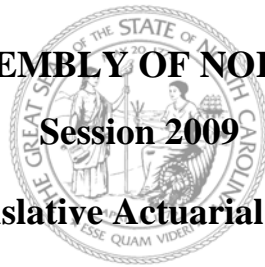


# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** Senate Bill 154 (First Edition)  
**SHORT TITLE:** Disability Income/Eliminate Veterans Offset.  
**SPONSOR(S):** Senator Berger of Rockingham

---

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

**SYSTEM OR PROGRAM AFFECTED:** Disability Income Plan of North Carolina

**EFFECTIVE DATE:** July 1, 2009 and applies to disability benefits paid on or after that date.

**BILL SUMMARY:** Current law reduces short-term and long-term disability benefits by the amount of any payments for the same disability from the Department of Veterans Affairs. This bill will eliminate that offset.

#### **ESTIMATED IMPACT ON THE STATE:**

The Retirement System Actuary, Buck Consultants, estimates the cost to be 0.02% of the payroll of all members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program.

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
General Fund	\$2,234,600	\$2,357,056	\$2,486,223	\$2,622,468	\$2,766,179
Highway Fund	\$94,800	\$99,995	\$105,475	\$111,255	\$117,352
Receipt Funds	<u>\$832,000</u>	<u>\$877,594</u>	<u>\$925,686</u>	<u>\$976,413</u>	<u>\$1,029,921</u>
Total Cost	\$3,161,400	\$3,334,645	\$3,517,383	\$3,710,136	\$3,913,451

#### **ASSUMPTIONS AND METHODOLOGY: Disability Income Plan of North Carolina**

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, 2007 actuarial valuation of the Plan. The data included 352,131 active members with an annual payroll of \$13.9 billion and 5,983 disabled members in receipt of annual long term benefits totaling \$73.1 million. Significant actuarial assumptions used include (a) an annual investment return rate of 7.25%, (b) assumed rates of disability and termination are based on the Group Long-Term Disability (GLTD) Valuation Tables published in the Society of Actuaries Transactions Volume XXXIX, 1987, adjusted by a factor of 0.80, (c) across-the-board salary increases of 5.75%, (d) Social Security disability benefits are assumed to increase 3.75% per year and (e) rates of approval for Social Security benefits prior to completion of four years of disability is 50%. Claims cost for LTD benefits is calculated using aggregate cost method. 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

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Marilyn Chism, Director  
                           Fiscal Research Division

**DATE:** March 19, 2009



**Signed Copy Located in the NCGA Principal Clerk's Offices**