

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1415 (First Edition)

SHORT TITLE: Short-Term Disability/Military Service

SPONSOR(S): Representatives J. Harrell, Martin, Coleman, and T. Harrell

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt Funds

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

EFFECTIVE DATE: July 1, 2007

BILL SUMMARY: Amends GS 135-105(a) to prohibit a participant in the Teachers' and State Employees' Retirement System from being denied short-term disability benefits because of their absence for military service meeting the requirements of the Uniformed Services Employment and Reemployment Act of 1994.

ESTIMATED IMPACT ON THE STATE: The Retirement System Actuary, Buck Consultants, does not expect the cost to be material.

The General Assembly Actuary, Hartman & Associates, states the bill may produce additional disability claims but expects a low incidence rate so the overall financial impact is not expected to be significant.

ASSUMPTIONS AND METHODOLOGY: Disability Income Plan of North Carolina

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, 2005 actuarial valuation of the Plan. The data included 333,635 active members with an annual payroll of \$11.9 billion and 5,569 disabled members in receipt of annual long term benefits totaling \$50.8 million. Significant actuarial assumptions used include (a) an annual investment return rate of 7.25%, (b) assumed rates of disability and termination are based on the Group Long-Term Disability (GLTD) Valuation Tables published in the Society of Actuaries Transactions Volume XXXIX, 1987, adjusted by a factor of 0.80, (c) across-the-board salary increases of 5.75%, (d) Social Security disability benefits are assumed to increase 3.75% per year and (e) rates of approval for Social Security benefits prior to completion of four years of disability is 75%. Claims cost for LTD benefits are calculated using the one-year term cost method. 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.

PREPARED BY: Stanley Moore

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: April 30, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices