

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

H

2

HOUSE BILL 160
Committee Substitute Favorable 4/14/21

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

(Public)

Sponsors:

Referred to:

March 1, 2021

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

7 The General Assembly of North Carolina enacts:

8
9 **PART I. CHANGES RELATED TO SERVICE PURCHASES UNDER THE TEACHERS'
10 AND STATE EMPLOYEES' RETIREMENT SYSTEM**

11 **SECTION 1.1.** G.S. 135-4 reads as rewritten:

12 "**§ 135-4. Creditable service.**

13 ...

14 (p) Credit for prior temporary State employment. – Notwithstanding any other provision
15 of this Chapter, on or before December 31, 2021, a member may purchase service credit for
16 temporary State employment upon completion of 10 years of membership service and subject to
17 the condition that the member had been classified as a temporary employee for more than three
18 years. Each employer shall certify to the Board of Trustees that an employee is eligible to
19 purchase this service credit prior to the member making payment. Payment for the service credit
20 shall be in a single lump sum based upon the amount the member would have contributed if he
21 had been properly classified as a permanent employee and been a member of this retirement
22 system. Notwithstanding any provision of this Article to the contrary, any inchoate or accrued
23 rights of such a member to purchase creditable service that existed before December 31, 2021,
24 may not be diminished and may be purchased as creditable service with this Retirement System
25 under the same conditions which would have otherwise applied.

26 ...

27 (cc) Credit for Employment in a Charter School Operated by a Private Nonprofit
28 Corporation or a Charter School Operated by a Municipality. – Any On or before January 1,
29 2023, any member may purchase creditable service for any employment as an employee of a
30 charter school operated by a private nonprofit corporation or a charter school operated by a
31 municipality whose board of directors did not elect to participate in the Retirement System under
32 G.S. 135-5.3 upon completion of five years of membership service by making a lump-sum
33 payment into the Annuity Savings Fund. The payment by the member shall be equal to the full
34 liability of the service credits calculated on the basis of the assumptions used for purposes of the
35 actuarial valuation of the Retirement System's liabilities, taking into account the additional
36 retirement allowance arising on account of the additional service credits commencing at the



1 earliest age at which the member could retire with an unreduced retirement allowance, as
2 determined by the Board of Trustees upon the advice of the actuary plus an administrative
3 expense fee to be determined by the Board of Trustees. Creditable service purchased under this
4 subsection shall not exceed a total of five years. Notwithstanding the foregoing provisions of this
5 subsection that provide for the purchase of service credits, the terms "full cost", "full liability",
6 and "full actuarial cost" include assumed annual postretirement allowance increases, as
7 determined by the Board of Trustees, from the earliest age at which a member could retire on an
8 unreduced service allowance.

9 (cc1) Notwithstanding any provision of this Chapter to the contrary, on and after January
10 1, 2023, any member in service with five or more years of membership service may purchase
11 creditable service for any employment as an employee of a charter school operated by a private
12 nonprofit corporation or a charter school operated by a municipality whose board of directors did
13 not elect to participate in the Retirement System under G.S. 135-5.3 by paying a total lump sum
14 payment. The amount of creditable service purchased under this subsection may not exceed a
15 total of five years. The member shall purchase this service by paying a lump sum amount to the
16 Annuity Savings Fund equal to the full liability increase due to the additional service credits on
17 the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities of
18 the Retirement System, except for the following assumptions specific to this calculation: (i) the
19 allowance shall be assumed to commence at the earliest age at which the member could retire on
20 an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases
21 as set by the Board of Trustees upon the advice of the consulting actuary. Subject to the
22 requirements of this subsection, an employer may pay all or part of the cost of a service purchase
23 of a member in service. To the extent that the purchase is paid by the employer, the cost paid by
24 the employer shall be credited to the pension accumulation fund. To the extent that the purchase
25 is paid by the member, the cost paid by the member shall be credited to the member's annuity
26 savings account.

27"

28 **SECTION 1.2.(a)** G.S. 135-4(j1) reads as rewritten:

29 "(j1) Any Prior to January 1, 2023, any member may purchase creditable service for service
30 as a member of the General Assembly not otherwise creditable under this section, provided the
31 service is not credited in the Legislative Retirement Fund nor the Legislative Retirement System,
32 and further provided the member pays a lump sum amount equal to the full cost of the additional
33 service credits calculated on the basis of the assumptions used for the purposes of the actuarial
34 valuation of the System's liabilities, taking into account the additional retirement allowance
35 arising on account of the additional service credits commencing at the earliest age at which a
36 member could retire on an unreduced retirement allowance as determined by the Board of
37 Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the
38 Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for
39 the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost"
40 include assumed annual post-retirement allowance increases, as determined by the Board of
41 Trustees, from the earliest age at which a member could retire on an unreduced service
42 allowance."

43 **SECTION 1.2.(b)** G.S. 135-4 (j2) reads as rewritten:

44 "(j2) Notwithstanding any provision of this Chapter to the contrary on and after January 1,
45 2023, any member in service with five or more years of membership service may purchase
46 creditable service for service as a member of the General Assembly not otherwise creditable
47 under this section, provided the service is not created in the Legislative Retirement Fund nor the
48 Legislative Retirement System, by paying a total lump sum payment. The amount of creditable
49 service purchased under this subsection may not exceed a total of five years. The member shall
50 purchase this service by paying a lump sum amount to the Annuity Savings Fund equal to the
51 full liability increase due to the additional service credits on the basis of the assumptions used

1 for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for
2 the following assumptions specific to this calculation: (i) the allowance shall be assumed to
3 commence at the earliest age at which the member could retire on an unreduced retirement
4 allowance and (ii) assumed annual postretirement allowance increases as set by the Board of
5 Trustees upon the advice of the consulting actuary. Subject to the requirements of this subsection,
6 an employer may pay all or part of the cost of a service purchase of a member in service. To the
7 extent that the purchase is paid by the employer, the cost paid by the employer shall be credited
8 to the pension accumulation fund. To the extent that the purchase is paid by the member, the cost
9 paid by the member shall be credited to the member's annuity savings account. The creditable
10 service of a member who was a member of the Local Governmental Employees' Retirement
11 System, the Consolidated Judicial Retirement System, or the Legislative Retirement System, and
12 whose accumulated contributions and reserves are transferred from that System to this System,
13 includes service that was creditable in the Local Governmental Employees' Retirement System,
14 the Consolidated Judicial Retirement System, or the Legislative Retirement System, and
15 membership service with those Retirement Systems is membership service with this Retirement
16 System."

17 **SECTION 1.3.** G.S. 135-4(ff) reads as rewritten:

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

- 24 (1) When the reinstatement to service is by court order, final decision of an
25 Administrative Law Judge, or with the approval of the Office of State Human
26 Resources Director, and is:
- 27 a. Within 90 days of the involuntary termination, by the payment of
28 employee and employer contributions that would have been paid; or
 - 29 b. After 90 days of the involuntary termination, by the payment of the
30 employee and employer contributions that would have been paid plus
31 interest compounded annually at a rate equal to the greater of the
32 average yield on the pension accumulation fund for the preceding
33 calendar year or the actuarial investment rate-of-return assumption, as
34 adopted by the Board of Trustees.
- 35 (2) When the reinstatement to service is by settlement agreement voluntarily
36 entered into by the affected parties, by the payment of a lump-sum amount
37 ~~equal to the full liability of the service credits calculated on the basis of the~~
38 ~~assumptions used for purposes of the actuarial valuation of the system's~~
39 ~~liabilities, taking into account the retirement allowance arising on account of~~
40 ~~the additional service credit commencing at the earliest age at which the~~
41 ~~member could retire on an unreduced retirement allowance, as determined by~~
42 ~~the Board of Trustees upon the advice of the consulting actuary, plus an~~
43 ~~administrative fee to be set by the Board of Trustees. Notwithstanding the~~
44 ~~foregoing provisions of this subsection that provide for the purchase of service~~
45 ~~credits, the terms "full cost," "full liability," and "full actuarial cost" include~~
46 ~~assumed annual postretirement allowance increases, as determined by the~~
47 ~~Board of Trustees, from the earliest age at which a member could retire on an~~
48 ~~unreduced service allowance.~~

49 ~~Nothing contained in this subsection shall prevent an employer or member from paying all~~
50 ~~or a part of the cost of the retroactive membership service; and to the extent paid by the employer,~~
51 ~~the cost paid by the employer shall be credited to the pension accumulation fund; and to the~~

1 extent paid by the member, the cost paid by the member shall be credited to the member's annuity
2 savings account; amount. The member shall purchase this service by paying a lump sum amount
3 to the annuity savings fund equal to the full liability increase due to the additional service credits
4 on the basis of the assumptions used for the purposes of the actuarial valuation of the liabilities
5 of the Retirement System, except for the following assumptions specific to this calculation: (i)
6 the allowance shall be assumed to commence at the earliest age at which the member could retire
7 on an unreduced retirement allowance and (ii) assumed annual postretirement allowance
8 increases as set by the Board of Trustees upon the advice of the consulting actuary. The
9 calculation of the amount payable shall also include an administrative fee to be set by the Board.

10 Subject to the requirements of this subsection, an employer may pay all or part of the cost of
11 a service purchase of a member in service. To the extent that the purchase is paid by the employer,
12 the cost paid by the employer shall be credited to the pension accumulation fund. To the extent
13 the purchase is paid by the member, the cost paid by the member shall be credited to the member's
14 annuity savings account; provided, however, that an employer does not discriminate against any
15 employed member or group of employed members in his employ in paying all or any part of the
16 cost of the retroactive membership service.

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

23 **SECTION 1.4.(a)** Subsections (j), (k), (l), (w), and (bb) of G.S. 135-4 are repealed.

24 **SECTION 1.4.(b)** This section becomes effective July 1, 2022.

25 26 **PART II. CHANGES RELATED TO SERVICE PURCHASES UNDER THE LOCAL** 27 **GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

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

29 "(2) All persons who are employees of a participating county, city, or town except
30 those who shall notify the Board of Trustees in writing, on or before 30 days
31 following the date of participation in the Retirement System by such county,
32 city or town: Provided, further, that employees of county social services and
33 health departments whose compensation is derived from federal, State, and
34 local funds may be members of the North Carolina Local Governmental
35 Employees' Retirement System to the full extent of their compensation. Any
36 member on or after July 1, 1969, and prior to January 1, 2023, may deposit in
37 the annuity savings fund by a single payment the contributions plus interest
38 which would have been credited to his account had he not signed a nonelection
39 blank, and be entitled to such membership service credits and any prior service
40 credits which became void upon execution of such nonelection blank;
41 provided that the employer will pay the appropriate matching contributions.

42 On and after January 1, 2023, the member shall purchase this service by
43 paying a lump sum amount to the annuity savings fund equal to the full
44 liability increase due to the additional service credits on the basis of the
45 assumptions used for the purposes of the actuarial valuation of the liabilities
46 of the Retirement System, except for the following assumptions specific to
47 this calculation: (i) the allowance shall be assumed to commence at the earliest
48 age at which the member could retire on an unreduced retirement allowance
49 and (ii) assumed annual postretirement allowance increases as set by the
50 Board of Trustees upon the advice of the consulting actuary. Subject to the
51 requirements of this subsection, an employer may pay all or part of the cost of

1 a service purchase of a member in service. To the extent that the purchase is
2 paid by the employer, the cost paid by the employer shall be credited to the
3 pension accumulation fund. To the extent that the purchase is paid by the
4 member, the cost paid by the member shall be credited to the member's
5 annuity savings account provided, however, that an employer does not
6 discriminate against any employed member or group of employed members
7 in paying all or any part of the cost of the membership service."

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

9 "(h1) Any Prior to January 1, 2023, any member may purchase creditable service for service
10 as a member of the General Assembly not otherwise creditable under this section, provided the
11 service is not credited in the Legislative Retirement Fund nor the Legislative Retirement System,
12 and further provided the member pays a lump sum amount equal to the full cost of the additional
13 service credits calculated on the basis of the assumptions used for the purposes of the actuarial
14 valuation of the System's liabilities, taking into account the additional retirement allowance
15 arising on account of the additional service credits commencing at the earliest age at which a
16 member could retire on an unreduced retirement allowance as determined by the Board of
17 Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the
18 Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for
19 the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost"
20 include assumed annual post-retirement allowance increases, as determined by the Board of
21 Trustees, from the earliest age at which a member could retire on an unreduced service
22 allowance."

23 **SECTION 2.2.(b)** G.S. 128-26 is amended by adding a new subsection to read:

24 "(h2) Notwithstanding any provision of this Chapter to the contrary on and after January 1,
25 2023, any member in service with five or more years of membership service may purchase
26 creditable service for service as a member of the General Assembly not otherwise creditable
27 under this section, provided the service is not created in the Legislative Retirement Fund nor the
28 Legislative Retirement System, by paying a total lump sum payment. The amount of creditable
29 service purchased under this subsection may not exceed a total of five years. The member shall
30 purchase this service by paying a lump sum amount to the Annuity Savings Fund equal to the
31 full liability increase due to the additional service credits on the basis of the assumptions used
32 for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for
33 the following assumptions specific to this calculation: (i) the allowance shall be assumed to
34 commence at the earliest age at which the member could retire on an unreduced retirement
35 allowance and (ii) assumed annual postretirement allowance increases as set by the Board of
36 Trustees upon the advice of the consulting actuary. Subject to the requirements of this subsection,
37 an employer may pay all or part of the cost of a service purchase of a member in service. To the
38 extent that the purchase is paid by the employer, the cost paid by the employer shall be credited
39 to the pension accumulation fund. To the extent that the purchase is paid by the member, the cost
40 paid by the member shall be credited to the member's annuity savings account."

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

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

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

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

1 interest compounded annually at a rate equal to the greater of the
 2 average yield on the pension accumulation fund for the preceding
 3 calendar year or the actuarial investment rate-of-return assumption, as
 4 adopted by the Board of Trustees.

- 5 (2) When the reinstatement to service is by settlement agreement voluntarily
 6 entered into by the affected parties, by the payment of a lump-sum amount
 7 equal to the full liability of the service credits calculated on the basis of the
 8 assumptions used for purposes of the actuarial valuation of the system's
 9 liabilities, taking into account the retirement allowance arising on account of
 10 the additional service credit commencing at the earliest age at which the
 11 member could retire on an unreduced retirement allowance, as determined by
 12 the Board of Trustees upon the advice of the consulting actuary, plus an
 13 administrative fee to be set by the Board of Trustees. Notwithstanding the
 14 foregoing provisions of this subsection that provide for the purchase of service
 15 credits, the terms "full cost," "full liability," and "full actuarial cost" include
 16 assumed annual postretirement allowance increases, as determined by the
 17 Board of Trustees, from the earliest age at which a member could retire on an
 18 unreduced service allowance.

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

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

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

44 **SECTION 2.4.(a)** Subsections (h) and (o) of G.S. 128-26 are repealed.

45 **SECTION 2.4.(b)** This section becomes effective July 1, 2022.

46
 47 **PART III. CHANGES RELATED TO SERVICE PURCHASES UNDER THE**
 48 **CONSOLIDATED JUDICIAL RETIREMENT SYSTEM**

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

50 "**§ 135-56. Creditable service.**

51 ...

1 (d) ~~Any~~ Prior to January 1, 2023, any member may purchase creditable service for service
2 as a judge, district attorney, or clerk of superior court, when not otherwise provided for in this
3 section, and as a judge of any lawfully constituted court of this State inferior to the superior court,
4 not to include service as a magistrate, justice of the peace or mayor's court judge. The member,
5 after the transfer of any accumulated contributions from the Teachers' and State Employees'
6 Retirement System or Local Governmental Employees' Retirement System, shall pay an amount
7 equal to the full cost of the service credits calculated on the basis of the assumptions used for
8 purposes of the actuarial valuation of the System's liabilities, taking into account the additional
9 retirement allowance arising on account of the additional service credit commencing at the
10 earliest age at which the member could retire with an unreduced retirement allowance as
11 determined by the Board of Trustees upon the advice of the consulting actuary. Notwithstanding
12 the foregoing provisions of this subsection that provide for the purchase of service credits, the
13 terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement
14 allowance increases, as determined by the Board of Trustees, from the earliest age at which a
15 member could retire on an unreduced service allowance.

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

32"

33 **SECTION 3.2.(a)** G.S. 135-56(e) reads as rewritten:

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

48 **SECTION 3.2.(b)** G.S. 135-56 is amended by adding a new subsection to read:

49 "(e1) Notwithstanding any provision of this Chapter to the contrary, on and after January
50 1, 2023, any member in service with five or more years of membership service may purchase
51 creditable service for service as a member of the General Assembly not otherwise creditable

1 under this section, provided the service is not credited in the Legislative Retirement Fund nor the
2 Legislative Retirement System, by paying a total lump sum payment. The amount of creditable
3 service purchased under this subsection may not exceed a total of five years. The member shall
4 purchase this service by paying a lump sum amount to the Annuity Savings Fund equal to the
5 full liability increase due to the additional service credits on the basis of the assumptions used
6 for the purposes of the actuarial valuation of the liabilities of the Retirement System, except for
7 the following assumptions specific to this calculation: (i) the allowance shall be assumed to
8 commence at the earliest age at which the member could retire on an unreduced retirement
9 allowance and (ii) assumed annual postretirement allowance increases as set by the Board of
10 Trustees upon the advice of the consulting actuary. Subject to the requirements of this subsection,
11 an employer may pay all or part of the cost of a service purchase of a member in service. To the
12 extent that the purchase is paid by the employer, the cost paid by the employer shall be credited
13 to the pension accumulation fund. To the extent that the purchase is paid by the member, the cost
14 paid by the member shall be credited to the member's annuity savings account."

15 **SECTION 3.3.** G.S. 135-56.2 reads as rewritten:

16 **"§ 135-56.2. Creditable service for other employment.**

17 Any member may purchase creditable service for service as a State teacher or employee, as
18 defined under G.S. 135-1(10) and (25), and for service as an employee of local government, as
19 defined under G.S. 128-21(10). A member, upon the completion of 10 years of membership
20 service, may also purchase creditable service for periods of federal employment, provided that
21 the member is not receiving any retirement benefits resulting from this federal employment, and
22 provided that the member is not vested in the particular federal retirement system to which the
23 member may have belonged while a federal employee. The member, after the transfer of any
24 accumulated contributions from the Teachers' and State Employees' Retirement System or Local
25 Governmental Employees' Retirement System, shall ~~pay an amount equal to the full cost of the~~
26 ~~service credits calculated on the basis of the assumptions used for purposes of the actuarial~~
27 ~~valuation of the Retirement System's liabilities, taking into account the additional retirement~~
28 ~~allowance arising on account of the additional service credits commencing at the earliest age at~~
29 ~~which the member could retire with an unreduced retirement allowance as determined by the~~
30 ~~Board of Trustees upon the advice of the consulting actuary, plus an administrative fee as set by~~
31 ~~the Board of Trustees.~~ purchase this service by paying a lump sum amount to the annuity savings
32 fund equal to the full liability increase due to the additional service credits on the basis of the
33 assumptions used for the purposes of the actuarial valuation of the liabilities of the Retirement
34 System, except for the following assumptions specific to this calculation: (i) the allowance shall
35 be assumed to commence at the earliest age at which the member could retire on an unreduced
36 retirement allowance and (ii) assumed annual postretirement allowance increases as set by the
37 Board of Trustees upon the advice of the consulting actuary. Subject to the requirements of this
38 subsection, an employer may pay all or part of the cost of a service purchase of a member in
39 service. To the extent that the purchase is paid by the employer, the cost paid by the employer
40 shall be credited to the pension accumulation fund. As an alternative to transferring any
41 accumulated contributions from the Teachers' and State Employees' Retirement System or the
42 Local Governmental Employees' Retirement System to the Consolidated Judicial Retirement
43 System, a member may irrevocably elect to transfer these contributions to the Supplemental
44 Retirement Income Plan of North Carolina as determined by the Plan's Board of Trustees and the
45 Department of State Treasurer in accordance with the provisions of G.S. 135-94(a)(4).
46 Notwithstanding the foregoing provisions of this section that provide for the purchase of service
47 credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual
48 post-retirement allowance increases, as determined by the Board of Trustees, from the earliest
49 age at which a member could retire on an unreduced service allowance."

50
51 **PART IV. EFFECTIVE DATE**

1 **SECTION 4.1.** Except as otherwise provided, this act becomes effective January 1,
2 2022, and applies to purchases of creditable service occurring on or after that date.