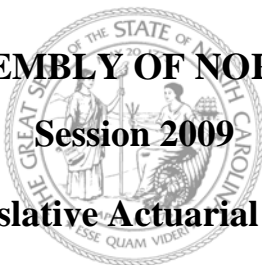


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 557 (First Edition)

SHORT TITLE: Remove Restriction/LEO Disability Benefits.

SPONSOR(S): Senator Foriest

FUNDS AFFECTED: Local funds

SYSTEM OR PROGRAM AFFECTED: Local Government Employees' Retirement System.

EFFECTIVE DATE: July 1, 2009

BILL SUMMARY: Under present law, general employees of cities and counties must have five years of service in order to qualify for disability benefits. Law enforcement officers, firemen or rescue squad workers have to have one year of membership service in order to qualify for disability retirement occurring while in the actual performance of duty.

This bill will remove the requirement of one year and members would qualify on first day of employment or a disability occurring while in the actual performance of duty.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Both the Retirement System's Actuary, Buck Consultants and the General Assembly's Actuary, Hartman & Associates estimate the cost to be 0.01% of the payroll for all law enforcement officers in the Local Government Employees' Retirement System.

Local Funds	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
TOTAL COST	\$92,000	\$96,480	\$101,266	\$106,289	\$111,561

Both, the Retirement System's Actuary, Buck Consultants and the General Assembly's Actuary, Hartman & Associates agree that the cost for firemen and rescue squad workers would be less than 0.01% of payroll.

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, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 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 set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and 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: Bob Weiss
on behalf of Marilyn Chism, Director
Fiscal Research Division



DATE: April 1, 2009

Signed Copy Located in the NCGA Principal Clerk's Offices