

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1522

SHORT TITLE: Local/State Purchase of Service

SPONSOR(S): Representative Miner

SYSTEM OR PROGRAM AFFECTED: Teacher's & State Employees' Retirement System and Local Governmental Employees' Retirement System

BILL SUMMARY: Allows members of the Teachers' and State Employees' Retirement System to purchase part-time or temporary service rendered to a local governmental employer and allows a member of the Local Governmental Employees' Retirement System to purchase part-time or temporary service rendered to a State employer. The members would be paying the "full actuarial cost" for any service purchases.

EFFECTIVE DATE: July 1, 1998

ESTIMATED IMPACT: Since the members would be paying the "full actuarial cost" for any service purchases, there would be no cost to the State or local governments.

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, 1996 actuarial valuation of the fund. The data included 263,920 active members with an annual payroll of \$6.845 billion and 88,605 retired members in receipt of annual pensions totaling \$1.096 billion. 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 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.

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, 1996 actuarial valuation of the fund. The data included 104,454 active members with an annual payroll of \$2.594 billion and 24,028 retired members in receipt of annual pensions totaling \$227.7 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 - Hartman & Associates

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.

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DATE: June 8, 1998



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