

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT**

BILL NUMBER: House Bill 1624 (First Edition)

SHORT TITLE: Increase Retirees' Contributory Death Benefit.

SPONSOR(S): Representatives G. Wilson and Bell

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

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.

BILL SUMMARY: Increases the contributory death benefit from \$6,000 to \$9,000 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.

EFFECTIVE DATE: July 1, 2004

ESTIMATED IMPACT ON PLAN:

Both the Death Benefit Plan's actuary, Mellon, and the General Assembly's actuary, Hartman & Associates, estimates the annual increase in death benefits paid will be \$2.8m.

| | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| Retiree Contributions | \$2.8M | \$2.8M | \$2.8M | \$2.8M | \$2.8M |

Both actuaries agree that the reserves and the contributory rates by the retirees for the death benefit are sufficient to cover the cost to increase the death benefit.

ASSUMPTIONS AND METHODOLOGY: The Retirees' Contributory Death Benefit

Plan: The actuarial valuation of the Retirees' Contributory Death Benefit Plan as of December 31, 2002 shows that the Plan has liabilities of \$90,910,983. The Plan has assets of \$100,907,004. Prospective contributions of participants eligible for benefits (those with two or more years of coverage) have a value of \$57,402,139. The total present and prospective assets amount to \$158,309,143, which exceeds the liability of \$90,910,983 by \$67,398,160. 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: Retirement System Actuary - Mellon

General Assembly Actuary - Hartman & Associates,
LLC

FISCAL RESEARCH DIVISION (919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director
Fiscal Research Division

DATE: June 2, 2004



Signed Copy Located in the NCGA Principal Clerk's Offices