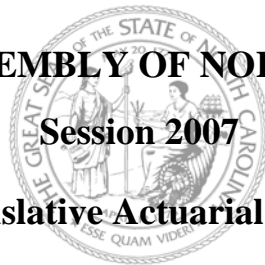


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 779 (First Edition)

SHORT TITLE: Increase Contributory Death Benefit.-AB

SPONSOR(S): Representatives Bell and J. Harrell

FUNDS AFFECTED: Funds deducted from the retirement checks of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and Local Governmental Employees' Retirement System.

SYSTEM OR PROGRAM AFFECTED: The Retirees' Contributory Death Benefit Plan

EFFECTIVE DATE: July 1, 2007

BILL SUMMARY: Increases the retiree contributory death plan from \$9,000 to \$10,000 for retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and Local Governmental Employees' Retirement System that elect to pay for this coverage. Plan members who died on or after July 1, 2007 would be covered under the higher amount.

ESTIMATED IMPACT ON STATE: The Death Benefit Plan's actuary, Buck Consultants, estimates the legislation will increase liabilities by \$18,000,000 but the plan has a surplus of about \$33,000,000. They estimate the increase in benefits payable as follows:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Retiree Contributions	\$1.2M	\$1.3M	\$1.3M	\$1.4M	\$1.4M

The General Assembly's actuary, Hartman & Associates, agrees that the plan reserves are adequate to cover this increase and estimates the annual increase in death benefits paid will be as follows:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Retiree Contributions	\$1M	\$1M	\$1M	\$1M	\$1M

ASSUMPTIONS AND METHODOLOGY: The Retirees' Contributory Death Benefit Plan: The actuarial valuation of the Retirees' Contributory Death Benefit Plan as of December 31, 2005 shows that the Plan has liabilities of \$154,105,432. The Plan has assets of \$119,827,856. Prospective contributions of participants eligible for benefits (those with two or more years of coverage) have a value of \$71,139,169. The total present and prospective assets amount to \$190,967,025, which exceeds the liability of \$158,105,432 by \$32,861,593. On the basis of the

calculation, the present contribution rates appear to be sufficient to support the benefits of the Plan and the necessary reserves are being accumulated.

**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:** April 6, 2007



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