

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Committee Substitute for Senate Bill 1046 Licensing/Examining Board Retirement

SHORT TITLE: Licensing/Examining Board Retirement

SPONSOR(S): Senator Jim Phillips

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

FUNDS AFFECTED: Receipt Funds

BILL SUMMARY: : The bill will allow any State board or agency, charged with examination and licensing of persons to practice a profession, trade or occupation and who is subject to the provisions of the Executive Budget Act, to make an irrevocable election on or before October 1, 1999 to become a participating employer in the Teachers' and State Employees' Retirement System. The bill also allows an employee as of the date of the election to purchase periods of employment with the board by paying the "full actuarial cost" for the service credits.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE: Both actuaries agree that the employer and employee contribution rates of 8.15% and 6% of payroll would be sufficient if the law was changed to allow employees of the boards to elect to participate as employers in the Teachers' and State Employees' Retirement System.

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, 1997 actuarial valuation of the fund. The data included 271,128 active members with an annual payroll of \$7.374 billion and 92,236 retired members in receipt of annual pensions totaling \$1.231 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 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.

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

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.

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: Tuesday, June 15, 1999



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