

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 531 (First Edition)
SHORT TITLE: Enhance National Guard Pension Fund.
SPONSOR(S): Representatives Holliman and Lewis

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: North Carolina National Guard Pension Fund

EFFECTIVE DATE: July 1, 2007

PROVISION SUMMARY: Increases the benefit from the North Carolina National Guard Pension Fund from \$80 to \$85 per month for the first 20 years of service and from \$8 to \$8.50 per month for each additional year of service. This will raise the maximum benefit from \$160 to \$170 per month. The bill also reduces the age at which the member may start to receive the pension from age 60 to age 55.

ESTIMATED IMPACT ON STATE: Buck Consultants, the Retirement System's actuary, estimates that the cost will be as follows:

	2007-08	2008-09	2009-10	2010-11	2011-12
Annual Cost	\$4,289,293	\$4,289,293	\$4,289,293	\$4,289,293	\$4,289,293

Hartman & Associates, the General Assembly's actuary, estimates that the cost will be as follows:

	2007-08	2008-09	2009-10	2010-11	2011-12
Annual Cost	\$4,573,000	\$4,573,000	\$4,573,000	\$4,573,000	\$4,573,000

There is appropriated \$7,007,443 in the Continuation Budget for each year of the 2007-09 biennium budget. The Fund requires a contribution of \$3,847,884 for each year, so the excess budgeted amount of \$3,159,559 can be used to reduce the above cost, so an appropriation of \$1,130,000 is required.

ASSUMPTIONS AND METHODOLOGY: North Carolina National Guard Pension Fund

The cost estimates of the Fund's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2005 actuarial valuation of the fund. The data included 5,853 active members, 4,076 former members entitled to deferred benefits and 2,640 retired members in receipt of annual pensions totaling \$3.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1979 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age 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: 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.

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APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: March 22, 2007



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