

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT**

BILL NUMBER: Senate Bill 371

SHORT TITLE: Retirement Contribution Rates

SPONSOR (S): Senator Reeves

SYSTEM OR PROGRAM AFFECTED: Teachers' & State Employees' Retirement System

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Requires the Board of Trustees to determine annually the normal and accrued liability cost and set the liquidation period, not to exceed 30 years. The bill requires the General Assembly to appropriate the funds necessary to pay the normal and accrued liability cost as set by the Board of Trustees.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: Buck Consultants states they are unable to comment on the fiscal impact based on unknown future action of the Board and the State. Hartman & Associates states the bill does not modify the benefits or cost calculations so it does not produce a financial impact to the System.

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, 2001, actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of \$9.5 billion and 112,482 retired members in receipt of annual pensions totaling \$1.83 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: 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: James D. Johnson, Director Fiscal Research Division

DATE: March 27, 2003



Signed Copy Located in the NCGA Principal Clerk's Offices