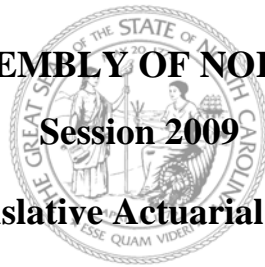


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 94 (First Edition)
SHORT TITLE: Clarify Definition of Retirement.
SPONSOR(S): Representatives Insko and Owens

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

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

EFFECTIVE DATE: When it becomes law

BILL SUMMARY: Amends the definition of "Retirement" to clarify that service as an unpaid volunteer in a local school administrative unit is not considered service for the purpose of retirement.

ESTIMATED IMPACT: Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that there would be no cost as a result of the enactment of this bill.

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, 2007 actuarial valuation of the fund. The data included 338,490 active members with an annual payroll of \$12.7 billion, 145,855 retired members in receipt of annual pensions totaling \$2.9 billion and actuarial value of assets equal to \$55.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen 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: 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.

PREPARED BY: Stanley Moore

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: March 2, 2009



Signed Copy Located in the NCGA Principal Clerk's Offices