

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1805

SHORT TITLE: Retirement Withdrawn Service

SPONSOR(S): Representative Nesbitt

SYSTEM AFFECTED: Teachers' and State Employees' Retirement System

BILL SUMMARY: Repeals the law which gives members a three years window of opportunity to purchase withdrawn accounts under the lowest cost calculation and does away with the 'full cost' method of calculating withdrawn service for member who withdrew after July 1, 1974.

EFFECTIVE DATE: When it becomes law

ESTIMATED IMPACT: Buck Consultants estimates the annual cost to be \$2,700,000 to fund cost to do away with the 'full cost' method of calculating withdrawn service. No data is available for repealing the three window of opportunity but actuary believes the cost would be significant.

Hartman & Associates does not have data to estimates cost but believes the cost of legislation will be substantial.

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, 1998 actuarial valuation of the fund. The data included 278,558 active members with an annual payroll of \$7.995 billion and 97,820 retired members in receipt of annual pensions totaling \$1.375 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: 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.

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson

DATE: June 13, 2000



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