

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

BILL NUMBER: House Bill 825 (First Edition)

SHORT TITLE: Correctional Officers/28-Year Retirement

SPONSOR(S): Representative Cox

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

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

BILL SUMMARY: Reduces the service requirement for unreduced retirement benefits from 30 years of service to 28 years of service as a certified correctional officer 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 normal cost will increase by .04% 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	\$2.9m	\$3.0m	\$3.2m	\$3.4m	\$3.6m
Highway Fund	\$0.1m	\$0.2m	\$0.2m	\$0.2m	\$0.2m
Receipt Funds	<u>\$0.9m</u>	<u>\$0.9m</u>	<u>\$1.0m</u>	<u>\$1.0m</u>	<u>\$1.1m</u>
Total Retirement Cost	\$3.9m	\$4.1m	\$4.4m	\$4.6m	\$4.9m

General Assembly Actuary: Hartman & Associates estimates the normal cost will increase by .047% 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	\$3.3m	\$3.5m	\$3.8m	\$4.0m	\$4.2m
Highway Fund	\$0.2m	\$0.2m	\$0.2m	\$0.2m	\$0.2m
Receipt Funds	<u>\$1.0m</u>	<u>\$1.1m</u>	<u>\$1.1m</u>	<u>\$1.2m</u>	<u>\$1.3m</u>
Total Retirement Cost	\$4.5m	\$4.8m	\$5.1m	\$5.4m	\$5.7m

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.

SOURCES OF DATA:

System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION 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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DATE: April 20, 2001



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