

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE ACTUARIAL NOTE**

**BILL NUMBER:** House Bill 1147

**SHORT TITLE:** Increase Postretirement Cap

**SPONSOR(S)** Representative Michaux

**SYSTEM AFFECTED:** Teachers' and State Employees' Retirement System

**BILL SUMMARY:** Under the present law, a retiree is allowed to earn in any calendar year, 50% of the salary earned during the 12 months of service prior to retirement or \$21,900, whichever is greater. This bill would increase the 50% of salary to 75% of salary.

**EFFECTIVE DATE:** July 1, 1999

**ESTIMATED IMPACT:** Buck Consultants and Hartman & Associates states that the cost to the Teachers' and State Employees' Retirement System will be the loss of savings that would otherwise occur when a member has reached the limit before the retirement benefit is suspended for the remainder of the calendar year. The magnitude of this savings cannot be determined because data is not kept by the Systems on retirees who are re-hired.

**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 a 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:** Retirement System Actuary - Buck Consultant, Inc.  
General Assembly Actuary - Hartman & Associates, LLC

**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:** Tuesday, April 27, 1999



**Signed Copy Located in the NCGA Principal Clerk's Offices**