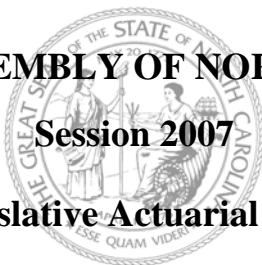


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 2117 (First Edition)

SHORT TITLE: 28-Year State Law Enforcement Retirement.

SPONSOR(S): Representative Sutton

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt Funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System.

EFFECTIVE DATE: July 1, 2009

BILL SUMMARY: Enacts new subsection GS 135-5(b20) to allow members of the Teachers' and State Employees' Retirement System (TSERS) who (1) are law enforcement officers or eligible former law enforcement officers, and (2) retire on or after July 1, 2009, to receive an unreduced service retirement allowance after completing 28 years of credible service.

ESTIMATED FISCAL IMPACT:

Retirement System Actuary: Buck Consultants estimates the cost to be 0.02% of the payroll of all members of the Teachers' and State Employees' Retirement System. The estimated cost for the special separation allowance is also shown:

Table with 6 columns: Fund, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13. Rows include General Fund, Highway Fund, Receipt Funds, Total Cost, Separation Allowance, and Grand Total.

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.02% the payroll of all members of the Teachers' and State Employees' Retirement System. The estimated cost for the special separation allowance is also shown:

Table with 6 columns: Fund, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13. Rows include General Fund, Highway Fund, Receipt Funds, Total Cost, Separation Allowance, and Grand Total.

**ASSUMPTIONS AND METHODOLOGY:**

**Teachers' & 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, 2006 actuarial valuation of the fund. The data included 330,117 active members with an annual payroll of \$11.7 billion, 140,292 retired members in receipt of annual pensions totaling \$2.7 billion and actuarial value of assets equal to \$52.4 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables. Tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen 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:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**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:** Lynn Muchmore, Director  
Fiscal Research Division

**DATE:** June 12, 2008



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