

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATION

BILL NUMBER: House Bill 1121

SHORT TITLE: 1996 Retirement Benefits Act (Agency Bill)

SPONSOR(S): Representative McCombs

FUNDS AFFECTED: **General (X)** **Highway (X)** **Local (X)**

BILL SUMMARY: Provides a post-retirement increase of four percent (4%) in the benefits of retirees of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, and Local Governmental Employees' Retirement System -

EFFECTIVE DATE: July 1, 1996

SYSTEM OR PROGRAM AFFECTED Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, and Local Governmental Employees' Retirement System

ESTIMATED IMPACT ON STATE

Teachers' and State Employees' Retirement System

SYSTEM ACTUARY

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-2000	<u>FY</u> 2000-2001
GENERAL FUND	\$44.1m	\$46.4m	\$48.8m	\$51.3m	\$54.0m
HIGHWAY FUND	\$ 3.8m	\$ 4.0m	\$ 4.2m	\$ 4.4m	\$ 4.7m

GENERAL ASSEMBLY ACTUARY

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-2000	<u>FY</u> 2000-2001
GENERAL FUND	\$40.8m	\$42.9m	\$45.1m	\$47.5m	\$49.9m
HIGHWAY FUND	\$ 3.5M	\$ 3.7m	\$ 3.9m	\$ 4.1m	4.3m

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Consolidated Judicial Retirement System

SYSTEM ACTUARY

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-2000	<u>FY</u> 2000-2001
GENERAL FUND	\$411,810	\$432,401	\$454,021	\$476,722	\$500,558

GENERAL ASSEMBLY ACTUARY

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	1996-97	1997-98	1998-99	1999-2000	2000-2001
GENERAL FUND	\$428,171	\$449,580	\$472,059	\$495,662	\$520,445

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Legislative Retirement System

SYSTEM ACTUARY

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	1996-97	1997-98	1998-99	1999-2000	2000-2001
GENERAL FUND	\$54,922	\$57,776	\$60,778	\$63,937	\$67,260

GENERAL ASSEMBLY ACTUARY

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	1996-97	1997-98	1998-99	1999-2000	2000-2001
GENERAL FUND	\$54,922	\$57,776	\$60,778	\$63,937	\$67,260

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ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Local Governmental Employees' Retirement System

SYSTEM ACTUARY

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	1996-97	1997-98	1998-99	1999-2000	2000-2001
LOCAL FUNDS	\$7.4M	\$7.9M	\$8.4M	\$8.9M	\$9.4M

GENERAL ASSEMBLY ACTUARY

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	1996-97	1997-98	1998-99	1999-2000	2000-2001
LOCAL FUNDS	\$8.0M	\$8.5M	\$9.0M	\$9.5M	\$10.1M

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ASSUMPTIONS AND METHODOLOGY:

Teacher's & 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, 1994 actuarial valuation of the fund. The data included 250,541 active members with an annual payroll of \$6.323 billion and 81,143 retired members in receipt of annual pensions totaling \$892.5 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (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 an 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.

Consolidated Judicial 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, 1994 actuarial valuation of the fund. The data included 448 active members with an annual payroll of \$34.1 million and 317 retired members in receipt of annual pensions totaling \$9 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Table for deaths after retirement, and (d) rates of separation from active service based on System experience. The actuarial cost method used to determine the liabilities is the projected benefit method; however, the method used to determine the contribution rate is the projected unit credit method with an unfunded liquidation period of ten years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Legislative 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, 1995 actuarial valuation of the fund. The data included 167 active members with an annual payroll of \$3.6 million and 161 retired members in receipt of annual pensions totaling \$740,097. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1971 Group Annuity Mortality Tables for deaths in service and after retirement and (c) 100% vesting after five years of service with no assumptions for terminations other than death and disability. The actuarial cost method used was the projected unit credit cost method with service prorata. The actuarial liability is computed by using member service to date and attributing an equal benefit amount to each year of credited and expected future service. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Local Governmental 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, 1994 actuarial valuation of the fund. The data included 98,216 active members with an annual payroll of \$2.281 billion and 21,331 retired members in receipt of annual pensions totaling \$178.9 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 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 projected benefit method with aggregate level normal cost and frozen 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:

System Actuary - Buck Consultant, Inc.

General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: 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. The above cost estimates are based on the salary base as of July 1, 1996 projected at the average annual increase in compensation base for each system over the last five years.

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