

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE DRH80142-LL-39 (2/4)

Short Title: Creditable Service/Workers' Compensation.

(Public)

Sponsors: Representative Wright.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT CREDITABLE SERVICE IN THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM SHALL INCLUDE PERIODS OF EMPLOYER-APPROVED LEAVES OF ABSENCE WHEN IN RECEIPT OF WORKERS' COMPENSATION BENEFITS.

The General Assembly of North Carolina enacts:

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

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

- (1) Leaves of Absence Terminated Prior to July 1, 1983. – The cost to a member whose employer approved leave of absence, when in receipt of benefits under the North Carolina Workers' Compensation Act, terminated upon return to service prior to July 1, 1983, shall be a lump sum amount payable to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, and shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance

1 increases, as determined by the Board of Trustees, from the earliest
2 age at which a member could retire on an unreduced service
3 allowance.

- 4 (2) Leaves of Absence Terminating On and After July 1, 1983- 1983, But
5 Before July 1, 2005. – The cost to a member whose employer
6 approved leave of absence, when in receipt of benefits under the North
7 Carolina Workers' Compensation Act, terminates upon return to
8 service on and after July 1, 1983, but before July 1, 2005, shall be a
9 lump sum amount due and payable to the Annuity Savings Fund
10 within six months from return to service equal to the total employee
11 and employer percentage rates of contribution in effect at the time of
12 purchase and based on the annual rate of compensation of the member
13 immediately prior to the leave of absence; Provided, however, the cost
14 to a member whose amount due is not paid within six months from
15 return to service shall be the amount due plus one percent (1%) per
16 month penalty for each month or fraction thereof the payment is made
17 beyond the six-month period.

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

- 28 (3) Leaves of Absence Terminating On and After July 1, 2005. – The cost
29 to a member whose employer approved leave of absence, when in
30 receipt of benefits under the North Carolina Workers' Compensation
31 Act, terminates upon or before a return to service on and after July 1,
32 2005, shall be due and payable to the Annuity Savings Fund within six
33 months from return to service and shall be a lump-sum amount equal
34 to the employee percentage rate of contribution in effect at the time of
35 purchase applied to the annual rate of compensation of the member
36 immediately prior to the leave of absence. For members electing to
37 make this payment, the member's employer which granted the leave of
38 absence, or the member's employer upon a return to service, or both,
39 shall make a matching lump-sum payment to the Pension
40 Accumulation Fund within six months from return to service equal to
41 the employer percentage rate of contribution in effect at the time of
42 purchase applied to the annual rate of compensation of the member
43 immediately prior to the leave of absence. Such purchases of creditable
44 service are applicable only when members have membership service

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

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

19 **SECTION 2.** This act becomes effective July 1, 2005.