GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 318 (First Edition)

SHORT TITLE: Legislative Integrity and Pension Forfeiture.

SPONSOR(S): Representative Stam

FUNDS AFFECTED: Legislative Retirement System Trust Funds

SYSTEM OR PROGRAM AFFECTED: Legislative Retirement System

EFFECTIVE DATE: When it becomes law

BILL SUMMARY: Enacts new GS 120-4.33 prohibiting the Board of Trustees from paying retirement benefits (other than a return of contributions) to any member of the General Assembly who is convicted of a felony under a law listed in the statute that is committed while the person is serving as a member of the General Assembly if the conduct the offense is based on is directly related to service as a member of the General Assembly. Amends GS 120-4.12 to require members who have not vested in the legislative retirement system at the time GS 120-4.33 becomes law and are convicted of an offense to forfeit all benefits; members who have vested at the time GS 120-4.33 becomes law and are convicted of an offense after that date are not entitled to creditable service accruing after the date the statute becomes law.

ESTIMATED IMPACT ON STATE: Both the consulting actuary, Charles W. Dunn, and the General Assembly's actuary, Hartman & Associates, agree that there will be no measurable cost impact on the Legislative Retirement System as a result of this bill.

ASSUMPTIONS AND METHODOLOGY: Legislative 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, 2005 actuarial valuation of the fund. The data included 170 active members with an annual payroll of $3.7 million, 250 retired members in receipt of annual pensions totaling $1.7 million and actuarial value of assets equal to $28.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1971 Group Annuity Mortality Tables for deaths in service and after retirement and (c) 100% vesting after five years of service with no assumptions for terminations other than death and disability. The actuarial cost method used was the projected unit credit cost method with service prorated. The actuarial liability is computed by using member service to date and attributing an equal benefit amount to each year of credited and expected future service. 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: Charles W. Dunn
Hartman & Associates LLC

TECHNICAL CONSIDERATIONS: None

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DATE: March 18, 2007

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