

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1172 (First Edition)
SHORT TITLE: Remove League & Co. Comm. from LGERS.
SPONSOR(S): Representative LaRoque

FUNDS AFFECTED: Funds paid to or generated by the League of Municipalities and the Association of County Commissioners.

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

EFFECTIVE DATE: October 1, 2012

BILL SUMMARY: Amends the definition of "Employer" for purposes of the Local Governmental Employees' Retirement System, and removes the League of Municipalities and the Association of County Commissioners from eligible membership in the System.

ESTIMATED IMPACT ON LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM: Buck Consultants, the Retirement Systems' actuary, and Hartman & Associates, the General Assembly's actuary, does not expect this change to have a material financial impact on the system.

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, 2010 actuarial valuation of the fund. The data included 122,585 active members with an annual payroll of \$5.1 billion, 49,204 retired members in receipt of annual pensions totaling \$853.4 million and actuarial value of assets equal to \$18.6 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25% which includes inflation of 3%, (b) projected salary increases between 4.25% to 8.55% which includes inflation of 3.5%, (c) RP-2000 Mortality tables for retirees are set forward two years for male general employees, firemen and law enforcement and unadjusted for female general employees, (d) RP-2000 Mortality tables for disabled retirees are set back six years for males and set forward one year for females, (e) RP-2000 Mortality tables for active employees are set forward two years for male general employees, firemen and law enforcement officers and unadjusted for female general employees, (f) rates of separation from active service based on System experience. The actuarial cost method used was the frozen entry age. 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: Mark Trogdon, Acting Director
Fiscal Research Division

DATE: June 14, 2012



Signed Copy Located in the NCGA Principal Clerk's Offices