

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 1226 (Second Edition)

SHORT TITLE: Retired Health Professionals Return to Work.

SPONSOR(S): Senator Dalton

FUNDS AFFECTED: Local Funds for Cleveland County only

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: June 30, 2007

BILL SUMMARY: The present law allows a local retiree to return to service with a local governmental employer on a part-time, interim, temporary, or contractual basis and earn the greater of \$26,960 or 50% of the retiree's salary before retirement in any calendar year before retirement benefits are suspended for the remainder of the calendar year.

The bill completely removes any earning restrictions for any retiree who returns to service as a nurse with Cleveland County until June 30, 2009. To do so, they must have been retired for six months and have rendered no service during the six month period of time immediately prior to be reemployed. The employer is to pay a contribution rate of 11.7% of the nurse's salary.

ESTIMATED IMPACT: The Retirement System's actuary, Buck Consultants, is unable to estimate the increase necessary for Cleveland County.

The General Assembly's actuary, Hartman & Associates, does not expect this to have a significant impact on the Local System since it applies only to Cleveland County and there will be so few retirees that will return as nurses.

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, 2005 actuarial valuation of the fund. The data included 123,015 active members with an annual payroll of \$4.2 billion, 38,448 retired members in receipt of annual pensions totaling \$575 million and actuarial value of assets equal to \$14.4 billion. 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

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DATE: July 19, 2007



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