

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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SENATE BILL 1238
Pensions & Retirement and Aging Committee Substitute Adopted 7/2/02

Short Title: Withdrawn Retirement Service.

(Public)

Sponsors:

Referred to:

June 6, 2002

A BILL TO BE ENTITLED

AN ACT TO ALLOW THE PURCHASE OF WITHDRAWN SERVICE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM AND TO CORRECT THE CALCULATION OF BENEFITS FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM WHO PURCHASE WITHDRAWN SERVICE.

The General Assembly of North Carolina enacts:

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

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prior and current membership service, repay in a total lump sum any and all of the accumulated contributions previously withdrawn with ~~sufficient interest added thereto to cover one half of the cost of providing such additional credit plus a fee to cover expense of handling which shall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prior and current membership service, repay in a total lump sum any and all of the accumulated contributions previously withdrawn with sufficient interest added thereto to cover the full cost of providing such additional credit plus a fee to cover expense of handling which shall be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

43 **SECTION 4.1.** The appropriation to the Department of State Treasurer,
44 Retirement Systems Division is increased in the amount of two hundred forty-seven

1 thousand seven hundred thirteen dollars (\$247,713) to fund eight two-year time-limited
2 positions to implement the provisions of this act.

3 **SECTION 5.** This act becomes effective January 1, 2003.