§ 135-56.5. 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. 135-56 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(1) Withdrawn service. – Service withdrawn in accordance with the provisions of any of the following, limited to a total maximum purchase of five years: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 on a part-time basis to an employer, as defined under either G.S. 135-1 or G.S. 128-21, for which 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 part-time nature of the service. 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 Teachers' and State Employees' Retirement System under G.S. 135-5.3.

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

(11) Employment not otherwise creditable. – Service not creditable in any other retirement system or plan that was previously rendered as a judge, district attorney, or clerk of superior court, when not otherwise provided for in this section, or as a judge of any lawfully constituted court of this State inferior to the superior court, not to include service as a magistrate, justice of the peace, or mayor's court judge.

(b) Omitted Membership Service. – A member who (i) had service qualifying for membership under G.S. 135-55 as a judge, a clerk of superior court, a Director of Indigent Defense Services, a district attorney, or a public defender and (ii) was omitted from contributing membership through error shall be allowed the omitted membership service if the requirements of this subsection are met and the total payment required for that service under this subsection is made. Submission of clear and convincing evidence of the error is required prior to approval of,

and payment for, the omitted membership service. Payment for service under this subsection shall be made in the following manner:

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

(2) After 90 days and prior to three years of the omission, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the Pension Accumulation Fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

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

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

(c) Purchase of Service Credits Through Rollover Contributions From Certain Other Plans. – Notwithstanding any other provision of this Article 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.

(d) 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. 11, 12(a)-(f), 13.)