

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**SESSION 1997**

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HOUSE BILL 1362

Short Title: Military Service Credit.

(Public)

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Sponsors: Representatives Preston; Capps, Davis, Hall, Hardy, Hurley, Morris, Nichols, Sexton, Shubert, Smith, and Warner.

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Referred to: Judiciary I, if favorable, Pensions and Retirement.

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May 20, 1998

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE THAT TRANSFERRED SERVICE CREDITS MAY BE  
2 INCLUDED IN DETERMINING WHETHER A MEMBER OF THE TEACHERS'  
3 AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL  
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM MAY PURCHASE  
5 MILITARY SERVICE.  
6

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 128-26(j1) reads as rewritten:

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

- 13 (1) For members who completed 10 years of membership service, and  
14 retired members who completed 10 years of membership service prior  
15 to retirement, and whose current membership began on or prior to  
16 January 1, 1988, and who make such purchase within three years after  
17 first becoming eligible, the cost shall be an amount equal to the monthly  
18 compensation the member earned when he first entered current  
19 membership service times the employee contribution rate at that time

1 times the months of service to be purchased with sufficient interest  
2 added thereto so as to equal one-half of the cost of allowing such  
3 service, plus an administrative fee to be set by the Board of Trustees.

- 4 (2) For members who complete five years of membership service, and  
5 retired members who complete five years of membership service prior  
6 to retirement, and eligible members and retired members covered by  
7 paragraph (1) of this subdivision, whose current membership began on  
8 or before January 1, 1988, but who did not or do not make such  
9 purchase within three years after first becoming eligible, the cost shall  
10 be an amount equal to the full liability of the service credits calculated  
11 on the basis of the assumptions used for the purposes of the actuarial  
12 valuation of the System's liabilities and shall take into account the  
13 retirement allowance arising on account of the additional service credits  
14 commencing at the earliest age at which the member could retire on an  
15 unreduced allowance, as determined by the Board of Trustees upon the  
16 advice of the consulting actuary, plus an administrative fee to be set by  
17 the Board of Trustees. Notwithstanding the foregoing provisions of this  
18 subsection that provide for the purchase of service credits, the term "full  
19 liability" includes assumed post-retirement allowance increases, as  
20 determined by the Board of Trustees, from the earliest age at which a  
21 member could retire on an unreduced service retirement allowance.

22 Creditable service allowed under this subdivision shall be only for the initial period of  
23 active duty in the Armed Forces of the United States up to the date the member was first  
24 eligible to be separated and released and for subsequent periods of active duty as required  
25 by the Armed Forces of the United States up to the date of first eligibility for separation  
26 or release, but shall not include periods of active duty in the Armed Forces of the United  
27 States creditable in any other retirement system except the national guard or any reserve  
28 component of the Armed Forces of the United States. Provided, creditable service may be  
29 allowed only for active duty in the Armed Forces of the United States of a member that  
30 resulted in a general or honorable discharge from duty. The member shall submit  
31 satisfactory evidence of the service claimed. For purposes of this subsection,  
32 membership service may include any membership or prior service credits transferred to  
33 this Retirement System pursuant to G.S. 128-24."

34 Section 2. G.S. 135-4(f)(7) reads as rewritten:

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

- 39 a. For members who completed 10 years of membership service,  
40 and retired members who completed 10 years of membership  
41 service prior to retirement, whose current membership began on  
42 or prior to July 1, 1981, and who make this purchase within three  
43 years after first becoming eligible, the cost shall be an amount

1 equal to the monthly compensation the member earned when he  
2 first entered current membership service times the employee  
3 contribution rate at that time times the months of service to be  
4 purchased, with sufficient interest added thereto so as to equal  
5 one-half of the cost of allowing this service, plus an  
6 administrative fee to be set by the Board of Trustees.

- 7 b. For members who complete five years of membership service,  
8 and retired members who complete five years of membership  
9 service prior to retirement, and eligible members and retired  
10 members covered by paragraph a. of this subdivision, whose  
11 current membership began on or before July 1, 1981, but who did  
12 not or do not make this purchase within three years after first  
13 becoming eligible, the cost shall be an amount equal to the full  
14 liability of the service credits calculated on the basis of the  
15 assumptions used for the purposes of the actuarial valuation of  
16 the System's liabilities and shall take into account the retirement  
17 allowance arising on account of the additional service credits  
18 commencing at the earliest age at which the member could retire  
19 on an unreduced allowance, as determined by the Board of  
20 Trustees upon the advice of the consulting actuary, plus an  
21 administrative fee to be set by the Board of Trustees.  
22 Notwithstanding the foregoing provisions of this subsection that  
23 provide for the purchase of service credits, the term "full  
24 liability" includes assumed post-retirement allowance increases,  
25 as determined by the Board of Trustees, from the earliest age at  
26 which a member could retire on an unreduced service retirement  
27 allowance.

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

40 Section 3. This act is effective when it becomes law and applies to persons  
41 retiring on or after that date.