

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1269
SHORT TITLE: Community College Employees Retirement
SPONSOR(S): Representative Thompson

FISCAL IMPACT: The community colleges presently receive funds sufficient to pay the retirement contributions, so this change should not increase the funds needed for retirement.

FUNDS AFFECTED: General Fund (X) Highway Fund () Local Fund ()

BILL SUMMARY: Requires membership in the Teachers' and State Employees' Retirement System for all employees of the community colleges who are employed in a permanent job on a recurring basis and who works 30 or more hours per week for nine or more months per calendar year. Also the bill provides that any employee of a community college in service on the effective date of the act can purchase any comparable service at the same institution by paying 6% of the compensation earning plus regular interest (4%). The employing community college will pay the balance between the full actuarial cost and what the member will be required to pay.

EFFECTIVE DATE: July 1, 1996

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED: Some community colleges employees and Teachers' and State Employees' Retirement System

FISCAL IMPACT

	System Actuary				
	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
EXPENDITURES	1996-97	1997-98	1998-99	1999-00	2000-01
RECURRING	\$210,225	\$210,225	\$210,225	\$210,225	\$210,225

General Assembly Actuary: Same as System Actuary..

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, 1994 actuarial valuation of the fund. The data included 250,541 active members with an annual payroll of \$6.323 billion and 81,143 retired members in receipt of annual pensions totaling \$892.5 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (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 an 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 - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: 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. The above cost estimates are based on the salary base as of July 1, 1996 projected at the average annual increase in compensation base for each system over the last five years.

TECHNICAL CONSIDERATIONS: The Department of Community College conducted survey and determined there are 133 employees with annual payroll of \$1,941,144 who work the required hours and who would become members of the Retirement System.

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington /s/TomC

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