

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

BILL NUMBER: Revised HB-79

SHORT TITLE: 25-Year Retirement

SPONSOR(S): Representative Tucker

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System and Local Governmental Employees' Retirement System

FUNDS AFFECTED: General Fund, Highway Fund, Receipts and Local Government Funds

BILL SUMMARY: Reduces the service requirement for unreduced retirement benefits from 30 years of service to 25 years of service regardless of age.

EFFECTIVE DATE: July 1, 2001

ESTIMATED IMPACT ON STATE: Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 3.03% of the payroll of all members of the Teachers' and State Employee's Retirement System.

	2001-02	2002-03	2003-04	2004-05	2005-06
General Fund	\$217.3M	\$230.3M	\$243.9M	\$258.5M	\$273.9M
Highway Fund	\$ 11.1M	\$ 11.7M	\$ 12.5M	\$ 13.2M	\$ 14.0M
Receipt Funds	\$ 65.5M	\$ 69.0M	\$ 72.6M	\$ 76.5M	\$ 80.5M
TOTAL COST	\$293.9M	\$311.0M	\$329.0M	\$348.2M	\$368.4M

General Assembly Actuary: Hartman & Associates estimates the cost to be 2.95% of the payroll of all members of the Teachers' and State Employee's Retirement System.

	2001-02	2002-03	2003-04	2004-05	2005-06
General Fund	\$211.6M	\$224.2M	\$237.5M	\$251.7M	\$266.6M
Highway Fund	\$ 10.8M	\$ 11.4M	\$ 12.1M	\$ 12.8M	\$ 13.6M
Receipt Funds	\$ 63.8M	\$ 67.2M	\$ 70.7M	\$ 74.5M	\$ 78.4M
TOTAL COST	\$286.2M	\$302.8M	\$320.3M	\$339.0M	\$358.6M

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost will be 1.45% of the payroll of all members of the Local Governmental Employees' Retirement System.

	2001-02	2002-03	2003-04	2004-05	2005-06
<u>Total Local Funds</u>	\$53.0M	\$56.4M	\$60.1M	\$63.9M	\$68.1M

General Assembly Actuary: Hartman & Associates estimates the cost will be 1.75% of the payroll of all members of the Local Governmental Employees' Retirement System.

	2001-02	2002-03	2003-04	2004-05	2005-06
<u>Total Local Funds</u>	\$63.9M	\$68.1M	\$72.5M	\$77.2	\$82.1M

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.

Local Governmental 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 112,431 active members with an annual payroll of \$3.12 billion and 28,562 retired members in receipt of annual pensions totaling \$318 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 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 projected benefit method with aggregate level normal cost and frozen accrued liability. 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

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