

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT**

BILL NUMBER: House Bill 851

SHORT TITLE: Interest on Return of Retirement Contributions

Sponsor: Representative Walend

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

FUNDS AFFECTED: General Fund, Highway Fund, Receipt Fund and local funds

BILL SUMMARY: Removes the requirement of five years and allows for the payment of 4% interest to all members of the four State administrated retirement systems who have terminated employment and wish to withdraw their contributions from the systems.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: Teachers' and State Employees' Retirement System

Both the Retirement System's Actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, estimates the cost to be .02% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	\$1.50M	\$1.61M	\$1.71M	\$1.83M	\$1.95M
Highway Fund	\$.07M	\$.08M	\$.08M	\$.09M	\$.09M
Receipt Funds	<u>\$.48M</u>	<u>\$.50M</u>	<u>\$.55M</u>	<u>\$.58M</u>	<u>\$.63M</u>
TOTAL COST	\$ 2.0M	\$ 2.2M	\$ 2.4M	\$ 2.5M	\$ 2.7M

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be negligible.

General Assembly Actuary: Hartman & Associates estimates the cost to be .01% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	\$5,030	\$5,371	\$5,734	\$6,122	\$6,537

Legislative Retirement System

Retirement System Actuary: Charles Dunn states that the proposal would have no impact on the assumption used in the System but would result in additional withdrawn of about \$900 per year.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	\$900	\$900	\$900	\$900	\$900

General Assembly Actuary: Hartman & Associates estimates the cost to be .03% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	\$1,080	\$1,080	\$1,080	\$1,080	\$1,080

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: Local Governmental Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the estimated cost will be .03% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
<u>Local Funds</u>	\$1,206,600	\$1,288,287	\$1,375,504	\$1,468,625	\$1,568,051

General Assembly Actuary: Hartman & Associates estimates the cost will be .02% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
Local Funds	\$804,400	\$858,858	\$917,003	\$979,084	\$1,045,368

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, 2001, actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of \$9.5 billion and 112,482 retired members in receipt of annual pensions totaling \$1.83 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.

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, 2001, actuarial valuation of the fund. The data included 487 active members with an annual payroll of \$47.8 million and 382 retired members in receipt of annual pensions totaling \$16.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 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.

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, 2001, actuarial valuation of the fund. The data included 169 active members with an annual payroll of \$3.6 million and 204 retired members in receipt of annual pensions totaling \$1,188,931. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 prorate. 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, 2001, actuarial valuation of the fund. The data included 118,580 active members with an annual payroll of \$3.6 billion and 31,352 retired members in receipt of annual pensions totaling \$392.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 - Hartman & Associates, LLC
Charles W. Dunn, Consulting Actuary

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