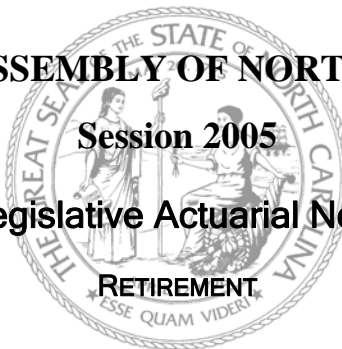


GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note



BILL NUMBER: House Bill 2061 (First Edition)
SHORT TITLE: Legislative Retiree Repayment and Transfer.
SPONSOR(S): Representatives Jeffus, Womble, and B. Allen

FUNDS AFFECTED: General Fund, Highway Fund, Receipt Funds

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

EFFECTIVE DATE: January 1, 2007

BILL SUMMARY: Allows a member who retired from the Legislative Retirement System on or before January 1, 2004, and who also is a member of the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System, to rescind the member's Legislative Retirement System retirement benefit by repaying all allowances received from that system in order to qualify for transfers of service. After rescinding the member's LRS retirement, the member could then transfer their service in the Legislative Retirement System to the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System, thereby increasing their retirement benefit for life.

ESTIMATED IMPACT ON STATE:

Teachers' and State Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be \$128,000 annually to the Teachers' and State Employees' Retirement System.

General Assembly Actuary: Hartman & Associates estimates the cost to be \$154,000 annually to the Teachers' and State Employees' Retirement System or \$1,025,000 one-time payment.

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 0.13% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
General Fund	\$70,333	\$72,330	\$74,384	\$76,497	\$78,669

General Assembly Actuary: Hartman & Associates estimates the cost to be \$80,000 annually to the Consolidated Judicial Retirement System or \$620,000 one-time payment

There are available gains in the Consolidated Judicial Retirement System so no additional appropriation is needed.

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, 2004 actuarial valuation of the fund. The data included 311,612 active members with an annual payroll of \$10.4 billion and 128,577 retired members in receipt of annual pensions totaling \$2.3 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, 2004 actuarial valuation of the fund. The data included 490 active members with an annual payroll of \$49.4 million and 420 retired members in receipt of annual pensions totaling \$20.2 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 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, 2004 actuarial valuation of the fund. The data included 169 active members with an annual payroll of \$3.7 million and 236 retired members in receipt of annual pensions totaling \$1.5 million. 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 prorated. 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.

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.

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APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: May 30, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices