

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1414 (First Edition)

SHORT TITLE: Creditable Service/Employees in Armed Forces

SPONSOR(S): Representatives J. Harrell, Martin, Coleman, and T. Harrell

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt Funds

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

EFFECTIVE DATE: July 1, 2007

BILL SUMMARY: Amends GS 135-4(g) to provide that members of the armed forces who return to work as teachers or state employees within two years after being discharged are to be credited with prior service for their time in the military for the maximum period they are entitled to reemployment under federal law. Also provides that the employee's salary during that period of service is the salary the employee would have received had they remained continuously employed, if the determination of that salary is reasonably certain (was, salaries are based on salaries paid to employees immediately before entering the armed forces). Provides for the calculation of the employee's salary when the determination is not reasonably certain.

ESTIMATED IMPACT ON THE STATE: Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that the cost is not expected to be material as a result of the enactment of this bill.

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, 2005 actuarial valuation of the fund. The data included 321,513 active members with an annual payroll of \$11 billion, 134,719 retired members in receipt of annual pensions totaling \$2.5 billion and actuarial value of assets equal to \$49.7 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: 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: April 30, 2007



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