

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1331 (First Edition)
SHORT TITLE: Purchase Part-Time Retirement Service.
SPONSOR(S): Representative Insko

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

SYSTEM OR PROGRAM AFFECTED: Teachers' & State Employees' Retirement System

EFFECTIVE DATE: When it becomes law

BILL SUMMARY: The present law permits a member of the Teachers and State Employees' Retirement System to purchase credit for service previously rendered on a part-time basis, if the member pays the full actuarial cost of providing the credit. This bill makes two changes: (1) it changes what the member pays, so that the member pays 12% of the member's compensation at the time of service plus interest compounded at 6.5% for each calendar year from the time of the service; and (2) it provides that service credit may be purchased either in full or in one-year increments. For the purpose of computing a one-year increment, it provides that for employees not in school districts, three-fourths time or greater is considered full-time

ESTIMATED IMPACT ON STATE: Both, the Retirement System's actuary, Mellon, and the General Assembly's Actuary, Hartman & Associates, estimates the cost to be 0.01% of the payroll of all members of the Teachers' and State Employees' Retirement System.

Table with 6 columns: Fund Name, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10. Rows include General Fund, Highway Fund, Receipt Funds, and TOTAL COST.

ASSUMPTIONS AND METHODOLOGY: Teachers' & State Employees' Retirement System: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of

separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Mellon
General Assembly Actuary - Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION (919) 733-4910 The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

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DATE: May 24, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices