

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2007**

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**HOUSE DRH70186-LL-77 (2/13)**

Short Title: Purchase of Military Service. (Public)

Sponsors: Representatives Glazier, Lucas, Dickson, and Killian (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR THE PURCHASE OF CREDITABLE SERVICE IN THE ARMED FORCES OF THE UNITED STATES FOR 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**SECTION 1.** G.S. 135-4(f)(7) is repealed.

**SECTION 2.** G.S. 135-4(f) is amended by adding a new subdivision to read:

"(8) Notwithstanding any other provision of this Chapter, any member who has completed 10 years of current membership service, and any retired member who has completed 10 years of current membership service prior to retirement, may purchase creditable service in the Armed Forces of the United States by making a lump-sum payment. The payment by the member shall be the sum of the six percent (6%) required employee contributions of the System plus the normal employer rate as determined by the System's most recent actuarial valuation times the greater of the following:

- a. The reported compensation in the last 12 months of membership service; or
  - b. The highest reported compensation the member has received during any calendar year;
- plus a twenty-five dollar (\$25.00) administrative fee.

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

1           subsequent periods of "active duty", as defined in 38 U.S. Code  
2           section 101(21), as required by the Armed Forces of the United States  
3           up to the date of first eligibility for separation or release, but shall not  
4           include periods of active duty in the Armed Forces of the United States  
5           creditable in any other retirement system except the national guard or  
6           any reserve component of the Armed Forces of the United States, and  
7           shall not include periods of "active duty for training", as defined in 38  
8           U.S. Code section 101(22), or periods of "inactive duty training", as  
9           defined in 38 U.S. Code section 101(23), rendered in any reserve  
10           component of the Armed Forces of the United States. However,  
11           creditable service may be allowed only for active duty in the Armed  
12           Forces of the United States of a member that resulted in a general or  
13           honorable discharge from duty. The member shall submit satisfactory  
14           evidence of the service claimed. For purposes of this subdivision,  
15           membership service may include any membership or prior service  
16           credits transferred to this Retirement System pursuant to  
17           G.S. 135-18.1.

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

31           Current membership service shall mean membership service earned  
32           after the military service was rendered."

33           **SECTION 3.** G.S. 128-26(j1) is repealed.

34           **SECTION 4.** G.S. 128-26 is amended by adding a new subsection to read:

35           "(w) Purchase of Military Service. – Notwithstanding any other provision of this  
36           Chapter, any member who has completed 10 years of current membership service, and  
37           any retired member who has completed 10 years of current membership service prior to  
38           retirement, may purchase creditable service in the Armed Forces of the United States by  
39           making a lump-sum payment. The payment by the member shall be the sum of the six  
40           percent (6%) required employee contributions of the System plus the normal employer  
41           rate as determined by the System's most recent actuarial valuation times the greater of  
42           the following:

43           (1) The reported compensation in the last 12 months of membership  
44           service; or

1           (2) The highest reported compensation the member has received during  
2           any calendar year;  
3           plus a twenty-five dollar (\$25.00) administrative fee.

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

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

30           Current membership service shall mean membership service earned after the military  
31           service was rendered."

32           **SECTION 5.** This act becomes effective July 1, 2007, but does not diminish  
33           any inchoate or accrued rights of any member as of that date.