

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

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SENATE BILL 1238\*

Short Title: Withdrawn Retirement Service.

(Public)

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Sponsors: Senators Dalton; Albertson, Gulley, and Harris.

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Referred to: Pensions & Retirement and Aging.

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June 6, 2002

A BILL TO BE ENTITLED

1 AN ACT TO ALLOW THE PURCHASE OF WITHDRAWN SERVICE IN THE  
2 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM AND TO  
3 CORRECT THE CALCULATION OF BENEFITS FOR MEMBERS OF THE  
4 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM WHO  
5 PURCHASE WITHDRAWN SERVICE.  
6

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 128-26(i) reads as rewritten:

9 "(i) Notwithstanding any other provision of this Chapter, any person who  
10 withdrew his contributions in accordance with the provisions of G.S. 128-27(f) or  
11 135-5(f) or the rules and regulations of the Law Enforcement Officers' Retirement  
12 System and who subsequently returns to service may, upon completion of ~~10~~ five years  
13 of prior and current membership service, repay in a total lump sum any and all of the  
14 accumulated contributions previously withdrawn with ~~sufficient interest added thereto~~  
15 ~~to cover one half of the cost of providing such additional credit plus a fee to cover~~  
16 ~~expense of handling which shall be determined by the Board of Trustees and receive~~  
17 ~~credit for the service forfeited at time of withdrawal(s), provided that he left service~~  
18 ~~prior to July 1, 1975. interest compounded annually at the rate of six and one-half~~  
19 ~~percent (6.5%) for each calendar year from the year of withdrawal to the year of~~  
20 ~~repayment plus a fee to cover expense of handling which shall be determined by the~~  
21 ~~Board of Trustees, and receive credit for the service forfeited at time of withdrawal(s).~~  
22 ~~Any person who leaves service after June 30, 1975, and who withdraws his~~  
23 ~~contributions in accordance with G.S. 128-27(f) or 135-5(f) or the rules and regulations~~  
24 ~~of the Law Enforcement Officers' Retirement System and who subsequently returns to~~  
25 ~~service may, upon completion of 10 years of prior and current membership service,~~  
26 ~~repay in a total lump sum any and all of the accumulated contributions previously~~  
27 ~~withdrawn with sufficient interest added thereto to cover the full cost of providing such~~  
28 ~~additional credit plus a fee to cover expense of handling which shall be determined by~~  
29 ~~the Board of Trustees and receive credit for the service forfeited at time of~~

1 ~~withdrawal(s)~~. These provisions shall apply equally to retired members who had  
2 attained 40 five years of prior and current membership service prior to retirement. ~~Cost~~  
3 ~~as used in this subsection shall mean the amount of money required to provide~~  
4 ~~additional retirement benefits based on service credit allowed at the time any adjustment~~  
5 ~~to the service credit of a member is made.~~ The retirement allowance of a retired member  
6 who restores service under this subsection shall be increased the month following the  
7 month payment is received. The increase in the retirement allowance shall be the  
8 difference between the initial retirement allowance, under any optional allowance  
9 elected at the time of retirement, and the amount of the retirement allowance, under any  
10 optional allowance elected at the time of retirement, to which the retired member would  
11 have been entitled had the service not been previously forfeited, adjusted by any  
12 increases in the retirement accrual rate occurring between the member's date of  
13 retirement and the date of payment. The increase in the retirement allowance shall not  
14 include any adjustment for cost-of-living increases granted since the date of retirement."

15 **SECTION 2.** G.S. 128-26(k) reads as rewritten:

16 "(k) Notwithstanding any language to the contrary of any provision of this section,  
17 or of any repealed provision of this section that was repealed with the inchoate and  
18 accrued rights preserved, all repayments and purchases of service credits, allowed under  
19 the provisions of this section or of any repealed provision of this section that was  
20 repealed with inchoate and accrued rights preserved, must be made within three years  
21 after the member first becomes eligible to make such repayments and purchases. Any  
22 member who does not repay or purchase service credits within said three years after first  
23 eligibility to make such repayments and purchases may, under the same conditions as  
24 are otherwise required, repay or purchase service credits provided that the repayment or  
25 purchase equals the full cost of the service credits calculated on the basis of the  
26 assumptions used for purchases of the actuarial valuation of the System's liabilities and  
27 shall take into account the additional retirement allowance arising on account of such  
28 additional service credit commencing at the earliest age at which such member could  
29 retire on an unreduced retirement allowance as determined by the Board of Trustees  
30 upon the advice of the consulting actuary. Notwithstanding the foregoing provisions of  
31 this subsection that provide for the purchase of service credits, the terms "full cost",  
32 "full liability", and "full actuarial cost" include assumed annual post-retirement  
33 allowance increases, as determined by the Board of Trustees, from the earliest age at  
34 which a member could retire on an unreduced service allowance. Notwithstanding the  
35 foregoing, on and after January 1, 2003, the provisions of this subsection shall not apply  
36 to the repayment of contributions withdrawn pursuant to subsection (i) of this section."

37 **SECTION 3.** G.S. 128-26(n) is repealed.

38 **SECTION 4.** G.S. 135-4(k) reads as rewritten:

39 "(k) Notwithstanding any other provision of this Chapter, any person who  
40 withdrew his contributions in accordance with the provisions of G.S. 128-27(f) or G.S.  
41 135-5(f) or the rules and regulations of the Law-Enforcement Officers' Retirement  
42 System and who subsequently returns to service may, upon completion of five years of  
43 membership service, repay in a total lump sum any and all of the accumulated  
44 contributions previously withdrawn with interest compounded annually at the rate of six

1 and one-half percent (6.5%) for each calendar year from the year of withdrawal to the  
2 year of repayment plus a fee to cover expense of handling which shall be determined by  
3 the Board of Trustees, and receive credit for the service forfeited at time of withdrawal.  
4 These provisions shall apply equally to retired members who had attained five years of  
5 membership service prior to retirement. ~~The retirement benefit shall be increased the~~  
6 ~~month following the receipt of payment. The retirement benefit shall not include any~~  
7 ~~benefit as a result of retirement adjustments or cost of living increases granted since the~~  
8 ~~date of retirement. The retirement benefit will be calculated based in the accrual rate at~~  
9 ~~the time of purchase. The retirement allowance of a retired member who restores service~~  
10 under this subsection shall be increased the month following the month payment is  
11 received. The increase in the retirement allowance shall be the difference between the  
12 initial retirement allowance, under any optional allowance elected at the time of  
13 retirement, and the amount of the retirement allowance, under any optional allowance  
14 elected at the time of retirement, to which the retired member would have been entitled  
15 had the service not been previously forfeited, adjusted by any increases in the retirement  
16 accrual rate occurring between the member's date of retirement and the date of payment.  
17 The increase in the retirement allowance shall not include any adjustment for cost-of-  
18 living increases granted since the date of retirement.

19 Notwithstanding any provision to the contrary, a law enforcement officer who was  
20 transferred from the Law Enforcement Officers' Retirement System to this Retirement  
21 System pursuant to Article 12C of Chapter 143 of the General Statutes and withdrew his  
22 accumulated contributions prior to January 1, 1985, in accordance with G.S. 128-27(f)  
23 or G.S. 135-5(f) for non-law enforcement service and who has five years or more of  
24 membership service standing to his credit may repay in a total lump sum the  
25 accumulated contributions previously withdrawn with interest compounded annually at  
26 the rate of six and one-half percent (6.5%) for each calendar year from the year of  
27 withdrawal to the year of repayment plus a fee to cover expense of handling which shall  
28 be determined by the Board of Trustees, and receive credit for the service forfeited at  
29 time of ~~withdrawal. The retirement benefit shall be increased the month following the~~  
30 ~~receipt of payment. The retirement benefit shall not include any benefit as a result of~~  
31 ~~retirement adjustments or cost of living increases granted since the date of retirement.~~  
32 ~~The retirement benefit will be calculated based in the accrual rate at the time of~~  
33 ~~purchase. withdrawal(s). The retirement allowance of a retired member who restores~~  
34 service under this subsection shall be increased the month following the month payment  
35 is received. The increase in the retirement allowance shall be the difference between the  
36 initial retirement allowance, under any optional allowance elected at the time of  
37 retirement, and the amount of the retirement allowance, under any optional allowance  
38 elected at the time of retirement, to which the retired member would have been entitled  
39 had the service not been previously forfeited, adjusted by any increases in the retirement  
40 accrual rate occurring between the member's date of retirement and the date of payment.  
41 The increase in the retirement allowance shall not include any adjustment for cost-of-  
42 living increases granted since the date of retirement."

43 **SECTION 5.** This section becomes effective January 1, 2003.