

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 556 (Second Edition)

**SHORT TITLE:** Volunteer Service in Retirement.

**SPONSOR(S):**

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**FUNDS AFFECTED:** General Fund, Highway Fund, and Receipt Funds for the Teachers' and State Employees' Retirement System.

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

**EFFECTIVE DATE:** March 24, 2009

**BILL SUMMARY:** Amends the definition of "Retirement" to clarify that service as an unpaid volunteer is not considered service for the purpose of retirement.

**ESTIMATED IMPACT ON STATE:** Buck Consultants, the Retirement Systems' actuary, and Hartman & Associates, the General Assembly's actuary, agree that the changes would not increase the liabilities or contribution rate to the System.

**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, 2009 actuarial valuation of the System. The data included 316,647 active members with an annual payroll of \$13.3 billion, 156,791 retired members in receipt of annual pensions totaling \$3.2 billion and actuarial value of assets equal to \$55.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25% which includes inflation of 3%, (b) projected salary increases between 4.25% to 9.10% which includes inflation of 3.5%, (c) RP-2000 Mortality tables for retirees are set back one year for male teachers, set forward one year for all general employees and unadjusted for female teachers and all law enforcement officers, (d) RP-2000 Mortality tables for disabled retirees are set back six years for males and set forward one year for females, (e) RP-2000 Mortality tables for active employees are set back one year for male teachers, set forward one year for all general employees and unadjusted for female teachers and all law enforcement officers, (f) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and an amortization period of nine years. Detailed information concerning these assumptions and methods are 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:**

**DATE:** April 20, 2011



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