

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 733

SHORT TITLE: Out-of-State Retirement

SPONSOR(S): Senator Warren

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

BILL SUMMARY: Allows members of the Teachers' and State Employees' Retirement System or members of the Local Governmental Employees' Retirement System to purchase service rendered to other states and have the years count as creditable service in the two Systems.

EFFECTIVE DATE: Ratification

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

ESTIMATED IMPACT

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SYSTEM ACTUARY

Each member would be paying the full actuarial liability that the service would put upon the System; therefore, there would be no cost to the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System.

GENERAL ASSEMBLY ACTUARY

Same as the System Actuary.

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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, 1993 actuarial valuation of the fund. The data included 243,194 active members with an annual payroll of \$5.976 billion and 77,729 retired members in receipt of annual pensions totaling \$798.5 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (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 unfunded liquidation period of eight years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Local Governmental 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, 1993 actuarial valuation of the fund. The data included 94,762 active members with an annual payroll of \$2.142 billion and 20,195 retired members in receipt of annual pensions totaling \$160 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 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 projected benefit method with aggregate level normal cost and frozen accrued liability. 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 - 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

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APPROVED BY: Tom Covington **TomC**

DATE: May 8, 1995



Signed Copy Located in the NCGA Principal Clerk's Offices