

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

## Legislative Actuarial Note

RETIREMENT

**BILL NUMBER:** House Bill 934 (First Edition)  
**SHORT TITLE:** NC National Guard Pension Changes.  
**SPONSOR(S):** Representative McLawhorn

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**FUNDS AFFECTED:** General Fund

**SYSTEM OR PROGRAM AFFECTED:** North Carolina National Guard Pension Fund

**EFFECTIVE DATE:** July 1, 2005

**BILL SUMMARY:** Increases the benefit for the first 20 years of creditable service is increased from \$50 to \$150 per month and the additional benefit for each additional year of creditable service is increased from \$5 to \$15 per month and the maximum benefit is increased from \$100 to \$300 per month.

**ESTIMATED IMPACT ON STATE:** Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost will be as follows:

	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Normal Cost	\$ 0.6M	\$ 0.6M	\$ 0.6M	\$ 0.6M	\$ 0.6M
Accrued Liability	<u>\$17.6M</u>	<u>\$17.6M</u>	<u>\$17.6M</u>	<u>\$17.6M</u>	<u>\$17.6M</u>
Total Annual Cost	\$18.2M	\$18.2M	\$18.2M	\$18.2M	\$18.2M

There are no gains within the Fund so a General Fund appropriation in the above amounts will be required. The accrued liability would be liquidated in a nine-year period of time.

**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, 2003 actuarial valuation of the fund. The data included 7,281 active members, 6,813 former members entitled to deferred benefits and 2,319 retired members in receipt of annual pensions totaling \$2.2 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:** System Actuary - Mellon  
General Assembly Actuary - 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: James D. Johnson, Director**  
Fiscal Research Division



**DATE:** April 1, 2005

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