

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Proposed Committee Substitute Senate Bill 313

SHORT TITLE: Legislative Retirement Option.

SPONSOR(S): Senators East and McDaniel

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

BILL SUMMARY: Amends the Legislative Retirement System to allow members of the General Assembly with five or more years of membership service to make an irrevocable election to be excluded from membership in the Retirement System and allows anyone who makes the election to receive a refund of the sum of his contributions from the System.

EFFECTIVE DATE: July 1, 1995

SYSTEM OR PROGRAM AFFECTED Legislative Retirement System.

ESTIMATED IMPACT ON STATE:

SYSTEM ACTUARY

Without knowing how many of the present members who have five or more years of creditable service and who will make an irrevocable election to be excluded from membership in the Legislative System, exact saving can not be determined, but on the average for each \$1.00 refunded to a member, the System will realize a reduction of \$4.23 in liability for future benefits.

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GENERAL ASSEMBLY ACTUARY

Same as System's actuary above.

ASSUMPTIONS AND METHODOLOGY: 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 163 active members with an annual payroll of \$3.3 million and 129 retired members in receipt of annual pensions totaling \$492,000. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1971 Group Annuity Mortality Tables for deaths in service and after retirement and (c) 100% vesting after five years of service with no assumptions for terminations other than death and disability. The actuarial cost method used was the projected unit credit cost method with service prorata. The actuarial liability is computed by using member service to date and attributing an equal benefit amount to each year of credited and expected future service. 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: 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.

733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington TomC

DATE: May 22, 1995

NEW VERSION - MAY 26. 1995

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NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 313

SHORT TITLE: Makes membership in the Legislative Retirement System optional.

SPONSOR(S): Senators East and McDaniel

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

BILL SUMMARY: Amends the Legislative Retirement System to allow members of the General Assembly to make an irrevocable election to be excluded from membership in the Retirement System and allows anyone who makes the election to receive a refund of the sum of his contributions from the System.

EFFECTIVE DATE: July 1, 1995

SYSTEM OR PROGRAM AFFECTED Legislative Retirement System.

ESTIMATED IMPACT ON STATE:

SYSTEM ACTUARY

Without knowing how many of the present members and who will make an irrevocable election to be excluded from membership in the Legislative System, exact saving can not be determined, but on the average for each \$1.00 refunded to a member, the System will realize a reduction of \$4.36 in liability for future benefits.

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GENERAL ASSEMBLY ACTUARY

Same as System's actuary above.

ASSUMPTIONS AND METHODOLOGY: 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, 1993 actuarial valuation of the fund. The data included 165 active members with an annual payroll of \$2.3 million and 127 retired members in receipt of annual pensions totaling \$456,000. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1971 Group Annuity Mortality Tables for deaths in service and after retirement and (c) 100% vesting after five years of service with no assumptions for terminations other than death and disability. The actuarial cost

method used was the projected unit credit cost method with service prorata. The actuarial liability is computed by using member service to date and attributing an equal benefit amount to each year of credited and expected future service. 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: 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.

733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: April 13, 1995



Signed Copy Located in the NCGA Principal Clerk's Offices