

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 722

SHORT TITLE: Purchase of Part-Time Service

SPONSOR(S): Representative Insko

SYSTEM OR PROGRAM AFFECTED: Teacher's & State Employees' Retirement System

BILL SUMMARY: Allows any member of the Teachers' and State Employees' Retirement System to purchase part-time service (at least 20 hours per week) rendered while a full-time student in pursuit of a degree or diploma in a degree-granting program.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT: Both actuaries agree that since the members will be paying the "full actuarial cost" for any service purchases, *there would be no cost to the State Retirement System.*

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, 1997 actuarial valuation of the fund. The data included 271,128 active members with an annual payroll of \$7.374 billion and 92,236 retired members in receipt of annual pensions totaling \$1.231 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 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 - Hartman & Associates

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: Tom Covington

DATE: Monday, April 12, 1999



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