

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2017

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HOUSE BILL 183  
Committee Substitute Favorable 3/15/17

Short Title: Retirement Admin. Changes Act of 2017.-AB

(Public)

Sponsors:

Referred to:

February 23, 2017

1 A BILL TO BE ENTITLED  
2 AN ACT TO MAKE CLARIFYING AND ADMINISTRATIVE CHANGES TO THE  
3 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL  
4 GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM LAWS AND RELATED  
5 STATUTES.

6 The General Assembly of North Carolina enacts:

7 SECTION 1.(a) G.S. 58-86-90 reads as rewritten:

8 "§ 58-86-90. Exemptions of pensions from attachment; rights nonassignable.

9 Except for the applications of the provisions of G.S. 110-136, and in connection with a  
10 court-ordered equitable distribution under G.S. 50-20, the pensions provided are not subject to  
11 attachment, garnishments or judgments against the firefighter or rescue squad worker entitled  
12 to them, nor are any rights in the fund or the pensions or benefits assignable. Notwithstanding  
13 any provisions to the contrary, any overpayment of benefits to a member in a  
14 State-administered retirement system, the Disability Salary Continuation Plan, or the Disability  
15 Income Plan of North Carolina, including any benefits paid to, or State Health Plan premiums  
16 paid on behalf of, any member who is later determined to have been ineligible for those  
17 benefits, may be offset against any retirement allowance, return of contributions, or any other  
18 right accruing under this Article to the same person, the person's estate, or designated  
19 beneficiary."

20 SECTION 1.(b) G.S. 135-5(n) reads as rewritten:

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

28 SECTION 1.(c) G.S. 128-27(i) reads as rewritten:

29 "(i) No action shall be commenced against the State or the Retirement System by any  
30 retired member or beneficiary respecting any deficiency in the payment of benefits more than  
31 three years after such deficient payment was made, and no action shall be commenced by the  
32 State or the Retirement System against any retired member or former member or beneficiary  
33 respecting any overpayment of benefits or contributions more than three years after such  
34 overpayment was made. This subsection does not affect the right of the Retirement System to  
35 recoup overpaid benefits as provided in G.S. 128-31."

36 SECTION 2.(a) G.S. 135-8(a) reads as rewritten:



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1       "(a) Funds to Which Assets of Retirement System Credited. – All of the assets of the  
2 Retirement System shall be credited according to the purpose for which they are held to one of  
3 ~~four funds, namely, the annuity savings fund, the annuity reserve fund, the pension~~  
4 ~~accumulation fund, and the pension reserve fund.~~of two funds, namely, the annuity savings  
5 fund and the pension accumulation fund."

6       **SECTION 2.(b)** G.S. 135-8(b)(1) reads as rewritten:

7       "(1) ~~Prior to the first day of July, 1947, each employer shall cause to be deducted~~  
8 ~~from the salary of each member on each and every payroll of such employer~~  
9 ~~for each and every payroll period four per centum (4%) of his actual~~  
10 ~~compensation; and the employer also shall deduct four per centum (4%) of~~  
11 ~~any compensation received by any member for teaching in public schools, or~~  
12 ~~in any of the institutions, agencies or departments of the State, from salaries~~  
13 ~~other than the appropriations from the State of North Carolina. On and after~~  
14 ~~such date the rate so deducted shall be five per centum (5%) of actual~~  
15 ~~compensation except that, with respect to each member who is eligible for~~  
16 ~~coverage under the Social Security Act in accordance with the agreement~~  
17 ~~entered into during 1955 in accordance with the provisions of Article 2 of~~  
18 ~~Chapter 135 of Volume 17 of the General Statutes, as amended, and with~~  
19 ~~respect to members covered under G.S. 135-27, with such coverage~~  
20 ~~retroactive to January 1, 1955, such deduction shall, commencing with the~~  
21 ~~first day of the period of service with respect to which such agreement is~~  
22 ~~effective, be at the rate of three per centum (3%) of the part of his actual~~  
23 ~~compensation not in excess of the amount taxable to him under the Federal~~  
24 ~~Insurance Contributions Act as from time to time in effect plus five per~~  
25 ~~centum (5%) of the part of his earnable compensation not so taxable;~~  
26 ~~provided that in the case of any member so eligible and receiving~~  
27 ~~compensation from two or more employers such deductions may be adjusted~~  
28 ~~under such rules as the Board of Trustees may establish so as to be as nearly~~  
29 ~~equivalent as practicable to the deductions which would have been made had~~  
30 ~~the member received all of such compensation from one employer.~~  
31 ~~Notwithstanding the foregoing, the Board of Trustees may in its discretion~~  
32 ~~cause such portion as it may determine of deductions made between January~~  
33 ~~1, 1955, and December 1, 1955, to be transferred into the contribution fund~~  
34 ~~established under G.S. 135-24; such amounts so transferred shall in that~~  
35 ~~event be deemed to be taxes contributed by employees as required under~~  
36 ~~Article 2, Chapter 135 of Volume 17 of the General Statutes as amended,~~  
37 ~~and shall be in lieu of contributions otherwise payable in the same amount as~~  
38 ~~so required.~~

39       Notwithstanding the foregoing, effective July 1, 1963, with respect to the  
40 period of service commencing on July 1, 1963, and ending December 31,  
41 1965, the rates of such deduction shall be four per centum (4%) of the  
42 portion of compensation not in excess of forty eight hundred dollars  
43 (\$4,800) and six per centum (6%) of the portion of compensation in excess  
44 of forty eight hundred dollars (\$4,800); and with respect to the period of  
45 service commencing January 1, 1966, and ending June 30, 1967, the rate of  
46 such deductions shall be four per centum (4%) of the portion of  
47 compensation not in excess of fifty six hundred dollars (\$5,600) and six per  
48 centum (6%) of the portion of compensation in excess of fifty six hundred  
49 dollars (\$5,600); and with respect to the period of service commencing July  
50 1, 1967, and ending June 30, 1975, the rate of such deductions shall be five  
51 per centum (5%) of the portion of compensation not in excess of fifty six

1 hundred dollars (\$5,600) and six per centum (6%) of the portion of  
2 compensation in excess of fifty six hundred dollars (\$5,600). Such rates  
3 shall apply uniformly to all members of the Retirement System, without  
4 regard to their coverage under the Social Security Act.

5 Notwithstanding the foregoing, effective July 1, 1975, with respect  
6 to the period of service commencing on July 1, 1975, the rate of such  
7 deductions shall be each participating employer shall deduct from the salary  
8 of each member on every payroll of the employer for every payroll period,  
9 six per centum (6%) of the compensation received by any member. Such  
10 rates shall apply uniformly to all members of the Retirement System,  
11 without regard to their coverage under the Social Security Act."

12 **SECTION 2.(c)** G.S. 128-30(a) reads as rewritten:

13 "(a) Funds to Which Assets of Retirement System Credited. – All of the assets of the  
14 Retirement System shall be credited according to the purpose for which they are held to one of  
15 fivethree funds, namely, the annuity savings fund, the annuity reserve fund, the pension  
16 accumulation fund, the pension reserve fund and the expense fund."

17 **SECTION 2.(d)** G.S. 128-30(b)(1) reads as rewritten:

18 "(1) ~~Prior to July 1, 1951, each participating employer shall cause to be deducted~~  
19 ~~from the salary of each member of each and every payroll of such employer~~  
20 ~~for each and every payroll period four per centum (4%) of his earnable~~  
21 ~~compensation. On and after such date the rate so deducted shall be five per~~  
22 ~~centum (5%) in the case of a Class A member or a Class C member, and four~~  
23 ~~per centum (4%) in the case of a Class B member; provided, however, that~~  
24 ~~with respect to any member who is covered under the Social Security Act in~~  
25 ~~accordance with the agreement entered into during 1955 in accordance with~~  
26 ~~the provisions of Article 2 of Chapter 135 of Volume 17 of the General~~  
27 ~~Statutes, as amended, such deduction shall, commencing with the first day of~~  
28 ~~the period of service with respect to which such agreement is effective, be at~~  
29 ~~the rate of three per centum (3%) of the part of his actual compensation not~~  
30 ~~in excess of the amount taxable to him under the Federal Insurance~~  
31 ~~Contributions Act as from time to time in effect plus five per centum (5%) of~~  
32 ~~the part of his actual compensation not so taxable; provided that in the case~~  
33 ~~of any member so eligible and receiving compensation from two or more~~  
34 ~~employers such deductions may be adjusted under such rules as the Board of~~  
35 ~~Trustees may establish so as to be as nearly equivalent as practicable to the~~  
36 ~~deductions which would have been made had the member received all of~~  
37 ~~such compensation from one employer. Notwithstanding the foregoing, the~~  
38 ~~Board of Trustees may in its discretion cause such portion as it may~~  
39 ~~determine of deductions made between January 1, 1955, and December 1,~~  
40 ~~1955, to be transferred into the contribution fund established under~~  
41 ~~G.S. 135-24, such amounts so transferred shall in that event be deemed to be~~  
42 ~~taxes contributed by employees as required under Article 2 of Chapter 135~~  
43 ~~of Volume 17 of the General Statutes, as amended, and shall be in lieu of~~  
44 ~~contributions otherwise payable in the same amount as so required. In~~  
45 ~~determining the amount earned by a member whose compensation is derived~~  
46 ~~partly or wholly from fees, such member shall submit a sworn statement to~~  
47 ~~his employer monthly, or at least quarterly, each year as to the amount of~~  
48 ~~fees received by such member as compensation during the period, and each~~  
49 ~~month, or at least quarterly, such member shall pay to his employer the~~  
50 ~~proper per centum of such compensation received from fees, which shall be~~

1 considered as deductions by the employer as provided in subdivisions (1)  
2 and (2) of this subsection.

3 Notwithstanding the foregoing, effective July 1, 1965, with respect to the  
4 period of service commencing on July 1, 1965, and ending December 31,  
5 1965, the rates of such deductions shall be four per centum (4%) of the  
6 portion of compensation not in excess of forty eight hundred dollars  
7 (\$4,800) and six per centum (6%) of the portion of compensation in excess  
8 of forty eight hundred dollars (\$4,800); and with respect to the period of  
9 service commencing January 1, 1966, and ending June 30, 1967, the rate of  
10 such deduction shall be four per centum (4%) of the portion of compensation  
11 not in excess of fifty six hundred dollars (\$5,600) and six per centum (6%)  
12 of the portion of compensation in excess of fifty six hundred dollars  
13 (\$5,600); and with respect to the period of service commencing July 1, 1967,  
14 and ending June 30, 1976, the rate of such deductions shall be five per  
15 centum (5%) of the portion of compensation not in excess of five thousand  
16 six hundred dollars (\$5,600) and six per centum (6%) of the portion of  
17 compensation in excess of five thousand six hundred dollars (\$5,600). Such  
18 rates shall apply uniformly to all members of the Retirement System,  
19 irrespective of class.

20 Notwithstanding the foregoing, effective July 1, 1976, with respect  
21 to compensation paid on and after July 1, 1976, each participating employer  
22 shall deduct from the salary of each member on every payroll of the  
23 employer for every payroll period, the rate of such deductions shall be six  
24 per centum (6%) of the compensation received by any the member. Such  
25 rates shall apply uniformly to all members of the Retirement System,  
26 irrespective of class."

27 **SECTION 2.(e)** G.S. 135-8(b)(4) is repealed.

28 **SECTION 2.(f)** G.S. 135-8(c) is repealed.

29 **SECTION 2.(g)** G.S. 128-30(c) is repealed.

30 **SECTION 2.(h)** G.S. 135-8(d) reads as written:

31 "(d) Pension Accumulation Fund. – The pension accumulation fund shall be the fund in  
32 which shall be accumulated all reserves for the payment of all pensions and other benefits  
33 payable from contribution made by employers and from which shall be paid all pensions and  
34 other benefits on account of members with prior service credit. Contributions to and payments  
35 from the pension accumulation fund shall be made as follows:

- 36 (1) On account of each member there shall be paid in the pension accumulation  
37 fund by employers an amount equal to a certain percentage of the actual  
38 compensation of each member to be known as the "normal contribution,"  
39 and an additional amount equal to a percentage of ~~his~~the member's actual  
40 compensation to be known as the "accrued liability contribution." The rate  
41 per centum of such contributions shall be fixed on the basis of the liabilities  
42 of the Retirement System as shown by actuarial valuation. ~~Until the first~~  
43 ~~valuation the normal contribution shall be two and fifty seven~~  
44 ~~one hundredths percent (2.57%) for teachers, and one and fifty seven~~  
45 ~~one hundredths percent (1.57%) for State employees, and the accrued~~  
46 ~~liability contribution shall be two and ninety four one hundredths percent~~  
47 ~~(2.94%) for teachers and one and fifty nine one hundredths percent (1.59%)~~  
48 ~~of the salary of other State employees.~~valuation, duly approved by the Board  
49 of Trustees, and shall be called the "actuarially determined employer  
50 contribution rate."

- 1           (2)    ~~On the basis of regular interest and of such mortality and other tables as shall~~  
2           ~~be adopted by the Board of Trustees, the actuary engaged by the Board to~~  
3           ~~make each valuation required by this Chapter during the period over which~~  
4           ~~the accrued liability contribution is payable, immediately after making such~~  
5           ~~valuation, shall determine the uniform and constant percentage of the~~  
6           ~~earnable compensation of the average new entrant throughout his entire~~  
7           ~~period of active service which would be sufficient to provide for the~~  
8           ~~payment of any pension payable on his account. The rate per centum so~~  
9           ~~determined shall be known as the "normal contribution" rate. After the~~  
10           ~~accrued liability contribution has ceased to be payable, the normal~~  
11           ~~contribution rate shall be the rate per centum of the earnable salary of all~~  
12           ~~members obtained by deducting from the total liabilities of the pension~~  
13           ~~accumulation fund the amount of the funds in hand to the credit of that fund~~  
14           ~~and dividing the remainder by one per centum of the present value of the~~  
15           ~~prospective future salaries of all members as computed on the basis of the~~  
16           ~~mortality and service tables adopted by the Board of Trustees and regular~~  
17           ~~interest. The normal rate of contribution shall be determined by the actuary~~  
18           ~~after each valuation.~~
- 19           (2a)   The actuarially determined employer contribution rate shall be calculated  
20           annually by the actuary using assumptions and a cost method approved by  
21           the Actuarial Standards Board of the American Academy of Actuaries and  
22           selected by the Board of Trustees.
- 23           (3)    ~~Immediately succeeding the first valuation the actuary engaged by the Board~~  
24           ~~of Trustees shall compute the rate per centum of the total annual~~  
25           ~~compensation of all members which is equivalent to four percent (4%) of the~~  
26           ~~amount of the total pension liability on account of all members and~~  
27           ~~beneficiaries which is not dischargeable by the aforesaid normal contribution~~  
28           ~~made on account of such members during the remainder of their active~~  
29           ~~service. The rate per centum originally so determined shall be known as the~~  
30           ~~"accrued liability contribution" rate. Such rate shall be increased on the basis~~  
31           ~~of subsequent valuations if benefits are increased over those included in the~~  
32           ~~valuation on the basis of which the original accrued liability contribution~~  
33           ~~rate was determined. Upon certification by the actuary engaged by the Board~~  
34           ~~of Trustees that the accrued liability contribution rate may be reduced~~  
35           ~~without impairing the Retirement System, the Board of Trustees may cause~~  
36           ~~the accrued liability contribution rate to be reduced.~~
- 37           (3a)   Notwithstanding Chapter 150B of the General Statutes, the total amount  
38           payable in each year to the pension accumulation fund shall not be less than  
39           the sum of the rate per centum known as the actuarially determined  
40           employer contribution rate of the total earned compensation of all members  
41           during the preceding year as adjusted higher under a contribution rate policy  
42           adopted by the Board of Trustees and known as the "required employer  
43           contribution" rate. The Board of Trustees shall not adopt a contribution rate  
44           policy that results in a rate less than the normal contribution rate.
- 45           (4)    ~~The total amount payable in each year to the pension accumulation fund~~  
46           ~~shall not be less than the sum of the rate per centum known as the normal~~  
47           ~~contribution rate and the accrued liability contribution rate of the total actual~~  
48           ~~compensation of all members during the preceding year. Provided, however,~~  
49           ~~that, subject to the provisions of subdivision (3) of this subsection the~~  
50           ~~amount of each annual accrued liability contribution shall be at least three~~  
51           ~~percent (3%) greater than the preceding annual accrued liability payment,~~

1 and that the aggregate payment by employers shall be sufficient, when  
 2 combined with the amount in the fund, to provide the pensions and other  
 3 benefits payable out of the fund during the year then current.

4 (5) ~~The accrued liability contribution shall be discontinued as soon as the  
 5 accumulated reserve in the pension accumulation fund shall equal the  
 6 present value as actuarially computed and approved by the Board of  
 7 Trustees, of the total liability of such fund less the present value, computed  
 8 on the basis of the normal contribution rate then in force, of the prospective  
 9 normal contributions to be received on account of all persons who are at the  
 10 time members.~~

11 (6) ~~All pensions, and benefits in lieu thereof, with the exception of those  
 12 payable on account of members who received no prior service  
 13 allowance, thereof payable from contributions of employer shall be paid from  
 14 the pension accumulation fund.~~

15 (7) ~~Upon the retirement of a member not entitled to credit for prior service, an  
 16 amount equal to his pension reserve shall be transferred from the pension  
 17 accumulation fund to the pension reserve fund."~~

18 **SECTION 2.(i)** G.S. 128-30(d) reads as rewritten:

19 "(d) Pension Accumulation Fund. – The pension accumulation fund shall be the fund in  
 20 which shall be accumulated all reserves for the payment of all pensions and other benefits  
 21 payable from contributions made by employers and from which shall be paid all pensions and  
 22 other benefits on account of members with prior service credit. Contributions to and payments  
 23 from the pension accumulation fund shall be made as follows:

24 (1) Each participating employer shall pay to the pension accumulation fund  
 25 monthly, or at such other intervals as may be agreed upon with the Board of  
 26 Trustees, an amount equal to a certain percentage of the actual compensation  
 27 of each member, to be known as the "normal contribution" and an additional  
 28 amount equal to a percentage of ~~his~~the member's actual compensation to be  
 29 known as the "accrued liability contribution." The rate per centum of such  
 30 contributions shall be fixed on the basis of the liabilities of the Retirement  
 31 System as shown by actuarial valuation. ~~Until the first valuation for any  
 32 employer whose participation commenced prior to July 1, 1951, the normal  
 33 contribution shall be three percent (3%) for general employees and five  
 34 percent (5%) for firemen and policemen, and the accrued liability  
 35 contribution shall be three percent (3%) for general employees and six  
 36 percent (6%) for firemen and policemen. Until the first valuation for any  
 37 employer whose participation commenced on or after July 1, 1951, the  
 38 normal contribution shall be four percent (4%) for general employees and  
 39 six and two thirds percent (6 2/3%) for firemen and policemen, and the  
 40 accrued liability contribution shall be four percent (4%) for general  
 41 employees and eight percent (8%) for firemen and policemen.~~ valuation and  
 42 duly approved by the Board of Trustees, which shall be called the  
 43 "actuarially determined employer contribution rate."

44 (2) ~~On the basis of regular interest and of such mortality and other tables as shall  
 45 be adopted by the Board of Trustees, the actuary engaged by the Board to  
 46 make each valuation required by this Article during the period over which  
 47 the accrued liability contribution is payable, immediately after making such  
 48 valuation, shall determine the uniform and constant percentage of the actual  
 49 compensation of the average new entrant throughout his entire period of  
 50 active service which would be sufficient to provide for the payment of any  
 51 pension payable on his account and for the pro rata share of the cost of~~

1 administration of the Retirement System. The rate per centum so determined  
2 shall be known as the "normal contribution" rate. After the accrued liability  
3 contribution has ceased to be payable, the normal contribution rate shall be  
4 the rate per centum of the earnable salary of all members obtained by  
5 deducting from the total liabilities of the pension accumulation fund the  
6 amount of the funds in hand to the credit of that fund and dividing the  
7 remainder by one per centum (1%) of the present value of the prospective  
8 future salaries of all members as computed on the basis of the mortality and  
9 service tables adopted by the Board of Trustees and regular interest. The  
10 normal rate of contribution shall be determined by the actuary after each  
11 valuation. A normal contribution rate shall be determined separately for  
12 general employees as a group and for law enforcement officers as a group,  
13 these rates to be applied to the respective group payrolls of each employer in  
14 determining the normal contribution required of each employer.

15 (2a) The actuarially determined employer contribution rate shall be calculated  
16 annually by the actuary using assumptions and a cost method approved by  
17 the Actuarial Standards Board of the American Academy of Actuaries and  
18 selected by the Board of Trustees.

19 (3) The "~~accrued~~past service liability contribution" shall be set for each  
20 employer on the basis of the prior service credits allowable to the employees  
21 thereof, who are entitled to prior service certificates, and shall be paid for a  
22 period of approximately 30 years, provided that the length of the period of  
23 payment for each employer after contributions begin shall be determined by  
24 the Board of Trustees as the result of actuarial valuations.

25 (4) ~~At the end of the first year following~~Upon the date of participation for each  
26 employer, the ~~accrued~~past service liability payable by such employer shall  
27 be set, by deducting from the present value of the total liability for all  
28 pensions payable on account of all members and pensioners of the System  
29 who became participants through service for such employer, the present  
30 value of the future normal contributions payable, and the amount of any  
31 assets resulting from any contributions previously made by such employer.  
32 ~~Then the "accrued liability contribution" rate for such employer shall be the~~  
33 ~~per centum of the total annual compensation of all members employed by~~  
34 ~~such employer which is equivalent to four per centum (4%) of the amount of~~  
35 ~~such accrued liability. The expense of making such actuarial valuation to~~  
36 ~~determine the accrued liability contribution for each employer shall be paid~~  
37 ~~by such employer. The accrued liability contribution rate shall be increased~~  
38 ~~on the basis of subsequent valuation if benefits are increased over those~~  
39 ~~included in the valuations on the basis of which the original accrued liability~~  
40 ~~contribution rate was determined. Then the "past service liability~~  
41 ~~contribution rate" for such employer shall be the per centum of the total~~  
42 annual compensation of all members employed by the employer which is  
43 estimated to extinguish the liability in 24 years.

44 (5) ~~The~~Notwithstanding Chapter 150B of the General Statutes, the total amount  
45 payable in each year to the pension accumulation fund shall not be less than  
46 the sum of the rate per centum known as the normal actuarially determined  
47 employer contribution rate and the accrued past service liability contribution  
48 rate of the total earned compensation of all members during the preceding  
49 year: Provided, however, that the amount of each annual accrued liability  
50 contribution shall be at least three per centum (3%) greater than the  
51 preceding annual accrued liability payment, and that the aggregate payment

1 by employers shall be sufficient, when combined with the amount in the  
2 fund, to provide the pensions and other benefits payable out of the fund  
3 during the year then current year as adjusted under a contribution rate policy  
4 adopted by the Board of Trustees and known as the "required employer  
5 contribution rate." The Board of Trustees shall not adopt a contribution rate  
6 policy that results in a rate less than the normal contribution rate.

7 (6) ~~The accrued liability contribution shall be discontinued as soon as the  
8 accumulated reserve in the pension accumulation fund shall equal the  
9 present value, as actuarially computed and approved by the Board of  
10 Trustees, of the total liability of such fund less the present value, computed  
11 on the basis of the normal contribution rate then in force, of the prospective  
12 normal contributions to be received on account of all persons who are at that  
13 time members, as separately determined for general employees and  
14 law enforcement officers.~~

15 (7) All pensions, and benefits in lieu thereof, with the exception of those  
16 payable on account of members who received no prior service allowance,  
17 payable from contributions of employers, shall be paid from the pension  
18 accumulation fund.

19 (8) ~~Upon the retirement of a member not entitled to credit for prior service, an  
20 amount equal to his pension reserve shall be transferred from the pension  
21 accumulation fund to the pension reserve fund.~~

22 (9) Notwithstanding Chapter 150B of the General Statutes and the foregoing  
23 provisions of this subsection, beginning with the December 31, 1985  
24 valuation, subsection, the actuary shall determine an additional "accrued  
25 liability contribution" contribution rate" and a "normal contribution rate" on  
26 account of the total earned compensation of each employer's law  
27 enforcement officers-officers each year, known as the "required employer  
28 contribution for law enforcement officers rate." The required employer  
29 contribution for law enforcement officers rate may be adjusted under a  
30 contribution rate policy adopted by the Board of Trustees and added to the  
31 employers' past service liability rate. The Board of Trustees shall not adopt a  
32 contribution rate policy that results in a rate less than the normal contribution  
33 rate. This contribution shall be that percentage of law enforcement officer  
34 compensation necessary to liquidate the "existing unfunded accrued  
35 liability" over a period of years to be determined by the Board of Trustees.  
36 The "existing unfunded accrued liability" for each employer shall be equal to  
37 the sum of two liabilities. The first is that portion of the unfunded accrued  
38 liability of the Law Enforcement Officers' Retirement System as of  
39 December 31, 1985, attributable to the accrued liability for each employer's  
40 law enforcement officers participating in that System, all based on actuarial  
41 assumptions and methods applicable to that System. The second is the  
42 accrued liability for additional benefits payable to each employer's law  
43 enforcement officers who are members of this Retirement System on  
44 December 31, 1985. The "accrued liability contribution" determined on the  
45 basis of this paragraph shall be added to that determined under subdivision  
46 (3) and shall be included in the total amount payable under subdivision (5)."

47 **SECTION 2.(j)** G.S. 135-8(e) is repealed.

48 **SECTION 2.(k)** G.S. 128-30(e) is repealed.

49 **SECTION 2.(l)** G.S. 135-8(f)(2)b. is repealed.

50 **SECTION 2.(m)** G.S. 135-8(f)(2)e. reads as rewritten:



1 "e. Each employer shall transmit monthly to the State Retirement  
2 System on account of each employee, who is a member of this  
3 System, an amount sufficient to cover ~~the normal contribution and~~  
4 ~~the accrued liability~~ required employer contribution of each member  
5 employed by such employer for the preceding month."

6 **SECTION 2.(n)** G.S. 135-7(f) reads as rewritten:

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

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

16 (2) The Retiree Health Benefit Fund is established as a trust fund in which  
17 accumulated contributions ~~from employers~~ and any earnings on those  
18 contributions shall be used only to provide health benefits to retired and  
19 disabled employees and their applicable beneficiaries as provided by this  
20 Chapter. eligible Plan members, after payment of any accrued reasonable  
21 investment and administrative expenses. The Retiree Health Benefit Fund  
22 shall be administered in accordance with the provisions of subsection (a) of  
23 this section.

24 (3) Employer and non-employer contributions to the Fund and earnings on those  
25 contributions are irrevocable. The assets of the Fund are dedicated to  
26 providing health benefits to retired and disabled employees and their  
27 applicable beneficiaries as provided by this Chapter. eligible Plan members in  
28 accordance with the Plan's benefit terms, as those terms may from time to  
29 time be amended. and The assets of the Fund are not subject to the claims of  
30 creditors of the employers and non-employers making contributions to the  
31 Fund. Fund, are not subject to the claims of any creditors of the Fund's  
32 trustees and administrators, and are not subject to the claims of creditors of  
33 eligible Plan members.

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

42 **SECTION 2.(o)** G.S. 135-110(a) reads as rewritten:

43 "(a) It is the intent of the General Assembly that a trust fund be created that provides an  
44 irrevocable source of funding to be used, to the extent the fund's assets are sufficient, only for  
45 disability benefits to participants and beneficiaries. Accordingly, the following provisions apply  
46 to that trust fund:

47 (1) A trust ~~fund~~ fund, the Disability Income Plan of North Carolina Trust Fund,  
48 is hereby created to which all receipts, transfers, appropriations,  
49 contributions, investment earnings and other income belonging to the Plan  
50 shall be deposited, and from which all ~~benefits, expenses, and other~~

1 ~~charges~~ benefits and expenses against the Plan shall be disbursed. The Board  
2 of Trustees shall be the trustee of the ~~funds created by this Article. Fund.~~

3 (2) Employer and non-employer contributions to the Disability Income Plan of  
4 North Carolina Trust Fund and earnings on those contributions are  
5 irrevocable. The assets of the Fund are dedicated to providing benefits to  
6 participants and beneficiaries in accordance with the Plan's benefit terms.  
7 The assets of the Fund are not subject to the claims of creditors of the  
8 employers and non-employers making contributions to the Fund, are not  
9 subject to the claims of any creditors of the Fund's trustees and  
10 administrators, and are not subject to the claims of participants and  
11 beneficiaries.

12 (3) Disability Income Plan of North Carolina Trust Fund assets may be used for  
13 reasonable expenses to administer benefits provided by the Fund as  
14 approved by the Board of Trustees."

15 **SECTION 2.(p)** G.S. 135-7 is amended by adding a new subsection to read:

16 "(g) It is the intent of the General Assembly that a master trust fund be created that  
17 provides an irrevocable source of funding to be used, to the extent the fund's assets are  
18 sufficient, only for death benefits and disability benefits to the Plans' members, participants,  
19 and beneficiaries, pursuant to G.S. 120-4.27, G.S. 128-27(l), subsections (12) through (16) of  
20 G.S. 128-27, 135-5(l), 135-64(k), and 143-166.60. Accordingly, the following provisions  
21 apply to the Trust:

22 (1) The following definitions apply in this subsection:

23 a. Beneficiaries. – Any person in receipt of, or eligible to receive, a  
24 benefit payable from the North Carolina Teachers' and State  
25 Employees' Benefit Trust pursuant to G.S. 120-4.27, subsections (12)  
26 though (16) of G.S. 128-27, 135-5(l), 135-64(k), and 143-166.60.

27 b. Plans. – The retiree group death benefit trust established under  
28 G.S. 120-4.27, the Group Life Insurance Plan established under  
29 G.S. 128-27(l), the retiree group death benefit trust fund established  
30 under subsections (12) though (16) of G.S. 128-27, the Group Life  
31 Insurance Plan established under G.S. 135-5(l), the retiree group  
32 death benefit trust fund established under G.S. 135-5(l), the retiree  
33 group death benefit trust fund established under G.S.135-64(k), and  
34 the Separate Insurance Benefits Plan established by G.S. 143-166.60.

35 (2) A trust fund, the North Carolina Teachers' and State Employees' Benefit  
36 Trust, is hereby created as a master trust to which all receipts, transfers,  
37 appropriations, contributions, investment earnings, and other income  
38 belonging to the Plans shall be deposited, and from which all benefits and  
39 expenses against the Plans shall be disbursed. The Boards of Trustees of the  
40 Teachers' and State Employees' Retirement System and the Local  
41 Governmental Employees' Retirement System shall be the trustee of the  
42 Trust. Within the Benefit Trust, the funds of the Plans shall be accounted for  
43 separately and not commingled. Assets of one plan cannot be used to pay for  
44 liabilities of another plan within the Trust.

45 (3) Employer and non-employer contributions to the North Carolina Teachers'  
46 and State Employees' Benefit Trust and earnings on those contributions are  
47 irrevocable. The assets of the Trust are dedicated to providing benefits to  
48 members, participants, and beneficiaries in accordance with the Plans'  
49 benefit terms. The assets of the Trust are not subject to the claims of  
50 creditors of the employers and non-employers making contributions to the  
51 Trust, are not subject to the claims of any creditors of the Trust, trustees, and

1 administrators, and are not subject to the claims of creditors of members,  
2 participants, and beneficiaries."

3 **SECTION 2.(q)** G.S. 120-4.27 reads as rewritten:

4 **"§ 120-4.27. Death benefit.**

5 ...

6 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired  
7 member of the Retirement System or Retirement Fund on or after January 1, 2015, there shall  
8 be paid a death benefit to the person or persons designated by the member or, if the member  
9 has not designated a beneficiary, to the surviving spouse of the deceased retired member or, if  
10 not survived by a designated beneficiary or spouse, to the deceased retired member's legal  
11 representative; provided the retired member has elected, when first eligible, to make, and has  
12 continuously made, in advance of ~~his~~the member's death required contributions as determined  
13 by the Retirement System on a fully contributory basis, through retirement allowance  
14 deductions or other methods adopted by the Retirement System, to a group death benefit trust  
15 ~~fund~~fund, the North Carolina Teachers' and State Employees' Benefit Trust, administered by  
16 the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund  
17 and Pension Accumulation Fund. Employer and non-employer contributions to the Benefit  
18 Trust and earnings on those contributions are irrevocable. The assets of the Benefit Trust are  
19 dedicated to providing benefits to members and beneficiaries in accordance with the Plan's  
20 benefit terms. The assets of the Benefit Trust are not subject to the claims of creditors of the  
21 employees and non-employees making contributions to the Benefit Trust, are not subject to the  
22 claims of any creditors of the Benefit Trust's trustees and administrators, and are not subject to  
23 the claims of creditors of members and beneficiaries. Benefit Trust assets may be used for  
24 reasonable expenses to administer benefits provided by the Fund as approved by the Board of  
25 Trustees.

26 ~~This~~The death benefit payable under this subsection shall be a lump-sum payment in the  
27 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
28 required under this subsection. Should death occur before the completion of 24 months of  
29 contributions required under this subsection, the deceased retired member's designated  
30 beneficiary or beneficiaries, or surviving spouse if not survived by a designated beneficiary, or  
31 legal representative if not survived by a designated beneficiary or spouse, shall be paid the sum  
32 of the retired member's contributions required by this subsection plus interest to be determined  
33 by the Board of Trustees."

34 **SECTION 2.(r)** G.S. 128-27(l) reads as rewritten:

35 "(l) Death Benefit Plan. – The provisions of this subsection shall become effective for  
36 any employer only after an agreement to that effect has been executed by the employer and the  
37 Director of the Retirement System. There is hereby created a Group Life Insurance Plan  
38 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
39 separate and apart from the Retirement System and under which the members of the Retirement  
40 System shall participate and be eligible for group life insurance benefits. The Plan shall be part  
41 of the North Carolina Teachers' and State Employees' Benefit Trust, as established under  
42 G.S. 135-7(g). All receipts, transfers, appropriations, contributions, investment earnings, and  
43 other income belonging to the Plan shall be deposited in the Benefit Trust. All benefits and  
44 expenses against the Plan shall be disbursed from the Benefit Trust. Employer and  
45 non-employer contributions to the Benefit Trust and earnings on those contributions are  
46 irrevocable. The assets of the Benefit Trust are dedicated to providing benefits to members and  
47 beneficiaries in accordance with the Plan's benefit terms. The assets of the Benefit Trust are not  
48 subject to the claims of creditors of the employees and non-employees making contributions to  
49 the Benefit Trust, are not subject to the claims of any creditors of the Benefit Trust's trustees  
50 and administrators, and are not subject to the claims of creditors of members and beneficiaries.

1 Benefit Trust assets may be used for reasonable expenses to administer benefits provided by the  
2 Fund as approved by the Board of Trustees.

3 Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees  
4 under the Group Life Insurance Plan, of the death, in service, of a member who had completed  
5 at least one full calendar year of membership in the Retirement System, there shall be paid to  
6 such person as ~~h~~the member shall have nominated by electronic submission prior to  
7 completing 10 years of service in a form approved by the Board of Trustees or by written  
8 designation duly acknowledged and filed with the Board of Trustees, if such person is living at  
9 the time of the member's death, otherwise to the member's legal representatives, a death benefit.  
10 Such death benefit shall be equal to the greater of:

11 ...."

12 **SECTION 2.(s)** G.S. 128-27(16) reads as rewritten:

13 "(16) Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
14 subsection, of the death of a retired member of the Retirement System on or after January 1,  
15 2015, there shall be paid a death benefit to the person or persons designated by the member or,  
16 if the member has not designated a beneficiary, to the surviving spouse of the deceased retired  
17 member or, if not survived by a designated beneficiary or spouse, to the deceased retired  
18 member's legal representative; provided the retired member has elected, when first eligible, to  
19 make, and has continuously made, in advance of ~~h~~the member's death required contributions  
20 as determined by the Board of Trustees on a fully contributory basis, through retirement  
21 allowance deductions or other methods adopted by the Board of Trustees, to a group death  
22 benefit trust ~~fund~~fund, the North Carolina Teachers' and State Employees' Benefit Trust,  
23 administered by the Board of Trustees separate and apart from the Retirement System's  
24 Annuity Savings Fund and Pension Accumulation Fund. Employer and non-employer  
25 contributions to the Benefit Trust and earnings on those contributions are irrevocable. The  
26 assets of the Benefit Trust are dedicated to providing benefits to members and beneficiaries in  
27 accordance with the Plan's benefit terms. The assets of the Benefit Trust are not subject to the  
28 claims of creditors of the employees and non-employees making contributions to the Benefit  
29 Trust, are not subject to the claims of any creditors of the Benefit Trust's trustees and  
30 administrators, and are not subject to the claims of creditors of members and beneficiaries.  
31 Benefit Trust assets may be used for reasonable expenses to administer benefits provided by the  
32 Fund as approved by the Board of Trustees.

33 ~~This~~The death benefit payable under this subsection shall be a lump-sum payment in the  
34 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
35 required under this subsection. Should death occur before the completion of 24 months of  
36 contributions required under this subsection, the deceased retired member's designated  
37 beneficiary or beneficiaries, or surviving spouse if not survived by a designated beneficiary, or  
38 legal representative if not survived by a designated beneficiary or spouse, shall be paid the sum  
39 of the retired member's contributions required by this subsection plus interest to be determined  
40 by the Board of Trustees."

41 **SECTION 2.(t)** G.S. 135-5(l) reads as rewritten:

42 "(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan  
43 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
44 separate and apart from the Retirement System and under which the members of the Retirement  
45 System shall participate and be eligible for group life insurance benefits. The Plan shall be part  
46 of the North Carolina Teachers' and State Employees' Benefit Trust, as established under  
47 G.S. 135-7(g). All receipts, transfers, appropriations, contributions, investment earnings, and  
48 other income belonging to the Plan shall be deposited in the Benefit Trust. All benefits and  
49 expenses against the Plan shall be disbursed from the Benefit Trust. Employer and  
50 non-employer contributions to the Benefit Trust and earnings on those contributions are  
51 irrevocable. The assets of the Benefit Trust are dedicated to providing benefits to participants,

1 surviving spouses, and the members' estates in accordance with the Plan's benefit terms. The  
2 assets of the Benefit Trust are not subject to the claims of creditors of the employees and  
3 non-employees making contributions to the Benefit Trust, are not subject to the claims of any  
4 creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims of  
5 creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable  
6 expenses to administer benefits provided by the Fund as approved by the Board of Trustees.

7 Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees  
8 under the Group Life Insurance Plan, of the death, in service, of a member who had completed  
9 at least one full calendar year of membership in the Retirement System, there shall be paid to  
10 such person as ~~the~~ the member shall have nominated by electronic submission prior to  
11 completing 10 years of service in a form approved by the Board of Trustees or by written  
12 designation duly acknowledged and filed with the Board of Trustees, if such person is living at  
13 the time of the member's death, otherwise to the member's legal representatives, a death benefit.  
14 Such death benefit shall be equal to the greater of:

15 ...

16 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
17 subsection, of the death of a retired member of the Retirement System on or after January 1,  
18 2015, there shall be paid a death benefit to the person or persons designated by the member or,  
19 if the member has not designated a beneficiary, to the surviving spouse of the deceased retired  
20 member or, if not survived by a designated beneficiary or spouse, to the deceased retired  
21 member's legal representative; provided the retired member has elected, when first eligible, to  
22 make, and has continuously made, in advance of ~~his~~ the member's death required contributions  
23 as determined by the Board of Trustees on a fully contributory basis, through retirement  
24 allowance deductions or other methods adopted by the Board of Trustees, to a group death  
25 benefit trust ~~fund~~ fund, the North Carolina Teachers' and State Employees' Benefit Trust,  
26 administered by the Board of Trustees Fund and Pension Accumulation Fund. Employer and  
27 non-employer contributions to the Benefit Trust and earnings on those contributions are  
28 irrevocable. The assets of the Benefit Trust are dedicated to providing benefits to participants,  
29 surviving spouses, and the members' estates in accordance with the Plan's benefit terms. The  
30 assets of the Benefit Trust are not subject to the claims of creditors of the employees and  
31 non-employees making contributions to the Benefit Trust, are not subject to the claims of any  
32 creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims of  
33 creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable  
34 expenses to administer benefits provided by the Fund as approved by the Board of Trustees.  
35 This death benefit shall be a lump-sum payment in the amount of ten thousand dollars  
36 (\$10,000) upon the completion of 24 months of contributions required under this subsection.  
37 Should death occur before the completion of 24 months of contributions required under this  
38 subsection, the deceased retired member's designated beneficiary or beneficiaries, or surviving  
39 spouse if there is no surviving beneficiary, or legal representative if not survived by a  
40 designated beneficiary or spouse, shall be paid the sum of the retired member's contributions  
41 required by this subsection plus interest to be determined by the Board of Trustees."

42 **SECTION 2.(u)** G.S. 135-64(k) reads as rewritten:

43 "(k) Upon the death of a retired member on or after January 1, 2015, there shall be paid a  
44 death benefit to the person or persons designated by the member or, if the member has not  
45 designated a beneficiary, to the surviving spouse of the deceased retired member or, if not  
46 survived by a designated beneficiary or spouse, to the deceased retired member's legal  
47 representative; provided the retired member has elected, when first eligible, to make, and has  
48 continuously made, in advance of ~~his~~ the member's death required contributions as determined  
49 by the Board of Trustees on a fully contributory basis, through retirement allowance deductions  
50 or other methods adopted by the Board of Trustees, to a group death benefit trust ~~fund~~ fund, the  
51 North Carolina Teachers' and State Employees' Benefit Trust, administered by the Board of

1 Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension  
2 Accumulation Fund. Employer and non-employer contributions to the Benefit Trust and  
3 earnings on those contributions are irrevocable. The assets of the Benefit Trust are dedicated to  
4 providing benefits to members and beneficiaries in accordance with the Plan's benefit terms.  
5 The assets of the Benefit Trust are not subject to the claims of creditors of the employees and  
6 non-employees making contributions to the Benefit Trust, are not subject to the claims of any  
7 creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims of  
8 creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable  
9 expenses to administer benefits provided by the Fund as approved by the Board of Trustees.

10 ~~This~~The death benefit payable under this subsection shall be a lump-sum payment in the  
11 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
12 required under this subsection. Should death occur before the completion of 24 months of  
13 contributions required under this subsection, the deceased retired member's designated  
14 beneficiary or beneficiaries, or surviving spouse if there is no surviving designated beneficiary,  
15 or legal representative if not survived by a designated beneficiary or spouse, shall be paid the  
16 sum of the retired member's contributions required by this subsection plus interest to be  
17 determined by the Board of Trustees."

18 **SECTION 2.(v)** G.S. 143-166.60(b) reads as rewritten:

19 "(b) The Boards of Trustees of the Teachers' and State Employees' Retirement System  
20 and the Local Governmental Employees' Retirement System shall jointly administer the Plan  
21 and shall, under the terms and conditions otherwise appearing in this Article, provide Plan  
22 benefits either (i) by establishing a separate trust fund in conformance with Section 501(c)(9)  
23 of the Internal Revenue Code of 1954 as amended or, (ii) by causing the Plan to affiliate with a  
24 master ~~trust~~trust, the North Carolina Teachers' and State Employees' Benefits Trust, providing  
25 the same benefits for participants. Employer and non-employer contributions to the Benefit  
26 Trust and earnings on those contributions are irrevocable. The assets of the Benefit Trust are  
27 dedicated to providing benefits to participants, surviving spouses, participants' estates, and  
28 persons named by the participant to receive the benefit. The assets of the Benefit Trust are not  
29 subject to the claims of creditors of the employees and non-employees making contributions to  
30 the Benefit Trust, are not subject to the claims of any creditors of the Benefit Trust's trustees  
31 and administrators, and are not subject to the claims of creditors of participants. Benefit Trust  
32 assets may be used for reasonable expenses to administer benefits provided by the Fund as  
33 approved by the Board of Trustees."

34 **SECTION 2.(w)** This section becomes effective June 30, 2017.

35 **SECTION 3.(a)** G.S. 135-5(f) reads as rewritten:

36 "(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or  
37 State employee except by death or retirement under the provisions of this Chapter, ~~h~~the  
38 member shall upon submission of an application be paid, not earlier than 60 days from the date  
39 of termination of service, ~~h~~the member's contributions, and the accumulated regular interest  
40 thereon, provided that ~~h~~the member has not in the meantime returned to service. Upon  
41 payment of such sum his or her membership in the System shall cease and, if he or she  
42 thereafter again becomes a member, no credit shall be allowed for any service previously  
43 rendered except as provided in G.S. 135-4, and such payment shall be in full and complete  
44 discharge of any rights in or to any benefits otherwise payable hereunder. Upon receipt of proof  
45 satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former  
46 member there shall be paid to such person or persons as ~~h~~the member or former member shall  
47 have nominated by electronic submission ~~prior to completing 10 years of service~~ in a form  
48 approved by the Board of Trustees or by written designation duly acknowledged and filed with  
49 the Board of Trustees, if such person or persons are living at the time of the member's death,  
50 otherwise to the member's legal representatives, the amount of ~~h~~the member's accumulated  
51 contributions at the time of ~~h~~the member's death, unless the beneficiary elects to receive the

1 alternate benefit under the provisions of (m) below. An extension service employee who made  
2 contributions to the Local Governmental Employees' Retirement System and the Teachers' and  
3 State Employees' Retirement System as a result of dual employment may not be paid his or her  
4 accumulated contributions unless ~~he~~ the extension service employee is eligible to be paid his or  
5 her accumulated contributions in both systems for the same period of service.

6 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the  
7 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated  
8 contributions to the Consolidated Judicial Retirement System or to the Supplemental  
9 Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable  
10 hereunder.

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

18 **SECTION 3.(b)** G.S. 135-5(l), as amended by Section 2(t) of this act, reads as  
19 rewritten:

20 "(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan  
21 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
22 separate and apart from the Retirement System and under which the members of the Retirement  
23 System shall participate and be eligible for group life insurance benefits. The Plan shall be part  
24 of the North Carolina Teachers' and State Employees' Benefit Trust, as established under  
25 G.S. 135-7(g). All receipts, transfers, appropriations, contributions, investment earnings, and  
26 other income belonging to the Plan shall be deposited in the Benefit Trust. All benefits and  
27 expenses against the Plan shall be disbursed from the Benefit Trust. Employer and  
28 non-employer contributions to the Benefit Trust and earnings on those contributions are  
29 irrevocable. The assets of the Benefit Trust are dedicated to providing benefits to participants,  
30 surviving spouses, and the members' estates in accordance with the Plan's benefit terms. The  
31 assets of the Benefit Trust are not subject to the claims of creditors of the employees and  
32 non-employees making contributions to the Benefit Trust, are not subject to the claims of any  
33 creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims of  
34 creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable  
35 expenses to administer benefits provided by the Fund as approved by the Board of Trustees.

36 Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees  
37 under the Group Life Insurance Plan, of the death, in service, of a member who had completed  
38 at least one full calendar year of membership in the Retirement System, there shall be paid to  
39 such person as the member shall have nominated by electronic submission ~~prior to completing~~  
40 ~~10 years of service~~ in a form approved by the Board of Trustees or by written designation duly  
41 acknowledged and filed with the Board of Trustees, if such person is living at the time of the  
42 member's death, otherwise to the member's legal representatives, a death benefit. Such death  
43 benefit shall be equal to the greater of:

44 ...."

45 **SECTION 3.(c)** G.S. 135-63 reads as rewritten:

46 **"§ 135-63. Benefits on death before retirement.**

47 (a) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a  
48 member in service, there shall be paid in a lump sum to such person as the member shall have  
49 nominated by electronic submission ~~prior to completing 10 years of service~~ in a form approved  
50 by the Board of Trustees or by written designation duly acknowledged and filed with the Board  
51 of Trustees, if such person is living at the time of the member's death, otherwise to the

1 member's legal representatives, a death benefit equal to the sum of (i) the member's  
2 accumulated contributions, plus (ii) the member's final compensation; provided, however, that  
3 if the member has attained his or her fiftieth birthday with at least five years of membership  
4 service at ~~his~~the member's date of death, and if the designated recipient of the death benefits is  
5 the member's spouse who survives ~~him,~~him or her, and if the spouse so elects, then the  
6 lump-sum death benefit provided for herein shall consist only of a payment equal to the  
7 member's final compensation and there shall be paid to the surviving spouse an annual  
8 retirement allowance, payable monthly, which shall commence on the first day of the calendar  
9 month coinciding with or next following the death of the member and shall be continued on the  
10 first day of each month thereafter until the remarriage or death of the spouse. The amount of  
11 any such retirement allowance shall be equal to one half of the amount of the retirement  
12 allowance to which the member would have been entitled had ~~he~~the member retired under the  
13 provisions of G.S. 135-57(a) on the first day of the calendar month coinciding with or next  
14 following ~~his~~the member's date of death, reduced by two percent (2%) thereof for each full  
15 year, if any, by which the age of the member at his or her date of death exceeds that of ~~his~~the  
16 member's spouse. If the retirement allowance to the spouse shall terminate on the remarriage or  
17 death of the spouse before the total of the retirement allowance payments made equals the  
18 amount of the member's accumulated contributions at date of death, the excess of such  
19 accumulated contributions over the total of the retirement allowances paid to the spouse shall  
20 be paid in a lump sum to such person as the member shall have nominated by electronic  
21 submission in a form approved by the Board of Trustees or by written designation duly  
22 acknowledged and filed with the Board of Trustees, if such person is living at the time such  
23 payment falls due, otherwise to the former member's legal representatives.

24 ...

25 (c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a  
26 member not in service, there shall be paid in a lump sum to such person as the member shall  
27 have nominated by electronic submission ~~prior to completing 10 years of service~~ in a form  
28 approved by the Board of Trustees or by written designation duly acknowledged and filed with  
29 the Board of Trustees, if such person is living at the time of the member's death, otherwise to  
30 the member's legal representatives, a death benefit equal to the member's accumulated  
31 contributions.

32 ...."

33 **SECTION 3.(d)** G.S. 128-27(f) reads as rewritten:

34 "(f) Return of Accumulated Contributions. – Should a member cease to be an employee  
35 except by death or retirement under the provisions of this Chapter, ~~he~~the member shall upon  
36 submission of an application be paid, not earlier than 60 days from the date of termination of  
37 service, ~~his~~the member's contributions and the accumulated regular interest thereon, provided  
38 that ~~he~~the member has not in the meantime returned to service. Upon payment of such sum his  
39 or her membership in the System shall cease and, if he or she thereafter again becomes a  
40 member, no credit shall be allowed for any service previously rendered except as provided in  
41 G.S. 128-26; and such payment shall be in full and complete discharge of any rights in or to  
42 any benefits otherwise payable hereunder. Upon receipt of proof satisfactory to the Board of  
43 Trustees of the death, prior to retirement, of a member or former member there shall be paid to  
44 such person or persons as ~~he~~the member or former member shall have nominated by electronic  
45 submission ~~prior to completing 10 years of service~~ in a form approved by the Board of Trustees  
46 or by written designation duly acknowledged and filed with the Board of Trustees, if such  
47 person or persons are living at the time of the member's death, otherwise to the member's legal  
48 representatives, the amount of ~~his~~the member's accumulated contributions at the time of ~~his~~the  
49 member's death, unless the beneficiary elects to receive the alternate benefit under the  
50 provisions of (m) below. An extension service employee who made contributions to the Local  
51 Governmental Employees' Retirement System and the Teachers' and State Employees'



1 Retirement System as a result of dual employment may not be paid his or her accumulated  
2 contributions unless ~~hethe~~ extension service employee is eligible to be paid his or her  
3 accumulated contributions in both systems for the same period of service.

4 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the  
5 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated  
6 contributions to the Consolidated Judicial Retirement System or to the Supplemental  
7 Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable  
8 hereunder."

9 **SECTION 3.(e)** G.S. 128-27(l), as amended by Section 2(r) of this act, reads as  
10 rewritten:

11 "(l) Death Benefit Plan. – The provisions of this subsection shall become effective for  
12 any employer only after an agreement to that effect has been executed by the employer and the  
13 Director of the Retirement System. There is hereby created a Group Life Insurance Plan  
14 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
15 separate and apart from the Retirement System and under which the members of the Retirement  
16 System shall participate and be eligible for group life insurance benefits. The Plan shall be part  
17 of the North Carolina Teachers' and State Employees' Benefit Trust, as established under  
18 G.S. 135-7(g). All receipts, transfers, appropriations, contributions, investment earnings, and  
19 other income belonging to the Plan shall be deposited in the Benefit Trust. All benefits and  
20 expenses against the Plan shall be disbursed from the Benefit Trust. Employer and  
21 non-employer contributions to the Benefit Trust and earnings on those contributions are  
22 irrevocable. The assets of the Benefit Trust are dedicated to providing benefits to members and  
23 beneficiaries in accordance with the Plan's benefit terms. The assets of the Benefit Trust are not  
24 subject to the claims of creditors of the employees and non-employees making contributions to  
25 the Benefit Trust, are not subject to the claims of any creditors of the Benefit Trust's trustees  
26 and administrators, and are not subject to the claims of creditors of members and beneficiaries.  
27 Benefit Trust assets may be used for reasonable expenses to administer benefits provided by the  
28 Fund as approved by the Board of Trustees.

29 Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees  
30 under the Group Life Insurance Plan, of the death, in service, of a member who had completed  
31 at least one full calendar year of membership in the Retirement System, there shall be paid to  
32 such person as the member shall have nominated by electronic submission ~~prior to completing~~  
33 ~~10 years of service~~ in a form approved by the Board of Trustees or by written designation duly  
34 acknowledged and filed with the Board of Trustees, if such person is living at the time of the  
35 member's death, otherwise to the member's legal representatives, a death benefit. Such death  
36 benefit shall be equal to the greater of:

37 ...."

38 **SECTION 3.(f)** G.S. 120-4.25 reads as rewritten:

39 **"§ 120-4.25. Return of accumulated contributions.**

40 If a member ceases to be a member of the General Assembly except by death or retirement,  
41 ~~hethe member~~ shall, upon submission of an application, be paid not earlier than 60 days  
42 following the date of termination of service the sum of ~~histhe member's~~ accumulated  
43 contributions provided ~~hethe member~~ has not in the meantime returned to service. Upon  
44 payment of this sum his or her membership in the System ceases. If ~~hethe individual~~ becomes a  
45 member afterwards, no credit shall be allowed for any service previously rendered except as  
46 provided in G.S. 120-4.14 and the payment shall be in full and complete discharge of any rights  
47 in or to any benefits otherwise payable under this Article. Upon receipt of proof satisfactory to  
48 the Board of Trustees of the death, prior to retirement, of a member or former member, there  
49 shall be paid to the person or persons ~~hethe member or former member~~ nominated by electronic  
50 submission ~~prior to completing 10 years of service~~ in a form approved by the Board of Trustees  
51 or by written designation duly acknowledged and filed with the Board of Trustees, if the person

1 or persons are living at the time of the member's death, otherwise to the member's legal  
2 representatives, the amount of ~~his~~the member's accumulated contributions at the time of ~~his~~the  
3 member's death, unless the beneficiary elects to receive the alternate benefit under the  
4 provisions of G.S. 120-4.28."

5 **SECTION 3.(g)** This section becomes effective January 1, 2018.

6 **SECTION 4.(a)** G.S. 135-1(11) reads as rewritten:

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

15 **SECTION 4.(b)** This section becomes effective June 30, 2017.

16 **SECTION 5.(a)** G.S. 135-7 is amended by adding a new subsection to read:

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

23 (1) Administration. – The LEIA shall be administered by the Board of Trustees,  
24 which shall compile and maintain all records necessary or appropriate for  
25 administration. The Board of Trustees shall have full discretionary authority  
26 to interpret, construe, and implement the LEIA and to adopt such rules and  
27 regulations as may be necessary or desirable to implement the provisions of  
28 the LEIA.

29 (2) Funding of the LEIA. – In the event that the General Assembly creates or  
30 modifies any provision for the retirement of, or payment of retirement  
31 benefits to, public officers or public employees that has a cost savings as  
32 measured by actuarial note required by Article 15 of Chapter 120 of the  
33 General Statutes, the Board of Trustees may direct up to one hundredth  
34 percent (0.01%) of the required contributions to fund the LEIA. These funds  
35 must be deposited in a separate fund from the fund into which regular  
36 employer contributions are deposited for the Retirement System. The Board  
37 of Trustees shall not direct any employer contributions into the LEIA after  
38 November 1, 2021.

39 (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds  
40 to the implementation of legislative provisions regarding the retirement of,  
41 or payment for retirement benefits to, public officers or public employees,  
42 subject to the following restrictions:

43 a. The Board of Trustees must identify individual implementation  
44 projects that will be paid for with LEIA funds. These implementation  
45 projects must be necessitated by a specific statute or session law that  
46 was enacted within five years of the allocation of the funds. The  
47 Board of Trustees must also identify the number of years for which  
48 each individual implementation project will be paid for with LEIA  
49 funds.

50 b. For implementation projects that will be paid for with LEIA funds  
51 for a period of one year or less, the Board of Trustees must determine

1 that the cost savings from implementing the project is projected to be  
2 no less than half of the amount of LEIA funds utilized to pay for  
3 implementation.

4 c. For implementation projects that will be paid for with LEIA funds  
5 for a period of greater than one year, but not more than four years,  
6 the Board of Trustees must determine that the long-term cost savings  
7 from implementing the project is projected to be at least three times  
8 greater than the cost of implementation.

9 d. No implementation project shall be paid for with LEIA funds for a  
10 period of more than four years.

11 (4) Treatment of unused assets. – Any assets of the LEIA not used to pay  
12 allowed administrative expenses for timely administrative implementation of  
13 legislative provisions shall be transferred to the Retirement System as an  
14 additional employer contribution.

15 (5) Reporting. – The Department of State Treasurer shall report to the Board of  
16 Trustees, the Joint Legislative Commission on Government Operations, and  
17 the Fiscal Research Division on or before August 1 of each year on the (i)  
18 amounts and sources of funds collected by year pursuant to this section and  
19 (ii) the amounts expended, the projects for which those funds were  
20 expended, and the current status of the projects. The Board of Trustees shall  
21 also post this report on its public Web site."

22 **SECTION 5.(b)** G.S. 128-29 is amended by adding a new subsection to read:

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

29 (1) Administration. – The LEIA shall be administered by the Board of Trustees,  
30 which shall compile and maintain all records necessary or appropriate for  
31 administration. The Board of Trustees shall have full discretionary authority  
32 to interpret, construe, and implement the LEIA and to adopt such rules and  
33 regulations as may be necessary or desirable to implement the provisions of  
34 the LEIA.

35 (2) Funding of the LEIA. – In the event that the General Assembly creates or  
36 modifies any provision for the retirement of, or payment of retirement  
37 benefits to, public officers or public employees that has a cost savings as  
38 measured by actuarial note required by Article 15 of Chapter 120 of the  
39 General Statutes, the Board of Trustees may direct up to one hundredth  
40 percent (0.01%) of the required contributions to fund the LEIA. These funds  
41 must be deposited in a separate fund from the fund into which regular  
42 employer contributions are deposited for the Retirement System. The Board  
43 of Trustees shall not direct any employer contributions into the LEIA after  
44 November 1, 2021.

45 (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds  
46 to the implementation of legislative provisions regarding the retirement of,  
47 or payment for retirement benefits to, public officers or public employees,  
48 subject to the following restrictions:

49 a. The Board of Trustees must identify individual implementation  
50 projects that will be paid for with LEIA funds. These implementation  
51 projects must be necessitated by a specific statute or session law that

1 was enacted within five years of the allocation of the funds. The  
 2 Board of Trustees must also identify the number of years for which  
 3 each individual implementation project will be paid for will LEIA  
 4 funds.

5 b. For implementation projects that will be paid for with LEIA funds  
 6 for a period of one year or less, the Board of Trustees must determine  
 7 that the cost savings from implementing the project is projected to be  
 8 no less than half of the amount of LEIA funds utilized to pay for  
 9 implementation.

10 c. For implementation projects that will be paid for with LEIA funds  
 11 for a period of greater than one year, but not more than four years,  
 12 the Board of Trustees must determine that the long-term cost savings  
 13 from implementing the project is projected to be at least three times  
 14 greater than the cost of implementation.

15 d. No implementation project shall be paid for with LEIA funds for a  
 16 period of more than four years.

17 (4) Treatment of unused assets. – Any assets of the LEIA not used to pay  
 18 allowed administrative expenses for timely administrative implementation of  
 19 legislative provisions shall be transferred to the Retirement System as an  
 20 additional employer contribution.

21 (5) Reporting. – The Department of State Treasurer shall report to the Board of  
 22 Trustees, the Joint Legislative Commission on Government Operations, and  
 23 the Fiscal Research Division on or before August 1 of each year on the (i)  
 24 amounts and sources of funds collected by year pursuant to this section and  
 25 (ii) the amounts expended, the projects for which those funds were  
 26 expended, and the current status of the projects. The Board of Trustees shall  
 27 also post this report on its public Web site."

28 **SECTION 5.(c)** This section becomes effective October 1, 2017.

29 **SECTION 6.** Article 6 of Chapter 147 of the General Statutes is amended by  
 30 adding a new section to read:

31 **"§ 147-68.2. Confidentiality of warrants issued by the State.**

32 Information contained in records held by the State about outstanding, unpaid warrants  
 33 issued by the State are confidential and not available for public inspection to the extent that the  
 34 Treasurer determines that information would be sufficient to counterfeit a warrant."

35 **SECTION 7.** G.S. 147-9.4 reads as rewritten:

36 **"§ 147-9.4. Deferred Compensation Plan.**

37 (a) Notwithstanding the provisions of G.S. 143B-426.40A and notwithstanding any  
 38 provision of law to the contrary relating to salaries or salary schedules of teachers or State  
 39 employees, the chief executive officer of an employer, on behalf of the employer, may ~~from~~  
 40 ~~time to time~~ enter into a contract with a teacher or employee under which the teacher or  
 41 employee irrevocably elects to defer receipt of a portion of his or her scheduled salary in the  
 42 future, but only if, as a result of such contract, the income so deferred is deferred pursuant to  
 43 the Plan provided for in G.S. 143B-426.24 or pursuant to some other plan established before  
 44 January 1, 1983, and is not constructively received by the teacher or employee in the year in  
 45 which it was earned, for State and federal income tax purposes. In addition, the income so  
 46 deferred shall be invested in the manner provided in the applicable Plan; however, the teacher  
 47 or employee may revoke his or her election to participate and may amend the amount of  
 48 compensation to be deferred by signing and filing with the Board a written revocation or  
 49 amendment on a form and in the manner approved by the Board. Any such revocation or  
 50 amendment shall be effective prospectively only and shall cause no change in the allocation of  
 51 amounts invested prior to the filing date of such revocation or amendment.

1 A teacher or employee who has agreed to the deferral of income pursuant to the Plan shall  
 2 have the right to receive the income so deferred only in accordance with the provisions of the  
 3 Plan. Funds so deferred shall not be in lieu of any amount earned by the teacher or employee  
 4 before his or her election to defer compensation became effective. The agreement to defer  
 5 income referred to herein shall be effective under such necessary regulations and procedures as  
 6 are adopted by the Board, and on forms prepared or approved by it. A teacher or employee who  
 7 agrees to defer income as provided in this section may authorize payroll deductions for deferral  
 8 of the income. An employer shall make payroll deduction available for a teacher or employee  
 9 who authorizes payroll deduction. Notwithstanding any other provisions of law, the amount by  
 10 which the salary of a teacher or employee is deferred pursuant to the Plan shall not be excluded,  
 11 but shall be included, in computing and making payroll deductions for social security and  
 12 retirement system purposes, if any, and in computing and providing matching funds for  
 13 retirement system purposes, if any.

14 Except for the applications of the provisions of G.S. 110-136, and in connection with a  
 15 court-ordered equitable distribution under G.S. 50-20, the right of a teacher or employee, who  
 16 elects to defer income pursuant to the North Carolina Public Employee Deferred Compensation  
 17 Plan under G.S. 143B-426.24, to benefits that have vested under the Plan, is nonforfeitable.  
 18 These benefits are exempt from levy, sale, and garnishment, except as provided by this section.

19 (b) Notwithstanding the provisions of G.S. 143B-426.40A and any provision of law to  
 20 the contrary relating to salaries or salary schedules of teachers or State employees, the chief  
 21 executive officer of an employer, on behalf of the employer, may contribute to a deferred  
 22 compensation account of a teacher or employee additional funds, not in excess of limitations  
 23 under federal law; provided that for State and federal income taxes purposes, the funds are not  
 24 constructively received by the teacher or employee in the year in which the funds were earned."

25 **SECTION 8.(a)** G.S. 150B-1(d) is amended by adding a new subdivision to read:  
 26 "**§ 150B-1. Policy and scope.**

27 ...

28 (d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the  
 29 following:

30 (29) The Retirement System Boards of Trustees established under G.S. 128-28  
 31 and G.S. 135-6 when adopting actuarial tables, assumptions, and  
 32 contribution-based benefit cap factors after presentation of recommendations  
 33 from the actuary. This exemption includes, but is not limited to, the  
 34 following actuarial tables and assumptions:

- 35 a. Interest rate assumptions.
- 36 b. Salary increase assumptions.
- 37 c. Required contribution rates.
- 38 d. Mortality assumptions.
- 39 e. Separation and retirement assumptions.
- 40 f. Joint and survivor tables.
- 41 g. Reserve transfer tables.
- 42 h. Contribution-based benefit cap factors."

43 **SECTION 8.(b)** G.S. 135-6(n) reads as rewritten:

44 "(n) In 1943, and at least once in each five-year period thereafter, the actuary shall make  
 45 an actuarial investigation into the mortality, service and compensation experience of the  
 46 members and beneficiaries of the Retirement System, and shall make a valuation of the assets  
 47 and liabilities of the funds of the System, and taking into account the result of such  
 48 investigation and valuation, the Board of Trustees shall:

- 49 (1) Adopt for the Retirement System such mortality, ~~service~~service,  
 50 contribution-based benefit cap factors, and other tables as shall be deemed  
 51 necessary; and

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

3 **SECTION 8.(c)** G.S. 128-28(o) reads as written:

4 "(o) In the year 1945, and at least once in each five-year period thereafter, the actuary  
5 shall make an actuarial investigation into the mortality, service and compensation experience of  
6 the members and beneficiaries of the Retirement System, and shall make a valuation of the  
7 assets and liabilities of the funds of the System, and taking into account the result of such  
8 investigation and valuation, the Board of Trustees shall:

9 (1) Adopt for the Retirement System such mortality, ~~service~~service,  
10 contribution-based benefit cap factors, and other tables as shall be deemed  
11 necessary; and

12 (2) Certify the rates of contributions payable by the participating units on  
13 account of new entrants at various ages."

14 **SECTION 9.(a)** G.S. 143B-426.40G(b) reads as rewritten:

15 "(b) The State Treasurer may impose on an agency with non-State funds a fee of fifteen  
16 dollars (\$15.00) for each check drawn against the agency's disbursing account that causes the  
17 balance in the account to be in overdraft or while the account is in overdraft. The financial  
18 officer shall pay the fee from the agency's non-State or personal funds to the General Fund to  
19 the credit of the miscellaneous nontax revenue account by the agency."

20 **SECTION 9.(b)** This section becomes effective October 1, 2017.

21 **SECTION 10.(a)** G.S. 135-4(e) reads as rewritten:

22 "(e) Creditable service at retirement on which the retirement allowance of a member  
23 shall be based shall consist of the membership service rendered by ~~him~~the member since he or  
24 she last became a member, and also if ~~he~~the member has a prior service certificate which is in  
25 full force and effect, the amount of service certified on ~~his~~the prior service certificate; and if  
26 ~~he~~the member has sick leave standing to ~~his~~the member's credit upon retirement on or after July  
27 1, 1971, one month of credit for each 20 days or portion thereof, but not less than one hour;  
28 sick leave shall not be counted in computing creditable service for the purpose of determining  
29 eligibility for disability retirement or for a vested deferred allowance. Creditable service for  
30 unused sick leave shall be allowed only for sick leave accrued monthly during employment  
31 under a duly adopted sick leave policy and for which the member may be able to take credits  
32 and be paid for sick leave without restriction. However, in no instance shall unused sick leave  
33 be credited to a member's account at retirement if the member's last day of actual service is  
34 more than five years prior to the effective date of the member's retirement. Further, any agency  
35 with a sick leave policy that is more generous than that of all State agencies subject to the rules  
36 of the Office of State Human Resources shall proportionately adjust each of its retiring  
37 employees' sick leave balance to the balance that employee would have had under the rules of  
38 the Office of State Human Resources. Creditable sick leave shall be reported to the Retirement  
39 System as days granted as if the policy awarded sick leave with a day being equal to eight  
40 hours within a 40-hour workweek.

41 ...."

42 **SECTION 10.(b)** G.S. 128-26(e) reads as rewritten:

43 "(e) Creditable service at retirement on which the retirement allowance of a member  
44 shall be based shall consist of the membership service rendered by ~~him~~the member since he or  
45 she last became a member, and also if ~~he~~the member has a prior service certificate which is in  
46 full force and effect, the amount of the service certified on ~~his~~the prior service certificate; and if  
47 ~~he~~the member has sick leave standing to ~~his~~the member's credit upon retirement on or after July  
48 1, 1971, one month of credit for each 20 days or portion thereof, but not less than one hour;  
49 sick leave shall not be counted in computing creditable service for the purpose of determining  
50 eligibility for disability retirement or for a vested deferred allowance. Creditable service for  
51 unused sick leave shall be allowed only for sick leave accrued monthly during employment

1 under a duly adopted sick leave policy and for which the member may be able to take credits  
2 and be paid for sick leave without restriction. However, in no instance shall unused sick leave  
3 be credited to a member's account at retirement if the member's last day of actual service is  
4 more than 365 days prior to the effective date of the member's retirement. Creditable sick leave  
5 shall be reported to the Retirement System as days granted as if the policy awarded sick leave  
6 with a day being equal to eight hours within a 40-hour workweek.

7 ...."

8 **SECTION 10.(c)** This section becomes effective January 1, 2018.

9 **SECTION 11.** G.S. 147-69.2A(a) reads as rewritten:

10 "(a) Firm to Administer Special Fund. – Following a public procurement process, a  
11 designee of the Governor, a designee of the State Treasurer, a designee of the Speaker of the  
12 House of Representatives, and a designee of the President Pro Tempore of the Senate shall  
13 jointly and unanimously select a third-party professional investment management firm,  
14 ~~registered with~~ subject to the rules and regulations of the U.S. Securities and Exchange  
15 Commission, to administer a special fund created to invest assets described in  
16 G.S. 147-69.2(b)(12)c. and select investment opportunities appropriate for receiving allocations  
17 from the Fund on the basis of potential return on investment and the risks attendant thereto. The  
18 State Treasurer shall assign professional and clerical staff to assist in the oversight of the Fund.  
19 All costs for the third-party investment management firm and the professional and clerical staff  
20 shall be borne by the Fund pursuant to G.S. 147-69.3(f). The State Treasurer shall discharge his  
21 or her duties with respect to the Fund as a fiduciary consistent with G.S. 147-69.7."

22 **SECTION 12.** G.S. 147-86.73(g1) reads as rewritten:

23 "(g1) Notice for Designated Beneficiary Receiving Medicaid. – The ABLE Account  
24 application ~~form package~~ approved in accordance with G.S. 147-86.71(b)(1) shall include  
25 notice of the State's right under subsection (e) of this section to file a claim for payment from a  
26 designated beneficiary's ABLE account following the death of a beneficiary who received  
27 medical assistance benefits."

28 **SECTION 13.** If any provision of this act or its application is held invalid, the  
29 invalidity does not affect other provisions or applications of this act that can be given effect  
30 without the invalid provisions or application, and to this end, the provisions of this act are  
31 severable.

32 **SECTION 14.** Except as otherwise provided, this act is effective when it becomes  
33 law.