

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

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SENATE BILL 1238  
Pensions & Retirement and Aging Committee Substitute Adopted 7/2/02  
House Committee Substitute Favorable 7/17/02

Short Title: Withdrawn Retirement Service.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AN ACT TO ALLOW THE PURCHASE OF WITHDRAWN SERVICE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, TO CORRECT THE CALCULATION OF BENEFITS FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM WHO PURCHASE WITHDRAWN SERVICE, AND TO INCREASE APPROPRIATIONS TO THE RETIREMENT SYSTEMS DIVISION.

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 ~~40~~ 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prior and current membership service, repay in a total lump sum any and all of the accumulated contributions previously withdrawn with ~~sufficient interest added thereto to cover one half of the cost of providing such additional credit plus a fee to cover expense of handling which shall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prior and current membership service, repay in a total lump sum any and all of the accumulated contributions previously withdrawn with sufficient interest added thereto to cover the full cost of providing such~~

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

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

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

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

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

41 "(k) Notwithstanding any other provision of this Chapter, any person who  
42 withdrew his contributions in accordance with the provisions of G.S. 128-27(f) or G.S.  
43 135-5(f) or the rules and regulations of the Law-Enforcement Officers' Retirement  
44 System and who subsequently returns to service may, upon completion of five years of

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

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

1           **SECTION 4.1.** The appropriation to the Department of State Treasurer,  
2 Retirement Systems Division, is increased in the amount of two hundred forty-seven  
3 thousand seven hundred thirteen dollars (\$247,713) to fund eight two-year time-limited  
4 positions to implement the provisions of this act.

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