

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 214 Workers' Comp/AFC Years

SHORT TITLE: Workers' Comp/AFC Years

SPONSOR(S): Senator Phillips

SYSTEM OR PROGRAM AFFECTED: Teacher's & State Employees' Retirement System and Local Governmental Employees' Retirement System

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

BILL SUMMARY: Provides a method for calculating the average final compensation (AFC) for members of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System who are injured on the job during their final years of service. The average final compensation would be calculated using the salary the member would have earned had he not been injured on workers' compensation.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT: Teachers' and State Employee's Retirement System and the Local Governmental Employee's Retirement System

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

General Assembly Actuary: Hartman & Associates estimates the cost not to be significant since the systems make no assumptions as to the number of members receiving benefits under workers' compensation during their average compensation years.

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.

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, 1997 actuarial valuation of the fund. The data included 106,802 active members with an annual payroll of \$2.743 billion and 25,456 retired members in

receipt of annual pensions totaling \$261.2 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

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.

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DATE :Friday, March 26, 1999



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