

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1838 (First Edition)
SHORT TITLE: Legislative Retirement/Return to Service
SPONSOR(S): Representative Bell

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt

SYSTEM OR PROGRAM AFFECTED: Legislative Retirement System

EFFECTIVE DATE: When it becomes law

BILL SUMMARY: The bill reduces the time period for recalculation of retirement benefits for a member of the General Assembly who returns to service after being retired. Under the bill, the retirement benefit will be recalculated as if the member is retiring for the first time, if the member has returned and completed two years of service. The law now requires that member return and complete three years of service.

ESTIMATED IMPACT ON STATE: The Legislative Retirement System actuary, Charles W. Dunn, and the General Assembly's actuary, Hartman & Associates, both agree that based on recent compensation changes, the reduction of service requirement from three years to two years should not create any significant liability for the System.

ASSUMPTIONS AND METHODOLOGY: 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, 2005 actuarial valuation of the fund. The data included 170 active members with an annual payroll of \$3.7 million, 250 retired members in receipt of annual pensions totaling \$1.7 million and actuarial value of assets equal to \$28.4 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 prorate. 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: Charles W. Dunn
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: May 1, 2007

Signed Copy Located in the NCGA Principal Clerk's Offices