

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

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HOUSE BILL 1025

Short Title: Local Govern. Retirement/Purchase of Service. (Public)

Sponsors: Representatives Coleman; Faison, Wainwright, and Wray.

Referred to: Pensions and Retirement.

March 27, 2007

A BILL TO BE ENTITLED
AN ACT TO AUTHORIZE EMPLOYERS TO AMORTIZE THE PAYMENT OF THE
COST OF PROBATIONARY EMPLOYMENT FOR MEMBERS OF THE LOCAL
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-26(q) reads as rewritten:

"(q) Credit at Full Cost for Probationary Employment. – Notwithstanding any other provision of this Chapter, a member may purchase creditable service, prior to retirement, for employment with an employer as defined in this Article when considered to be in a probationary or employer imposed waiting period status and thereby not regularly employed, between date of employment and date of membership service with the retirement system, provided that the employer or former employer of such a member has revoked this probationary employment or waiting period policy.

Provided, the member shall purchase this service by making a lump sum amount payable to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the liabilities of the retirement system, and the calculation of the amount payable shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. In no instance shall the amount payable be less than the contributions a member would have made during the employment plus four percent (4%) interest compounded annually.

~~Nothing contained in this subsection shall prevent an employer from paying all or part of the cost; and, to the extent paid by an employer, payments shall be credited to the Pension Accumulation Fund; and to the extent paid by a member, payments shall be credited to the Annuity Savings Fund; provided, however, an employer may not discriminate against any member or group of members in his employ in paying all or any part of this cost.~~ Notwithstanding the foregoing provisions of this subsection that

1 provide for the purchase of service credits, the terms "full cost", "full liability", and "full
2 actuarial cost" include assumed annual post-retirement allowance increases, as
3 determined by the Board of Trustees, from the earliest age at which a member could
4 retire on an unreduced service allowance.

5 Nothing contained in this subsection shall prevent an employer or member from
6 paying all or a part of the cost of the probationary employment; and to the extent paid
7 by the employer, the cost paid by the employer shall be credited to the pension
8 accumulation fund; and to the extent paid by the member, the cost paid by the member
9 shall be credited to the member's annuity savings account; provided, however, an
10 employer does not discriminate against any member or group of members in its current
11 employ in paying all or any part of the cost of the probationary employment. In the
12 event an employer pays all or a part of the full actuarial cost, the employer may, at its
13 option, pay such amount either in a lump sum or by increasing its "accrued liability
14 contribution" for the remainder of its accrued liability period. In the event an employer
15 has satisfied its accrued liability contribution, the employer may amortize its portion of
16 the full actuarial cost over a period not to exceed 10 years. The expense of making an
17 actuarial valuation to determine the accrued liability contribution or the additional
18 accrued liability contribution, required to amortize the portion of the full actuarial cost
19 paid by the employer, shall be paid by the employer in a lump sum at the time of the
20 actuarial valuation."

21 **SECTION 2.** This act is effective when it becomes law.