

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE DRH30009-LL-5 (12/1)

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

Sponsors: Representatives Glazier and Eddins (Primary Sponsors).

Referred to:

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

1 or do not make this purchase within three years after first
2 becoming eligible, the cost shall be an amount equal to the full
3 liability of the service credits calculated on the basis of the
4 assumptions used for the purposes of the actuarial valuation of
5 the System's liabilities and shall take into account the retirement
6 allowance arising on account of the additional service credits
7 commencing at the earliest age at which the member could
8 retire on an unreduced allowance, as determined by the Board
9 of Trustees upon the advice of the consulting actuary, plus an
10 administrative fee to be set by the Board of Trustees.
11 Notwithstanding the foregoing provisions of this subsection that
12 provide for the purchase of service credits, the term "full
13 liability" includes assumed post-retirement allowance increases,
14 as determined by the Board of Trustees, from the earliest age at
15 which a member could retire on an unreduced service
16 retirement allowance.

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

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

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

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

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

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

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

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

1 101(21), as required by the Armed Forces of the United States up to the date of first
2 eligibility for separation or release, but shall not include periods of active duty in the
3 Armed Forces of the United States creditable in any other retirement system except the
4 national guard or any reserve component of the Armed Forces of the United States, and
5 shall not include periods of "active duty for training", as defined in 38 U.S. Code
6 Section 101(22), or periods of "inactive duty training", as defined in 38 U.S. Code
7 Section 101(23), rendered in any reserve component of the Armed Forces of the United
8 States. Provided, creditable service may be allowed only for active duty in the Armed
9 Forces of the United States of a member that resulted in a general or honorable
10 discharge from duty. The member shall submit satisfactory evidence of the service
11 claimed. For purposes of this subsection, membership service may include any
12 membership or prior service credits transferred to this Retirement System pursuant to
13 G.S. 128-24.

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

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