

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 883

Short Title: Purchase of Military Service. (Public)

Sponsors: Representatives Glazier, Lucas, Dickson, Killian (Primary Sponsors);
Alexander, Dockham, Faison, Harrison, Martin, McGee, Pierce, Saunders,
Underhill, Wainwright, E. Warren, and R. Warren.

Referred to: Pensions and Retirement.

March 20, 2007

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE FOR THE PURCHASE OF CREDITABLE SERVICE IN
2 THE ARMED FORCES OF THE UNITED STATES FOR MEMBERS OF THE
3 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND
4 MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT
5 SYSTEM.
6

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 135-4(f)(7) is repealed.

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

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

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

24 Creditable service allowed under this subdivision shall be only for
25 the initial period of "active duty", as defined in 38 U.S. Code section
26 101(21), in the Armed Forces of the United States up to the date the
27 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.