

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

**BILL NUMBER:** House Bill 1390

**SHORT TITLE:** Retirement Withdrawn Service

**SPONSOR(S):** Representative Nesbitt

**SYSTEM AFFECTED:** Teachers' and State Employees' Retirement System

**BILL SUMMARY:** Repeals the law which gives members a three years window of opportunity to purchase withdrawn accounts under the lowest cost calculation and does away with the 'full cost' method of calculating withdrawn service for member who withdrew after July 1, 1974.

**EFFECTIVE DATE:** When it becomes law

**ESTIMATED IMPACT:** Buck Consultants estimates the annual cost to be \$2.6 million to fund cost to repeal the 'full cost' method of calculating withdrawn service. No data is available to calculate the cost of repealing the three window of opportunity but actuary believes the cost would be significant.

Hartman & Associates estimates the annual cost to be \$2.6 million to fund the cost to repeal the 'full-cost'.

**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, 1999 actuarial valuation of the fund. The data included 285,784 active members with an annual payroll of \$8.4 billion and 102,939 retired members in receipt of annual pensions totaling \$1.510 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:** System Actuary - Buck Consultant, Inc.  
General Assembly Actuary - Hartman & Associates, LLC

**FISCAL RESEARCH DIVISION 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:** James D. Johnson  
**DATE:** May 29, 2001



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