

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note



BILL NUMBER: House Bill 2644 (First Edition)

SHORT TITLE: Local Retirement System/Forgive Overpayments.

SPONSOR(S): Representative Grady

FUNDS AFFECTED: Local Funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Waives repayment of any overpayments of benefits made to spouses of former retirees of the Law Enforcement Officers' Benefit and Retirement Fund who were transferred to the Local Governmental Retirement System in January 1986 and were paid in error from that System. Since 1986, errors have occurred that results in some payments of retirement benefits to surviving family members to which they were not entitled to receive.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: The total amount of the overpayment to the ten people equals \$1,331,169.

ASSUMPTIONS AND METHODOLOGY: Local Governmental Employees' 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, 2004 actuarial valuation of the fund. The data included 121,262 active members with an annual payroll of \$4.1 billion and 36,728 retired members in receipt of annual pensions totaling \$525.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. 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: June 8, 2006



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