

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 2614 (First Edition)

SHORT TITLE: Stovall Retirement.

SPONSOR(S): Representative Crawford

FUNDS AFFECTED: Local Funds of the Town of Stovall

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Allows the Town of Stovall to participate in the Local Governmental Employees' Retirement System without allowing any prior service credits to its employees.

ESTIMATED IMPACT ON LOCAL STSYEM: Both the Systems' actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, agree that there would be no impact on the Local System by allowing Stovall to participate with allowing prior service to its employees.

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, 2006 actuarial valuation of the fund. The data included 124,844 active members with an annual payroll of \$4.5 billion, 40,574 retired members in receipt of annual pensions totaling \$639.3 million and actuarial value of assets equal to \$15.6 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables. Tables are forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members. Special mortality tables are used for period after disability 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. Gains and losses are reflected in the normal rate. 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 9, 2008



Signed Copy Located in the NCGA Principal Clerk's Offices