

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE BILL 402

Short Title: Purchase Military Service/Retirement. (Public)

Sponsors: Representatives Glazier, Eddins (Primary Sponsors); Blackwood, Dickson, Faison, Lucas, McAllister, McLawhorn, and Moore.

Referred to: Pensions and Retirement.

March 1, 2005

A BILL TO BE ENTITLED
AN ACT TO REINSTATE THE PURCHASE OF SERVICE CREDIT FOR CERTAIN
PERIODS OF ACTIVE MILITARY DUTY BY MEMBERS OF THE TEACHERS'
AND STATE EMPLOYEES' RETIREMENT SYSTEM AND MEMBERS OF THE
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4(f)(7) reads as rewritten:

"(7) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service in the Armed Forces of the United States, not otherwise allowed, by paying a total lump sum payment determined as follows:

a. For members who completed 10 years of membership service, and retired members who completed 10 years of membership service prior to retirement, ~~whose membership began on or prior to July 1, 1981,~~ and who make this purchase within three years after first becoming eligible, the cost shall be an amount equal to the monthly compensation the member earned when he first entered membership service times the employee contribution rate at that time times the months of service to be purchased, with sufficient interest added thereto so as to equal one-half of the cost of allowing this service, plus an administrative fee to be set by the Board of Trustees.

b. For members who complete five years of membership service, and retired members who complete five years of membership service prior to retirement, and eligible members and retired members covered by paragraph a. of this subdivision, ~~whose membership began on or before July 1, 1981,~~ but who did not or do not make this purchase within three years after first

1 becoming eligible, the cost shall be an amount equal to the full
2 liability of the service credits calculated on the basis of the
3 assumptions used for the purposes of the actuarial valuation of
4 the System's liabilities and shall take into account the retirement
5 allowance arising on account of the additional service credits
6 commencing at the earliest age at which the member could
7 retire on an unreduced allowance, as determined by the Board
8 of Trustees upon the advice of the consulting actuary, plus an
9 administrative fee to be set by the Board of Trustees.
10 Notwithstanding the foregoing provisions of this subsection that
11 provide for the purchase of service credits, the term "full
12 liability" includes assumed post-retirement allowance increases,
13 as determined by the Board of Trustees, from the earliest age at
14 which a member could retire on an unreduced service
15 retirement allowance.

16 Creditable service allowed under this subdivision shall be only for
17 the initial period of "active duty", as defined in 38 U.S. Code Section
18 101(21), in the Armed Forces of the United States up to the date the
19 member was first eligible to be separated and released and for
20 subsequent periods of "active duty", as defined in 38 U.S. Code
21 Section 101(21), as required by the Armed Forces of the United States
22 up to the date of first eligibility for separation or release, but shall not
23 include periods of active duty in the Armed Forces of the United States
24 creditable in any other retirement system except the national guard or
25 any reserve component of the Armed Forces of the United States, and
26 shall not include periods of "active duty for training", as defined in 38
27 U.S. Code Section 101(22), or periods of "inactive duty training", as
28 defined in 38 U.S. Code Section 101(23), rendered in any reserve
29 component of the Armed Forces of the United States. Provided,
30 creditable service may be allowed only for active duty in the Armed
31 Forces of the United States of a member that resulted in a general or
32 honorable discharge from duty. The member shall submit satisfactory
33 evidence of the service claimed. For purposes of this subsection,
34 membership service may include any membership or prior service
35 credits transferred to this Retirement System pursuant to
36 G.S. 135-18.1.

37 The retirement allowance of a retired member who purchases
38 creditable service under this subdivision shall be increased the month
39 following the month payment is received. The increase in the
40 retirement allowance shall be the difference between the initial
41 retirement allowance, under any optional allowance elected at the time
42 of retirement, and the amount of the retirement allowance, under any
43 optional allowance elected at the time of retirement, to which the
44 retired member would have been entitled had the purchased creditable

1 service been creditable at the time of retirement, adjusted by any
2 increases in the retirement accrual rate occurring between the
3 member's date of retirement and the date of payment. The increase in
4 the retirement allowance shall not include any adjustment for
5 cost-of-living increases granted since the date of retirement."

6 **SECTION 2.** G.S. 128-26(j1) reads as rewritten:

7 "(j1) Notwithstanding any other provision of this Chapter, any member and any
8 retired member as herein described may purchase creditable service for service in the
9 Armed Forces of the United States, not otherwise allowed, by paying a total lump sum
10 payment determined as follows:

11 (1) For members who completed 10 years of membership service, and
12 retired members who completed 10 years of membership service prior
13 to retirement, ~~and whose membership began on or prior to January 1,~~
14 ~~1988,~~ and who make such purchase within three years after first
15 becoming eligible, the cost shall be an amount equal to the monthly
16 compensation the member earned when he first entered membership
17 service times the employee contribution rate at that time times the
18 months of service to be purchased with sufficient interest added
19 thereto so as to equal one-half of the cost of allowing such service,
20 plus an administrative fee to be set by the Board of Trustees.

21 (2) For members who complete five years of membership service, and
22 retired members who complete five years of membership service prior
23 to retirement, and eligible members and retired members covered by
24 paragraph (1) of this subdivision, ~~whose membership began on or~~
25 ~~before January 1, 1988,~~ but who did not or do not make such purchase
26 within three years after first becoming eligible, the cost shall be an
27 amount equal to the full liability of the service credits calculated on the
28 basis of the assumptions used for the purposes of the actuarial
29 valuation of the System's liabilities and shall take into account the
30 retirement allowance arising on account of the additional service
31 credits commencing at the earliest age at which the member could
32 retire on an unreduced allowance, as determined by the Board of
33 Trustees upon the advice of the consulting actuary, plus an
34 administrative fee to be set by the Board of Trustees. Notwithstanding
35 the foregoing provisions of this subsection that provide for the
36 purchase of service credits, the term "full liability" includes assumed
37 post-retirement allowance increases, as determined by the Board of
38 Trustees, from the earliest age at which a member could retire on an
39 unreduced service retirement allowance.

40 Creditable service allowed under this subdivision shall be only for the initial period
41 of "active duty", as defined in 38 U.S. Code Section 101(21), in the Armed Forces of
42 the United States up to the date the member was first eligible to be separated and
43 released and for subsequent periods of "active duty", as defined in 38 U.S. Code Section
44 101(21), as required by the Armed Forces of the United States up to the date of first

1 eligibility for separation or release, but shall not include periods of active duty in the
2 Armed Forces of the United States creditable in any other retirement system except the
3 national guard or any reserve component of the Armed Forces of the United States, and
4 shall not include periods of "active duty for training", as defined in 38 U.S. Code
5 Section 101(22), or periods of "inactive duty training", as defined in 38 U.S. Code
6 Section 101(23), rendered in any reserve component of the Armed Forces of the United
7 States. Provided, creditable service may be allowed only for active duty in the Armed
8 Forces of the United States of a member that resulted in a general or honorable
9 discharge from duty. The member shall submit satisfactory evidence of the service
10 claimed. For purposes of this subsection, membership service may include any
11 membership or prior service credits transferred to this Retirement System pursuant to
12 G.S. 128-24.

13 The retirement allowance of a retired member who purchases creditable service
14 under this subsection shall be increased the month following the month payment is
15 received. The increase in the retirement allowance shall be the difference between the
16 initial retirement allowance, under any optional allowance elected at the time of
17 retirement, and the amount of the retirement allowance, under any optional allowance
18 elected at the time of retirement, to which the retired member would have been entitled
19 had the purchased creditable service been creditable at the time of retirement, adjusted
20 by any increases in the retirement accrual rate occurring between the member's date of
21 retirement and the date of payment. The increase in the retirement allowance shall not
22 include any adjustment for cost-of-living increases granted since the date of retirement."

23 **SECTION 3.** This act becomes effective July 1, 2005.