

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2007

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** Senate Bill 720 (First Edition)  
**SHORT TITLE:** Open Enrollment/Contributory Death Benefit.  
**SPONSOR(S):** Senator Atwater

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**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:** The bill allows for an open enrollment period whereby any retiree of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System or Local Governmental Employees' Retirement System who has not elected to enroll in the Retirees' Contributory Death Benefit Plan can do so from October 1, 2007, through January 31, 2008.

**ESTIMATED IMPACT ON STATE:** The Death Benefit Plan's actuary, Buck Consultants, estimates that if all current retirees, who have not elected coverage, were to elect coverage during the open enrollment period, the fund would experience a surplus of \$1,000,000.

The General Assembly's actuary, Hartman & Associates, does not expect the bill to adversely impact the fund or change the current premium rates.

**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.

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**APPROVED BY: Lynn Muchmore, Director  
Fiscal Research Division**

**DATE:** April 24, 2007



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