

SENATE BILL NO. 2057

Introduced by

Government and Veterans Affairs Committee

(At the request of the Teachers' Fund for Retirement)

1 A BILL for an Act to create and enact a new section to chapter 15-39.1 of the North Dakota
2 Century Code, relating to the purchase of service credit by employers under the teachers' fund
3 for retirement; and to amend and reenact subsection 9 of section 15-39.1-04, sections
4 15-39.1-10.3, 15-39.1-10.6, 15-39.1-15, 15-39.1-16, 15-39.1-18, 15-39.1-19.1, and 15-39.1-20,
5 and subsection 11 of section 15-39.1-24 of the North Dakota Century Code, relating to
6 definition of salary, dual membership, benefit limitations, withdrawal, benefit options, disability
7 retirement, discontinuance of retirement benefits, and acceptance of rollovers under the
8 teacher's fund for retirement.

9 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

10 **SECTION 1. AMENDMENT.** Subsection 9 of section 15-39.1-04 of the North Dakota
11 Century Code is amended and reenacted as follows:

12 9. "Salary" means a member's earnings in eligible employment under this chapter for
13 teaching, supervisory, administrative, and extracurricular services during a school
14 year reported as salary on the member's federal income tax withholding
15 statements plus any salary reduction or salary deferral amounts under 26 U.S.C.
16 125, 132(f), 401(k), 403(b), 414(h), or 457. "Salary" ~~with respect to a member who~~
17 ~~begins participation in the plan under former chapter 15-39, or chapter 15-39.1 or~~
18 ~~15-39.2 after June 30, 1996;~~ includes bonus amounts paid to members for
19 performance, retention, experience, and other service-related bonuses, unless
20 amounts are conditioned on or made in anticipation of an individual member's
21 retirement or termination. The annual salary of each member taken into account in
22 determining benefit accruals and contributions may not exceed the annual
23 compensation limits established under 26 U.S.C. 401(a)(17)(B), as amended by
24 ~~the Omnibus Budget Reconciliation Act of 1993 [Pub. L. 103-66; 107 Stat. 312].~~

1 ~~The annual compensation limit is one hundred fifty thousand dollars, as adjusted~~
2 ~~by the commissioner of the internal revenue service for increases in the cost of~~
3 ~~living in accordance with 26 U.S.C. 401(a)(17)(B). A salary maximum is not~~
4 ~~applicable to members whose participation began before July 1, 1996. "Salary"~~
5 ~~does not include fringe benefits such as payments for unused sick leave, personal~~
6 ~~leave, vacation leave, housing allowances, transportation expenses, early~~
7 ~~retirement incentive pay, severance pay, medical insurance, workers'~~
8 ~~compensation benefits, disability insurance premiums or benefits, referee pay,~~
9 ~~busdriver pay, janitorial pay, or salary received by a member in lieu of previously~~
10 ~~employer provided fringe benefits.:~~

- 11 a. Fringe benefits or side, nonwage, benefits that accompany or are in addition
12 to a member's employment, including insurance programs, annuities,
13 transportation allowances, housing allowances, meals, lodging, or expense
14 allowances, or other benefits provided by a member's employer.
15 b. Insurance programs, including medical, dental, vision, disability, life, long-term
16 care, workers' compensation, or other insurance premiums or benefits.
17 c. Payments for unused sick leave, personal leave, vacation leave, or other
18 unused leave.
19 d. Early retirement incentive pay, severance pay, or other payments conditioned
20 on or made in anticipation of retirement or termination.
21 e. Teacher's aide pay, referee pay, busdriver pay, or janitorial pay.
22 f. Amounts received by a member in lieu of previously employer-provided
23 benefits or payments that are made on an individual selection basis.
24 g. Recruitment bonuses.
25 h. Other benefits or payments not defined in subdivisions a through g which the
26 board determines to be ineligible teachers' fund for retirement salary.

27 **SECTION 2. AMENDMENT.** Section 15-39.1-10.3 of the North Dakota Century Code
28 is amended and reenacted as follows:

29 **15-39.1-10.3. Multiple plan membership - Eligibility for benefits - Amount of**
30 **benefits.**

- 1 1. a. For the purpose of determining vesting of rights and eligibility for benefits
2 under this chapter, a teacher's years of service credit is the total of the years
3 of service credit earned in the fund and the years, with twelve months of
4 compensation equal to a year, of service employment earned in any number
5 of the following alternate plans:
- 6 (1) The public employees retirement system.
7 (2) The highway patrolmen's retirement system.
- 8 Service credit may not exceed one year of service in any fiscal year in
9 determining vesting and benefit eligibility.
- 10 b. If a teacher terminates eligible employment under the fund, if that teacher has
11 not received a refund of member ~~assessments~~ contributions, and if that
12 teacher begins eligible employment in a plan described in paragraph 1 or 2 of
13 subdivision a, that teacher may elect to remain an inactive member of the
14 fund without refund of ~~assessments~~ contributions. The board shall terminate
15 the inactive status of a teacher under this subdivision if the teacher gains
16 eligible employment under this chapter or if the teacher terminates eligible
17 employment under a plan described in paragraph 1 or 2 of subdivision a.
- 18 c. A Pursuant to rules adopted by the board, a teacher who has service credit in
19 the fund and in any number of the alternate plans described in paragraphs 1
20 and 2 of subdivision a is entitled to benefits under this chapter, ~~calculated by~~
21 ~~using the certified salaries of the retirement plan of last membership in the~~
22 ~~computation of final average monthly salary. The board shall calculate~~
23 ~~benefits for a teacher under this section by using only those years of service~~
24 ~~credit earned under this chapter. A teacher may elect to have benefits~~
25 calculated using the benefit formula in subsection 2 of section 15-39.1-10
26 under either of the following calculation methods:
- 27 (1) Using the three highest certified fiscal year salaries of this plan in the
28 computation of final average salary and all service credit earned in this
29 plan; or
- 30 (2) Using the three highest certified fiscal year salaries of this plan
31 combined with the alternate plan in the computation of final average

1 salary and service credit not to exceed one year in any fiscal year when
2 combined with the service credit earned in the alternate retirement plan.

3 2. a. If a teacher, who is ~~a member of the~~ eligible to participate in this fund, is also
4 ~~employed in any position where membership in the public employees~~ eligible
5 ~~to participate in an alternate~~ retirement system is required, then for purposes
6 ~~of current employment the teacher is a member of the retirement system in~~
7 ~~which the teacher has the most years of service credit. If the teacher has an~~
8 ~~equal amount of service credit in both the fund and the public employees~~
9 ~~retirement system, the teacher is a member of the public employees~~
10 ~~retirement system. The board of trustees of the teachers' fund for retirement~~
11 ~~and the state retirement board shall jointly certify to the appropriate employers~~
12 ~~of the teacher the fact of the beginning and termination of eligibility for dual~~
13 ~~membership in the respective retirement systems and the retirement system~~
14 ~~to which the teacher is required to be a member under this subsection, the~~
15 employee is a member of the teachers' fund for retirement for duties covered
16 under this fund, and the employee is also a member of the public employees
17 retirement system or highway patrolmen's retirement system for duties
18 covered by those alternate retirement systems. The employers ~~upon receipt~~
19 ~~of this certification shall pay over to that retirement system the member~~
20 ~~assessments and employer contributions at the rates currently existing for~~
21 ~~that the applicable system. If the teacher is required to be a member of the~~
22 ~~public employees retirement system, the board, at the teacher's election, shall~~
23 ~~designate the teacher an inactive member of the fund without refund of the~~
24 ~~teacher's accumulated assessments with interest until the teacher ceases the~~
25 ~~employment which requires membership in both the fund and the public~~
26 ~~employees retirement system.~~

27 b. If a teacher described in subdivision a was employed prior to August 1, 2003,
28 and has dual member rights, the teacher may elect to begin participation in
29 the alternate plan pursuant to the plan provisions on August 1, 2003, or may
30 continue participation pursuant to the plan provisions in effect on July 31,
31 2003. A plan participation election is required by five p.m. on October 31,

1 2003. If an election is not received by the retirement plan, the participation
2 and benefit calculation requirements of this chapter as of July 31, 2003,
3 continue to be in effect for the teacher.

4 3. Under rules adopted by the board, an individual whose service credit was canceled
5 when that individual received a refund of assessments at termination of
6 employment under this chapter may, while that individual participates in a plan
7 described in paragraph 1 or 2 of subdivision a of subsection 1, repurchase that
8 service credit that was canceled.

9 **SECTION 3. AMENDMENT.** Section 15-39.1-10.6 of the North Dakota Century Code
10 is amended and reenacted as follows:

11 **15-39.1-10.6. Benefit limitations.** Benefits with respect to a member participating
12 under former chapter 15-39 or chapter 15-39.1 or 15-39.2 may not exceed the maximum
13 benefits specified under section 415 of the Internal Revenue Code [26 U.S.C. 415] in effect on
14 August 1, 2003, for governmental plans. This section does not constitute an election under
15 section 415(b)(10)(C) of the Internal Revenue Code [26 U.S.C. 415(b)(10)(C)] in effect on
16 August 1, 2003.

17 **SECTION 4. AMENDMENT.** Section 15-39.1-15 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **15-39.1-15. Withdrawal from fund - Return to teaching.** Any teacher who has
20 withdrawn from the fund as set forth in this chapter may, by returning to teach in a public school
21 or state institution of this state, regain credit for prior teaching by making the required payment.
22 The required payment, if made within five years of returning to teach, is the amount that was
23 withdrawn with interest. In all other cases, the purchase cost must be on an actuarial
24 equivalent basis. ~~The fund may accept rollovers from other qualified plans under rules adopted~~
25 ~~by the board for the repurchase of refunds previously taken, but only to the extent the transfer is~~
26 ~~a rollover contribution that meets the requirements of section 408 of the Internal Revenue~~
27 ~~Code.~~

28 **SECTION 5. AMENDMENT.** Section 15-39.1-16 of the North Dakota Century Code is
29 amended and reenacted as follows:

30 **15-39.1-16. Option of teachers eligible to receive annuities.** The board shall adopt
31 rules providing for the receipt of retirement benefits in the following optional forms:

1 Option one. Upon the death of the teacher, the reduced retirement allowance must be
2 continued throughout the life of, and paid to, the ~~person as the teacher has nominated by~~
3 ~~written designation filed with the board~~ teacher's designated beneficiary named at the time of
4 retirement. If the person designated to receive the teacher's reduced retirement allowance
5 predeceases the teacher, the reduced retirement allowance must be converted to a single life
6 retirement annuity under which benefit payments, if the person designated died prior to July 1,
7 1989, must begin on July 1, 1989, or, if the person designated dies on or after July 1, 1989,
8 must begin on the first day of the month following the death of the person designated.

9 Option two. Upon the death of the teacher, one-half of the reduced retirement
10 allowance must be continued throughout the life of, and paid to, the ~~person as the teacher has~~
11 ~~nominated by written designation filed with the board~~ teacher's designated beneficiary named at
12 the time of retirement. If the person designated to receive the teacher's reduced retirement
13 allowance predeceases the teacher, the reduced retirement allowance must be converted to a
14 single life retirement annuity under which benefit payments, if the person designated died prior
15 to July 1, 1989, must begin on July 1, 1989, or, if the designated beneficiary dies on or after
16 July 1, 1989, must begin on the first day of the month following the death of the person
17 designated.

18 Option three. Upon the death of the teacher within ~~five~~ twenty years of the
19 commencement of annuity payments, the payments must be continued for the remainder of the
20 ~~five-year~~ twenty-year period to the ~~person as the teacher has nominated by written designation~~
21 ~~filed with the board~~ teacher's designated beneficiary. This payment option is available to
22 teachers who retire after July 31, 2003.

23 Option four. Upon the death of the teacher within ten years of the commencement of
24 annuity payments, the payments must be continued for the remainder of the ten-year period to
25 the ~~person as the teacher has nominated by written designation filed with the board~~ teacher's
26 designated beneficiary.

27 Option five. Level retirement income with social security option, which is available to
28 teachers retiring before social security is payable.

29 Option six. Partial lump sum distribution option. A member who is eligible for an
30 unreduced service retirement annuity under section 15-39.1-10 and who retires after July 31,

1 2003, may make a one-time election to receive a portion of the retirement annuity paid in a
2 lump sum distribution upon retirement, pursuant to rules adopted by the board.

3 1. The eligible member may select a standard service retirement annuity or an
4 optional service retirement annuity described in this section, together with a partial
5 lump sum distribution. The partial lump sum distribution option is not available to
6 members who have selected option five, the level income retirement option. This
7 option is not available to disabled members or beneficiaries of deceased members.
8 The partial lump sum distribution option may be elected only once by a member
9 and may not be elected by a retiree.

10 2. The amount of the partial lump sum distribution under this section is twelve months
11 of a standard service retirement annuity computed under section 15-39.1-10 and
12 payable at the same time that the first monthly payment of the annuity is paid.

13 3. The service retirement annuity selected by the member must be actuarially
14 reduced to reflect the partial lump sum distribution option selected by the member.

15 4. Before a retiring member selects a partial lump sum distribution under this section,
16 the fund shall provide a written notice to the member of the amount by which the
17 member's annuity will be reduced because of the selection.

18 The amount of the reduced retirement allowance payable upon the exercise of any of these
19 options must be computed upon an actuarial basis through the use of standard actuarial tables
20 and based upon the ages of the teacher and the teacher's designated beneficiary. A member's
21 spouse, if designated as beneficiary, must consent in writing to the member's choice of benefit
22 payment option for any benefit payments commencing after June 30, 1999. The board may rely
23 on the member's representations about that person's marital status in determining the
24 member's marital status. The spouse's written consent must be witnessed by a notary or a plan
25 representative. If the spouse does not consent, or cannot be located, the member's annuity
26 benefit must be paid using option two, the fifty percent joint and survivor option.

27 **SECTION 6. AMENDMENT.** Section 15-39.1-18 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 **15-39.1-18. Disability retirements.**

- 1 1. Any member may also retire and receive a disability annuity if, after a period of at
2 least one year of service as a member in this state, the member suffers from total
3 disability as determined by the board.
- 4 2. The amount of the disability annuity is the greater of the amount computed by the
5 retirement formula in section 15-39.1-10 without consideration of age or the
6 amount computed by that formula without consideration of age but assuming the
7 member had twenty years of credited service. A member determined eligible for a
8 disability annuity under this section may elect to receive an annuity under any of
9 the options allowed in section 15-39.1-16, except the level retirement income with
10 social security option or the partial lump sum option.
- 11 3. The disability annuity continues until the death or prior recovery of the disabled
12 annuitant. The board shall ascertain by periodic medical examinations the
13 continued disability status of a disabled annuitant.
- 14 4. If a disabled annuitant recovers and returns to active teaching, that annuitant is
15 entitled to the retirement benefit credits which the annuitant earned prior to the time
16 of disablement, and the credits which the annuitant earned after returning to active
17 teaching must be added to those earned prior to disablement.

18 **SECTION 7. AMENDMENT.** Section 15-39.1-19.1 of the North Dakota Century Code
19 is amended and reenacted as follows:

20 **15-39.1-19.1. (Effective from January 29, 2001, through July 31, 2005) Annuities**
21 **discontinued on resumption of teaching.**

- 22 1. Except as otherwise provided in section 15-39.1-19.2, a retired teacher who is
23 receiving a retirement annuity under chapter 15-39, 15-39.1, or 15-39.2 may not
24 return to covered employment until thirty calendar days have elapsed from the
25 member's retirement date. Except as otherwise provided in this section, a retired
26 member may then return to covered employment ~~for a maximum of seven hundred~~
27 ~~hours per year~~ under an annual hour limit and continue receiving a monthly
28 retirement benefit. The annual hour limit is based on the length of the reemployed
29 retiree's contract as follows:
 - 30 a. Retiree reemployment of nine months or less, annual limit is seven hundred
31 hours;

- 1 b. Retiree reemployment of ten months, annual limit is eight hundred hours;
2 c. Retiree reemployment of eleven months, annual limit is nine hundred hours;
3 or
4 d. Retiree reemployment of twelve months, annual limit is one thousand hours.
5 Employment as a substitute teacher does not apply to the ~~seven hundred hour~~
6 ~~restriction. The board may waive this restriction in emergency situations~~ annual
7 hour limit. Professional development and extracurricular duties do not apply to the
8 annual hour limit. Should the retired member's employment exceed the ~~seven~~
9 ~~hundred hour maximum~~ annual hour limit, the retired member must immediately
10 notify the fund office in writing. Failure to notify the fund office results in the loss of
11 one month's annuity benefit. Except as otherwise provided in this section, the
12 retired member's monthly benefit must be discontinued the first of the month
13 following the date the member reaches the ~~seven hundred hour maximum~~ annual
14 hour limit. A retired member who returns to teaching shall pay the required
15 ~~assessments~~ contributions on those earnings received by the retired member after
16 ~~reaching the seven hundred hour maximum~~ annual hour limit. The employer shall
17 pay the required contributions in a like manner.
- 18 2. A retired member may return to teaching for up to one year without losing any
19 benefits provided at least fifty percent of the salary earned by that person is placed
20 in a school district's educational foundation or a private educational foundation.
21 Employee and employer ~~assessments~~ contributions under this arrangement must
22 be paid by the person's employer. ~~Assessments~~ Contributions must be paid on the
23 total salary earned by the retired member without regard to the amount of money
24 placed in an educational foundation. A retired member reemployed under the
25 provisions of this subsection must be treated as retired for all other purposes under
26 this chapter. Notwithstanding subdivision a of subsection 3, a retired member may
27 not earn any additional service during the period of reemployment. The member's
28 benefits may not be adjusted to reflect changes in the member's age or final
29 average monthly salary at the end of the period of reemployment, any optional
30 form of payment elected under section 15-39.1-16 remains effective during and
31 after the period of reemployment, additional benefits normally available to an active

1 member, such as disability benefits, are not available to a retired member
2 reemployed under this subsection, and refunds may not be made to a retired
3 member at the end of that person's period of reemployment. For purposes of this
4 subsection, a school district's educational foundation must be a nonprofit or
5 charitable organization exempt from federal income taxation under section
6 501(c)(3) of the United States Internal Revenue Code [26 U.S.C. 501(c)(3)].

7 3. Upon the retired teacher's subsequent retirement, the member's benefit must be
8 resumed as follows:

9 a. If the teacher subsequently retires with less than two years of additional
10 earned credited service, the teacher's ~~assessments~~ contributions paid to the
11 fund must be refunded in accordance with section 15-39.1-20 and the teacher
12 is entitled to receive the discontinued annuity, plus any postretirement benefit
13 adjustments granted during the period of reemployment, the first day of the
14 month following the teacher's re-retirement.

15 b. If the teacher subsequently retires with two or more but less than five years of
16 additional earned credited service, the retired person's annuity is the greater
17 of the sum of the discontinued annuity, plus an additional annuity computed
18 according to this chapter based upon years of service and average salaries
19 earned during the period of reemployment plus any postretirement benefit
20 adjustments granted during the period of reemployment, or a recalculated
21 annuity computed according to this chapter based on total years of service
22 credit earned during both employment periods offset by the actuarial value of
23 payments already received. The new annuity is payable the first day of the
24 month following the member's re-retirement.

25 c. If the teacher subsequently retires with five or more years of additional earned
26 credited service, the retired person's annuity is the greater of the sum of the
27 discontinued annuity plus an additional annuity based upon years of service
28 and average salaries earned during the period of reemployment plus any
29 postretirement benefit adjustments granted during the period of
30 reemployment, or a recalculated annuity based on all years of service

1 computed under subsection 2 of section 15-39.1-10. The new annuity is
2 payable the first day of the month following the member's re-retirement.

3 **(Effective after July 31, 2005) Annuities discontinued on resumption of teaching.**

4 1. Except as otherwise provided in section 15-39.1-19.2, a retired teacher who is
5 receiving a retirement annuity under chapter 15-39, 15-39.1, or 15-39.2 may not
6 return to covered employment until thirty calendar days have elapsed from the
7 member's retirement date. A retired member may then return to covered
8 employment ~~for a maximum of seven hundred hours per year~~ under an annual
9 hour limit and continue receiving a monthly retirement benefit. The annual hour
10 limit is based on the length of the reemployed retiree's contract as follows:

11 a. Retiree reemployment of nine months or less, annual limit is seven hundred
12 hours;

13 b. Retiree reemployment of ten months, annual limit is eight hundred hours;

14 c. Retiree reemployment of eleven months, annual limit is nine hundred hours;
15 or

16 d. Retiree reemployment of twelve months, annual limit is one thousand hours.

17 Employment as a substitute teacher does not apply to the ~~seven~~
18 ~~hundred hour restriction. The board may waive this restriction in emergency~~
19 ~~situations~~ annual hour limit. Professional development and extracurricular duties
20 do not apply to the annual hour limit.

21 Should the retired member's employment exceed the ~~seven hundred hour~~
22 ~~maximum~~ annual hour limit, the retired member must immediately notify the fund
23 office in writing. Failure to notify the fund office results in the loss of one month's
24 annuity benefit. The retired member's monthly benefit must be discontinued the
25 first of the month following the date the member reaches the ~~seven hundred hour~~
26 ~~maximum~~ annual hour limit.

27 A retired member who returns to teaching shall pay the required ~~assessments~~
28 contributions on those earnings received by the retired member after reaching the
29 ~~seven hundred hour maximum~~ annual hour limit. The employer shall pay the
30 required contributions in a like manner.

- 1 2. Upon the retired teacher's subsequent retirement, the member's benefit must be
2 resumed as follows:
- 3 ~~4.~~ a. If the teacher subsequently retires with less than two years of additional
4 earned credited service, the teacher's ~~assessments~~ contributions paid to the
5 fund must be refunded in accordance with section 15-39.1-20 and the teacher
6 is entitled to receive the discontinued annuity, plus any postretirement benefit
7 adjustments granted during the period of reemployment, the first day of the
8 month following the teacher's re-retirement.
- 9 ~~2.~~ b. If the teacher subsequently retires with two or more but less than five years of
10 additional earned credited service, the retired person's annuity is the greater
11 of the sum of the discontinued annuity, plus an additional annuity computed
12 according to this chapter based upon years of service and average salaries
13 earned during the period of reemployment plus any postretirement benefit
14 adjustments granted during the period of reemployment, or a recalculated
15 annuity computed according to this chapter based on total years of service
16 credit earned during both employment periods offset by the actuarial value of
17 payments already received. The new annuity is payable the first day of the
18 month following the member's re-retirement.
- 19 ~~3.~~ c. If the teacher subsequently retires with five or more years of additional earned
20 credited service, the retired person's annuity is the greater of the sum of the
21 discontinued annuity plus an additional annuity based upon years of service
22 and average salaries earned during the period of reemployment plus any
23 postretirement benefit adjustments granted during the period of
24 reemployment, or a recalculated annuity based on all years of service
25 computed under subsection 2 of section 15-39.1-10. The new annuity is
26 payable the first day of the month following the member's re-retirement.

27 **SECTION 8. AMENDMENT.** Section 15-39.1-20 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 **15-39.1-20. Withdrawal from fund.** When a member of the fund ceases to be eligible
30 under the terms of this chapter to participate in the fund, the member may, after a period of one
31 hundred twenty days, withdraw from the fund and is then entitled to receive a refund of

1 assessments accumulated with interest. The one-hundred-twenty-day requirement may be
2 waived by the board when it has evidence the teacher will not be returning to teach in North
3 Dakota. The refund is in lieu of any other benefits to which the member may be entitled under
4 the terms of this chapter. The accumulated assessments of a member who ceases to be
5 eligible to participate in the fund before becoming vested must be automatically refunded. The
6 assessments plus interest earned, if not claimed by the member, must be returned in the fiscal
7 year following the date of termination. The automatic refund must be waived provided the
8 member presents the board with a statement of intent to return to teach in North Dakota within
9 thirty-six months after eligibility to participate in the fund ceases. The board may waive the
10 automatic refund for members who present to the board a statement of intent to return to teach
11 in North Dakota within a period exceeding thirty-six months after eligibility to participate in the
12 fund ceases. A member may elect, at the time and under rules adopted by the board, to have
13 any portion of an eligible rollover distribution paid directly in a direct rollover to an eligible
14 retirement plan specified by the member as allowed under section 401(a)(31) of the Internal
15 Revenue Code in effect on August 1, 2003.

16 **SECTION 9. AMENDMENT.** Subsection 11 of section 15-39.1-24 of the North Dakota
17 Century Code is amended and reenacted as follows:

18 11. The fund may accept ~~rollovers from other qualified plans under rules adopted by~~
19 ~~the board for the purchase of additional service credit, but only to the extent the~~
20 ~~transfer is a rollover contribution that meets the requirements of section 408 of the~~
21 ~~Internal Revenue Code~~ eligible rollovers, direct rollovers, and trustee-to-trustee
22 transfers from eligible retirement plans specified under Internal Revenue Code
23 section 402(c)(8)(B) to purchase refunded service credit under section 15-39.1-15
24 and to purchase additional service credit under section 15-39.1-24. The board
25 shall adopt rules to ensure that the rollovers and transfers comply with the
26 requirements of the Internal Revenue Code and internal revenue service
27 regulations. The total amount rolled over or transferred into the fund may not
28 exceed the amount due to purchase service credit.

29 **SECTION 10.** A new section to chapter 15-39.1 of the North Dakota Century Code is
30 created and enacted as follows:

- 1 **Employer service purchases.** A participating employer may purchase additional
2 service credit on behalf of a member under the following conditions:
- 3 1. The member may not be given the option to choose between an employer service
4 purchase and an equivalent amount paid in cash.
- 5 2. The member must meet one of the following conditions at the time the purchase is
6 made:
- 7 a. The member's age plus service credit must be equal to or greater than
8 seventy-seven; or
- 9 b. The member's age must be at least fifty-five and the member must have at
10 least three years of service credit.
- 11 3. The board must determine the purchase price on an actuarially equivalent basis.
- 12 4. The purchase must be completed before the member's retirement.
- 13 5. The employer may purchase a maximum of three years of service credit on behalf
14 of the member.
- 15 6. The employer must pay the purchase price for the service credit purchased under
16 this section in a lump sum.