

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 214

Short Title: Workers' Comp/AFC Years.
(Public)

Sponsors: Senators Phillips; Dalton, Garwood, Jordan, Kinnaird, Lee, Lucas, Miller, Purcell, Rand, Reeves, and Wellons.

Referred to: Pensions & Retirement and Aging.

March 2, 1999

A BILL TO BE ENTITLED

1
2 AN ACT TO PROVIDE A MEANS OF MEASURING AVERAGE FINAL
3 COMPENSATION FOR MEMBERS OF THE TEACHERS' AND STATE
4 EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL
5 RETIREMENT SYSTEM WHO PURCHASE CREDITABLE SERVICE FOR
6 LEAVES OF ABSENCE INCURRED WHILE RECEIVING WORKERS'
7 COMPENSATION PAYMENTS.

8 The General Assembly of North Carolina enacts:

9 Section 1. G.S. 128-26(l) reads as rewritten:

10 "(l) Notwithstanding any other provision of this Chapter, any member may
11 purchase creditable service for periods of employer approved leaves of absence when in
12 receipt of benefits under the North Carolina Workers' Compensation Act. This service
13 shall be purchased by paying a cost calculated in the following manner:

14 (1) Leaves of Absence Terminated Prior to July 1, 1983. – The cost to a
15 member whose employer approved leave of absence, when in receipt of
16 benefits under the North Carolina Workers' Compensation Act,
17 terminated upon return to service prior to July 1, 1983, shall be a lump
18 sum amount payable to the Annuity Savings Fund equal to the full
19 liability of the service credits calculated on the basis of the assumptions

1 used for purposes of the actuarial valuation of the system's liabilities,
2 and shall take into account the retirement allowance arising on account
3 of the additional service credit commencing at the earliest age at which
4 the member could retire on an unreduced retirement allowance, as
5 determined by the board of trustees upon the advice of the consulting
6 actuary, plus an administrative fee to be set by the Board of Trustees.
7 Notwithstanding the foregoing provisions of this subdivision that
8 provide for the purchase of service credits, the terms "full cost", "full
9 liability", and "full actuarial cost" include assumed annual post-
10 retirement allowance increases, as determined by the Board of Trustees,
11 from the earliest age at which a member could retire on an unreduced
12 service allowance.

- 13 (2) Leaves of Absence Terminating On and After July 1, 1983. – The cost
14 to a member whose employer approved leave of absence, when in
15 receipt of benefits under the North Carolina Workers' Compensation
16 Act, terminates upon return to service on and after July 1, 1983, shall be
17 a lump sum amount due and payable to the Annuity Savings Fund
18 within six months from return to service equal to the total employee and
19 employer percentage rates of contribution in effect at the time of
20 purchase and based on the annual rate of compensation of the member
21 immediately prior to the leave of absence; Provided, however, the cost
22 to a member whose amount due is not paid within six months from
23 return to service shall be the amount due plus one percent (1%) per
24 month penalty for each month or fraction thereof the payment is made
25 beyond the six-month period.

26 Whenever the creditable service purchased pursuant to this
27 subsection is for a period that occurs during the four consecutive
28 calendar years that would have produced the highest average annual
29 compensation pursuant to G.S. 128-21(5) had the member not been on
30 leave of absence without pay, then the compensation that the member
31 would have received during the purchased period shall be included in
32 calculating the member's average final compensation. In such cases, the
33 compensation that the member would have received during the
34 purchased period shall be based on the annual rate of compensation of
35 the member immediately prior to the leave of absence."

36 Section 2. G.S. 135-4(r) reads as rewritten:

37 "(r) Notwithstanding any other provision of this Chapter, any member may
38 purchase creditable service for periods of employer approved leaves of absence when in
39 receipt of benefits under the North Carolina Workers' Compensation Act. This service
40 shall be purchased by paying a cost calculated in the following manner:

- 41 (1) Leaves of Absence Terminated Prior to July 1, 1983. – The cost to a
42 member whose employer approved leave of absence, when in receipt of
43 benefits under the North Carolina Workers' Compensation Act,

1 terminated upon return to service prior to July 1, 1983, shall be a lump
2 sum amount payable to the Annuity Savings Fund equal to the full
3 liability of the service credits calculated on the basis of the assumptions
4 used for purposes of the actuarial valuation of the system's liabilities,
5 and shall take into account the retirement allowance arising on account
6 of the additional service credit commencing at the earliest age at which
7 the member could retire on an unreduced retirement allowance, as
8 determined by the board of trustees upon the advice of the consulting
9 actuary, plus an administrative fee to be set by the board of trustees.
10 Notwithstanding the foregoing provisions of this subdivision that
11 provide for the purchase of service credits, the terms "full cost", "full
12 liability", and "full actuarial cost" include assumed annual post-
13 retirement allowance increases, as determined by the Board of Trustees,
14 from the earliest age at which a member could retire on an unreduced
15 service allowance.

16 (2) Leaves of Absence Terminating On and After July 1, 1983, but before
17 January 1, 1988. – The cost to a member whose employer approved
18 leave of absence, when in receipt of benefits under the North Carolina
19 Workers' Compensation Act, terminates upon return to service on and
20 after July 1, 1983, but before January 1, 1988, shall be a lump sum
21 amount due and payable to the Annuity Savings Fund within six months
22 from return to service equal to the total employee and employer
23 percentage rates of contribution in effect at the time of purchase and
24 based on the annual rate of compensation of the member immediately
25 prior to the leave of absence; Provided, however, the cost to a member
26 whose amount due is not paid within six months from return to service
27 shall be the amount due plus one percent (1%) per month penalty for
28 each month or fraction thereof the payment is made beyond the six-
29 month period.

30 (3) Leaves of Absence Terminating On and After January 1, 1988. – The
31 cost to a member whose employer approved leave of absence, when in
32 receipt of benefits under the North Carolina Workers' Compensation
33 Act, terminates upon or before a return to service on and after January 1,
34 1988, shall be due and payable to the Annuity Savings Fund within six
35 months from return to service and shall be a lump sum amount equal to
36 the employee percentage rate of contribution in effect at the time of
37 purchase applied to the annual rate of compensation of the member
38 immediately prior to the leave of absence. For members electing to
39 make this payment, the member's employer which granted the leave of
40 absence, or the member's employer upon a return to service, or both,
41 shall make a matching lump sum payment to the Pension Accumulation
42 Fund within six months from return to service equal to the employer
43 percentage rate of contribution in effect at the time of purchase applied

1 to the annual rate of compensation of the member immediately prior to
2 the leave of absence. Such purchases of creditable service are applicable
3 only when members have membership service credits within 30 days
4 prior to the leave of absence and within 12 months following the leave
5 of absence and such membership service is creditable service at the time
6 of purchase. Notwithstanding any other provision of this subdivision,
7 the cost to a member and to a member's employer or former employer or
8 both employers whose amount due is not paid within six months from
9 return to service shall be the amount due plus one percent (1%) per
10 month penalty for each month or fraction thereof that the payment is
11 made after the six-month period.

12 Whenever the creditable service purchased pursuant to this
13 subsection is for a period that occurs during the four consecutive
14 calendar years that would have produced the highest average annual
15 compensation pursuant to G.S. 135-1(5) had the member not been on
16 leave of absence without pay, then the compensation that the member
17 would have received during the purchased period shall be included in
18 calculating the member's average final compensation. In such cases, the
19 compensation that the member would have received during the
20 purchased period shall be based on the annual rate of compensation of
21 the member immediately prior to the leave of absence."

22 Section 3. This act becomes effective July 1, 1999, and applies to persons
23 retiring on or after that date.