

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

BILL NUMBER: House Bill 1371 (First Edition)

SHORT TITLE: DOT Retired Engineers.

SPONSOR(S): Representative Saunders

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Under the present law, a retiree is allowed to earn in any calendar year or the 12 months following retirement, 50% of the salary earned during the 12 months of service prior to retirement or \$24,620, whichever is greater. The present law removes all reemployment earnings restrictions for any retiree who is a retired engineer or retired engineering technician and who has not been employed with the Department of Transportation for at least six months immediately preceding the date of reemployment.

EFFECTIVE DATE: July 1, 2004

ESTIMATED IMPACT ON STATE: Both, the Retirement System's actuary, Mellon, and the General Assembly's actuary, Hartman & Associates, estimates the cost to be .01% of the payroll of all members of the Teachers' and State Employees' Retirement System. Both actuaries realize the change would cost the System as a result of allowing engineers or engineering technicians to retire at a younger age than is assumed under the current law.

	2004-05	2005-06	2006-07	2007-08	2008-09
General Fund	\$0.765M	\$0.809M	\$0.855M	\$0.904M	\$0.955M
Highway Fund	\$0.038M	\$0.040M	\$0.043M	\$0.045M	\$0.048M
Receipt Funds	<u>\$0.262M</u>	<u>\$0.277M</u>	<u>\$0.293M</u>	<u>\$0.310M</u>	<u>\$0.327M</u>
TOTAL COST	\$1.065M	\$1.127M	\$1.191M	\$1.260M	\$1.332M

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, 2002 actuarial valuation of the fund. The data included 296,377 active members with an annual payroll of \$9.7 billion and 118,129 retired members in receipt of annual pensions totaling \$2 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 - Mellon
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: (919) 733-4910 The above information is provided in accordance with the North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

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APPROVED BY: James D. Johnson, Director
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DATE: May 31, 2004

Signed Copy Located in the NCGA Principal Clerk's Offices