his completion of 30 or more years of creditable service, his retirement allowance shall be computed as in (1) above but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his sixty-fifth birthday.

(3) If the member's service retirement date occurs before his sixtieth birthday and prior to his completion of 30 or more years of creditable service, his service retirement allowance shall be the actuarial equivalent of the allowance payable at the age of 60 years as computed in (2) above.

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

(b8) Service Retirement Allowance of Law-Enforcement Officers Retiring on or after January 1, 1985 [on or after January 1, 1985, but prior to July 1, 1985]. – Upon retirement from service, in accordance with subsection (a) of this section, on or after January 1, 1985 [on or after January 1, 1985, but prior to July 1, 1985], a member who is a law-enforcement officer or an eligible former law-enforcement officer shall receive a service retirement allowance computed as follows:

(1) If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law-enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and fifty-seven one hundredths percent (1.57%) of his average final compensation, multiplied by the number of years of his creditable service.

(2) If the member's service retirement date occurs after his 50th and before his 55th birthday with 15 or more years of creditable service as a law-enforcement officer and prior to his completion of 30 years of creditable service, his retirement allowance shall be computed as in (1) above, but shall be reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his

retirement date precedes the first day of the month coincident with or next following his 55th birthday.

(b9) Service Retirement Allowance of Members Retiring on or after July 1, 1985, but before July 1, 1988. – Upon retirement from service, in accordance with subsection (a) above, on or after July 1, 1985, but before July 1, 1988, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law-enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and fifty-eight one hundredths percent (1.58%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs after his 50th and before his 55th birthday with 15 or more years of creditable service as a law-enforcement officer and prior to his completion of 30 years of creditable service, his retirement allowance shall be computed as in a. above, but shall be reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 55th birthday.

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

a. If the member's service retirement date occurs on or after his 65th birthday or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, such allowance shall be equal to one and fifty-eight hundredths percent (1.58%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs after his 60th and before his 65th birthday and prior to his completion of 25 or more years of creditable service, his retirement allowance shall be computed as in a. above but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's service retirement date occurs before his 60th birthday and prior to his completion of 30 or more years of creditable service, his service retirement allowance shall be the actuarial equivalent of the allowance payable at the age of 60 years as computed in b. above.

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

(b10) Service Retirement Allowance of Members Retiring on or after July 1, 1988, but before July 1, 1989. – Upon retirement from service in accordance with subsection (a) above, on or after

July 1, 1988, but before July 1, 1989, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and sixty hundredths percent (1.60%) of his average final compensation, multiplied by the number of years of his creditable service.

b. This allowance shall also be governed by the provisions of G.S. 135-5(b9)(1)b.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, such allowance shall be equal to one and sixty hundredths percent (1.60%) of his average final compensation, multiplied by the number of years of his creditable service.

b. This allowance shall also be governed by the provisions of G.S. 135-5(b9)(2)b, c and d.

(b11) Service Retirement Allowance of Members Retiring on or after July 1, 1989, but before July 1, 1990. – Upon retirement from service in accordance with subsection (a) above, on or after July 1, 1989, but before July 1, 1990, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and sixty-three hundredths percent (1.63%) of his average final compensation, multiplied by the number of years of his creditable service.

b. This allowance shall also be governed by the provisions of G.S. 135-5(b9)(1)b.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th

birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and sixty-three hundredths percent (1.63%) of his average final compensation, multiplied by the number of years of creditable service.

b. This allowance shall also be governed by the provisions of G.S. 135-5(b9)(2)b, c and d.

(b12) Service Retirement Allowance of Members Retiring on or after July 1, 1990, but before July 1, 1992. – Upon retirement from service in accordance with subsection (a) above, on or after July 1, 1990, but before July 1, 1992, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and sixty-four hundredths percent (1.64%) of his average final compensation, multiplied by the number of years of his creditable service.

b. This allowance shall also be governed by the provisions of G.S. 135-5(b9)(1)b.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and sixty-four hundredths percent (1.64%) of his average final compensation, multiplied by the number of years of creditable service.

b. This allowance shall also be governed by the provisions of G.S. 135-5(b9)(2)b, c and d.

(b13) Service Retirement Allowance of Members Retiring on or after July 1, 1992, but before July 1, 1993. – Upon retirement from service in accordance with subsection (a) above, on or after July 1, 1992, but before July 1, 1993, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and seventy hundredths percent (1.70%) of his average final compensation, multiplied by the number of years of his creditable service.

b. This allowance shall also be governed by the provisions of G.S. 135-5(b9)(1)b.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy hundredths percent (1.70%) of his average final compensation, multiplied by the number of years of creditable service.

b. This allowance shall also be governed by the provisions of G.S. 135-5(b9)(2)b., c., and d.

(b14) Service Retirement Allowance of Members Retiring on or after July 1, 1993, but before July 1, 1994. – Upon retirement from service in accordance with subsection (a) above, on or after July 1, 1993, but before July 1, 1994, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and seventy-one hundredths percent (1.71%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs after his 50th and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, the allowance shall be computed as in G.S. 135-5(b14)(1)a., but shall be reduced by one-third of one percent (1/3 of 1%) thereof for each month by which the retirement date precedes the first day of the month coincident with or next following his 55th birthday.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-one hundredths percent (1.71%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to the completion of 25 years or

more of creditable service, the retirement allowance shall be computed as in G.S. 135-5(b14)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's service retirement date occurs before his 60th birthday and prior to the completion of 30 or more years of creditable service, the service retirement allowance shall be the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b14)(2)b.

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

(b15) Service Retirement Allowance of Members Retiring on or after July 1, 1994, but before July 1, 1995. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1994, but before July 1, 1995, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and seventy-three hundredths percent (1.73%) of his average final compensation, multiplied by the number of years of his creditable service.

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

1. The service retirement allowance payable under G.S. 135-5(b15)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b15)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after

the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-three hundredths percent (1.73%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b15)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 135-5(b15)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b15)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or
3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance provided by G.S. 135-5(b14)(2)c.

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

(b16) Service Retirement Allowance of Members Retiring on or After July 1, 1995, but Before July 1, 1997. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1995, but before July 1, 1997, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable

service, the allowance shall be equal to one and seventy-five hundredths percent (1.75%) of his average final compensation, multiplied by the number of years of his creditable service.

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

1. The service retirement allowance payable under G.S. 135-5(b16)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b16)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-five hundredths percent (1.75%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b16)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 135-5(b16)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of

1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b16)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b16)(2)b.

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

(b17) Service Retirement Allowance of Members Retiring on or After July 1, 1997, but Before July 1, 2000. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1997, but before July 1, 2000, a member shall receive the following service retirement allowance.

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty hundredths percent (1.80%) of his average final compensation, multiplied by the number of years of his creditable service.

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

1. The service retirement allowance payable under G.S. 135-5(b17)(1)a, reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b17)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty hundredths percent (1.80%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b17)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 135-5(b17)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b17)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or
3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b17)(2)b.

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

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

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-one hundredths percent (1.81%) of his average final compensation, multiplied by the number of years of his creditable service.

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

1. The service retirement allowance payable under G.S. 135-5(b18)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b18)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-one hundredths percent (1.81%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b18)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 135-5(b18)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his

retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b18)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b18)(2)b.

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

(b19) Service Retirement Allowance of Members Retiring on or After July 1, 2002, but Before July 1, 2019. – Upon retirement from service in accordance with subsection (a) or (a1) of this section, on or after July 1, 2002, but before July 1, 2019, a member shall receive the following service retirement allowance:

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

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

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

1. The service retirement allowance payable under G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b19)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b19)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b19)(2)b.

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

(b20) Repealed by Session Laws 2014-88, s. 3(e), effective July 30, 2014.

(b21) Service Retirement Allowance of Members Retiring on or After July 1, 2019. – Upon retirement from service on or after July 1, 2019, in accordance with subsection (a) or (a1) of this section, a member shall receive the following service retirement allowance:

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

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

b. If the member's service retirement date occurs prior to the member's 50th birthday and after the completion of 25 years of creditable service with a minimum of 15 years of creditable service in a law enforcement capacity but before the completion of 30 years of creditable service, the retirement allowance shall be equal to the greater of the following amounts:

1. The service retirement allowance payable under G.S. 135-5(b21)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 55.
2. The service retirement allowance as computed under G.S. 135-5(b21)(1)a. reduced by five percent (5%) times the difference between 30 years and the member's creditable service at retirement plus four percent (4%) times the difference between age 50 and the member's age at retirement.

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

1. The service retirement allowance payable under G.S. 135-5(b21)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which the retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 55.
2. The service retirement allowance as computed under G.S. 135-5(b21)(1)a. reduced by five percent (5%) times the difference between 30 years and the amount of creditable service at retirement.

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

a. If the member's service retirement date occurs on or after the member's 65th birthday upon the completion of five years of membership service, or after the completion of 30 years of creditable service, or on or after his 60th birthday upon the completion of 25 years of creditable service,

the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of the member's average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after the member's 60th birthday and before the member's 65th birthday and prior to the completion of 25 years or more of creditable service, the retirement allowance shall be computed as in G.S. 135-5(b21)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which the retirement date precedes the first day of the month coincident with or next following the member's 65th birthday.

c. If the member's early service retirement date occurs on or after the member's 50th birthday and before the member's 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, the early service retirement allowance shall be equal to the greater of the following amounts:

1. The service retirement allowance as computed under G.S. 135-5(b21)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's 60th birthday precedes the first day of the month coincident with or next following the member's 65th birthday.
2. The service retirement allowance as computed under G.S. 135-5(b21)(2)a. reduced by five percent (5%) times the difference between 30 years and the amount of creditable service at retirement.
3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b21)(2)b.

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

(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1, 1988. – The provisions of this subsection shall not be applicable to members in service on or after January 1, 1988. Upon the application of a member or of his employer, any member who has had five or more years of creditable service may be retired by the Board of Trustees, on the first day of any calendar month, not less than one day nor more than 120 days next following the date of filing such application, on a disability retirement allowance: Provided, that the medical board, after a medical examination of such member, shall certify that such member is mentally or physically incapacitated for the further performance of duty, that such incapacity was incurred at the time of active employment and has been continuous thereafter, that such incapacity is likely to be permanent, and that such member should be retired; Provided further the medical board shall determine if the member is able to engage in gainful employment and, if so, the member may still

be retired and the disability retirement allowance as a result thereof shall be reduced as in subsection (e) below. Provided further, that the medical board shall not certify any member as disabled who:

(1) Applies for disability retirement based upon a mental or physical incapacity which existed when the member first established membership in the system; or

(2) Is in receipt of any payments on account of the same disability which existed when the member first established membership in the system.

The Board of Trustees shall require each employee upon enrolling in the retirement system to provide information on the membership application concerning any mental or physical incapacities existing at the time the member enrolls.

Supplemental disability benefits heretofore provided are hereby made a permanent part of disability benefits after age 65, and shall not be discontinued at age 65.

Notwithstanding the requirement of five or more years of creditable service to the contrary, a member who is a law-enforcement officer and who has had one year or more of creditable service and becomes incapacitated for duty as the natural and proximate result of an accident occurring while in the actual performance of duty, and meets all other requirements for disability retirement benefits, may be retired by the Board of Trustees on a disability retirement allowance.

Notwithstanding the foregoing to the contrary, any beneficiary who commenced retirement with an early or service retirement benefit has the right, within three years of his retirement, to convert to an allowance with disability retirement benefits without modification of any election of optional allowance previously made; provided, the beneficiary presents clear and convincing evidence that the beneficiary would have met all applicable requirements for disability retirement benefits while still in service as a member. The allowance on account of disability retirement benefits to the beneficiary shall be retroactive to the effective date of early or service retirement.

Notwithstanding the foregoing, the surviving designated beneficiary of a deceased member who met all other requirements for disability retirement benefits, except whose death occurred before the first day of the calendar month in which the member's disability retirement allowance was to be due and payable, may elect to receive the reduced retirement allowance provided by a one hundred percent (100%) joint and survivor payment option in lieu of a return of accumulated contributions, provided the following conditions apply:

(1) At the time of the member's death, one and only one beneficiary is eligible to receive a return of accumulated contributions, and

(2) The member had not instructed the Board of Trustees in writing that he did not wish the provision of this subsection to apply.

(d) Allowance on Disability Retirement of Persons Retiring on or after July 1, 1959, but prior to July 1, 1963. – Upon retirement for disability, in accordance with subsection (c) above, on or after July 1, 1959, but prior to July 1, 1963, a member shall receive a service retirement allowance if he has attained the age of 60 years, otherwise he shall receive a disability retirement allowance which shall consist of:

(1) An annuity which shall be the actuarial equivalent of his accumulated contributions at the time of retirement;

(2) A pension equal to seventy-five per centum (75%) of the pension that would have been payable upon service retirement at the age of 65 years had the member continued in service to the age of 65 years without further change in compensation.

If the member has not less than 20 years of creditable service, he shall be entitled to a total retirement allowance of not less than seventy dollars ($70.00) per month; provided, that the computation shall be made prior to any reduction resulting from an optional allowance as provided by subsection (g) of this section.

(d1) Allowance on Disability Retirement of Persons Retiring on or after July 1, 1963, but prior to July 1, 1969. – Upon retirement for disability, in accordance with subsection (c) above, on or after July 1, 1963, but prior to July 1, 1969, a member shall receive a service retirement allowance if he has attained the age of 60 years, otherwise he shall receive a disability retirement allowance which shall be computed as follows:

(1) Such allowance shall be equal to the service retirement allowance which would have been payable had he continued in service without further change in compensation, to the age of 60 years, minus the actuarial equivalent to the contributions he would have made during such continued service.

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

(d2) Allowance on Disability Retirement of Persons Retiring on or after July 1, 1969, but prior to July 1, 1971. – Upon retirement for disability, in accordance with subsection (c) above, on or after July 1, 1969, but prior to July 1, 1971, a member shall receive a service retirement allowance if he has attained the age of 60 years, otherwise he shall receive a disability retirement allowance which shall be computed as follows:

(1) Such allowance shall be equal to the service retirement allowance which would have been payable had he continued in service without further change in compensation to the age of 65 years, minus the actuarial equivalent of the contributions he would have made during such continued service.

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

(d3) Allowance on Disability Retirement of Persons Retiring on or after July 1, 1971, but prior to July 1, 1982. – Upon retirement for disability, in accordance with subsection (c) of this section on or after July 1, 1971, but prior to July 1, 1982, a member shall receive a service retirement allowance if he has attained the age of 65 years; otherwise he shall receive a disability retirement allowance which shall be computed as follows:

(1) Such allowance shall be equal to a service retirement allowance calculated on the basis of the member's average final compensation prior to his disability retirement and the creditable service he would have had at the age of 65 years if he had continued in service.

(2) Notwithstanding the foregoing provisions,

a. Any member whose creditable service commenced prior to July 1, 1971, shall receive not less than the benefit provided by G.S. 135-5(d2);

b. The amount of disability allowance payable from the reserve funds of the Retirement System to any member retiring on or after July 1, 1974, who is eligible for and in receipt of a disability benefit under the Social Security Act shall be seventy percent (70%) of the amount calculated under a above, and the balance shall be provided by the employer from

time to time during each year in such amounts as may be required to cover such payments as current disbursements; and

c. The amount of disability allowance payable to any member retiring on or after July 1, 1974, who is not eligible for and in receipt of a disability benefit under the Social Security Act shall not be payable from the reserve funds of the Retirement System but shall be provided by the employer from time to time during each year in such amounts as may be required to cover such payments as current disbursements.

(d4) Allowance on Disability Retirement of Persons Retiring on or after July 1, 1982, Who Left Service prior to January 1, 1988. – Upon retirement for disability, in accordance with subsection (c) of this section on or after July 1, 1982, a member who left service prior to January 1, 1988 shall receive a service retirement allowance if he has qualified for an unreduced service retirement allowance; otherwise the allowance shall be equal to a service retirement allowance calculated on the member's average final compensation prior to his disability retirement and the creditable service he would have had had he continued in service until the earliest date on which he would have qualified for an unreduced service retirement allowance.

(e) Reexamination of Beneficiaries Retired for Disability. – The provisions of this subsection shall be applicable to members retired on a disability retirement allowance and shall not be applicable to members in service on or after January 1, 1988. Once each year during the first five years following retirement of a member on a disability retirement allowance, and once in every three-year period thereafter, the Board of Trustees may, and upon the member's application shall, require any disability beneficiary who has not yet attained the age of 60 years to undergo a medical examination performed at the place of residence of that beneficiary, or other place mutually agreed upon, by a physician or physicians designated by the Board of Trustees. Should any disability beneficiary who has not yet attained the age of 60 years refuse to submit to at least one medical examination in any year required by this subsection, the beneficiary's allowance may be discontinued until withdrawal of the refusal. If the refusal continues for one year all the beneficiary's rights in and to the beneficiary's pension may be revoked by the Board of Trustees. The following provisions apply:

(1) The Board of Trustees shall determine whether a disability beneficiary is engaged in or is able to engage in a gainful occupation paying more than the difference, as hereinafter indexed, between his disability retirement allowance and the gross compensation earned as an employee during the 12 consecutive months of service in the final 48 months prior to retirement producing the highest gross compensation excluding any compensation received on account of termination. If the disability beneficiary is earning or is able to earn more than the difference, the portion of his disability retirement allowance not provided by his contributions shall be reduced to an amount which, together with the portion of the disability retirement allowance provided by his contributions and the amount earnable by him shall equal the amount of his gross compensation prior to retirement. This difference shall be increased on January 1 each year by the percentage change between the December Consumer Price Index in the year prior to retirement and the December Consumer Price Index in the year most recently ended, calculated to the nearest tenth of one percent (1/10 of 1%), provided that this percentage change is positive. Should the earning capacity of the disability beneficiary later change, the portion of his

disability retirement allowance not provided by his contributions may be further modified. In lieu of the reductions on account of a disability beneficiary earning more than the aforesaid difference, he may elect to convert his disability retirement allowance to a service retirement allowance calculated on the basis of his average final compensation and creditable service at the time of disability and his age at the time of conversion to service retirement. This election is irrevocable. Provided, the provisions of this subdivision shall not apply to beneficiaries of the Law-Enforcement Officers' Retirement System transferred to this Retirement System who commenced retirement on and before July 1, 1981.

(2) Should a disability beneficiary under the age of 60 years be restored to active service at a compensation not less than his average final compensation, his retirement allowance shall cease, he shall again become a member of the Retirement System, and he shall contribute thereafter at the same rate he paid prior to disability; provided that, on and after July 1, 1971, if a disability beneficiary under the age of 62 years is restored to active service at a compensation not less than his average final compensation, his retirement allowance shall cease, he shall again become a member of the Retirement System, and he shall contribute thereafter at the uniform contribution rate payable by all members. Any such prior service certificate on the basis of which his service was computed at the time of his retirement shall be restored to full force and effect, and, in addition, upon his subsequent retirement he shall be credited with all his service as a member, but should he be restored to active service on or after the attainment of the age of 50 years his pension upon subsequent retirement shall not exceed the sum of the pension which he was receiving immediately prior to his last restoration and the pension that he would have received on account of his service since his last restoration had he entered service at the time as a new entrant.

(3) Notwithstanding the foregoing, a member retired on a disability retirement allowance who is restored to service and subsequently retires on or after July 1, 1971, shall be entitled to an allowance not less than the allowance described in a. below reduced by the amount in b. below:

a. The allowance to which he would have been entitled if he were retiring for the first time, calculated on the basis of his total creditable service represented by the sum of his creditable service at the time of his first retirement and his creditable service after he was restored to service.

b. The actuarial equivalent of the retirement benefits he previously received.

(3a) Notwithstanding the foregoing, should a beneficiary who retired on a disability retirement allowance be restored to service as an employee or teacher, then the retirement allowance shall cease as of the first day of the month following the month in which the beneficiary is restored to service and the beneficiary shall become a member of the Retirement System and shall contribute thereafter as allowed by law at the uniform contribution payable by all members. Upon the subsequent retirement of the beneficiary, he shall be entitled to an allowance to which he would have been entitled if he were retiring for the first time,

calculated on the basis of his total creditable service represented by the sum of his creditable service at the time of his first retirement and his creditable service after he was restored to service. Provided, however, any election of an optional allowance cannot be changed unless the member subsequently completes three years of membership service after being restored to service.

(4) As a condition to the receipt of the disability retirement allowance provided for in subsections (d) through (d3) of this section each member retired on a disability retirement allowance shall, on or before April 15 of each calendar year, provide the Board of Trustees with a statement of that member's income received as compensation for services, including fees, commissions or similar items, and income received from business, for the previous calendar year. This statement shall be filed on a form as required by the Board of Trustees. The benefit payable to a beneficiary who does not or refuses to provide the information requested within 60 days after the request shall not be paid until the information requested is provided. If the refusal or failure to provide the required information continues for 240 days after the request, then the right of a beneficiary to a benefit under the Article may be terminated.

The Executive Director of the Retirement Systems Division shall contact any State or federal agency that can provide information to substantiate the statement required to be submitted by this subdivision and may enter into agreements for the exchange of information.

(5) Notwithstanding any other provisions of this Article to the contrary, a beneficiary who was a beneficiary retired on a disability retirement with the Law-Enforcement Officers' Retirement System at the time of the transfer of law-enforcement officers employed by a participating employer and beneficiaries last employed by a participating employer to this Retirement System and who also was a contributing member of this Retirement System at that time, shall continue to be paid his retirement allowance without restriction and may continue as a member of this Retirement System with all the rights and privileges appendant to membership. Any beneficiary who retired on a disability retirement allowance as an employee of any participating employer under the Law-Enforcement Officers' Retirement System and becomes employed as an employee other than as a law-enforcement officer by an employer participating in the Retirement System after the aforementioned transfer shall continue to be paid his retirement allowance without restriction and may continue as a member of this Retirement System with all the rights and privileges appendant to membership until January 1, 1989, at which time his retirement allowance shall cease and his subsequent retirement shall be determined in accordance with the preceding subdivision (3a) of this subsection. Any beneficiary as hereinbefore described who becomes employed as a law-enforcement officer by an employer participating in the Retirement System shall cease to be a beneficiary and shall immediately commence membership and his subsequent retirement shall be determined in accordance with subdivision (3a) of this subsection.

(6) Notwithstanding any other provision to the contrary, a beneficiary in receipt of a disability retirement allowance until the earliest date on which he would have

qualified for an unreduced service retirement allowance shall thereafter (i) not be subject to further reexaminations as to disability, (ii) not be subject to any reduction in allowance on account of being engaged in a gainful occupation other than with an employer participating in the Retirement System, and (iii) be considered a beneficiary in receipt of a service retirement allowance. Provided, however, a beneficiary in receipt of a disability retirement allowance whose allowance is reduced on account of reexamination as to disability or to ability to engage in a gainful occupation prior to the date on which he would have qualified for an unreduced service retirement allowance shall have only the right to elect to convert to an early or service retirement allowance as permitted under subdivision (1) above.

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

Pursuant to the provisions of G.S. 135-70.1, a member who is also a member of the Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder.

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

(f1) Expired.

(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due and the first payment date has occurred, any member may elect to receive his or her benefits in a retirement allowance payable throughout life, or the

member may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the options set forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due and the first payment date has occurred. Such election may be revoked by the member prior to the date the first payment becomes normally due and the first payment date has occurred. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due and the first payment date has occurred, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the first payment on account of any benefit becomes normally due and the first payment date has occurred.

Option 1.(a) In the Case of a Member Who Retires prior to July 1, 1963. – If he dies before he has received in annuity payments the present value of his annuity as it was at the time of his retirement, the balance shall be paid to his legal representatives or to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees.

(b) In the Case of a Member Who Retires on or after July 1, 1963, but prior to July 1, 1993. – If he dies within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120 thereof for each month for which he has received a retirement allowance payment, shall be paid to his legal representatives or to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees; or

Option 2. Upon his death his reduced retirement allowance shall be continued throughout the life of and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement, provided that if the person selected is other than his spouse the reduced retirement allowance payable to the member shall not be less than one half of the retirement allowance without optional modification which would otherwise be payable to him; or

Option 3. Upon his death, one half of his reduced retirement allowance shall be continued throughout the life of, and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

Option 4. Adjustment of Retirement Allowance for Social Security Benefits. – Until the first payment on account of any benefit becomes normally due, any member may elect to convert his

benefit otherwise payable on his account after retirement into a retirement allowance of equivalent actuarial value of such amount that with his benefit under Title II of the Federal Social Security Act, he will receive, so far as possible, approximately the same amount per year before and after the earliest age at which he becomes eligible, effective as of the first of the month following the month of initial entitlement, upon application therefor, to receive a social security benefit.

Option 5. For Members Retiring Prior to July 1, 1993. – The member may elect to receive a reduced retirement allowance under the conditions of Option 2 or Option 3, as provided for above, with the modification that if both he and the person nominated die within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120 thereof for each month for which a retirement allowance has been paid, shall be paid to his legal representatives or to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees.

Option 6. A member may elect either Option 2 or Option 3 with the added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option.

Upon the death of a member after the effective date of a retirement for which the member has been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E) but prior to when the first payment on account of any benefit becomes normally due and the first benefit payment has occurred, the retirement benefit shall be payable as provided by the member's election of benefits under this subsection.

Upon the death of a member after the effective date of a retirement for which the member has been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one beneficiary is eligible to receive the return of accumulated contributions. If more than one beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has been designated, the administrator or executor of the member's estate will select an option and name the beneficiary or beneficiaries.

(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree. In the event that a retiree is receiving a Special Retirement Allowance under subsection (m1) of this section, there shall be paid to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the employee's voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System over the total of the Special Retirement Allowances paid prior to the death of the retiree. For purposes of this paragraph, the term

"accumulated contributions" excludes any amount transferred under subsection (m2) of this section.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the retirement allowances paid to the retiree and the designated survivor combined equals the amount of the accumulated contributions of the retiree at the date of retirement, the excess, if any, of such accumulated contributions over the total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a lump sum to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative. For purposes of this paragraph, the term "accumulated contributions" includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible law enforcement officers.

In the event that a retirement allowance becomes payable to the principal beneficiary designated to receive a return of accumulated contributions pursuant to subsection (m) of this section and that beneficiary dies before the total of the retirement allowances paid equals the amount of the accumulated contributions of the member at the date of the member's death, the excess of those accumulated contributions over the total of the retirement allowances paid to the beneficiary shall be paid in a lump sum to the person or persons the member has designated as the contingent beneficiary for return of accumulated contributions, if the person or persons are living at the time the payment falls due, otherwise to the principal beneficiary's legal representative. In the event that a retirement allowance becomes payable to the contingent beneficiary designated to receive a return of accumulated contributions pursuant to subsection (m) of this section and that beneficiary dies before the total of the retirement allowances paid equals the amount of the accumulated contributions of the member at the date of the member's death, the excess of those accumulated contributions over the total of the retirement allowances paid to the beneficiary shall be paid in a lump sum to the contingent beneficiary's legal representative. For purposes of this paragraph, the term "accumulated contributions" includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible law enforcement officers.

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

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

electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative.

In the event that a retiree dies without having designated a beneficiary to receive a benefit under the provisions of this subsection, any such benefit that becomes payable shall be paid to the member's legal representative.

(h) Computation of Benefits Payable Prior or Subsequent to July 1, 1947. – Prior to July 1, 1947, all benefits payable as of February 22, 1945, shall be computed on the basis of the provisions of Chapter 135 as they existed at the time of the retirement of such beneficiaries. On and after July 1, 1947, all benefits payable to, or on account of, such beneficiaries shall be adjusted to take into account, under such rule as the Board of Trustees may adopt, the provisions of this Article as if they had been in effect at the date of retirement, and no further contributions on account of such adjustment shall be required of such beneficiaries. The Board of Trustees may authorize such transfers of reserve between the funds of the Retirement System as may be required by the provisions of this subsection.

(i) Restoration to Service of Certain Former Members. – If a former member who ceased to be a member prior to July 1, 1949, for any reason other than retirement, again becomes a member and prior to July 1, 1951, redeposits in the annuity savings fund by a single payment the amount, if any, he previously withdrew therefrom, he shall, anything in this Chapter to the contrary, be entitled to any membership service credits he had when his membership ceased, and any prior service certificate which became void at the time his membership ceased shall be restored to full force and effect: Provided, that, for the purpose of computing the amount of any retirement allowance which may become payable to or on account of such member under the Retirement System, any amount redeposited as provided herein shall be deemed to represent contributions made by the member after July 1, 1947.

(j) Notwithstanding anything herein to the contrary, effective July 1, 1959, the following provisions shall apply with respect to any retirement allowance payments due after such date to any retired member who was retired prior to July 1, 1959, on a service or disability retirement allowance:

(1) If such retired member has not made an election of an optional allowance in accordance with G.S. 135-5(g), the monthly retirement allowance payable to him from and after July 1, 1959, shall be equal to the allowance previously payable, increased by fifteen percent (15%) thereof, or by fifteen dollars ($15.00), whichever is the lesser; provided that, if such member had rendered not less than 20 years of creditable service, the retirement allowance payable to him from and after July 1, 1959, shall be not less than seventy dollars ($70.00) per month.

(2) If such retired member has made an effective election of an optional allowance, the allowance payable to him from and after July 1, 1959, shall be equal to the allowance previously payable under such election plus an increase which shall be computed in accordance with (1) above as if he had not made such an election; provided that such increase shall be payable only during the retired member's remaining life and no portion of such increase shall become payable to the beneficiary designated under the election.

(k) Increase in Benefits to Those Persons Who Were in Receipt of Benefits prior to July 1, 1967. – From and after July 1, 1967, the monthly benefits to or on account of persons who

commenced receiving benefits from the System prior to July 1, 1967, shall be increased by a percentage thereof. Such percentage shall be determined in accordance with the following schedule:

Period in Which Benefits Commenced	Percentage
January 1, 1966, to June 30, 1967	5%
Year 1965	6%
Year 1964	7%
Year 1963	8%
and so on concluding with	
Year 1942	29%

The minimum increase pursuant to this subsection (k) shall be ten dollars ($10.00) per month; provided that, if an optional benefit has been elected, said minimum shall be reduced actuarially as determined by the Board and shall be applicable to the retired member, if surviving, otherwise to his designated beneficiary under the option elected.

(*l*) Recodified with the remainder repealed pursuant to the terms of Session Laws 2025-11, ss. 1(h)-(j), (k)-(w), (z), 2(b), effective June 13, 2025.

(*l*1) Recodified pursuant to the terms of Session Laws 2025-11, s. 1(x), (y), (aa), effective June 13, 2025.

(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of subsection (g) of this section computed by assuming that the member had retired on the first day of the month following the date of the member's death, provided that all four of the following conditions apply:

(1)a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b21)(1)c. or G.S. 135-5(b21)(2)c., notwithstanding the requirement of obtaining age 50, or

b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b21)(1)c., notwithstanding the requirement of obtaining age 50.

c. Repealed by Session Laws 2010-72, s. 2(a), effective July 1, 2010.

(2) At the time of the member's death, one and only one beneficiary is eligible to receive a return of his accumulated contributions.

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

(4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of the member's death if the death occurs within 180 days from the last day

of the member's actual service. The last day of actual service shall be determined as provided in G.S. 135-170. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Article for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter.

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

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

(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement System and receive, in addition to his basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon his eligible accumulated account balance at the date of the transfer of the assets to this System. For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of mortality tables, such other tables as may be necessary and the interest assumption rate recommended by the actuary based upon actual experience including an assumed annual post-retirement allowance increase of four percent (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five year experience study as required by G.S. 135-6(n). Provided, however, a member, who transfers his eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina, shall be taxed for North Carolina State Income tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly. For transfers made on or after July 1, 2022, if, subsequent to the member's election, the Board of Trustees determines that (i) the member was ineligible for the election or (ii) the election was impermissible for any reason under federal or State law, then no special retirement allowance shall be paid to the member pursuant to this subsection; the member shall return to the Retirement System any amount already paid from the Retirement System as a special retirement allowance; and the Retirement System shall return the transfer amount to the source of the transfer, including any earnings adjustment that may be required under federal law or Internal Revenue Service guidance. If the Retirement System is unable to return the amount to the account from which it originated, the member may designate another eligible account under the transferor plan

or receive a lump sum distribution paid directly to the member if the member would otherwise be eligible for a distribution under the transferor plan at such time.

(m2) Special Retirement Allowance. – At any time coincident with or following retirement, a member may make a one-time, irrevocable election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive, in addition to the member's basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon the member's transferred balance. For transfers made on or after July 1, 2022, if, subsequent to the member's election, the Board of Trustees determines that (i) the member was ineligible for the election or (ii) the election was impermissible for any reason under federal or State law, then no special retirement allowance shall be paid to the member pursuant to this subsection; the member shall return to the Retirement System any amount already paid from the Retirement System as a special retirement allowance; and the Retirement System shall return the transfer amount to the source of the transfer, including any earnings adjustment that may be required under federal law or Internal Revenue Service guidance. If the Retirement System is unable to return the amount to the account from which it originated, the member may designate another eligible account under the transferor plan or receive a lump sum distribution paid directly to the member if the member would otherwise be eligible for a distribution under the transferor plan at such time.

A member who became a member of the Supplemental Retirement Income Plan prior to retirement and who remains a member of the Supplemental Retirement Income Plan may make a one-time, irrevocable election to transfer eligible balances, not including any Roth after-tax contributions and the earnings thereon, from any of the following plans to the Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement System: (i) a plan participating in the North Carolina Public School Teachers' and Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; (iv) an individual retirement account or annuity described in section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income; or (v) a tax-qualified plan described in section 401(a) or section 403(a) of the Internal Revenue Code. In addition, any transfer under this subsection may be paid in whole or in part with employer contributions paid directly to this Retirement System at the time of transfer.

Notwithstanding anything to the contrary, a member may not transfer such amounts as will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be transferred if a transfer is elected. The member may elect a special retirement allowance with no postretirement increases or a special retirement allowance with annual postretirement increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance will not apply to the special retirement allowance. The Board of Trustees shall provide educational materials to the members who apply for the transfer authorized by this section. Those materials shall describe the special retirement allowance and shall explain the relationship

between the transferred balance and the monthly benefit and how the member's heirs may be impacted by the election to make this transfer and any costs and fees involved.

For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and such other tables as may be necessary based upon actual experience. A single set of mortality and such other tables will be used for all members, with factors differing only based on the age of the member and the election of postretirement increases. The Board of Trustees shall modify the mortality and such other tables every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 135-6(n). Provided, however, a member who transfers the member's eligible accumulated contributions from an eligible retirement plan pursuant to this subsection to this Retirement System shall be taxed for North Carolina State Income Tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the eligible plan or the plan through which the transfer was made, whichever is most favorable to the member. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly.

The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a one-time flat administrative fee not to exceed the actual cost of the administrative expenses relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer of accumulated contributions authorized under this subsection. This provision shall not prohibit other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall fully disclose to any member participating in a transfer under this subsection any surrender charges or other fees, and such disclosure shall be made contemporaneous with the initiation of the transfer by the member.

The special retirement allowance shall continue for the life of the member and the beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in G.S. 135-5(g), if any. The Board of Trustees, however, shall establish two payment options that guarantee payments as follows:

(1) A member may elect to receive the special retirement allowance for life but with payments guaranteed for a number of months to be specified by the Board of Trustees. Under this plan, if the member dies before the expiration of the specified number of months, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If the member's designated beneficiary under Option 2, 3 or 6 begins receiving monthly payments and dies before the specified number of monthly payments have been made in combination to the member and beneficiary, a one-time payment will be paid to the member's legal representatives equal to the initial monthly special retirement allowance, multiplied by the specified number of months, less the total of the monthly payments made to the member and beneficiary. If Option 2, 3 or 6 is not selected, and the member dies before the expiration of the specified number of months, the member's designated beneficiary will receive a one-time payment equal to the initial monthly special retirement allowance, multiplied by the specified number of months, less the total of the monthly payments made to the member.

(2) A member may elect to receive the special retirement allowance for life but is guaranteed that the sum of the special allowance payments will equal the total

of the transferred amount. Under this payment option, if the member dies before receiving the total transferred amount, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

The General Assembly reserves the right to repeal or amend this subsection, but such repeal or amendment shall not affect any person who has already made the one-time election provided in this subsection.

(m3) Repealed by Session Laws 2014-88, s. 3(g), effective July 30, 2014.

(m4) A member who has contributions in this System and is not eligible for a retirement benefit as set forth in G.S. 135-5(a) shall be paid his or her contributions in a lump sum as provided in G.S. 135-5(f) by April 1 of the calendar year following the later of the calendar year in which the member (i) attains the applicable age under section 401(a)(9)(C)(v) of the Internal Revenue Code or (ii) has ceased to be a teacher or State employee except by death. If the member fails, following reasonable notification, to complete a refund application by the required date, then the requirement that a refund application be completed shall be waived and the refund shall be paid without a refund application as a single lump-sum payment with applicable required North Carolina and federal income taxes withheld.

A member who has contributions in this System and is eligible for a retirement benefit as set forth in G.S. 135-5(a) shall begin to receive a monthly benefit no later than April 1 of the calendar year following the later of the calendar year in which the member (i) attains the applicable age under section 401(a)(9)(C)(v) of the Internal Revenue Code or (ii) has ceased to be a teacher or State employee except by death. If the member fails, following reasonable notification, to complete the retirement process under this Chapter by the required beginning date, then the requirement that a retirement application and an election of payment plan form be completed shall be waived and the retirement allowance shall be paid as a single life annuity. The single life annuity shall be calculated and processed in accordance with this section.

For purposes of this subsection, a member shall not be considered to have ceased to be a teacher or State employee if the member is actively contributing to the Consolidated Judicial Retirement System, Local Governmental Employees' Retirement System, or Legislative Retirement System. A retirement benefit or lump-sum refund shall not be paid under this subsection if the member is actively contributing to the Consolidated Judicial Retirement System, Local Governmental Employees' Retirement System, or Legislative Retirement System.

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

(o) Post-Retirement Increases in Allowances. – As of December 31, 1969, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase that equals or exceeds three per centum (3%), each beneficiary receiving a retirement allowance as of December 31, 1968, shall be entitled to have his allowance increased three per centum (3%) effective July 1, 1970.

As of December 31, 1970, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase of at least one per centum (1%), each beneficiary on the retirement rolls as of July 1, 1970, shall be entitled to have his allowance increased effective July 1, 1971 as follows:

Increase In Index	*Increase In Allowance*
1.00 to 1.49%	1%
1.50 to 2.49%	2%
2.50 to 3.49%	3%
3.50% or more	4%

As of December 31, 1971, an increase in retirement allowances shall be calculated and made effective July 1, 1972, in the manner described in the preceding paragraph. As of December 31 of each year after 1971, the ratio (R) of the Consumer Price Index to such index one year earlier shall be determined, and each beneficiary on the retirement rolls as of July 1 of the year of determination shall be entitled to have his allowance increased effective on July 1 of the year following the year of determination by the same percentage of increase indicated by the ratio (R) calculated to the nearest tenth of one per centum, but not more than four per centum (4%); provided that any such increase in allowances shall become effective only if the additional liabilities on account of such increase do not require an increase in the total employer rate of contributions.

The allowance of a surviving annuitant of a beneficiary whose allowance is increased under this subsection shall, when and if payable, be increased by the same per centum.

Any increase in allowance granted hereunder shall be permanent, irrespective of any subsequent decrease in the Consumer Price Index, and shall be included in determining any subsequent increase.

For purposes of this subsection, Consumer Price Index shall mean the Consumer Price Index (all items – United States city average), as published by the United States Department of Labor, Bureau of Labor Statistics.

Notwithstanding the above paragraphs, retired members and beneficiaries may receive cost-of-living increases in retirement allowances if active members of the system receive across-the-board cost-of-living salary increases. Such increases in post-retirement allowances shall be comparable to cost-of-living salary increases for active members in light of the differences between the statutory payroll deductions for State retirement contributions, Social Security taxes, State income withholding taxes, and federal income withholding taxes required of each group. The increases for retired members shall include the cost-of-living increases provided in this section. The cost-of-living increases allowed retired and active members of the system shall be comparable when each group receives an increase that has the same relative impact upon the net disposable income of each group.

(p) Increases in Benefits Paid in Respect to Members Retired prior to July 1, 1967. – From and after July 1, 1971, the monthly benefits to or on account of persons who commenced receiving benefits prior to July 1, 1963, shall be increased by twenty percent (20%) thereof; the monthly benefits to or on account of persons who commenced receiving benefits after June 30, 1963 and before July 1, 1967, shall be increased by five percent (5%) thereof. These increases shall be calculated after monthly retirement allowances as of July 1, 1971, have been increased to the extent provided for in the preceding subsection (o).

(q) Increases in Benefits to Those Persons Who Were Retired prior to January 1, 1970. – From and after July 1, 1973, the monthly benefits to or on account of persons who commenced receiving benefits from the System prior to January 1, 1970, shall be increased by a percentage thereof. Such percentage shall be determined in accordance with the following schedule:

Year(s) in Which Benefits Commenced	*Percentage*
1969	1
1968	4
1967	6
1965 through 1966	9
1964	12
1963	14
1959 through 1962	17
1942 through 1958	22

These increases shall be calculated after monthly retirement allowances as of July 1, 1973, have been increased to the extent provided for in the preceding subsection (o).

(r) Notwithstanding anything herein to the contrary, for persons who commenced receiving benefits from the System prior to January 1, 1970, effective July 1, 1973, any member who retired after attaining the age of 60 with 15 or more years of creditable service shall receive a monthly benefit of no less than seventy-five dollars ($75.00) prior to the application of any optional benefit.

(s) Increases in Benefits to Those Persons on Disability Retirement Who Were Retired prior to July 1, 1971. – From and after July 1, 1974, the monthly benefits to members who commenced receiving disability benefits prior to July 1, 1963, shall be increased by one percent (1%) thereof for each year by which the member retired prior to the age of 65 years; the monthly benefits to members who commenced receiving disability benefits after June 30, 1963, and before July 1, 1971, shall be increased by five percent (5%) thereof. These increases shall be calculated before monthly retirement allowances as of June 30, 1974, have been increased to the extent provided for in the preceding subsection (o).

(t) Notwithstanding any of the foregoing provisions, the increase in allowance to each beneficiary on the retirement rolls as of July 1, 1973, which shall become effective on July 1, 1974, as otherwise provided in G.S. 135-5(o), shall be the current maximum four percent (4%) plus an additional two percent (2%) to a total of six percent (6%) for the year 1974 only. The provisions of this subsection shall apply also to the allowance of a surviving annuitant of a beneficiary.

(u) Repealed by Session Laws 1975, c. 875, s. 47.

(v) Notwithstanding any of the foregoing provisions, the increase in allowance to each beneficiary on the retirement rolls as of July 1, 1974, which shall become payable on July 1, 1975, and to each beneficiary on the retirement rolls as of July 1, 1975, which shall become payable on July 1, 1976, as otherwise provided in G.S. 135-5(o), shall be the current maximum four percent (4%) plus an additional four percent (4%) to a total of eight percent (8%) for the years 1975 and 1976 only, provided that the increases do not exceed the actual percentage increase in the Consumer Price Index as determined in G.S. 135-5(o). The provisions of this subsection shall apply also to the allowance of a surviving annuitant of a beneficiary.

(w) Notwithstanding any other provision of this section, the increase in the allowance to each beneficiary on the retirement rolls as otherwise provided in G.S. 135-5(o) shall be the current maximum of four per centum (4%) plus an additional four per centum (4%) to a total of eight per centum (8%) on July 1, 1975, and July 1, 1976, provided the increases do not exceed the actual percentage increase in the cost of living as determined in G.S. 135-5(o). The provisions of this subsection shall apply also to the allowance of a surviving annuitant of a beneficiary. The cost of these increases shall be borne from the funds of the Retirement System unless the 1975 Session of the General Assembly provides an appropriation to fund this provision.

(x) Increases in Benefits to Those Persons on Disability Retirement Who Were Retired prior to July 1, 1971. – From and after July 1, 1975, the monthly benefits to members who commenced receiving disability benefits prior to July 1, 1963, shall be increased one percent (1%) thereof for each year by which the member retired prior to age 65 years; the monthly benefits to members who commenced receiving disability benefits after June 30, 1963, and before July 1, 1971, shall be increased by five percent (5%) thereof. These increases shall be calculated before monthly retirement allowances as of June 30, 1975, have been increased to the extent provided in the preceding provisions of this Chapter.

(y) Notwithstanding the foregoing provisions, the increase in allowance to each beneficiary on the retirement rolls as of July 1, 1976, which shall become payable on July 1, 1977, and to each beneficiary on the retirement rolls as of July 1, 1977, which shall become payable on July 1, 1978, as otherwise provided in G.S. 135-5(o), shall be the current maximum four percent (4%) plus an additional two and one-half percent (2 1/2%) for the years beginning July 1, 1977, and July 1, 1978. The provisions of this subsection shall apply also to the allowance of a surviving annuitant of a beneficiary.

(z) Increases in Benefits Paid in Respect to Members Retired prior to July 1, 1975. – From and after July 1, 1977, the monthly benefits to or on account of persons who commenced receiving benefits prior to July 1, 1975, shall be increased by seven percent (7%) thereof. This increase shall be calculated before monthly retirement allowances as of July 1, 1977, have been increased to the extent provided for in the preceding subsection (o). The provisions of this subsection shall apply also to the allowance of a surviving annuitant of a beneficiary.

(aa) Notwithstanding the foregoing provisions, the increase in allowance to each beneficiary on the retirement rolls as of July 1, 1978, which shall become payable on July 1, 1979, as otherwise provided in G.S. 135-5(o), shall be the current maximum four percent (4%) plus an additional one percent (1%) for the year beginning July 1, 1979. Provisions of this subsection shall apply also to the allowance of a surviving annuitant of a beneficiary.

(bb) Notwithstanding the foregoing provisions, the increase in allowance to each beneficiary on the retirement rolls as of July 1, 1979, which shall become payable on July 1, 1980, as otherwise provided in G.S. 135-5(o), shall be the current maximum four percent (4%) plus an additional three percent (3%) computed on the retirement allowance prior to any increase authorized by paragraph (cc) of this section. Provisions of this subsection shall apply also to the allowance of a surviving annuitant of a beneficiary.

(cc) Increases in Benefits to Those Persons Who Were Retired Prior to July 1, 1977. – From and after July 1, 1980, the monthly benefits to or on account of persons who commenced receiving benefits from the system prior to July 1, 1977, shall be increased by a percentage in accordance with the following schedule:

Period in Which Benefits Commenced	*Percentage*

On or before June 30, 1963	10%
July 1, 1963, to June 30, 1968	7%
July 1, 1968, to June 30, 1977	2%

This increase shall be calculated before monthly retirement allowances, as of July 1, 1980, have been increased for all cost-of-living increases allowed for the same period.

(dd) From and after July 1, 1981, the retirement allowance to or on account of the beneficiaries whose retirement commenced prior to July 1, 1980, shall be increased by three percent (3%). These increases shall be calculated on the basis of the allowance payable and in effect on June 30, 1980, so as not to compound on the increases otherwise payable under paragraphs (bb), (cc) and (ee) of this section.

(ee) Adjustment in Allowances Paid Beneficiaries Whose Retirement Commenced Prior to July 1, 1980. – From and after July 1, 1981, the retirement allowance to or on account of beneficiaries whose retirement commenced prior to July 1, 1980, shall be adjusted by an increase of one and three-tenths percent (1.3%). This adjustment shall be calculated on the basis of the allowance payable and in effect on June 30, 1980, so as not to compound on the increases otherwise payable under paragraphs (bb), (cc) and (dd) of this section.

(ff) From and after July 1, 1982, the retirement allowance to or on account of beneficiaries on the retirement rolls as of July 1, 1981, shall be increased by one-tenth of one percent (0.1%) of the allowance payable on July 1, 1981.

(gg) From and after July 1, 1983, the retirement allowance to or on account of beneficiaries on the retirement rolls as of July 1, 1982, shall be increased by two and one-half percent (2.5%) of the allowance payable on July 1, 1982, provided the increase in retirement allowances shall be payable in accordance with all requirements, stipulations and conditions set forth in subsection (o) of this section, plus an additional one and one-half percent (1.5%) of the allowance payable on July 1, 1982, in order to supplement the increase payable in accordance with subsection (o) of this section.

(hh) Notwithstanding any other provision of this Chapter, from and after July 1, 1983, the retirement allowance payable to each teacher and State employee, who retired prior to July 1, 1973, and who is in receipt of a reduced retirement allowance based upon 30 or more years of contributing membership service, shall be increased by the elimination of the reduction factors applicable at the time of their retirement under G.S. 135-3(a)(8) or G.S. 135-5(b3). The provisions of this subsection shall apply equally to the allowance of a surviving annuitant of a beneficiary.

(ii) From and after July 1, 1984, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1983, shall be increased by three and eight-tenths percent (3.8%) of the allowance payable on July 1, 1983, in accordance with G.S. 135-5(o), plus an additional four and two-tenths percent (4.2%) of the allowance payable on July 1, 1983.

(jj) Increase in Allowance Where Retirement Commenced on or before July 1, 1984, or after that Date, but before June 30, 1985. – From and after July 1, 1985, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1984, shall be increased by four percent (4%) of the allowance payable on July 1, 1984, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1985, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1984, but before June 30, 1985, shall be increased by a prorated amount of four percent (4%) of the allowance payable as determined by the

Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1984, and June 30, 1985.

(kk) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1985. – From and after July 1, 1985, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1985, shall be increased by six-tenths percent (0.6%) of the allowance payable on June 1, 1985. This allowance shall be calculated on the basis of the allowance payable and in effect on June 30, 1985, so as not to be compounded on any other increases payable under subsection (o) of this section or otherwise granted by act of the 1985 Session of the General Assembly.

(*ll*) From and after July 1, 1986, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1985, shall be increased by three and eight-tenths percent (3.8%) of the allowance payable on July 1, 1985, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1986, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1985, but before June 30, 1986, shall be increased by a prorated amount of three and eight-tenths percent (3.8%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1985, and June 30, 1986.

(mm) From and after July 1, 1987, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1986, shall be increased by four percent (4.0%) of the allowance payable on July 1, 1986, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1987, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1986, but before June 30, 1987, shall be increased by a prorated amount of four percent (4.0%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1986, and June 30, 1987.

(nn) From and after July 1, 1988, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1987, shall be increased by three and six-tenths percent (3.6%) of the allowance payable on July 1, 1987, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1988, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1987, but before June 30, 1988, shall be increased by a prorated amount of three and six-tenths percent (3.6%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1987, and June 30, 1988.

(oo) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1988. – From and after July 1, 1988, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1988, shall be increased by one and two-tenths percent (1.2%) of the allowance payable on June 1, 1988. This allowance shall be calculated on the basis of the allowance payable and in effect on June 30, 1988, so as not to be compounded on any other increase payable under subsection (o) of this section or otherwise granted by act of the 1987 Session of the General Assembly.

(pp) From and after July 1, 1989, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1988, shall be increased by three and one-half percent (3.5%) of the allowance payable on July 1, 1988, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1989, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1988, but before June 30, 1989, shall be increased by a prorated amount of three and one-half percent (3.5%) of the allowance payable as

determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1988, and June 30, 1989.

(qq) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1989. – From and after July 1, 1989, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1989, shall be increased by one and nine-tenths percent (1.9%) of the allowance payable on June 1, 1989. This allowance shall be calculated on the basis of the allowance payable and in effect on June 30, 1989, so as not to be compounded on any other increase payable under subsection (o) of this section or otherwise granted by act of the 1989 Session of the General Assembly.

(rr) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1990. From and after July 1, 1990, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1990, shall be increased by six-tenths of one percent (0.6%) of the allowance payable on June 1, 1990. This allowance shall be calculated on the basis of the allowance payable and in effect on June 30, 1990, so as not to be compounded on any other increase granted by act of the 1989 Session of the General Assembly (1990 Regular Session).

(ss) From and after July 1, 1990, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1989, shall be increased by six and one-tenth percent (6.1%) of the allowance payable on July 1, 1989, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1990, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1989, but before June 30, 1990, shall be increased by a prorated amount of six and one-tenth percent (6.1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1989, and June 30, 1990.

(tt) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1992. – From and after July 1, 1992, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1992, shall be increased by three and six-tenths percent (3.6%) of the allowance payable on June 1, 1992. This allowance shall be calculated on the allowance payable and in effect on June 30, 1992, so as not to be compounded on any other increase granted by act of the 1991 Session of the General Assembly, 1992 Regular Session.

(uu) From and after July 1, 1992, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1991, shall be increased by one and six-tenths percent (1.6%) of the allowance payable on July 1, 1991, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1992, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1991, but before June 30, 1992, shall be increased by a prorated amount of one and six-tenths percent (1.6%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1991 and June 30, 1992.

(vv) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1993. – From and after July 1, 1993, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1993, shall be increased by six-tenths of one percent (.6%) of the allowance payable on June 1, 1993. This allowance shall be calculated on the allowance payable and in effect on June 30, 1993, so as not to be compounded on any other increase granted by act of the 1993 General Assembly.

(ww) From and after July 1, 1993, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1992, shall be increased by one and six-tenths percent (1.6%) of the allowance payable on July 1, 1992, in accordance with G.S. 135-5(o).

Furthermore, from and after July 1, 1993, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1992, but before June 30, 1993, shall be increased by a prorated amount of one and six-tenths percent (1.6%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1992, and June 30, 1993.

(xx) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1994. – From and after July 1, 1994, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1994, shall be increased by one and two-tenths of one percent (1.2%) of the allowance payable on June 1, 1994. This allowance shall be calculated on the allowance payable and in effect on June 30, 1994, so as not to be compounded on any other increase granted by act of the 1993 General Assembly, 1994 Regular Session.

(yy) From and after July 1, 1994, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1993, shall be increased by three and one-half percent (3.5%) of the allowance payable on July 1, 1993, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1994, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1993, but before June 30, 1994, shall be increased by a prorated amount of three and one-half percent (3.5%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1993, and June 30, 1994.

(zz) From and after July 1, 1995, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1994, shall be increased by two percent (2%) of the allowance payable on July 1, 1994, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1995, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1994, but before June 30, 1995, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1994, and June 30, 1995.

(aaa) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1995. – From and after July 1, 1995, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1995, shall be increased by one and two-tenths of one percent (1.2%) of the allowance payable on June 1, 1995. This allowance shall be calculated on the allowance payable and in effect on June 30, 1995, so as not to be compounded on any other increase granted by act of the 1995 General Assembly.

(bbb) From and after September 1, 1996, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1995, shall be increased by four and four-tenths percent (4.4%) of the allowance payable on July 1, 1995, in accordance with G.S. 135-5(o). Furthermore, from and after September 1, 1996, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1995, but before June 30, 1996, shall be increased by a prorated amount of four and four-tenths percent (4.4%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1995, and June 30, 1996.

(ccc) From and after July 1, 1997, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1996, shall be increased by four percent (4%) of the allowance payable on June 1, 1997, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1997, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1996, but before June 30, 1997, shall be increased by a prorated amount of

four percent (4%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1996, and June 30, 1997.

(ddd) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1997. – From and after July 1, 1997, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 1997, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 1997. This allowance shall be calculated on the allowance payable and in effect on June 30, 1997, so as not to be compounded on any other increase granted by act of the 1997 General Assembly.

(eee) From and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1997, shall be increased by two and one-half percent (2.5%) of the allowance payable on June 1, 1998, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1997, but before June 30, 1998, shall be increased by a prorated amount of two and one-half percent (2.5%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1997, and June 30, 1998.

(fff) From and after July 1, 1999, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1998, shall be increased by two and three-tenths percent (2.3%) of the allowance payable on June 1, 1999, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1999, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1998, but before June 30, 1999, shall be increased by a prorated amount of two and three-tenths percent (2.3%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1998, and June 30, 1999.

(ggg) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2000. – From and after July 1, 2000, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 2000, shall be increased by six-tenths percent (0.6%) of the allowance payable on June 1, 2000. This allowance shall be calculated on the allowance payable and in effect on June 30, 2000, so as not to be compounded on any other increase granted by act of the 1999 General Assembly, 2000 Regular Session.

(hhh) From and after July 1, 2000, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1999, shall be increased by three and six-tenths percent (3.6%) of the allowance payable on June 1, 2000, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2000, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1999, but before June 30, 2000, shall be increased by a prorated amount of three and six-tenths percent (3.6%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1999, and June 30, 2000.

(iii) From and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2000, shall be increased by two percent (2%) of the allowance payable on June 1, 2001, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2001, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2000, but before June 30, 2001, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2000, and June 30, 2001.

(jjj) From and after July 1, 2002, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2001, shall be increased by one and four-tenths percent (1.4%) of the allowance payable on June 1, 2002, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2002, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2001, but before June 30, 2002, shall be increased by a prorated amount of one and four-tenths percent (1.4%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2001, and June 30, 2002.

(kkk) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2002. – From and after July 1, 2002, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 2002, shall be increased by six-tenths of one percent (0.6%) of the allowance payable on June 1, 2002. This allowance shall be calculated on the allowance payable and in effect on June 30, 2002, so as not to be compounded on any other increase granted by act of the 2002 Regular Session of the 2001 General Assembly.

(*lll*) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased by one and twenty-eight hundredths percent (1.28%) of the allowance payable on June 1, 2003, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of one and twenty-eight hundredths percent (1.28%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003.

(mmm) From and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2003, shall be increased by one and seven-tenths percent (1.7%) of the allowance payable on June 1, 2004, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2003, but before June 30, 2004, shall be increased by a prorated amount of one and seven-tenths percent (1.7%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2003, and June 30, 2004.

(nnn) From and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2004, shall be increased by two percent (2%) of the allowance payable on June 1, 2005, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2004, but before June 30, 2005, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2004, and June 30, 2005.

(ooo) From and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased by three percent (3%) of the allowance payable on June 1, 2006, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased by a prorated amount of three percent (3%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2005, and June 30, 2006.

(ppp) Repealed by Session Laws 2007-431, s. 7, effective July 1, 2007.

(qqq) From and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2006, and June 30, 2007.

(rrr) From and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2007, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2008, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2007, but before June 30, 2008, shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2007, and June 30, 2008.

(sss) From and after July 1, 2012, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2011, shall be increased by one percent (1%) of the allowance payable on June 1, 2012, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2012, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2011, but before June 30, 2012, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2011, and June 30, 2012.

(ttt) From and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2013, shall be increased by one percent (1%) of the allowance payable on June 1, 2014, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2014, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2013, but before June 30, 2014, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2013, and June 30, 2014.

(uuu) On or before October 31, 2016, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2016, and whose retirement commenced on or before September 1, 2016. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2016, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments.

(vvv) From and after July 1, 2017, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2016, shall be increased by one percent (1%) of the allowance payable on June 1, 2017, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2017, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2016, but before June 30, 2017, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2016, and June 30, 2017.

(www) On or before October 31, 2018, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2018, and whose

retirement commenced on or before September 1, 2018. The payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as of September 1, 2018, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments.

(xxx) On or before December 31, 2021, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2021, and whose retirement commenced on or before September 1, 2021. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2021, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments.

(yyy) After September 1, 2022, but on or before October 31, 2022, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2022, and whose retirement commenced on or before September 1, 2022. The payment shall be four percent (4%) of the beneficiary's annual retirement allowance payable as of September 1, 2022, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments.

(zzz) On or before November 30, 2023, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of October 1, 2023, and whose retirement commenced on or before October 1, 2023. The payment shall be four percent (4%) of the beneficiary's annual retirement allowance payable as of October 1, 2023, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments. (1941, c. 25, s. 5; 1945, c. 218; 1947, c. 458, ss. 3, 4, 7, 8a; 1949, c. 1056, ss. 3, 5; 1955, c. 1155, ss. 1, 2; 1957, c. 855, ss. 5-8; 1959, c. 490; c. 513, ss. 2, 3; c. 620, ss. 1-3; c. 624; 1961, c. 516, s. 4; c. 779, s. 1; 1963, c. 687, s. 3; 1965, c. 780, s. 1; 1967, c. 720, ss. 4-10; c. 1223; 1969, c. 1223, ss. 2, 5-12; 1971, c. 117, ss. 11-15; c. 118, ss. 3-7; 1973, c. 241, ss. 3-7; c. 242, ss. 2-4; c. 737, s. 2; c. 816, s. 2; c. 994, ss. 1, 3; c. 1312, ss. 1-3; 1975, c. 457, ss. 2-4; c. 511, ss. 1, 2; c. 634, ss. 1, 2; c. 875, s. 47; 1977, c. 561; c. 802, ss. 50.65-50.70; 1979, c. 838, s. 99; c. 862, ss. 1, 4, 5; c. 972, s. 4; c. 975, s. 1; 1979, 2nd Sess., c. 1137, ss. 63, 64, 66; c. 1196, s. 1; c. 1216; 1981, c. 672, s. 1; c. 689, s. 2; c. 859, ss. 42, 42.1, 44; c. 940, s. 1; c. 975, s. 3; c. 978, ss. 1, 2; c. 980, ss. 3, 4; 1981 (Reg. Sess., 1982), c. 1282, s. 11; 1983, c. 467; c. 761, ss. 218, 219, 228, 229; c. 902, s. 1; 1983 (Reg. Sess., 1984), c. 1019, s. 1; c. 1034, ss. 222, 232-235, 237; c. 1049, ss. 1-3; 1985, c. 348, s. 2; c. 479, ss. 189(a), 190, 191, 192(a), 194; c. 520, s. 2; c. 649, ss. 8, 10; 1985 (Reg. Sess., 1986), c. 1014, s. 49(a); 1987, c. 181, s. 1; c. 513, s. 1; c. 738, ss. 27(a), 29(c)-(j), 37(a); c. 824, s. 3; 1987 (Reg. Sess., 1988), c. 1061, s. 1; c. 1086, s. 22(a); c. 1108, s. 1; c. 1110, ss. 1-3; 1989, c. 717, ss. 1-6; c. 731, s. 1; c. 752, s. 41(a); c. 770, s. 31; c. 792, ss. 3.1-3.3; 1989 (Reg. Sess., 1990), c. 1077, ss. 2-5; 1991 (Reg. Sess., 1992), c. 766, s. 2; c. 900, ss. 52(a)-(c), 53(b); 1993, c. 321, ss. 74(c)-(e), 74.1(e), (f), 74.2(a); c. 531, s. 5; 1993 (Reg. Sess., 1994), c. 769, ss. 7.30(g)-(j), (m), (r); 1995, c. 507, ss. 7.22(a), 7.23(a), (b), 7.23A(a), (b); c. 509, ss. 74, 75; 1996, 2nd Ex. Sess., c. 18, s. 28.21(a); 1997-443, s. 33.22(a)-(d); 1998-153, s. 21(a); 1998-212, ss. 28.26(c), 28.27(a); 1999-237, s. 28.23(a); 2000-67, ss. 26.20(a)-(d); 2001-424, s. 32.22(a); 2002-126, ss. 28.8(a), 28.9(a)-(d); 2003-284, s. 30.17(a); 2003-359, ss. 3-6, 11; 2004-124, s. 31.17(a); 2004-147, s. 1; 2005-91, ss. 2, 3; 2005-276, s. 29.25(a); 2006-66, s.

22.18(a); 2006-172, s. 1; 2007-323, s. 28.20(a); 2007-384, ss. 10.3, 10.4; 2007-431, ss. 1, 5, 7, 12, 13.; 2007-496, s. 1; 2008-107, s. 26.23(a); 2009-66, ss. 3(a)-(d), 5(a)-(c), 6(a), 9, 11(e)-(g), 12(c), (d); 2009-109, s. 1; 2010-72, ss. 1(a), 2(a), 3(b), 9(a), 10(a); 2010-96, s. 40.7; 2010-124, ss. 1, 2, 3, 6.1; 2011-232, ss. 2-7; 2011-294, s. 3(a); 2012-142, s. 25.13(a); 2013-405, s. 1; 2014-88, ss. 1(a), 2(a); 3(b)-(g); 2014-97, ss. 2, 3(a), 4(f); 2014-100, s. 35.14(a); 2014-112, ss. 1(a), 3(a); 2015-164, s. 10(a); 2016-56, ss. 4(a), 5(a); 2016-94, s. 36.21(a); 2017-57, s. 35.19A(a); 2017-129, ss. 1(b), 2(t), 3(a)-(b); 2018-5, s. 35.28(a); 2018-22, ss. 2(a), 3(a)-(d); 2018-85, ss. 3(a), 11(a); 2018-145, s. 9(a), (b); 2020-48, s. 1.2(a); 2021-72, ss. 2.1(b), 3.1(e); 2021-75, s. 7.1(b); 2021-180, s. 39.23(a); 2022-14, ss. 1.1, 1.2; 2022-16, s. 4.3; 2022-74, s. 39.20(a); 2023-89, s. 1.3; 2023-105, ss. 1.1, 3.1, 5.1, 7.1; 2023-134, s. 39.27(a); 2024-8, s. 2(a); 2024-9, ss. 1(a), 3(a); 2024-10, s. 18(a), (e); 2025-11, ss. 1(h)-(aa), 2(b), 9(a); 2025-19, s. 5.1(d).)

§ 135-5.1. Optional retirement program for The University of North Carolina.

(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of participants in the Program. Participation shall be limited to (i) University personnel who are eligible for membership in the Teachers' and State Employees' Retirement Program or (ii) individuals eligible under G.S. 135-5.6 or G.S. 135-5.7, and who, in either case, also meet any of the following criteria:

(1) Administrators and faculty of The University of North Carolina with the rank of instructor or above.

(2) The President and employees of The University of North Carolina who are appointed by the Board of Governors on recommendation of the President pursuant to G.S. 116-11(4), 116-11(5), and 116-14 or who are appointed by the Board of Trustees of a constituent institution of The University of North Carolina upon the recommendation of the Chancellor pursuant to G.S. 116-40.22(b).

(3) Nonfaculty instructional and research staff who are exempt from the North Carolina Human Resources Act, as defined by the provisions of G.S. 126-5(c1)(8), and the faculty of the North Carolina School of Science and Mathematics.

(4) Field faculty of the Cooperative Agriculture Extension Service, and tenure track faculty in North Carolina State University agriculture research programs who are exempt from the North Carolina Human Resources Act who either had been members of the Optional Retirement Program under the provisions of Chapter 338, Session Laws of 1971, immediately prior to July 1, 1985, or have sought membership as required in subsection (b) of this section. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of contracts under subsection (b) of this section or deposited in trust on the participant's behalf.

(5) To the extent allowed under G.S. 135-5.6, employees of The University of North Carolina Health Care System, subject to rules for eligibility and participation as may be adopted by the Board of Governors in the Optional Retirement Program plan document.

(6) Employees hired on or after January 1, 2013.

(b) Participation in the Optional Retirement Program shall be governed as follows:

(1) Those participating in the Optional Retirement Program immediately prior to July 1, 1985, under the provisions of Chapter 338, Session Laws of 1971, are deemed automatically enrolled in the Program as established by this section.

(2) Eligible University personnel initially appointed on or after July 1, 1985, shall at the same time of entering upon eligible employment elect (i) to join the Retirement System in accordance with the provisions of law applicable thereto or (ii) to participate in the Optional Retirement Program. This election shall be in writing and filed with the Retirement System and with the employing institution and shall be effective on the date of entry into eligible service. For purposes of this provision, the Optional Retirement Program shall be permitted to file individual election forms with the Retirement System using electronic transmission.

(3) Except as provided under G.S. 135-5.6 and G.S. 135-5.7, an election to participate in the Optional Retirement Program shall be irrevocable. An eligible employee failing to elect to participate in the Optional Retirement Program at the time of entry into eligible service shall automatically be enrolled as a member of the Retirement System.

(4) No election by an eligible employee of the Optional Retirement Program shall be effective unless it is accompanied by an appropriate application for the issuance of a contract or contracts or trust participation under the Program.

(5) If any participant in the Optional Retirement Program having less than five years of total membership service under any combination of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement Program leaves the employ of The University of North Carolina and either retires or commences employment with an employer not having a retirement program with the same company underwriting the participant's annuity contract, regardless of whether the annuity contract is held by the participant, a trust, or the Retirement System, the participant's interest in the Optional Retirement Program attributable to contributions of The University of North Carolina shall be forfeited. Consistent with Section 401(a) of the Internal Revenue Code, no part of the corpus or income of the Optional Retirement Program, or any trust established under that Program, may be (within the taxable year or thereafter) used for purposes other than for the exclusive benefit of participants and their beneficiaries, except that contributions made under a good faith mistake of fact may be returned, consistent with the rules adopted by the University.

(c) Each employing institution shall contribute on behalf of each participant in the Optional Retirement Program an amount equal to a percentage of the participant's compensation as established from time to time by the General Assembly. Each participant shall contribute the amount which he or she would be required to contribute if a member of the Retirement System. Contributions authorized or required by the provisions of this subsection on behalf of each participant shall be made, consistent with Section 414(h) of the Internal Revenue Code, by salary reduction according to rules and regulations established by The University of North Carolina.

Additional personal contributions may also be made by a participant by payroll deduction or salary reduction to an annuity or retirement income plan established pursuant to G.S. 116-17. Payment of contributions shall be made by the employing institution to the designated company or companies underwriting the annuities or the trustees for the benefit of each participant, and this employer contribution shall not be subject to any State tax if made under the Optional Retirement Program or, otherwise, by salary reduction.

(d) The Board of Governors of The University of North Carolina shall designate the company or companies from which contracts are to be purchased or the trustee responsible for the investment of contributions under the Optional Retirement Program, and shall approve the form and contents of such contracts or trust agreement. In making this designation and giving such approval, the Board shall give due consideration to the following:

(1) The nature and extent of the rights and benefits to be provided by these contracts or trust agreement for participants and their beneficiaries;

(2) The relation of these rights and benefits to the amount of contributions to be made;

(3) The suitability of these rights and benefits to the needs of the participants and the interest of the institutions of The University of North Carolina in recruiting and retaining faculty in a national market; and

(4) The ability of the designated company or companies underwriting the annuity contracts or trust agreement to provide these suitable rights and benefits under such contracts or trust agreement for these purposes.

Notwithstanding the provisions of this subsection, no contractual relationship established under the Optional Retirement Program pursuant to the authority granted by Chapter 338, Session Laws of 1971, is deemed terminated by the provisions of this section.

(e) The Board of Governors of The University of North Carolina may provide for the administration of the Optional Retirement Program and may perform or authorize the performance of all functions necessary for its administration.

(f) Any eligible employee electing to participate in the Optional Retirement Program is ineligible for membership in the Retirement System so long as he or she remains employed in any eligible position within The University of North Carolina, and, in this event, he or she shall continue to participate in the Optional Retirement Program.

(g) No retirement benefit, death benefit, or other benefit under the Optional Retirement Program shall be paid by the State of North Carolina, or The University of North Carolina, the University of North Carolina Health Care System, or the Board of Trustees of the Teachers' and State Employees' Retirement System with respect to any employee selecting and participating in the Optional Retirement Program or with respect to any beneficiary of that employee. Benefits shall be payable to participants or their beneficiaries only by the designated company in accordance with the terms of the contracts or trust agreement.

(h) The Board of Governors of The University of North Carolina shall ensure that the Optional Retirement Program contains benefit forfeiture provisions equivalent to those contained in G.S. 135-18.10A for University personnel who are eligible for membership in the Teachers' and State Employees' Retirement System and have elected participation in the Optional Retirement Program. Any funds forfeited shall be deposited in the Optional Retirement Program trust fund(s). (1971, c. 338, s. 2; c. 916; 1973, c. 1425; 1977, c. 1070; 1985, c. 309; 1987 (Reg. Sess., 1988), c. 1086, s. 28; 2001-424, s. 32.27; 2003-356, s. 1; 2006-172, ss. 2, 3; 2011-145, ss. 29.26, 29.27;

2012-142, ss. 25.11, 25.12; 2012-193, s. 11; 2013-288, s. 5; 2013-382, s. 9.1(c); 2023-134, s. 4.10(o); 2025-19, s. 5.1(e).)

§ 135-5.2: Repealed by Session Laws 2020-48, s. 1.12(a), effective June 26, 2020.

§ 135-5.3. Optional participation for charter schools operated by private nonprofit corporations or municipalities.

(a), (b) Repealed by Session Laws 2015-168, s. 1, effective January 1, 2016.

(b1) The board of directors of a charter school operated by a private nonprofit corporation or a charter school operated by a municipality that has received approval under Article 14A of Chapter 115C of the General Statutes may elect to become a participating employer in the Retirement System in accordance with this Article.

(b2) A charter school desiring to participate in the Retirement System shall file with the Board of Trustees an application for participation on a form approved by the Board of Trustees. In the application, the charter school shall agree to make the contributions required of participating employers, to deduct from the salaries of employees who may become members the contributions required of members under this Chapter, and to transmit the contributions to the Board of Trustees. The charter school shall also agree to make the employer's contributions for the participation in the Retirement System of all employees entering the service of the employer, after the charter school's participation begins, who shall become members.

(b3) A charter school seeking to become a participating employer in the Retirement System prior to the end of the second year of operation shall be granted provisional entry into the Retirement System for one year. In the event the employee or employer contributions required under G.S. 135-8(f) are not received by the date set by the Board of Trustees, the Board of Trustees may revoke the charter school's provisional entry into the Retirement System. The Board must notify a charter school in writing not less than 90 days prior to revoking a charter school's provisional entry into the Retirement System. After the charter school's initial year of provisional entry into the Retirement System, the Board of Trustees may extend the charter school's provisional entry by up to two additional years or the charter school may apply to become a participating employer in the Retirement System. If the Board of Trustees extends the charter school's provisional entry under this subsection, then the charter school may apply to become a participating employer in the Retirement System at any time during the extended period of provisional entry.

(b4) A charter school applying to become a participating employer in the Retirement System after the end of the initial period, or during the extended period, of provisional entry shall undergo an actuarial review and a financial review as required by the Board of Trustees prior to a decision on the application.

(b5) The actuarial review will result in an estimate of the amount of the withdrawal liability that would be required under G.S. 135-8(i) to cease participation in the Retirement System after five years and the amount that would be required to cease participation after 10 years. The cost of this actuarial review shall be paid by the charter school and shall not exceed two thousand five hundred dollars ($2,500). A charter school that was granted provisional entry into the Retirement System shall not be required to pay the cost of this actuarial review, and this cost may be classified as costs of administering investment programs under G.S. 147-69.3.

(b6) The financial review required under this section will be based on financial statements and independent audit reports or functionally equivalent reports submitted to the Board of Trustees

by the charter school. Any charter school that is unable to provide this required information shall not be granted entry into the Retirement System.

(b7) The Board of Trustees may grant final approval of the application if it finds the following:

(1) The application meets the requirements set out in this Article.

(2) All members of the board of directors of the charter school have signed a written statement acknowledging and accepting the estimate provided under subsection (b5) of this section and the provisions of G.S. 135-8(i).

(3) The charter school has not been identified as continually low-performing by the State Board of Education as provided in G.S. 115C-218.94.

(4) The charter school's most recent audited financial statements and independent audit report demonstrate that it is financially sound and can meet the financial obligations of participation in the Retirement System.

(b8) Upon acceptance by the Board of Trustees of the application to become a participating employer, the charter school shall be a fully participating employer in the Retirement System. The Board may make the final decision for acceptance of the application contingent upon the receipt of a financially sound independent audit report for the fiscal year ending prior to acceptance of the application, if the charter school applied for entry within two years of the charter school's effective date of entry.

(b9) For each charter school employee who is employed on or before the date the charter school is granted entry into the Retirement System, membership in the Retirement System is effective as of the date of entry. For each charter school employee who is employed after the date the charter school is granted entry into the Retirement System, membership in the Retirement System is effective as of the date of that employee's entry into eligible service. Provisional entry is considered entry into the Retirement System for the purpose of this subsection.

(b10) Any charter school approved by the Board of Trustees contingent upon receiving a financially sound independent audit report pursuant to subsection (b8) of this section shall continue its period of provisional entry for up to one year or until the Board has denied their application for entry in the Retirement System, whichever is earlier. The charter school shall cease participation in the Retirement System the first of the month following the month its (i) provisional period ends or (ii) the application is denied by the Board.

(c) A charter school board's election to become a participating employer in the Retirement System under this section shall require all eligible employees of the charter school to participate.

(d) No retirement benefit, death benefit, or other benefit payable under the Retirement System shall be paid by the State of North Carolina or the Board of Trustees of the Teachers' and State Employees' Retirement System on account of employment with a charter school with respect to any employee, or with respect to any beneficiary of an employee, of a charter school that is not a participating employer in the Retirement System.

(e) The board of directors of each charter school shall notify each of its employees as to whether the board elected to become a participating employer in the Retirement System under this section. This notification shall be in writing and shall be provided within 30 days of the board's election or at the time an initial offer for employment is made, whichever occurs last. If the board did not elect to join the Retirement System, the notice shall include a statement that the employee shall have no legal recourse against the board or the State for any possible credit or reimbursement under the Retirement System. The employee shall provide written acknowledgment of the employee's receipt of the notification under this subsection.

(f) The board of directors of a charter school may elect to cease participation in the Retirement System for all of its employees by following the procedure in G.S. 135-8(i). Notwithstanding the requirement under G.S. 135-8(i)(6) that a charter school's withdrawal liability be paid in a lump sum, if the withdrawal liability of a charter school as calculated under G.S. 135-8(i)(5) is greater than two million dollars ($2,000,000), the Board of Trustees may allow a charter school to pay the required lump sum amount on an installment payment plan that meets the following requirements:

(1) Fifty percent (50%) of the withdrawal liability must be paid within 90 days of the complete withdrawal date.

(2) The remaining fifty percent (50%) of the withdrawal liability shall be made in no greater than 36 equal monthly payments.

Notwithstanding G.S. 135-8(i)(2), the complete withdrawal by a charter school that is under an approved installment payment plan shall be the date of the Board of Trustees approval of the installment payment plan. All provisions of this Article relating to the complete withdrawal of an employer from the Retirement System shall be applicable to the charter school as of that date.

The Retirement System shall have a lien upon the real property of a charter school that has received approval under this subsection from the Board of Trustees to pay the lump sum amount required under G.S. 135-8(i)(6) on installment at the time that the installment agreement is entered into and in the amount of the total withdrawal liability owed by the charter school. This lien shall attach to the real property upon the approval of the installment payment plan by the Board of Trustees and shall be perfected upon filing in the office of the clerk of superior court in each county in which the real property is situated. The priority of the lien shall be superior to all nongovernmental liens and rights, whether such liens and rights are prior or subsequent to the lien. The Retirement System may enforce the lien by judicial foreclosure as provided in Article 29A of Chapter 1 of the General Statutes. (1998-212, s. 9.14A(b); 2014-101, s. 7; 2015-168, s. 1; 2016-79, s. 1.7(c); 2017-98, s. 1; 2018-84, s. 3(a); 2018-145, s. 20(c); 2022-16, s. 1.2; 2023-110, s. 1(s); 2025-19, s. 1.1.)

§ 135-5.4. Optional retirement program for State-funded community colleges.

(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the North Carolina Community Colleges System, ("System"). The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of the presidents of the community colleges all of whom are appointed after the implementation of the Program and who elect membership as required by subsection (b) of this section on or before June 30, 2018. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of such contracts or deposited in such trust on the participant's behalf.

(b) Participation in the Optional Retirement Program shall be governed as follows:

(1) Employees initially appointed on or after the implementation of the Optional Retirement Program and on or before June 30, 2018, shall at the same time of entering upon eligible employment elect (i) to join the Retirement System in accordance with the provisions of law applicable thereto or (ii) to participate in the Optional Retirement Program. This election shall be in writing and filed

with the Retirement System and with the employing institution and shall be effective as of the date of entry into eligible service.

(2) An election to participate in the Optional Retirement Program shall be irrevocable. An eligible employee failing to elect to participate in the Optional Retirement Program at the time of entry into eligible service shall automatically be enrolled as a member of the Retirement System.

(3) No election by an eligible employee of the Optional Retirement Program shall be effective unless it is accompanied by an appropriate application for the issuance of a contract or contracts or trust participation under the Program.

(4) If any participant having less than five years coverage under the Optional Retirement Program leaves the employ of the System and either retires or commences employment with an employer not having a retirement program with the same company underwriting the participant's annuity contract, regardless of whether the annuity contract is held by the participant, a trust, or the Retirement System, the participant's interest in the Optional Retirement Program attributable to contributions of the employing institution shall be forfeited and shall either (i) be refunded to the employing institution and forthwith paid by it to the Retirement System and credited to the pension accumulation fund or (ii) be paid directly to the Retirement System and credited to the pension accumulation fund.

(c) Each employing institution shall contribute on behalf of each participant in the Optional Retirement Program an amount equal to a percentage of the participant's compensation as established from time to time by the General Assembly. Each participant shall contribute the amount that he or she would be required to contribute if a member of the Retirement System. Contributions authorized or required by the provisions of this subsection on behalf of each participant shall be made, consistent with section 414(h) of the Internal Revenue Code, by salary reduction according to rules and regulations established by the employing institution. Additional personal contributions may also be made by a participant by payroll deduction or salary reduction to an annuity or retirement income plan established pursuant to G.S. 115D-25. Payment of contributions shall be made by the employing institution to the designated company or companies underwriting the annuities or the trustees for the benefit of each participant, and this employer contribution shall not be subject to any State tax if made under the Optional Retirement Program or, otherwise, by salary reduction.

(d) The System shall designate the company or companies from which contracts are to be purchased or the trustee responsible for the investment of contributions under the Optional Retirement Program and shall approve the form and contents of such contracts or trust agreement. In making this designation and giving such approval, the Board shall give due consideration to the following:

(1) The nature and extent of the rights and benefits to be provided by these contracts or trust agreement for participants and their beneficiaries;

(2) The relation of these rights and benefits to the amount of contributions to be made;

(3) The suitability of these rights and benefits to the needs of the participants and the interest of the institutions of the System in recruiting and retaining faculty in a national and market;

(4) The ability of the designated company or companies underwriting the annuity contracts or trust agreement to provide these suitable rights and benefits under such contracts or trust agreement for these purposes.

In lieu of such designation and in order to provide a more efficient, cost-effective, and flexible Program, the System may designate the company or companies designated for the Optional Retirement Program for State institutions of higher education as prescribed in G.S. 135-5.1(d).

Notwithstanding the provisions of this subsection, no contractual relationship established under the Optional Retirement Program pursuant to the authority granted by Chapter 338, Session Laws of 1971, is deemed terminated by the provisions of this section.

(e) The System or employing institution may provide for the administration of the Optional Retirement Program and may perform or authorize the performance of all functions necessary for its administration.

(f) Any eligible employee electing to participate in the Optional Retirement Program is ineligible for membership in the Retirement System so long as he or she remains employed in any eligible position within the System, and, in this event, he or she shall continue to participate in the Optional Retirement Program.

(g) No retirement benefit, death benefit, or other benefit under the Optional Retirement Program shall be paid by the State of North Carolina, or the System, or the Board of Trustees of the Teachers' and State Employees' Retirement System with respect to any employee selecting and participating in the Optional Retirement Program or with respect to any beneficiary of that employee. Benefits shall be payable to participants or their beneficiaries only by the designated company in accordance with the terms of the contracts or trust agreement.

(h) The North Carolina Community College System shall ensure that the Optional Retirement Program for State-funded community colleges contains benefit forfeiture provisions equivalent to those contained in G.S. 135-18.10A for community college personnel eligible for membership in the Teachers' and State Employees' Retirement System and have elected participation in the Optional Retirement Program. Any funds forfeited shall be deposited in the Optional Retirement Program trust fund(s). (2001-424, s. 32.24(a); 2001-513, s. 24; 2012-193, s. 12; 2018-84, s. 1.)

§ 135-5.5. Inactive employers.

(a) An employer shall be considered an inactive employer if all of the following criteria are met:

(1) The employer has no employees that qualify for membership in any System under this Chapter.

(2) The employer has made no employer contributions for at least one month.

(3) The employer makes a request in writing to the Retirement Systems Division of the Department of State Treasurer to be made inactive.

(4) The Retirement Systems Division of the Department of State Treasurer has reviewed the employer request to become inactive and has granted that request. The Retirement Systems Division shall provide written notification to the requesting employer of any decisions made under this section.

(b) Not later than April 30 of each calendar year, the Retirement Systems Division of the Department of State Treasurer shall make a report to the Board of Trustees on all employers who were determined to be inactive employers in that preceding calendar year.

(c) Notwithstanding subsection (a) of this section, an employer who fails to report any qualifying employees for six consecutive months shall be considered an inactive employer.

(d) Not later than May 15 of each calendar year, the Retirement Systems Division of the Department of State Treasurer shall notify all employers who were reported to the Board of Trustees as inactive employers. An employer reported as inactive may apply to extend its inactive period for up to one year by submitting to the Retirement System, on or before June 30 of the same calendar year, clear and convincing evidence satisfactory to the Retirement System of the employer's intention to hire an employee in a position qualifying for membership service in the Retirement System.

(e) Not later than July 31 of each calendar year, the Board of Trustees shall determine whether to grant any applications to extend the period of an employer's inactive status.

(f) On October 1 of each calendar year, any employer included in the most recent report of inactive employers provided to the Board of Trustees that has not resumed reporting eligible employees and has not had its inactive status extended by the Board shall cease participation in the Retirement System according to the procedure and payment requirements of subsection (i) of G.S. 135-8, with a complete withdrawal date of October 1. (2020-48, s. 1.9(a); 2022-14, s. 2.1.)

§ 135-5.6. Employees of the University of North Carolina Health Care System.

(a) All employees of the University of North Carolina Health Care System who (i) are employed before January 1, 2024, and (ii) are members of either the Retirement System or the Optional Retirement Program before January 1, 2024, shall retain membership in that Retirement System or that Optional Retirement Program.

(b) Employees of the University of North Carolina Health Care System who are hired on or after January 1, 2024, shall not be eligible for membership in the Retirement System. The University of North Carolina Health Care System shall offer employees of the System who are hired on or after January 1, 2024, any of the following benefits:

(1) Membership in the Optional Retirement System.

(2) Enrollment in a similar benefit to the Optional Retirement System pursuant to G.S. 116-350.30.

(3) A choice between the options provided in subdivision (1) and subdivision (2) of this subsection.

(c) If any individual ceases to be employed by the University of North Carolina Health Care System on or after January 1, 2024, and is later rehired by the University of North Carolina Health Care System, then that individual shall be treated as an employee newly hired on or after January 1, 2024, for the purposes of this section.

(d) The University of North Carolina Health Care System shall continue to report the payroll of employees employed as of December 31, 2023, and shall continue to remit the employee and employer contributions for employees retaining membership in the Retirement System or the Optional Retirement Program until none exist.

(e) Notwithstanding subsections (b) and (c) of this section, an individual hired by the University of North Carolina Health Care System on or after January 1, 2024, who is a contributing member of the Retirement System or the Optional Retirement Program immediately prior to that individual's date of hire by the University of North Carolina Health Care System shall, for the purposes of this section, be treated as having been employed as of December 31, 2023. If, at the time of entering eligible employment with the University of North Carolina Health Care System, that individual is a member of the Retirement System and was not previously offered an election to

participate in the Optional Retirement Program, then that individual may elect to continue contributing membership in the Retirement System or to participate in the Optional Retirement Program.

(f) Subsections (b) and (c) of this section shall not apply to law-enforcement officers, as defined under G.S. 143-166.30, employed by the University of North Carolina Health Care System. (2023-134, s. 4.10(p); 2024-1, s. 1.7(h); 2025-19, s. 8(a).)

§ 135-5.7. Certain employees of East Carolina University.

(a) As used in this section, the terms "Medical Faculty Practice Plan" and "ECU Dental School Clinical Operations" have the same meaning as in G.S. 116-360.5.

(b) All employees of the Medical Faculty Practice Plan and the ECU Dental School Clinical Operations who (i) are employed before January 1, 2024, and (ii) are members of either the Retirement System or the Optional Retirement Program before January 1, 2024, shall retain membership in that Retirement System or that Optional Retirement Program.

(c) Employees of the Medical Faculty Practice Plan or the ECU Dental School Clinical Operations hired on or after January 1, 2024, shall not be eligible for membership in the Retirement System. East Carolina University shall offer employees of the Medical Faculty Practice Plan and employees of the ECU Dental School Clinical Operations who are hired on or after January 1, 2024, any of the following benefits:

(1) Membership in the Optional Retirement System.

(2) Enrollment in a similar benefit to the Optional Retirement System pursuant to G.S. 116-360.15.

(3) A choice between the options provided in subdivision (1) and subdivision (2) of this subsection.

(d) If any individual ceases to be employed by the Medical Faculty Practice Plan or the ECU Dental School Clinical Operations on or after January 1, 2024, and is later rehired by the Medical Faculty Practice Plan or the ECU Dental School Clinical Operations, then that individual shall be treated as an employee newly hired on or after January 1, 2024, for the purposes of this section.

(e) East Carolina University School of Medicine shall continue to report the payroll of employees employed as of December 31, 2023, and shall continue to remit the employee and employer contributions for all employees retaining membership in the Retirement System or the Optional Retirement Program until none exist.

(f) Notwithstanding subsections (b) and (c) of this section, an individual hired by the Medical Faculty Practice Plan or the ECU Dental School Clinical Operations on or after January 1, 2024, who is a contributing member of the Retirement System or the Optional Retirement Program immediately prior to that individual's date of hire by the Medical Faculty Practice Plan or the ECU Dental School Clinical Operations shall, for the purposes of this section, be treated as having been employed as of December 31, 2023. If, at the time of entering eligible employment with the Medical Faculty Practice Plan or the ECU Dental School Clinical Operations, that individual is a member of the Retirement System and was not previously offered an election to participate in the Optional Retirement Program, then that individual may elect to continue contributing membership in the Retirement System or to participate in the Optional Retirement Program. (2023-134, s. 4.10(p); 2024-1, s. 1.7(i); 2025-19, s. 8(b).)

§ 135-6. Administration.

(a) Administration by Board of Trustees; Corporate Name; Rights and Powers; Tax Exemption. – The general administration and responsibility for the proper operation of the Retirement System and for making effective the provisions of the Chapter are vested in a Board of Trustees.

The Board of Trustees is a body politic and corporate under the name Board of Trustees Teachers' and State Employees' Retirement System. As a body politic and corporate, it has the right to sue and be sued, has perpetual succession, shall have a common seal, in its corporate name may take, demand, receive, and possess all kinds of real and personal property necessary and proper for its corporate purposes, and may bargain, sell, grant, transfer, or dispose of all real and personal property lawfully acquired by it. All property owned or acquired by it is exempt from all taxes imposed by the State or any political subdivision thereof and is not subject to income taxes.

(b) Membership of Board; Terms. – The Board shall consist of the following 13 members:

(1) The State Treasurer, ex officio.

(2) The Superintendent of Public Instruction, ex officio.

(2a) The Director of the Office of State Human Resources, ex officio.

(3) Eight members to be appointed by the Governor and confirmed by the Senate of North Carolina. One of the appointive members shall be a member of the teaching profession of the State; one of the appointive members shall be a retired teacher who is drawing a retirement allowance, appointed by the Governor for a term of four years commencing July 1, 1969, and quadrennially thereafter; one shall be a retired State employee who is drawing a retirement allowance, appointed by the Governor for a term of four years commencing July 1, 1977, and quadrennially thereafter; one to be a general State employee, and two who are not members of the teaching profession or State employees; two to be appointed for a term of two years, two for a term of three years and one for a term of four years; one appointive member shall be a law-enforcement officer employed by the State, appointed by the Governor, for a term of four years commencing April 1, 1985. One member shall be an active or retired member of the North Carolina National Guard appointed by the Governor for a term of four years commencing July 1, 2013. At the expiration of these terms of office the appointment shall be for a term of four years.

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

(c) Compensation of Trustees. – The trustees shall be paid during sessions of the Board at the prevailing rate established for members of State boards and commissions, and they shall be reimbursed for all necessary expenses that they incur through service on the Board.

(d) Oath. – Each trustee other than the ex officio members shall, within 10 days after appointment, take an oath of office, to, so far as it devolves upon the trustee, diligently and honestly

administer the affairs of the Board and to not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Retirement System. The oath shall be subscribed to by the trustee making it, certified by the officer before whom it is taken, and immediately filed in the office of the Secretary of State.

(e) Voting Rights. – Each trustee is entitled to one vote in the Board. A majority of affirmative votes by trustees in attendance is necessary for a decision by the trustees at any meeting of the Board. A vote may only be taken if at least seven members of the Board are in attendance, in person or by telephone, for the meeting at which a vote on a decision is taken.

(e1) Recodified as G.S. 135-160(b) by Session Laws 2025-11, s. 1(j1), effective June 13, 2025.

(f) Rules. – Subject to the limitations of this Chapter, the Board of Trustees shall adopt rules for the administration of the funds created by this Chapter and for the transaction of its business. The Board shall, in its discretion, adopt rules to prevent injustices and inequalities that might otherwise arise in the administration of this Chapter.

(g) Officers and Other Employees; Salaries and Expenses. – The State Treasurer shall be ex officio chair of the Board of Trustees and shall appoint a director. The Board shall engage actuarial and other services required to transact the business of the Retirement System. The compensation of all persons, other than the director, engaged by the Board, and all other expenses of the Board necessary for the operation of the Retirement System, shall be paid at rates and in amounts approved by the Board, subject to the approval of the Director of the Budget.

(h) Actuarial Data. – The Board of Trustees shall keep in convenient form data necessary for actuarial valuation of the various funds of the Retirement System and for checking the experience of the System.

(i) Record of Proceedings; Annual Report. – The Board of Trustees shall keep a record of all of its proceedings that shall be open to public inspection. It shall publish annually a report showing the fiscal transactions of the Retirement System for the preceding year, the amount of the accumulated cash and securities of the System, and the last balance sheet showing the financial condition of the System by means of an actuarial valuation of the assets and liabilities of the Retirement System. It shall also publish annually a report on supplemental insurance offerings that are made available to retirees and the extent to which retirees participate in those offerings.

(j) Legal Adviser. – The Attorney General is the legal adviser of the Board of Trustees.

(k) Medical Board. – The Board of Trustees shall designate a Medical Board to be composed of not less than three nor more than five physicians not eligible to participate in the Retirement System. The Board of Trustees may structure appointment requirements and term durations for those Medical Board members. If required, other physicians may be employed to report on special cases. The Medical Board shall arrange for and pass upon all medical examinations required under this Chapter, shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement, and shall report in writing to the Board of Trustees its conclusion and recommendations upon all the matters referred to it, except as otherwise provided in this Chapter. A person serving on the Medical Board is immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, unless any of the following applies:

(1) The person was not acting within the scope of that person's official duties.

(2) The person was not acting in good faith.

(3) The person committed gross negligence or willful or wanton misconduct that resulted in the damages or injury.

(4) The person derived an improper financial benefit, either directly or indirectly, from the transaction.

(5) The person incurred the liability from the operation of a motor vehicle.

(*l*) Duties of Actuary. – The Board of Trustees shall designate an actuary to be the technical adviser of the Board on matters regarding the operation of the funds created by this Chapter. The experience studies and all other actuarial calculations required by this Chapter, and all the assumptions used by the System's actuary, including mortality tables, interest rates, annuity factors, the contribution-based benefit cap factor, and employer contribution rates, shall be set out in the actuary's periodic reports, annual valuations of System assets, or other materials provided to the Board. Notwithstanding Article 2A of Chapter 150B of the General Statutes, these materials, once accepted by the Board, are considered part of the Plan documentation governing the Retirement System and are effective the first day of the month following adoption unless a different date is specified in the adopting resolution. The effective date does not retroactively affect a contribution rate. The Board's minutes relative to all actuarial assumptions used by the System are also considered part of the Plan documentation governing the Retirement System, with the result of precluding any employer discretion in the determination of benefits payable under this section, consistent with Section 401(a)(25) of the Internal Revenue Code.

(m) Repealed by Session Laws 2025-25, s. 18(b), effective June 26, 2025.

(n) At least once every five years, the actuary shall complete an actuarial experience review of the mortality, service, and compensation experience of the members and beneficiaries of the Retirement System and shall make a valuation of the assets and liabilities of the funds of the System. Taking into account the result of the actuarial investigation and valuation, the Board of Trustees shall do both of the following:

(1) Adopt any necessary mortality, service, or other tables and any necessary contribution-based benefit cap factors for the Retirement System.

(2) Certify the rates of contributions payable by the State of North Carolina on account of new entrants at various ages.

In order to pay for the administration of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the Retirement System or may pay the costs directly from the retirement assets.

(n1) Prior to undertaking each quinquennial actuarial experience review, as required by this section, the Board of Trustees shall provide the General Assembly and the Governor a report that includes all of the following, as these items apply to the Retirement System:

(1) A description of, and the process used to determine, the investment return assumption utilized by the Board of Trustees when determining the contribution rates.

(2) An estimate of the range of likely employer contributions over 20 years based on analysis that simulates the volatility of annual investment returns above and below the expected rate, applying methodology determined by the actuary.

(3) Projections of assets, liabilities, pension debt, service costs, employee contributions, employer contributions, net amortization, benefit payments, payroll, and funded ratio for the Retirement System for each of the next 30 years based upon the then-current actuarial assumptions, including the assumed rate of return.

(4) Projections of assets, liabilities, pension debt, service costs, employee contributions, employer contributions, net amortization, benefit payments, payroll, and funded ratio for the Retirement System assuming that investment returns are two and four percentage points lower than the assumed rate of return and that the State makes employer contributions meeting all of the following:
   a. The contributions are based upon the then-current funding policy for the Retirement System.
   b. The contributions are held constant at the levels calculated for subdivision (3) of this subsection.
   c. The contributions never exceed fifteen percent (15%) of projected total revenue available for appropriation by the General Assembly.

(5) Estimates for assets, liabilities, pension debt, service costs, employee contributions, employer contributions, net amortization, benefit payments, payroll, and funded ratio for the Retirement System, if there is a one-year loss on planned investments of twenty percent (20%) followed by a 20-year period of investment returns two percentage points below plan assumptions, with the following assumptions regarding contributions:
   a. The contributions are based upon the then-current funding policy for the Retirement System.
   b. The contributions are held constant at the levels calculated for subdivision (3) of this subsection.
   c. The contributions never exceed fifteen percent (15%) of projected total revenue available for appropriation by the General Assembly.

(6) The estimated actuarially accrued liability, the total plan normal cost for all benefit tiers if multiple tiers exist, and the employer normal cost for all benefit tiers if multiple tiers exist, calculated using all of the following:
   a. A discount rate equal to the assumed rate of return. If the discount rate used by the Retirement System is different from the investment return assumption, then the report shall provide a calculation of actuarially accrued liability based upon a discount rate that is two percent (2%) and four percent (4%) above and below the long-term rate of return actually used by the Board of Trustees.
   b. The 10-year average of the yield of 30-year treasury notes.

(7) A description of the amortization period for any unfunded liabilities utilized by the Board of Trustees when determining the contribution rates.

(8) A calculation of the contribution rates based on an amortization period equal to the estimated average remaining service periods of employees covered by the contributions.

(9) A description of the interest assumption rate utilized by the Board of Trustees for reporting liabilities and the process used to determine that assumption.

(10) The market value of the assets controlled by the Board of Trustees and an explanation of how the actuarial value assigned to those assets differs from the market value of those assets.

(11) An assessment of how the changes of assumptions adopted by the Board of Trustees in the experience review affect any of the other results in the report.

(12) Any additional information deemed useful by the Board of Trustees or the Investment Advisory Committee under G.S. 147-69.2 to evaluate or adjust the investment policy statement or to evaluate adherence to or risk associated with statutory constraints on investments.

(13) Any additional information deemed useful by the Board to evaluate current or prospective funding or contribution policies.

(n2) With regards to payment for the administration of subsections (n), (n1), and (o) of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the corresponding retirement system or may pay the costs directly from the retirement assets.

(o) On the basis of the tables and interest assumption rate adopted by the Board of Trustees, the actuary shall make an annual valuation of the assets and liabilities of the funds of the System created by this Chapter. The annual valuation shall include a supplementary section that provides an analysis of assets on a market basis using the 30-year treasury rate as of December 31 of the year of the valuation as the discount rate. In order to pay for the administration of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the Retirement System or may pay the costs directly from the retirement assets.

(p) Notwithstanding any law to the contrary, any board, agency, department, institution, or subdivision of the State maintaining lists of names and addresses in the administration of its programs may upon request provide to the Retirement System information limited to social security numbers, current name and addresses of persons identified by the System as members, beneficiaries, and beneficiaries of members of the System. The System shall use this information for the sole purpose of notifying members, beneficiaries, and beneficiaries of members of the person's rights to and accruals of benefits in the Retirement System. Any social security number, current name, and address obtained, any other information concluded from this information, and the source of this information are confidential and shall not be divulged by any employee of the Retirement System or of the Department of State Treasurer except as necessary to notify the member, beneficiary, or beneficiary of the member of the person's rights to and accruals of benefits in the Retirement System. Any person, officer, employee, or former employee violating this provision is guilty of a Class 1 misdemeanor; and if the offending person is a public official or employee, the person shall be dismissed from office or employment and shall not hold any public office or employment in this State for a period of five years thereafter.

(q) Compliance Investigations and Fraud Investigations – Access to Persons and Records. – In the course of conducting a compliance investigation or a fraud investigation, the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, has all of the following powers:

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

(2) To have access to persons, records, papers, reports, vouchers, correspondence, books, and any other documentation that is in the possession of any individual, private corporation, institution, association, board, or other organization pertaining to the following:

a. Amounts received pursuant to a grant or contract from the federal government, the State, or its political subdivisions.
b. Amounts received, disbursed, or otherwise handled on behalf of the federal government or the State.

(3) To access, examine, and inspect all property, equipment, and facilities in the possession of any employer agency or any individual, private corporation, institution, association, board, or other organization that were furnished or otherwise provided through grant, contract, or any other type of funding by the employer agency.

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

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

(s) Fraud Reports May Be Anonymous. – The identity of any person reporting fraud, waste, and abuse to the Retirement Systems Division shall be kept confidential and shall not be maintained as a public record within the meaning of G.S. 132-1.

(t) Immunity. – A person serving on the Teachers' and State Employees' Retirement System Board of Trustees is immune individually from civil liability for monetary damages, except

to the extent covered by insurance, for any act or failure to act arising out of that service, unless any of the following applies:

(1) The person was not acting within the scope of that person's official duties.
(2) The person was not acting in good faith.
(3) The person committed gross negligence or willful or wanton misconduct that resulted in the damages or injury.
(4) The person derived an improper personal financial benefit, either directly or indirectly, from the transaction.
(5) The person incurred the liability from the operation of a motor vehicle.

(u) The Treasurer may designate legal counsel, including private counsel, to represent the interests of the administration of benefit programs under this Chapter. (1941, c. 25, s. 6; 1943, c. 719; 1947, c. 259; 1957, c. 541, s. 15; 1965, c. 780, s. 1; 1969, c. 805; c. 1223, s. 17; 1973, c. 241, s. 8; c. 507, s. 5; c. 1114; 1977, c. 564; 1979, c. 376; 1981 (Reg. Sess., 1982), c. 1191, s. 11; 1983 (Reg. Sess., 1984), c. 1034, s. 238; 1987, c. 539, s. 1; 1993, c. 539, s. 972; 1994, Ex. Sess., c. 24, s. 14(c); 1995, c. 490, s. 57; 2012-130, ss. 2(b), 9(b); 2012-185, ss. 2(d), 4(b); 2013-287, s. 4(a); 2014-112, ss. 4(a), 6(a); 2016-108, s. 6(a)-(c); 2017-102, s. 33.2; 2017-102, s. 33.2; 2017-128, s. 1(d); 2020-29, s. 2(a); 2020-48, ss. 2.1(a), (b), 4.1(a), 4.2(a), (b); 2023-48, s. 3(a); 2023-105, s. 3.2; 2024-9, s. 1(c); 2024-57, s. 3D.1(*l*); 2025-11, s. 1(j1); 2025-25, s. 18(b).)

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

(a) The following definitions apply in this section:

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

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

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

(1) Name.
(2) Age.
(3) Date of membership in the applicable Retirement System, first service earned date, date of first enrollment, date of first employment, and date of retirement.
(4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.
(5) Current or most recently held position or title.
(6) Compensation and other relevant remuneration history and benefits paid.

(7) Date, general description, and type of each change and the corresponding employing agency.
(8) The office or station to which the member is currently assigned, if any.
(9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.
(10) Purchases of educational leave.

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

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

(e1) The Retirement Systems Division of the Department of State Treasurer may disclose to employers and former employers that made a contribution for an employee or former employee to the Retirement System any information that is not public under this section regarding that employee necessary to conduct the business of the Retirement System. Employers and former employers in receipt of this information shall treat the information as confidential, and this information shall not be a public record.

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

(1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.
(2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.
(3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

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

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or

copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars ($500.00). (2016-108, s. 2(b); 2018-85, s. 8(a); 2020-48, s. 1.16(a).)

§ 135-7. Management of funds.

(a) Vested in Board of Trustees. – The Board of Trustees shall be the trustee of the several funds created by this Chapter as provided in this section and in G.S. 135-8.

(b) Regular Interest Allowance. – The Board of Trustees annually shall allow regular interest on the mean amount for the preceding year in each of the funds with the exception of the expense fund. The amounts so allowed shall be due and payable to said funds, and shall be annually credited thereto by the Board of Trustees from interest and other earnings on the moneys of the Retirement System. Any additional amount required to meet the interest on the funds of the Retirement System shall be paid from the pension accumulation fund, and any excess of earnings over such amount required shall be paid to the pension accumulation fund. Regular interest shall mean such per centum rate to be compounded annually as shall be determined by the Board of Trustees on the basis of the interest earnings of the System for the preceding year and of the probable earnings to be made, in the judgment of the Board, during the immediate future, such rate to be limited to a minimum of three per centum (3%) and a maximum of four per centum (4%), with the latter rate applicable during the first year of operation of the Retirement System.

(c) Custodian of Funds; Disbursements; Bond of Director. – The State Treasurer shall be the custodian of the several funds and shall deposit these funds with the Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes.

(d) Deposits to Meet Disbursements. – For the purpose of meeting disbursements for pensions, annuities and other payments there may be kept available cash, not exceeding ten per centum (10%) of the total amount in the several funds of the Retirement System, on deposit with the State Treasurer of North Carolina.

(e) Personal Profit or Acting as Surety Prohibited. – Except as otherwise herein provided, no trustee and no employee of the Board of Trustees shall have any direct interest in the gains or profits of any investment made by the Board of Trustees, nor as such receive any pay or emolument for his service. No trustee or employee of the Board shall, directly or indirectly, for himself or as an agent in any manner use the same, except to make such current and necessary payments as are authorized by the Board of Trustees; nor shall any trustee or employee of the Board of Trustees become an endorser or surety or in any manner an obligor for moneys loaned or borrowed from the Board of Trustees.

(f) Retiree Health Benefit Fund. – It is the intent of the General Assembly that the Retiree Health Benefit Fund be a trust that provides an irrevocable source of funding to be used, to the extent the Fund's assets are sufficient, only for health benefits to retired and disabled employees and their applicable beneficiaries. Accordingly, the following provisions apply to the Retiree Health Benefit Fund:

(1) For the purposes of this subsection, the term "eligible Plan members" means eligible retired and disabled employees, and their applicable beneficiaries, who are members of the North Carolina State Health Plan for Teachers and State Employees as provided by this Chapter.

(2) The Retiree Health Benefit Fund is established as a trust fund in which accumulated contributions and any earnings on those contributions shall be used only to provide health benefits to eligible Plan members, after payment of

any accrued reasonable investment and administrative expenses. The Retiree Health Benefit Fund shall be administered in accordance with the provisions of subsection (a) of this section.

(3) Employer and non-employer contributions to the Fund and earnings on those contributions are irrevocable. The assets of the Fund are dedicated to providing health benefits to eligible Plan members in accordance with the Plan's benefit terms, as those terms may from time to time be amended. The assets of the Fund are not subject to the claims of creditors of the employers and non-employers making contributions to the Fund, are not subject to the claims of any creditors of the Fund's trustees and administrators, and are not subject to the claims of creditors of eligible Plan members.

(4) Fund assets may be used for reasonable expenses to administer benefits provided by the Fund, as approved by the Board of Trustees, including offsets to the State budget to the Retirement Systems Division for staff administration of benefits and costs to conduct required actuarial valuations of State-supported retired employees' health benefits under other post-employment benefit accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation.

(g) Recodified with the remainder repealed pursuant to the terms of Session Laws 2025-11, ss. 1(b)-(g), 2(a), effective June 13, 2025.

(h) Legislative Enactment Implementation Arrangement. – The Legislative Enactment Implementation Arrangement, or LEIA, is established effective October 1, 2017, and placed under the management of the Board of Trustees. The purpose of the LEIA is to provide for timely administrative implementation of legislative provisions regarding the retirement of, or payment of retirement benefits to, public officers or public employees. The LEIA shall have the following parameters:

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

(2) Funding of the LEIA. – In the event that (i) the General Assembly creates or modifies any provision for the retirement of, or payment of retirement benefits to, public officers or public employees that has a cost savings as measured by actuarial note required by Article 15 of Chapter 120 of the General Statutes, or (ii) the Board of Trustees identifies a specific administrative or information technology purpose that is necessary to prevent an interruption to the normal operation of the Retirement System, the Board of Trustees may direct up to one hundredth percent (0.01%) of the required contributions to fund the LEIA. These funds must be deposited in a separate fund from the fund into which regular employer contributions are deposited for the Retirement System. The Board of Trustees shall not direct any employer contributions into the LEIA after January 1, 2035.

(3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to (i) the implementation of legislative provisions regarding the retirement of, or

payment for retirement benefits to, public officers or public employees, or (ii) be used for administrative or information technology purposes, subject to the following restrictions:

a. The Board of Trustees must identify individual implementation projects that will be paid for with LEIA funds. These implementation projects must be necessitated by a specific statute or session law that was enacted within five years of the allocation of the funds. The Board of Trustees must also identify the number of years for which each individual implementation project will be paid for with LEIA funds.

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

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

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

e. The Board of Trustees shall identify the specific administrative or information technology purpose for which LEIA funds will be used. Any use of LEIA funds for administrative or information technology purposes requires a determination by the Board of Trustees that the use of funds is necessary to prevent an interruption to the normal operation of the Retirement System.

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

(5) Reporting. – The Department of State Treasurer shall report to the Board of Trustees, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on or before August 1 of each year and provide the following information related to the LEIA:

a. The amounts and sources of funds collected by year pursuant to this section.

b. The amounts expended from the LEIA.

c. The projects for which funds were expended and the current status of the projects.

d. The administrative and information technology purposes for which funds were expended and the determination by the Board of Trustees of the necessity to expend funds for those purposes.

The Board of Trustees shall also post this report on its public website. (1941, c. 25, s. 7; 1957, c. 846, s. 2; 1959, c. 1181, s. 2; 1961, c. 397; 1965, c. 780, s. 1; 1967, c. 720, s. 11; c. 1205; 1971, c. 386, s. 4; 1973, c. 241, s. 9; 1979,

c. 467, ss. 14, 15; 2004-124, s. 31.20(a); 2007-323, s. 28.23; 2017-129, ss. 2(n), 2(p), 5(a); 2017-212, s. 8.9(a); 2020-29, s. 8(a); 2023-105, s. 6; 2023-134, s. 27.10(h); 2024-8, s. 6(a); 2025-6, s. 4.2(b); 2025-11, ss. 1(b)-(g), 2(a); 2025-19, s. 7.6(a); 2025-25, s. 42.1.)

§§ 135-7.1 through 135-7.2. Repealed by Session Laws 1979, c. 467, ss. 16, 17.

§ 135-8. Method of financing.

(a) Funds to Which Assets of Retirement System Credited. – All of the assets of the Retirement System shall be credited according to the purpose for which they are held to one of of two funds, namely, the annuity savings fund and the pension accumulation fund.

(b) Annuity Savings Fund. – Contributions from the compensation of members to provide for their annuities shall be deposited into the Annuity Savings Fund. Contributions to and payments from the Annuity Savings Fund shall be made as follows:

(1) With respect to the period of service commencing on July 1, 1975, each participating employer shall deduct from the salary of each member on every payroll of the employer for every payroll period, six per centum (6%) of the compensation received by any member. Such rates shall apply uniformly to all members of the Retirement System, without regard to their coverage under the Social Security Act.

(2) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided for herein and shall receipt for his full salary or compensation, and payment of salary or compensation less said deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment, except as to the benefits provided under this Chapter. The employer shall certify to the Board of Trustees on each and every payroll or in such other manner as the Board of Trustees may prescribe, the amounts to be deducted; and each of said amounts shall be deducted, and when deducted shall be paid into said annuity savings fund, and shall be credited, together with regular interest thereon, to the individual account of the member from whose compensation said deduction was made.

(3) Each board of education of each county and each board of education of each city, and the employer in any department, agency or institution of the State, in which any teacher receives compensation from sources other than appropriations of the State of North Carolina shall deduct from the salaries of these teachers paid from sources other than State appropriations an amount equal to that deducted from the salaries of the teachers whose salaries are paid from State funds, and remit this amount to the State Retirement System. City boards of education and county boards of education in each and every county and city which has employees compensated from other than the State appropriation shall pay to the State Retirement System the same per centum of the compensation that the State of North Carolina pays and shall transmit same to the State Retirement System monthly: Provided, that for the purpose of

enabling the boards of education to make such payment, the tax-levying authorities are hereby authorized, empowered and directed to provide the necessary funds therefor. In case the salary is paid in part from State funds and in part from local funds, the local authorities shall not be relieved of providing and remitting the same per centum of the salary paid from local funds as is paid from State funds. In case the entire salary of any teacher, as defined in this Chapter, is paid from county or local funds, the county or city paying such salary shall provide and remit to the Retirement System the same per centum that would be required if the salary were provided by the State of North Carolina.

(4) Repealed by Session Laws 2017-129, s. 2(e), effective June 30, 2017.

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

a. Approved leave of absence. – Where the employer grants an approved leave of absence, a member may make monthly contributions to the annuity savings fund on the basis of compensation the member was earning immediately prior to such leave of absence. The employer shall make monthly contributions equal to the normal and accrued liability contribution on such compensation or, in lieu thereof, the member may pay into the annuity savings fund monthly an amount equal to the employer's normal and accrued liability contribution when the policy of the employer is not to make such payment.

b. No educational leave policy. – Where the employer has a policy of not granting educational leaves of absence or the member has unsuccessfully petitioned for leave of absence and the member has interrupted service for educational purposes, the member may make monthly contributions into the annuity savings fund in an amount equal to the employee contribution plus the employer normal and accrued

liability contribution on the basis of the compensation the member was earning immediately prior to the interrupted service.

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

d. Repealed by Session Laws 2016-82, s. 2, effective June 30, 2016.

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

(6) The contributions of a member, and such interest as may be allowed thereon, paid upon his death or withdrawn by him as provided in this Chapter, shall be paid from the annuity savings fund, and any balance of the accumulated contributions of such a member shall be transferred to the pension accumulation fund.

(b1) Pick Up of Employee Contributions. – Anything within this section to the contrary notwithstanding, effective July 1, 1982, an employer, pursuant to the provisions of section 414(h)(2) of the Internal Revenue Code of 1954 as amended, shall pick up and pay the contributions which would be payable by the employees as members under subsection (b) of this section with respect to the service of employees after June 30, 1982.

The members' contributions picked up by an employer shall be designated for all purposes of the Retirement System as member contributions, except for the determination of tax upon a distribution from the System. These contributions shall be credited to the annuity savings fund and accumulated within the fund in a member's account which shall be separately established for the purpose of accounting for picked-up contributions.

Member contributions picked up by an employer shall be payable from the same source of funds used for the payment of compensation to a member. A deduction shall be made from a member's compensation equal to the amount of his contributions picked up by his employer. This deduction, however, shall not reduce his compensation as defined in subdivision (7a) of G.S. 135-1. Picked up contributions shall be transmitted to the System monthly for the preceding month by means of a warrant drawn by the employer and payable to the Teachers' and State Employees' Retirement System and shall be accompanied by a schedule of the picked-up contributions on such forms as may be prescribed. In the case of a failure to fulfill these conditions, the provisions of subsection (f)(3) of this section shall apply.

The pick up of employee contributions by an employer as provided for hereunder shall be equally applicable to participant contributions required under the optional retirement program as specified in G.S. 135-5.1(c).

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

(1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or

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

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

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

An employer error in underreporting compensation shall not include a retroactive increase in compensation that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) for reasons other than a

wrongfully denied promotional opportunity or wrongful demotion where the member is promoted or the demotion is reversed retroactively.

(c) Repealed by Session Laws 2017-129, s. 2(f), effective June 30, 2017.

(d) Pension Accumulation Fund. – The pension accumulation fund shall be the fund in which shall be accumulated all reserves for the payment of all pensions and other benefits payable from contribution made by employers and from which shall be paid all pensions and other benefits on account of members with prior service credit. Contributions to and payments from the pension accumulation fund shall be made as follows:

(1) On account of each member there shall be paid in the pension accumulation fund by employers an amount equal to a certain percentage of the actual compensation of each member to be known as the "normal contribution," and an additional amount equal to a percentage of the member's actual compensation to be known as the "accrued liability contribution." The rate per centum of such contributions shall be fixed on the basis of the liabilities of the Retirement System as shown by actuarial valuation, duly approved by the Board of Trustees, and shall be called the "actuarially determined employer contribution rate."

(1a) For fiscal years beginning subsequent to January 1, 2017, the sum of the "normal contribution" and the "accrued liability contribution" shall not be less than the employee contribution required under subdivision (1) of subsection (b) of this section.

(2) Repealed by Session Laws 2017-129, s. 2(h), effective June 30, 2017.

(2a) The actuarially determined employer contribution rate shall be calculated annually by the actuary using assumptions and a cost method approved by the Actuarial Standards Board of the American Academy of Actuaries and selected by the Board of Trustees.

(3) Repealed by Session Laws 2017-129, s. 2(h), effective June 30, 2017.

(3a) Notwithstanding Chapter 150B of the General Statutes, the total amount payable in each year to the pension accumulation fund shall not be less than the sum of the rate per centum known as the actuarially determined employer contribution rate of the total earned compensation of all members during the preceding year as adjusted higher under a contribution rate policy adopted by the Board of Trustees and known as the "required employer contribution" rate. The Board of Trustees shall not adopt a contribution rate policy that results in a rate less than the normal contribution rate.

(4) Repealed by Session Laws 2017-129, s. 2(h), effective June 30, 2017.

(5) Repealed by Session Laws 2017-129, s. 2(h), effective June 30, 2017.

(6) All pensions, and benefits in lieu thereof payable from contributions of employer shall be paid from the pension accumulation fund.

(7) Repealed by Session Laws 2017-129, s. 2(h), effective June 30, 2017.

(e) Repealed by Session Laws 2017-129, s. 2(j), effective June 30, 2017.

(f) Collection of Contributions. – The following apply to the collection of contributions under this Chapter:

(1) The collection of members' contributions shall be as follows:

a. Each employer shall cause to be deducted on each and every payroll of a member for each and every payroll subsequent to the date of

establishment of the Retirement System the contributions payable by such member as provided in this Chapter, and the employer shall draw his warrant for the amount so deducted, payable to the Teachers' and State Employees' Retirement System of North Carolina, and shall transmit the same, together with schedule of the contributions, on such forms as prescribed.

(2) The collection of employers' contributions shall be made as follows:

a. Upon the basis of each actuarial valuation provided herein there shall be prepared biennially and certified to the Department of Administration a statement of the total amount necessary for the ensuing biennium to the pension accumulation and expense funds, as provided under subsections (d) and (f) of this section, and these funds shall be handled and disbursed in accordance with the State Budget Act, Chapter 143C of the General Statutes.

b. Repealed by Session Laws 2017-129, s. 2(*l*), effective June 30, 2017.

c. Repealed by Session Laws 1993, c. 257, s. 13.

d. Each board of education in each county and each board of education in each city in which teachers or other employees of the schools receive compensation for services in the public schools from sources other than the appropriation of the State of North Carolina shall pay the Board of Trustees of the State Retirement System such rate of their respective salaries as are paid those of other employees.

e. Each employer shall transmit monthly to the State Retirement System on account of each employee, who is a member of this System, an amount sufficient to cover required employer contribution of each member employed by such employer for the preceding month.

f. Except as otherwise provided under this subdivision, each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under G.S. 135-4(jj) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the Retirement System to restore the member's retirement allowance to the pre cap amount. If the employer associated with the member's last month of membership service did not report to the Retirement System any compensation paid to the member during the period used to compute the member's average final compensation, then that employer shall not transmit the lump sum payment described in this subdivision, but instead the employer or employers who reported compensation during the member's average final compensation period shall each transmit a lump sum payment equal to the employer's share of the total required lump sum payment, allocated proportionally to each employer based on the total amount of compensation to the member that each employer reported during the period used to compute the member's average final compensation. Employers are not required to make contributions on account of any retiree who became a member on or

after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015. The retirement allowance of a member with an average final compensation of more than one hundred thousand dollars ($100,000), as hereinafter indexed, shall not be subject to the contribution based benefit cap if the compensation was earned from multiple simultaneous employers, unless an employer's share of the average final compensation exceeds one hundred thousand dollars ($100,000). An employer is not required to make contributions on account of any retiree whose average final compensation exceeds one hundred thousand dollars ($100,000), as hereinafter indexed, based upon compensation earned from multiple simultaneous employers, unless that employer's share of the average final compensation exceeds one hundred thousand dollars ($100,000), as provided and indexed under G.S. 135-5(a3).

Under rules adopted by the Board of Trustees, the Retirement System shall report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months, if applicable. Reports received under this section shall not be public records. Employers or former employers in receipt of a report under this section shall treat the report, and the information contained within that report, as confidential and as though it were still held by the Retirement System under G.S. 135-6.1.

f1. A public school unit is not required to pay an additional contribution calculated under G.S. 135-4(jj) for the retirement of a public school employee if, within 12 months of the assessment, the public school unit certifies, on a form approved by the Board of Trustees, to all of the following:

1. The retiree's service, during the period used to compute the retiree's average final compensation, was in a position or positions where State law or regulation mandates the specific dollar amount that must be paid from State funds to an employee in that position or positions or the retiree served a minimum of 12 years in a position for which State law or regulation mandates a specific dollar amount that must be paid from State funds to an employee in that position or positions.
2. The greatest local supplement amount paid to the retiree for a school year during the period used to calculate the employee's average final compensation did not exceed twenty percent (20%) of the salary paid to the retiree from State funds for the same school year.

f2. If a public school unit certifies to sub-sub-subdivision f1.1. of this subdivision but not to sub-sub-subdivision f1.2. of this subdivision, the additional contribution calculated under G.S. 135-4(jj) will be adjusted proportionately based on the extent to which the greatest local

supplement amount paid to the retiree for a school year during the period used to calculate the retiree's average final compensation exceeded twenty percent (20%) of the salary paid to the retiree from State funds for the same school year, as follows:

1. If the greatest local supplement amount paid to the retiree for a school year during the period used to calculate the average final compensation exceeded the salary paid from State funds for the same school year by more than twenty percent (20%), but less than fifty percent (50%), then the employer pays fifty percent (50%) of additional contribution.
2. If the greatest local supplement amount paid to the retiree for a school year during the period used to calculate the average final compensation exceeded the salary paid from State funds for the same school year by at least fifty percent (50%), then the employer pays one hundred percent (100%) of additional contribution.

(3) If the employee or employer contributions required under this section, including the information to be submitted in conjunction with those contributions under subdivision (4) of this subsection, are not received by the date set by the Board of Trustees and a one-time exception has not been agreed upon in advance due to exigent circumstances, then the Board shall assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars ($25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request for the contributions or the required information by the Board any employer shall not have provided the System with the required records and other information, or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer other than the State shall not have been received by the System from the chief fiscal officer of the employer within 30 days after the last due date, then, notwithstanding anything in this section or any other provision of law to the contrary, upon notification of the employer's default by the Board to the State Treasurer, any distributions which might otherwise be made to the employer from any funds of the State shall be withheld from the employer until notice from the Board to the State Treasurer that the employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the one percent (1%) payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer.

Except as provided in this subdivision, upon notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement Systems Division and shall transmit that amount to the Retirement Systems Division. For the purposes of this subsection, the date set by the Board of Trustees for payment of the contribution-based benefit cap liability shall be 12 months after the member's effective date of retirement, or the first day of the month coincident with or next following six months after the date of the invoice, whichever is later.

(4) In conjunction with the employee and employer contributions required under this section, the Board of Trustees shall direct employers to submit information on a monthly basis that is necessary for proper administration of the Retirement System, actuarial valuation, and reporting under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation. This required information shall be considered part of the employee and employer contributions required under this section. The employee and employer contributions are not considered received until the required information is submitted to the Retirement System. Submission of this information by an employer to the Retirement System constitutes a certification of its accuracy.

(5) Notwithstanding Chapter 150B of the General Statutes, as of the beginning of the fiscal year following 90 days after the assessment of a contribution-based benefit cap liability that is not paid as a lump sum payment, the required employer contribution rate for an employer shall be adjusted to include an additional contribution amount equal to a rate per centum that is estimated to extinguish the contribution-based benefit cap liability on an amortization schedule selected by the Board that has been applied to unfunded liabilities in the most recent actuarial valuation.

(f1) Felony Forfeiture Impact on Contribution-Based Benefit Cap. – If an employer made contributions on account of a retiree subject to the contribution-based benefit cap under G.S. 135-8(f)(2)f. and that retiree later forfeits retirement benefits under G.S. 128-38.4, 128-38.3A, 135-18.10A, 135-18.30, 135-75.1, or 135-75.1A, then the Retirement Systems Division may provide a credit to the employer. This credit shall be calculated in an amount reflecting the impact of the forfeiture on the amount due under G.S. 135-4(jj).

(g) Merger of Annuity Reserve Fund and Pension Reserve Fund into Pension Accumulation Fund. – Notwithstanding the foregoing, effective at such date not later than December 31, 1959, as the Board of Trustees may determine, the annuity reserve fund and the pension reserve fund shall be merged into and become a part of the pension accumulation fund, provided that such merger shall in no way adversely affect the rights of any members or retired members of the System and further provided the Board of Trustees shall be and hereby is authorized to make such changes in the accounting methods and procedures of the System from time to time as, in its opinion, are in the interest of sound and proper administration of the System.

(h) Repealed by Session Laws 1965, c. 780, s. 1.

(i) Procedure and Payment to Cease Participation. – Any employing unit that is allowed to cease participation in the Retirement System by the General Assembly; by sale, dissolution, or otherwise changing to a business or legal form not eligible for participation as an employer in the Retirement System under federal law; or as otherwise provided in this Chapter, through its governing body, may declare its intent to withdraw completely from the Retirement System as follows:

(1) The employer shall notify its employees and the Board of Trustees, in writing, of its action. An employer shall automatically be considered to have requested a complete withdrawal from the Retirement System the date the employer permanently ceases to employ active members. A withdrawing employer shall be required to make a lump-sum withdrawal liability payment to the Board of Trustees as provided by this section.

(2) Complete withdrawal by an employer shall be the first day of the month following the date the employer ceases to employ active members or the first day of the month following 60 days from the date the Board of Trustees receives the employer's written request to withdraw. However, the complete withdrawal date shall not occur before the withdrawal liability is determined, as provided in subdivision (5) of this subsection.

(3) After complete withdrawal, all employees of the withdrawing employer shall be ineligible to accrue future benefits with the Retirement System due to employment with the withdrawing employer. The withdrawing employer shall be ineligible to elect to become a participating employer in the Retirement System, as provided in G.S. 135-5.3, for five years after its complete withdrawal date.

(4) All active or inactive members of the employer shall be eligible for benefits accrued with the Retirement System up to the complete withdrawal date. However, no retirement allowance or return of accumulated contributions shall be paid until the member actually terminates employment and completely separates from active service with the withdrawing employer, and there is no intent or agreement, express or implied, to return to service with the withdrawing employer.

(5) On the date of complete withdrawal, the withdrawal liability of an employer is the greater of one thousand dollars ($1,000) or the amount determined by a. multiplied by the ratio of b. to c., as follows:

a. The excess of the actuarial present value of the vested accrued benefits of the Retirement System's members over the market value of its assets, both as of the date of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date based on the plan provisions and actuarial assumptions used in the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date, except the interest rate assumption shall be reduced by an amount determined by the consulting actuary to reflect the increased investment, mortality, and other actuarial risk for the exiting agency's participants.

b. The total present value of accrued benefits of all active members of the withdrawing employer as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.

c. The total present value of accrued benefits of all active members of the Retirement System as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.

(6) The actuarial costs to determine the amount described in subdivision (5) of this subsection shall be paid by the withdrawing employer. An employer that does not pay the lump-sum withdrawal liability payment described in subdivision (5) of this subsection and the actuarial costs to determine this withdrawal liability within 90 days of the complete withdrawal date will continue to be a participating employer. No withdrawal liability payment shall be required if an employer exits before the end of the first year following the date of participation or if the Board of Trustees revokes entry as provided in G.S. 135-5.3(b8).

(7) Upon the complete withdrawal of the employer, the Retirement System shall have no further legal obligation to the employer or its employees, nor shall the Retirement System be held accountable for the continued future accrual of any retirement benefit rights to which the employees may be entitled beyond the complete withdrawal date. Any litigation regarding the forfeiture of any benefits because of the employer's complete withdrawal from the Retirement System shall be the sole legal responsibility of the withdrawing employer, and the withdrawing employer shall indemnify and hold harmless the Retirement System, its Board of Trustees, its employees, and the State of North Carolina from any claims, losses, costs, damages, expenses, and liabilities, including, without limitation, court costs, and reasonable attorneys' fees asserted by any person or entity as a result of the employer's withdrawal from the Retirement System.

(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the employer made a contribution to the North Carolina Teachers' and State Employees' Retirement System that is likely to require an additional employer contribution should the employee elect to retire in the following 12 months, the employer's chief financial officer shall transmit a copy of the report to the chief executive of the employer, as well as to the governing body of the employer, including any board which exercises financial oversight of the employer, if the employer has a governing body. Reports received under this section shall not be public records. Employers or former employers in receipt of a report under this section shall treat the report, and the information contained within that report, as confidential and as though it were still held by the Retirement System under G.S. 135-6.1. (1941, c. 25, s. 8; c. 143; 1943, c. 207; 1947, c. 458, ss. 1, 2, 8; 1955, c. 1155, ss. 3-5; 1959, c. 513, s. 4; 1963, c. 687, ss. 4, 5; 1965, c. 780, s. 1; 1967, c. 720, ss. 12, 13; 1969, c. 1223, s. 13; 1971, c. 117, ss. 2, 10; 1975, c. 457, s. 5; c. 879, s. 46; 1977, c. 909; 1981, c. 636, s. 1; c. 1000, ss. 1, 2; 1981 (Reg. Sess., 1982), c. 1282, s. 8; 1985, c. 539, ss. 1, 2; 1991, c. 585, s. 3; c. 718, s. 1; 1993, c. 257, s. 13; 1997-430, s. 11; 2003-359, s. 10; 2006-203, s. 73; 2009-66, s. 7(a); 2010-72, s. 8(a); 2014-88, s. 1(e); 2014-101, s. 7; 2014-112, s. 2(a); 2015-164, ss. 5(a), 6(a); 2015-168, s. 3(a); 2015-241, s. 30.30; 2016-56, ss. 6(a), 7(a); 2016-82, s. 2; 2017-125, s. 2(a); 2017-128, ss. 4(b), 8(a); 2017-129, ss. 2(a), 2(b), 2(e), 2(f), 2(h), 2(j), 2(l), 2(m); 2018-52, s. 9(a); 2020-29, s. 4(a);

2020-48, ss. 1.8(a), 1.16(b), (c); 2021-72, ss. 1.1(b), 2.1(c), 3.1(f); 2021-75, ss. 1.3(b), 2.1(b); 2023-48, s. 1(a); 2023-89, s. 1.4; 2024-8, s. 3(a); 2024-9, s. 2(a); 2024-10, s. 5; 2025-11, s. 11(a).)

§ 135-9. Exemption from garnishment, attachment, etc.; employing unit to offset amount owed by member or beneficiary.

(a) Except for the applications of the provisions of G.S. 110-136, and G.S. 110-136.3 et seq., and in connection with a court-ordered equitable distribution under G.S. 50-20, the right of a person to a pension, or annuity, or a retirement allowance, to the return of contributions, the pension, annuity or retirement allowance itself, any optional benefit or any other right accrued or accruing to any person under the provisions of this Chapter, and the moneys in the various funds created by this Chapter, are exempt from levy and sale, garnishment, attachment, or any other process whatsoever, and shall be unassignable except as in this Chapter specifically otherwise provided. Notwithstanding any provisions to the contrary, application for System approval of a domestic relations order dividing a person's interest under the Retirement System shall be accompanied by an order consistent with the system-designed template order provided on the System's website. Notwithstanding any provisions to the contrary, the Retirement System shall only make payment of a share of the member's retirement benefits to the member's former spouse based upon a domestic relations order, and the former spouse shall not be permitted to receive a share of the member's retirement benefits until the member begins to receive the benefits, consistent with the system-designed template order. Notwithstanding any provisions to the contrary, the former spouse shall not be entitled to any type or form of benefit or any option not otherwise available to the member. Notwithstanding any provisions to the contrary, for orders entered on or after January 1, 2015, payment to a member's former spouse pursuant to any such domestic relations order shall be limited to the lifetime of that former spouse and, upon the death of that former spouse, the former spouse's share shall revert to the member.

(b) Notwithstanding any provisions to the contrary, any overpayment of benefits or erroneous payments to a member in a State-administered retirement system or the former Disability Salary Continuation Plan or the Disability Income Plan of North Carolina, including any benefits paid to, or State Health Plan premiums or claims paid on behalf of, any member or beneficiary who is later determined to have been ineligible for those benefits or unentitled to those amounts, may be offset against any retirement allowance, return of contributions or any other right accruing under this Chapter to the same person, the person's estate, or designated beneficiary.

(c) Notwithstanding any provisions to the contrary, if a member or beneficiary is employed by the State or any political subdivision of the State, then any overpayment of benefits or erroneous payments to, or on behalf of, the member or beneficiary shall be offset against the net wages of the member or beneficiary. If a member or beneficiary owes an amount to the Retirement System, has been notified of this amount in writing, and has not entered into a payment plan acceptable to the Retirement System, then the Retirement System shall notify the member or beneficiary's employer of the amount owed. Upon receipt of this notice from the Retirement System, the employer shall offset the amount owed against not less than ten percent (10%) of the net wages of the member or beneficiary until the Retirement System notifies the employer that the amount has been paid in full. The Retirement System's notice shall be prima facie evidence that the debt is valid and, notwithstanding any other provision of law to the contrary, the employer has no obligation to verify the amount owed. The employer shall provide no more than 30 days' but not less than 14 days' written notice to the member or beneficiary prior to beginning the offset. The employer shall remit all amounts offset under this subsection to the Retirement System in intervals corresponding with

its regular pay periods. If an employer fails to adhere to the provisions of this section, then the Retirement System shall, after notice to the employer of its failure to cooperate, be entitled to seek recovery of any amounts due directly from the employer.

(c1) Notwithstanding G.S. 143-64.80(b), in the case of an overpayment of benefits under this Chapter that the Board of Trustees determines was entirely due to administrative error on the part of the Retirement Systems Division, the Retirement Systems Division shall be deemed to satisfy its duty to pursue repayment of the overpayment if all of the following occur:

(1) The Retirement Systems Division, as provided under subsection (b) of this section, offsets any return of contributions, lump sum death benefit payment, retroactive benefit adjustment payment for periods before the determination of the overpayment, or other one-time payment accruing under this Chapter, by the full amount of the payment as computed after payment deductions, and applies the offset toward the overpayment;

(2) The Retirement Systems Division, as provided under subsection (b) of this section, offsets any recurring monthly benefit accruing under this Chapter for periods coincident with or following the determination of the overpayment as follows:

a. By no more than twenty-five percent (25%) of the monthly benefit as computed after payment deductions and not less than eight and one-half percent (8.5%) of the monthly benefit as computed after payment deductions;

b. Or by offsetting the amount of the overpayment in two or fewer monthly benefit payments when the overpayment amount is less than five hundred dollars ($500);

(3) The wage offset as provided under subsection (c) of this section is applied as required; and

(4) The setoff debt provisions of Chapter 105A of the General Statutes are applied as required.

(d) Nothing in this section shall be construed to limit the Retirement System's ability to pursue alternative judicial remedies against a member or a beneficiary, including the pursuit of a judgment and lien against real property. (1941, c. 25, s. 9; 1985, c. 402, s. 1; c. 649, s. 5; 1987, c. 738, s. 29(k); 1989, c. 665, s. 1; c. 792, s. 2.5; 2013-405, s. 4(a); 2014-112, s. 5(a); 2017-135, s. 9(a); 2018-52, s. 2(b); 2019-172, s. 1.1; 2023-105, s. 8.2; 2025-25, s. 29(5).)

§ 135-10. Protection against fraud.

Any person who shall knowingly make any false statement or shall falsify or permit to be falsified any record or records of this Retirement System in any attempt to defraud such System as a result of such act shall be guilty of a Class 1 misdemeanor. Should any change or error in the records result in any member or beneficiary receiving from the Retirement System more or less than he would have been entitled to receive had the records been correct, the Board of Trustees shall correct such error, and as far as practicable, shall adjust the payment in such a manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid. (1941, c. 25, s. 10; 1993, c. 539, s. 973; 1994, Ex. Sess., c. 24, s. 14(c).)

§ 135-10.1. Failure to respond.

(a) If a member fails to respond within 120 days after preliminary option figures and the Form 6-E or Form 7-E are transmitted to the member, or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, then the Form 6 or Form 7 shall be null and void.

(b) If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following the request for that information, then the application shall be declared null and void, unless the applicant is eligible for early or service retirement. If the applicant is eligible for early or service retirement, then the application shall be processed using the same effective date as would have been used had the application for disability retirement been approved.

(c) The Retirement System shall not be liable for any benefits due on account of an application voided in accordance with this section. A new application must be filed establishing a subsequent effective date of retirement.

(d) The Executive Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the 120-day limitation provided for in this section when a member has suffered incapacitation such that a reasonable person would not have expected the member to be able to complete the required paperwork within the regular deadline, or when an omission by the Retirement Systems Division prevents the member from having sufficient time to meet the regular deadline. (2005-91, s. 4; 2009-66, s. 4(b); 2010-72, s. 6(a); 2016-108, s. 3(a); 2024-9, s. 1(e).)

§ 135-11. Application of other pension laws.

Subject to the provisions of Article 2, Chapter 135 of the General Statutes, Volume 17, as amended, no other provisions of law in any other statute which provides wholly or partly at the expense of the State of North Carolina for pensions or retirement benefits for teachers or State employees of the said State, their widows, or other dependents shall apply to members or beneficiaries of the Retirement System established by this Chapter, their widows or other dependents. (1941, c. 25, s. 11; 1955, c. 1155, s. 6.)

§ 135-12. Obligation of maintaining reserves and paying benefits.

The maintenance of annuity reserves and pension reserves as provided for and regular interest creditable to the various funds as provided in G.S. 135-8, and the payment of all pensions, annuities, retirement allowances, refunds and other benefits granted under the provisions of this Chapter, are hereby made obligations of the pension accumulation fund. All income, interest and dividends derived from deposits and investments authorized by this Chapter shall be used for the payment of the said obligations of the said fund. (1941, c. 25, s. 12.)

§ 135-13: Repealed by Session Laws 2020-48, s. 1.12(b), effective June 26, 2020.

§ 135-14: Repealed by Session Laws 2020-48, s. 1.12(c), effective June 26, 2020.

§ 135-14.1: Repealed by Session Laws 2020-48, s. 1.12(d), effective June 26, 2020.

§ 135-15: Repealed by Session Laws 1949, c. 1056, s. 9.

§ 135-16: Repealed by Session Laws 2020-48, s. 1.12(e), effective June 26, 2020.

§ 135-16.1. Blind or visually impaired vendors.

Persons licensed by the State and operating vending facilities under contract with the Department of Health and Human Services, Division of Services for the Blind and its successors, who are licensed on and after October 1, 1983, shall not be members of the Retirement System. (1971, c. 1025, s. 3; 1973, c. 476, s. 143; 1983, c. 867, s. 3; 1997-443, s. 11A.118(a); 2000-121, s. 28; 2020-48, s. 1.13.)

§ 135-17. Facility of payment.

In the event of the death of a member or beneficiary not survived by a person designated to receive any return of accumulated contributions or balance thereof, or in the event that the Board of Trustees shall find that a beneficiary is unable to care for his affairs because of illness or accident, any benefit payments due may, unless claim shall have been made therefor by a duly appointed guardian, committee or other legal representative, be paid to the spouse, a child, a parent or other blood relative, or to any person deemed by the Board of Trustees to have incurred expense for such beneficiary or deceased member, and any such payments so made shall be a complete discharge of the liabilities of this Retirement System therefor. (1949, c. 1056, s. 6.)

§ 135-18: Repealed by Session Laws 1969, c. 1223, s. 14.

§ 135-18.1. Transfer of credits from the North Carolina Local Governmental Employees' Retirement System.

(a) Prior to retirement, any person who was a member of the North Carolina Governmental Employees' Retirement System and who becomes a member of this Retirement System shall be entitled to transfer to this Retirement System his or her credits for membership and prior service in the local system: Provided, the local system agrees to transfer to this Retirement System the amount of reserve held in the local system as a result of previous contributions of the employer on behalf of the transferring employee. For the purposes of this section, the term "local system" means the North Carolina Governmental Employees' Retirement System.

(b) The accumulated contributions withdrawn from the local system and deposited in this Retirement System shall be credited to such member's account in the annuity savings fund of this Retirement System and shall be deemed, for the purpose of computing any benefits subsequently payable from the annuity savings fund, to be regular contributions made on the date of such deposit.

(c) Upon the deposit in this Retirement System of the accumulated contributions previously withdrawn from the local system the Board of Trustees of this Retirement System shall request the Board of Trustees of the local system to certify to the period of membership service credit and the regular accumulated contributions attributable thereto and to the period of prior service credit, if any, and the contributions with interest allowable as a basis for prior service benefits in the local system, as of the date of termination of membership in the local system. Credit shall be allowed in this System for the service so certified in determining the member's credited service and, upon his retirement he shall be entitled, in addition to the regular benefits allowable on account of his participation in this Retirement System, to the pension which shall be the actuarial equivalent at age 65 or at retirement, if prior thereto, of the amount of the credit with interest thereon representing contributions attributable to his service credits in the local system.

(d) The Board of Trustees of the Retirement System shall effect such rules as it may deem necessary to prevent any duplication of service, interest or other credits which might otherwise

occur. (1951, c. 797; 1961, c. 516, s. 7; 1965, c. 780, s. 1; 1969, c. 1223, s. 15; 1971, c. 117, ss. 16, 17; 1973, c. 241, s. 11; 2020-48, s. 1.11.)

§ 135-18.2: Repealed by Session Laws 1959, c. 538, s. 3.

§ 135-18.3: Repealed by Session Laws 2020-48, s. 1.12(f), effective June 26, 2020.

§ 135-18.4. Reservation of power to change.

The General Assembly reserves the right at any time and from time to time, and if deemed necessary or appropriate by said General Assembly in order to coordinate with any changes, in the benefit and other provisions of the Social Security Act made after January 1, 1955, to modify or amend in whole or in part any or all of the provisions of the Teachers' and State Employees' Retirement System of North Carolina. (1955, c. 1155, s. 8.)

§ 135-18.5: Repealed by Session Laws 2020-48, s. 1.12(g), effective June 26, 2020.

§ 135-18.6. Termination or partial termination; discontinuance of contributions.

In the event of the termination or partial termination of the Retirement System or in the event of complete discontinuance of contributions under the Retirement System, the rights of all affected members to benefits accrued to the date of such termination, partial termination, or discontinuance, to the extent funded as of such date, or the amounts credited to the members' accounts, shall be nonforfeitable and fully vested. (1987; c. 177, s. 1(a), (b).)

§ 135-18.7. Internal Revenue Code compliance.

(a) Notwithstanding any other provisions of law to the contrary, compensation for any calendar year after 1988 in which employee or employer contributions are made and for which annual compensation is used for computing any benefit under this Article shall not exceed the higher of two hundred thousand dollars ($200,000) or the amount determined by the Commissioner of Internal Revenue as the limitation for calendar years after 1989; provided the imposition of the limitation shall not reduce a member's benefit below the amount determined as of December 31, 1988.

Effective January 1, 1996, the annual compensation of a member taken into account for determining all benefits provided under this Article shall not exceed one hundred fifty thousand dollars ($150,000), as adjusted pursuant to section 401(a)(17)(B) of the Internal Revenue Code and any regulations issued under the Code. However, with respect to a person who became a member of the Retirement System prior to January 1, 1996, the imposition of this limitation on compensation shall not reduce the amount of compensation which may be taken into account for determining the benefits of that member under this Article below the amount of compensation which would have been recognized under the provisions of this Article in effect on July 1, 1993.

Effective January 1, 2002, the annual compensation of a person, who became a member of the Retirement System on or after January 1, 1996, taken into account for determining all benefits accruing under this Article for any plan year after December 31, 2001, shall not exceed two hundred thousand dollars ($200,000) or the amount otherwise set by the Internal Revenue Code or determined by the Commissioner of Internal Revenue as the limitation for calendar years after 2002.

All the provisions in this subsection have been enacted to make clear that the Plan shall not base contributions or Plan benefits on annual compensation in excess of the limits prescribed by Section 401(a)(17) of the Internal Revenue Code, as adjusted from time to time, subject to certain federal grandfathering rules.

(b) Notwithstanding any other provisions of law to the contrary, the annual benefit payable on behalf of a member shall, if necessary, be reduced to the extent required by Section 415(b) and with respect to calendar years commencing prior to January 1, 2000, Section 415(e) of the Internal Revenue Code, as adjusted by the Secretary of the Treasury or his delegate pursuant to Section 415(d) of the Code. If a member is a participant under any qualified defined contributions plan that is required to be taken into account for the purposes of the limitation contained in Section 415 of the Internal Revenue Code, the annual benefit payable under this Article shall be reduced to the extent required by Section 415(e) prior to making any reduction under the defined contribution plan provided by the employer. However, with respect to a member who has benefits accrued under this Article but whose benefit had not commenced as of December 31, 1999, the combined plan limitation contained in Section 415(e) of the Internal Revenue Code shall not be applied to such member for calendar years commencing on or after January 1, 2000.

(c) On and after September 8, 2009, and for all Plan years to which the minimum distribution rules of the Internal Revenue Code are applicable, with respect to any member who has terminated employment, the Plan shall comply with federal income tax minimum distribution rules by applying a reasonable and good faith interpretation to Section 401(a)(9) of the Internal Revenue Code.

(d) This subsection applies to distributions and rollovers from the Plan. The Plan does not have mandatory distributions within the meaning of Section 401(a)(31) of the Internal Revenue Code. With respect to distributions from the Plan and notwithstanding any other provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee (including, after December 31, 2006, a non-spouse beneficiary if that non-spouse beneficiary elects a direct rollover only to an inherited traditional or Roth IRA as permitted under applicable federal law) may elect, at the time and in the manner prescribed by the Plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. As used in this subsection, an "eligible retirement plan" means an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, on and after January 1, 2009, a Roth IRA, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. Effective on and after January 1, 2002, an eligible retirement plan also means an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into that plan from this Plan. As used in this subsection, a "direct rollover" is a payment by the Plan to the eligible retirement plan specified by the distributee. Provided, an eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution shall not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the

Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net realized appreciation with respect to employer securities). Effective as of January 1, 2002, and notwithstanding the exclusion of any after-tax portion from such a rollover distribution in the preceding sentence, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. That portion may be transferred, pursuant to applicable federal law, to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, to a qualified defined benefit plan, or to a qualified defined contribution plan described in Section 401(a), 403(a), or 403(b) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. The definition of eligible retirement plan shall also apply in the case of a distribution to surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Internal Revenue Code, or a court-ordered equitable distribution of marital property, as provided under G.S. 50-20.1. Effective on and after January 1, 2007, notwithstanding any other provision of this subsection, a nonspouse beneficiary of a deceased member may elect, at the time and in the manner prescribed by the administrator of the Board of Trustees of this Retirement System, to directly roll over any portion of the beneficiary's distribution from the Retirement System; however, such rollover shall conform with the provisions of section 402(c)(11) of the Code. (1989, c. 276, s. 3; 1993, c. 531, s. 6; 1995, c. 361, s. 1; 2002-71, s. 6; 2009-66, s. 1(a); 2012-130, s. 4(c).)

§ 135-18.8. Deduction for payments allowed.

(a) Any beneficiary who is a member of a domiciled employees' or retirees' association that has at least 2,000 members, the majority of whom are active or retired employees of the State or public school employees, may authorize, in writing, the periodic deduction from the beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees' association. The authorization shall remain in effect until revoked by the beneficiary. A plan of deductions pursuant to this section shall become void if the employees' or retirees' association engages in collective bargaining with the State, any political subdivision of the State, or any local school administrative unit.

(b) Any beneficiary may also authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan for any dependent whom the beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own State Health Plan coverage is contributory, in whole or in part, the beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental voluntary insurance benefits, provided that the deduction is authorized by the Department of State Treasurer and is payable to a company with which the Department of State Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain in effect until revoked by the beneficiary. (1998-212, s. 9.24(a); 1999-237, s. 23; 2002-126, s. 6.4(c); 2012-1, s. 2; 2012-178, s. 4(c); 2014-115, s. 62(a).)

§ 135-18.9. Transfer of members from the Legislative Retirement System or the Consolidated Judicial Retirement System.

(a) The accumulated contributions, creditable service, and reserves, if any, of a member of the Legislative Retirement System, as provided for in Article 1A of G.S. 120, or the Consolidated Judicial Retirement System, as provided for in Article 4 of G.S. 135, who later becomes a member of the Teachers' and State Employees' Retirement System for a period of five or more years may, upon application of the member, be transferred from the Legislative Retirement System or the Consolidated Judicial Retirement System. The accumulated contributions, creditable service, and reserves of any member whose service as a member of the Legislative Retirement System or the Consolidated Judicial Retirement System is terminated other than by retirement or death and who later becomes a member of the Teachers' and State Employees' Retirement System may, upon application of the member, be transferred from the Legislative Retirement System or the Consolidated Judicial Retirement System to the Teachers' and State Employees' Retirement System. In order to effect the transfer of a member's creditable service from the Legislative Retirement System or the Consolidated Judicial Retirement System to the Teachers' and State Employees' Retirement System, the accumulated contributions of each member credited in the annuity savings fund in the Legislative Retirement System or the Consolidated Judicial Retirement System shall be transferred and credited to the annuity savings fund in the Teachers' and State Employees' Retirement System.

(b) The Board of Trustees shall effect such rules as it may deem necessary to administer subsection (a) of this section and to prevent any duplication of service credits or benefits that might otherwise occur. (2003-284, s. 30.18(c).)

§ 135-18.10. Forfeiture of retirement benefits for certain felonies committed while serving as elected government official.

(a) Except as provided in G.S. 135-4(gg), the Board of Trustees shall not pay any retirement benefits or allowances, except for a return of member contributions plus interest, to any member who is convicted of any felony under the federal laws listed in subsection (b) of this section or the laws of this State listed in subsection (c) of this section if all of the following apply:

(1) The federal or State offense is committed while serving as an elected government official.

(2) The conduct on which the federal or State offense is based is directly related to the member's service as an elected government official.

(b) The federal offenses covered by this section are as follows:

(1) A felony violation of 18 U.S.C. § 201 (Bribery of public officials and witnesses), 18 U.S.C. § 286 (Conspiracy to defraud the Government with respect to claims), 18 U.S.C. § 287 (False, fictitious or fraudulent claims), 18 U.S.C. § 371 (Conspiracy to commit offense or to defraud United States), 18 U.S.C. § 597 (Expenditures to influence voting), 18 U.S.C. § 599 (Promise of appointment by candidate), 18 U.S.C. § 606 (Intimidation to secure political contributions), 18 U.S.C. § 641 (Public money, property, or records), 18 U.S.C. § 666 (Embezzlement and theft), 18 U.S.C. § 1001 (Statements or entries generally), 18 U.S.C. § 1341 (Frauds and swindles), 18 U.S.C. § 1343 (Fraud by wire, radio, or television), 18 U.S.C. § 1503 (Influencing or injuring officer or juror generally), 18 U.S.C. § 1951 (Interference with commerce by threats or violence), 18 U.S.C. § 1952 (Interstate and foreign travel or transportation in aid of racketeering enterprises), 18 U.S.C. § 1956 (Laundering of monetary

instruments), 18 U.S.C. § 1962 (Prohibited activities), or section 7201 of the Internal Revenue Code (Attempt to evade or defeat tax).

(2) Reserved for future codification purposes.

(c) The offenses under the laws of this State covered by this section are as follows:

(1) A felony violation of any of the following provisions of the General Statutes:

a. Article 29 of Chapter 14, Bribery.
b. Article 30 of Chapter 14, Obstructing Justice.
c. Article 30A of Chapter 14, Secret Listening.
d. G.S. 14-228, Buying and selling offices.
e. Part 1 of Article 14 of Chapter 120, Code of Legislative Ethics.
f. Article 20 of Subchapter VII of Chapter 163, Absentee Ballot.
g. Article 22 of Subchapter VIII of Chapter 163, Regulation of Election Campaigns – Corrupt Practices and Other Offenses Against the Elective Franchise.
h. G.S. 14-90, Embezzlement of property received by virtue of office or employment.
i. G.S. 14-91, Embezzlement of State property by public officers and employees.
j. G.S. 14-92, Embezzlement of funds by public officers and trustees.
k. G.S. 14-99, Embezzlement of taxes by officers.
l. Subsection (a) of G.S. 14-454.1, Accessing government computers.
m. Subsection (a1) of G.S. 14-455, Damaging computers, computer programs, computer systems, computer networks, and resources.
n. G.S. 14-456.1, Denial of government computer services to an authorized user.

(2) Perjury or false information as follows:

a. Perjury committed under G.S. 14-209 in falsely denying the commission of an act that constitutes an offense within the purview of an offense listed in subdivision (1) of subsection (c) of this section.
b. Subornation of perjury committed under G.S. 14-210 in connection with the false denial of another as specified by subdivision (2) of this subsection.
c. Perjury under Article 22A of Chapter 163 of the General Statutes.

(d) All monies forfeited under this section shall be remitted to the Civil Penalty and Forfeiture Fund. (2007-179, s. 3(a); 2017-6, s. 3; 2018-84, s. 2(a); 2018-146, ss. 3.1(a), (b), 6.1.)

§ 135-18.10A. Forfeiture of retirement benefits for certain felonies related to employment or holding office.

(a) Except as provided in G.S. 135-4(ii), the Board of Trustees shall not pay any retirement benefits or allowances, except for a return of member contributions plus interest, to any member who is convicted of any felony under federal law or the laws of this State if all of the following apply:

(1) The offense is committed while the member is in service.
(2) The conduct resulting in the member's conviction is directly related to the member's office or employment.

(b) Repealed by Session Laws 2020-48, s. 4.3(a), effective June 26, 2020.

(c) If a member or former member whose benefits under the Retirement System were forfeited under this section, except for the return of member contributions plus interest, subsequently receives an unconditional pardon of innocence, or the conviction is vacated or set aside for any reason, then the member or former member may seek a reversal of the benefit forfeiture by presenting sufficient evidence to the Board of Trustees. If the Board of Trustees determines a reversal of the benefit forfeiture is appropriate, then all benefits will be restored upon repayment of all accumulated contributions plus interest. Repayment of all accumulated contributions that have been received by the individual under the forfeiture provisions of this section must be made in a total lump-sum payment with interest compounded annually at a rate of six and one-half percent (6.5%) for each calendar year from the year of forfeiture to the year of repayment. An individual receiving a reversal of benefit forfeiture must receive reinstatement of the service credit forfeited. (2012-193, s. 1; 2020-48, s. 4.3(a); 2025-19, s. 2.1(a).)

§ 135-18.10B. Prohibition on purchase of forfeited service.

Any member whose retirement benefits have been forfeited under G.S. 135-18.10 or G.S. 135-18.10A is prohibited from subsequently purchasing or repurchasing either those forfeited benefits or any creditable membership service associated with those forfeited benefits and that service may not be used for the purposes of eligibility for benefits in any retirement system that provides reciprocal benefits. (2018-52, s. 6(a); 2020-48, s. 4.5(a).)

§ 135-18.11. Improper receipt of decedent's retirement allowance.

A person is guilty of a Class 1 misdemeanor if the person, with the intent to defraud, receives money as a result of cashing, depositing, or receiving a direct deposit of a decedent's retirement allowance and the person (i) knows that he or she is not entitled to the decedent's retirement allowance, (ii) receives the benefit at least two months after the date of the retiree's or beneficiary's death, and (iii) does not attempt to inform this Retirement System of the retiree's or beneficiary's death. (2011-232, s. 10(a); 2012-185, s. 3(a); 2013-288, s. 9(b).)