

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

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HOUSE BILL 985

Short Title: Retirement Technical Corrections Act of 2018.-AB (Public)

Sponsors: Representatives Dulin, Ross, and McNeill (Primary Sponsors).

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

Referred to: Pensions and Retirement

May 23, 2018

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE TECHNICAL CORRECTIONS AND OTHER CONFORMING AND
3 CLARIFYING CHANGES TO THE LAWS GOVERNING THE TEACHERS' AND
4 STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENT
5 EMPLOYEES' RETIREMENT SYSTEM, AND THE STATE HEALTH PLAN FOR
6 TEACHERS AND STATE EMPLOYEES AND TO OTHER RELATED STATUTES.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 135-105(g) reads as rewritten:

9 "(g) The Board of Trustees may extend the short-term disability benefits of a beneficiary
10 beyond the benefit period of 365 days for an additional period of not more than 365 days;
11 provided the Medical Board determines that the beneficiary's disability is temporary and likely
12 to end within the extended period of short-term disability benefits. During the extended period
13 of short-term disability benefits, payment of benefits shall be made by the Plan directly to the
14 beneficiary. This extended period of short-term disability benefits shall be treated in the same
15 manner as long-term disability payments for the purposes of G.S. 135-108."

16 **SECTION 2.** G.S. 128-27(e)(4) reads as rewritten:

17 "(4) As a condition to the receipt of the disability retirement allowance provided
18 for in G.S. 128-27(d), (d1), (d2) and (d3) each member retired on a disability
19 retirement allowance shall, on or before April 15 of each calendar year,
20 provide the Board of Trustees with a statement of his or her income received
21 as compensation for services, including fees, commissions or similar items,
22 and income received from business, for the previous calendar year. Such
23 statement shall be filed on a form as required by the Board of Trustees. The
24 benefit payable to a beneficiary who does not or refuses to provide the
25 information requested within ~~60~~120 days after such request may be suspended
26 until the information so requested is provided, and should such refusal or
27 failure to provide such information continue for ~~240~~180 days after such
28 request, the right of a beneficiary to a benefit under the Article may be
29 terminated.

30 The Director of the State Retirement Systems shall contact any State or
31 federal agency which can provide information to substantiate the statement
32 required to be submitted by this subdivision and may enter into agreements
33 for the exchange of information."

34 **SECTION 3.(a)** G.S. 135-5(a3) reads as rewritten:



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

- 10 (1) Determine an amount equal to the member's accumulated contributions as
11 required under G.S. 135-8(b)(1) for all years during which the member earned
12 membership ~~service~~ service, other than service earned through armed service
13 credit under G.S. 135-4(f) or G.S. 135-4(g), used in the calculation of the
14 retirement allowance that the member would receive under this section.
- 15 (2) Determine the amount of a single life annuity that is the actuarial equivalent
16 of the amount determined under subdivision (1) of this subsection, adjusted
17 for the age of the member at the time of retirement or, when appropriate, the
18 age at the time of the member's death.
- 19 (3) Multiply the annuity amount determined under subdivision (2) of this
20 subsection by the contribution-based benefit cap factor.
- 21 (4) Determine the amount of the retirement allowance that results from the
22 member's membership service.

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

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

36 Notwithstanding the foregoing, the retirement allowance of a member who became a member
37 before January 1, 2015, or who has not earned at least five years of membership service in the
38 Retirement System after January 1, 2015, shall not be reduced; however, the member's last
39 employer shall be required to make an additional contribution as specified in G.S. 135-8(f)(2)f.,
40 if applicable."

41 **SECTION 3.(b)** G.S. 128-27(a3) reads as rewritten:

42 "(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding any other
43 provision of this section, every service retirement allowance provided under this section for
44 members who retire on or after January 1, 2015, is subject to adjustment pursuant to a
45 contribution-based benefit cap under this subsection. The Board of Trustees shall adopt a
46 contribution-based benefit cap factor recommended by the actuary, based upon actual experience,
47 such that no more than three-quarters of one percent (0.75%) of retirement allowances are
48 expected to be capped. The Board of Trustees shall modify such factors every five years, as shall
49 be deemed necessary, based upon the five-year experience study as required by G.S. 128-28(o).

50 Prior to establishing a service retirement allowance under this section, the Board shall:

- 1 (1) Determine an amount equal to the member's accumulated contributions as
 2 required under G.S. 128-30(b)(1) for all years during which the member
 3 earned membership ~~service~~service, other than service earned through armed
 4 service credit under G.S. 128-26(a1) or G.S. 128-26(j1), used in the
 5 calculation of the retirement allowance that the member would receive under
 6 this section.
- 7 (2) Determine the amount of a single life annuity that is the actuarial equivalent
 8 of the amount determined under subdivision (1) of this subsection, adjusted
 9 for the age of the member at the time of retirement or, when appropriate, the
 10 age at the time of the member's death.
- 11 (3) Multiply the annuity amount determined under subdivision (2) of this
 12 subsection by the contribution-based benefit cap factor.
- 13 (4) Determine the amount of the retirement allowance that results from the
 14 member's membership service.

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

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

28 Notwithstanding the foregoing, the retirement allowance of a member who became a member
 29 before January 1, 2015, or who has not earned at least five years of membership service in the
 30 Retirement System after January 1, 2015, shall not be reduced; however, the member's last
 31 employer shall be required to make an additional contribution as specified in G.S. 128-30(g)(2)b.,
 32 if applicable."

33 **SECTION 4.** G.S. 135-53(16) reads as rewritten:

34 "(16) "Retirement" under this Chapter shall mean the commencement of monthly
 35 retirement benefits, along with the termination of employment and the
 36 complete separation from active service with no intent or agreement,
 37 expressed or implied, to return to service. A retirement allowance under the
 38 provisions of this Chapter may only be granted upon retirement of a member.
 39 In order for a member's retirement to become effective in any month, the
 40 member must perform no work in a position covered by this Article or by an
 41 Optional Retirement Program established under G.S. 135-5.1 or G.S. 135-5.4
 42 at any time during the same month immediately following the effective first
 43 day of retirement."

44 **SECTION 5.** G.S. 120-4.14 is repealed.

45 **SECTION 6.** G.S. 135-48.23(d) is repealed.

46 **SECTION 7.** G.S. 135-4(c) is repealed.

47 **SECTION 8.(a)** G.S. 135-6.1(e) reads as rewritten:

48 "(e) The Retirement Systems Division of the Department of State Treasurer may disclose
 49 the name and mailing address of former State and local government employees, former public
 50 school employees, or former community college employees to domiciled, nonprofit

1 organizations representing 10,000 or more retired State government, local government, or public
2 school employees."

3 **SECTION 8.(b)** G.S. 128-33.1(e) reads as rewritten:

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

9 **SECTION 8.(c)** This section is effective July 22, 2016.

10 **SECTION 9.(a)** G.S. 58-86-55(d1) reads as rewritten:

11 "(d1) Benefits shall be paid in the following manner when a member is killed in the line of
12 duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

13 (1) If the member had been receiving a monthly pension fund benefit prior to
14 being killed in the line of duty, there shall be paid to the member's principal
15 beneficiary, if only one principal beneficiary is eligible, eligible and has not
16 accepted a return of contributions, an amount of one hundred seventy dollars
17 (\$170.00) per month beginning the month following the member's month of
18 death, payable until the beneficiary's death.

19 (2) If the member had been receiving a monthly pension fund benefit prior to
20 being killed in the line of duty and the beneficiary is not payable as described
21 in subdivision (1) of this subsection, a lump sum payment equal to the
22 difference between the amount paid into the member's separate account by or
23 on behalf of the member and the amount received by the member as a
24 pensioner will be paid to the eligible beneficiaries, or if there are no eligible
25 beneficiaries, shall be paid to the member's estate.

26 (3) If the member had not yet begun receiving a monthly benefit prior to being
27 killed in the line of duty, there shall be paid to the member's principal
28 beneficiary, if only one principal beneficiary is eligible, eligible and has not
29 accepted a return of contributions, an amount of one hundred seventy dollars
30 (\$170.00) per month beginning the month following the month the member
31 would have attained age 55, or if the member had already attained age 55,
32 beginning the month following the member's month of death, payable until
33 the beneficiary's death.

34 (4) If the member had not begun receiving a monthly benefit prior to being killed
35 in the line of duty and the beneficiary is not payable as described in
36 subdivision (3) of this subsection, a lump sum payment equal to the member's
37 contributions will be paid to the eligible beneficiaries, or if there are no
38 eligible beneficiaries, a return of the contributions shall be paid to the
39 member's estate.

40 A beneficiary under this subsection shall not be required to make the monthly payment of ten
41 dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed
42 in the line of duty."

43 **SECTION 9.(b)** This section becomes effective July 1, 2018.

44 **SECTION 10.** G.S. 135-1(20) reads as rewritten:

45 "(20) "Retirement" under this Chapter, except as otherwise provided, means the
46 commencement of monthly retirement benefits along with termination of
47 employment and the complete separation from active service with no intent or
48 agreement, express or implied, to return to service. A retirement allowance
49 under the provisions of this Chapter may only be granted upon retirement of
50 a member. In order for a member's retirement to become effective in any
51 month, the member must perform no work for an employer, including

1 part-time, temporary, substitute, or contractor work, at any time during the six
2 months immediately following the effective date of retirement. ~~For purposes~~
3 ~~of this subdivision, working as a member of a school board, board of trustees~~
4 ~~of a community college, board of trustees of any constituent institution of The~~
5 ~~University of North Carolina, as an unpaid bona fide volunteer in a local~~
6 ~~school administrative unit, or as an unpaid bona fide volunteer guardian ad~~
7 ~~litem in the guardian ad litem program shall not be considered service or work,~~
8 ~~and volunteering in positions normally designated as unpaid bona fide~~
9 ~~volunteer positions during the six months immediately following the effective~~
10 ~~date of retirement shall not be considered service.~~ A member who is a full-time
11 faculty member of The University of North Carolina may effect a retirement
12 allowance under this Chapter, notwithstanding the six-month requirement
13 above, provided the member immediately enters the University's Phased
14 Retirement Program for Tenured Faculty as that program existed on May 25,
15 2011. For purposes of this subdivision, all of the following shall not be
16 considered service or work:

- 17 a. Serving as an unpaid bona fide volunteer in a local school
18 administrative unit.
19 b. Serving as an unpaid bona fide volunteer guardian ad litem in the
20 guardian ad litem program.
21 c. Serving on an authority, board, commission, committee, council, or
22 other body of the State or of one or more counties, cities, local school
23 administrative units, community colleges, constituent institutions of
24 The University of North Carolina, or other political subdivisions or
25 public corporations in the State, that is authorized to function as
26 legislative, policy-making, quasi-judicial, administrative, or advisory
27 body in a position that does not require membership in the Retirement
28 System.
29 d. Volunteering in a position normally designated as an unpaid bona fide
30 volunteer position."

31 **SECTION 11.(a)** 135-5(m2) reads as rewritten:

32 "(m2) Special Retirement Allowance. – At any time coincident with or following retirement,
33 a member may make a one-time, irrevocable election to transfer any portion of the member's
34 eligible accumulated contributions, not including any Roth after-tax contributions and the
35 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North
36 Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive,
37 in addition to the member's basic service, early or disability retirement allowance, a special
38 retirement allowance which shall be based upon the member's transferred balance.

39 A member who became a member of the Supplemental Retirement Income Plan prior to
40 retirement and who remains a member of the Supplemental Retirement Income Plan may make
41 a one-time, irrevocable election to transfer eligible balances, not including any Roth after-tax
42 contributions and the earnings thereon, from any of the following plans to the Supplemental
43 Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement
44 Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement
45 System: (i) a plan participating in the North Carolina Public School Teachers' and Professional
46 Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code;
47 (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained by a state,
48 political subdivision of a state, or any agency or instrumentality of a state or political subdivision
49 of a state; (iv) an individual retirement account or annuity described in section 408(a) or section
50 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be

1 includible in gross income; or (v) a tax-qualified plan described in section 401(a) or section
2 403(a) of the Internal Revenue Code.

3 Notwithstanding anything to the contrary, a member may not transfer such amounts as will
4 cause the member's retirement allowance under the System to exceed the amount allowable under
5 G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be
6 transferred if a transfer is elected. The member may elect a special retirement allowance with no
7 postretirement increases or a special retirement allowance with annual postretirement increases
8 equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any
9 other allowance will not apply to the special retirement allowance. The Board of Trustees shall
10 provide educational materials to the members who apply for the transfer authorized by this
11 section. Those materials shall describe the special retirement allowance and shall explain the
12 relationship between the transferred balance and the monthly benefit and how the member's heirs
13 may be impacted by the election to make this transfer and any costs and fees involved.

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

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

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

- 40 (1) A member may elect to receive the special retirement allowance for life but
41 with payments guaranteed for a number of months to be specified by the Board
42 of Trustees. Under this plan, if the member dies before the expiration of the
43 specified number of months, the special retirement allowance will continue to
44 be paid to the member's designated beneficiary for the life of the beneficiary,
45 if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's
46 designated beneficiary will receive the benefit only for the remainder of the
47 specified number of months. If the member's designated beneficiary dies
48 before receiving payments for the specified number of months, any remaining
49 payments will be paid to the member's estate.
- 50 (2) A member may elect to receive the special retirement allowance for life but is
51 guaranteed that the sum of the special allowance payments will equal the total

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

7 ~~The Board of Trustees shall report annually to the Joint Legislative Commission on~~
8 ~~Governmental Operations on the number of persons who made an election in the previous~~
9 ~~calendar year, with any recommendations it might make on amendment or repeal based on any~~
10 ~~identified problems.~~

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

14 **SECTION 11.(b)** G.S. 128-27(m2) reads as rewritten:

15 "(m2) Special Retirement Allowance. – At any time coincident with or following retirement,
16 a member may make a one-time, irrevocable election to transfer any portion of the member's
17 eligible accumulated contributions, not including any Roth after-tax contributions and the
18 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North
19 Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive,
20 in addition to the member's basic service, early or disability retirement allowance, a special
21 retirement allowance which shall be based upon the member's transferred balance.

22 A member who became a member of the Supplemental Retirement Income Plan prior to
23 retirement and who remains a member of the Supplemental Retirement Income Plan may make
24 a one-time, irrevocable election to transfer eligible balances, not including any Roth after-tax
25 contributions and the earnings thereon, from any of the following plans to the Supplemental
26 Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement
27 Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement
28 System (i) a plan participating in the North Carolina Public School Teachers' and Professional
29 Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code;
30 (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained by a state,
31 political subdivision of a state, or any agency or instrumentality of a state or political subdivision
32 of a state; (iv) an individual retirement account or annuity described in section 408(a) or section
33 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be
34 includible in gross income; or (v) a tax-qualified plan described in section 401(a) or section
35 403(a) of the Internal Revenue Code.

36 Notwithstanding anything to the contrary, a member may not transfer such amounts as will
37 cause the member's retirement allowance under the System to exceed the amount allowable under
38 G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be
39 transferred if a transfer is elected. The member may elect a special retirement allowance with no
40 postretirement increases or a special retirement allowance with annual postretirement increases
41 equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any
42 other allowance will not apply to the special retirement allowance. The Board of Trustees shall
43 provide educational materials to the members who apply for the transfer authorized by this
44 section. Those materials shall describe the special retirement allowance and shall explain the
45 relationship between the transferred balance and the monthly benefit and how the member's heirs
46 may be impacted by the election to make this transfer and any costs and fees involved.

47 For the purpose of determining the special retirement allowance, the Board of Trustees shall
48 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality
49 and such other tables as may be necessary based upon actual experience. A single set of mortality
50 and such other tables will be used for all members, with factors differing only based on the age
51 of the member and the election of postretirement increases. The Board of Trustees shall modify

1 the mortality and such other tables every five years, as shall be deemed necessary, based upon
2 the five-year experience study as required by G.S. 128-28(o). Provided, however, a member who
3 transfers the member's eligible accumulated contributions from an eligible retirement plan
4 pursuant to this subsection to this Retirement System shall be taxed for North Carolina State
5 Income Tax purposes on the special retirement allowance the same as if that special retirement
6 allowance had been paid directly by the eligible plan or the plan through which the transfer was
7 made, whichever is most favorable to the member. The Local Governmental Employees'
8 Retirement System shall be responsible to determine the taxable amount, if any, and report
9 accordingly.

10 The special retirement allowance shall continue for the life of the member and the beneficiary
11 designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in
12 G.S. 128-27(g), if any. The Board of Trustees, however, shall establish two payment options that
13 guarantee payments as follows:

14 (1) A member may elect to receive the special retirement allowance for life but
15 with payments guaranteed for a number of months to be specified by the Board
16 of Trustees. Under this plan, if the member dies before the expiration of the
17 specified number of months, the special retirement allowance will continue to
18 be paid to the member's designated beneficiary for the life of the beneficiary,
19 if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's
20 designated beneficiary will receive the benefit only for the remainder of the
21 specified number of months. If the member's designated beneficiary dies
22 before receiving payments for the specified number of months, any remaining
23 payments will be paid to the member's estate.

24 (2) A member may elect to receive the special retirement allowance for life but is
25 guaranteed that the sum of the special allowance payments will equal the total
26 of the transferred amount. Under this payment option, if the member dies
27 before receiving the total transferred amount, the special retirement allowance
28 will continue to be paid to the member's designated beneficiary for the life of
29 the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,
30 the member's designated beneficiary or the member's estate shall be paid any
31 remaining balance of the transferred amount.

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

40 ~~The Board of Trustees shall report annually to the Joint Legislative Commission on~~
41 ~~Governmental Operations on the number of persons who made an election in the previous~~
42 ~~calendar year, with any recommendations it might make on amendment or repeal based on any~~
43 ~~identified problems.~~

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

47 **SECTION 12.** G.S. 128-28(g) reads as rewritten:

48 "(g) Rules and Regulations. – Subject to the limitations of this ~~Chapter, Article,~~ the Board
49 of Trustees shall, from time to time, establish rules and regulations for the administration of the
50 funds created by this ~~Chapter, Article~~ and for the transaction of its business. The Board of Trustees

1 shall also, from time to time, in its discretion, adopt rules and regulations to prevent injustices
2 and inequalities which might otherwise arise in the administration of this ~~Chapter~~Article."

3 **SECTION 13.** G.S. 128-30(j) reads as rewritten:

4 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System
5 generated pursuant to ~~G.S. 135-8(f)(2)f., G.S. 128-30(g)(2)b.,~~ containing a list of employees for
6 whom the employer made a contribution to the North Carolina Local Governmental Employees'
7 Retirement System that is likely to require an additional employer contribution should the
8 employee elect to retire in the following 12 months, the employer's chief financial officer shall
9 transmit a copy of the report to the governing body of the employer, if applicable."

10 **SECTION 14.** G.S. 135-4(jj) reads as rewritten:

11 "(jj) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement
12 allowance is subject to an adjustment pursuant to the contribution-based benefit cap established
13 in ~~G.S. 128-27(a3), G.S. 135-5(a3),~~ the retirement system shall notify the member and the
14 member's employer that the member's retirement allowance has been capped. The retirement
15 system shall compute and notify the member and the member's employer of the total additional
16 amount the member would need to contribute in order to make the member not subject to the
17 contribution-based benefit cap. This total additional amount shall be the actuarial equivalent of
18 a single life annuity adjusted for the age of the member at the time of retirement, or when
19 appropriate, the age at the time of the member's death that would have had to have been purchased
20 to increase the member's benefit to the pre-cap level. Except as otherwise provided in this
21 subsection, the member shall have until 90 days after notification regarding this additional
22 amount or until 90 days after the effective date of retirement, whichever is later, to submit a lump
23 sum payment to the annuity savings fund in order for the retirement system to restore the
24 retirement allowance to the uncapped amount. Nothing contained in this subsection shall prevent
25 an employer from paying all or part of the cost of the amount necessary to restore the member's
26 retirement allowance to the pre-cap amount. Notwithstanding the requirement that the payment
27 be made as a lump sum, the retirement system may allow an employer of a member who became
28 a member before January 1, 2015, or who has not earned at least five years of membership service
29 in the retirement system after January 1, 2015, to pay the lump-sum amount required in this
30 subsection on an installment payment plan under one of the following two options:

- 31 (1) Option one. – An installment payment plan ending no more than 15 months
32 after the retirement of the member.
- 33 (2) Option two. – An installment payment plan ending no more than 27 months
34 after the retirement of the member. Interest shall be assessed on the principal
35 amount of the contribution-based benefit cap liability owed and applied to any
36 installment payment plan term exceeding 12 months at a rate corresponding
37 with the interest rate assumption based on the most recent actuarial valuation
38 approved by the Board of Trustees.

39 Payment under both installment plans must be completed regardless of whether the member
40 continues to receive a recurring monthly retirement benefit through the end of the installment
41 period."

42 **SECTION 15.** Except as otherwise provided, this act is effective when it becomes
43 law.