

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 1846 (First Edition)
SHORT TITLE: Enhance National Guard Pension Fund.
SPONSOR(S): Senator Dalton

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: North Carolina National Guard Pension Fund

EFFECTIVE DATE: July 1, 2008

PROVISION SUMMARY: Increases the benefit from the North Carolina National Guard Pension Fund from \$95 to \$105 per month for the first 20 years of service and from \$9.50 to \$10.50 per month for each additional year of service. This will raise the maximum benefit from \$190 to \$210 per month.

ESTIMATED IMPACT ON STATE: Both, Buck Consultants, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost will be as follows:

	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund	\$1,712,430	\$1,712,430	\$1,712,430	\$1,712,430	\$1,712,430

ASSUMPTIONS AND METHODOLOGY: North Carolina National Guard Pension Fund

The cost estimates of the Fund's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2006 actuarial valuation of the Fund. The data included 5,644 active members, 3,718 former members entitled to deferred benefits and 2,835 retired members in receipt of annual pensions totaling \$5.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) for deaths before and after retirement, the 1994 Group Annuity Mortality Tables are used set forward three years for males and two years for females. All mortality rates are projected from December 31, 2005 with Scale AA and (c) rates of separation from active service based on experience. The actuarial cost method used was projected benefit method with entry age normal cost and open-ended unfunded accrued liability and a frozen unfunded liquidation period of nine years. Gains and losses are reflected in the unfunded actuarial accrued liability. 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: Buck Consultants
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.

PREPARED BY: Stanley Moore

APPROVED BY:
Lynn Muchmore, Director
Fiscal Research Division

DATE: May 26, 2008



Signed Copy Located in the NCGA Principal Clerk's Offices