

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE ACTUARIAL NOTE  
RETIREMENT**

**BILL NUMBER:** House Bill 338 Senate Committee Substitute (Third Edition)

**SHORT TITLE:** Remove Cap on Sick Leave

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

**FUNDS AFFECTED:** Local Funds

**BILL SUMMARY:** Presently, a member is allowed one month of service for each 20 days of sick leave when they retire. The amount of sick leave that can be used for retirement credit has a cap of 12 days of sick leave for each year of membership service. This bill removes the cap of 12 days per year of membership, so that a member can use all sick leave for additional service credits in the retirement system.

**EFFECTIVE DATE:** January 1, 2002

**ESTIMATED IMPACT ON STATE:** Buck Consultants and Hartman & Associates both agree that there is some cost of the proposal but estimates the cost to be very small.

**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, 1999 actuarial valuation of the fund. The data included 112,431 active members with an annual payroll of \$3.12 billion and 28,562 retired members in receipt of annual pensions totaling \$318 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:**                      System Actuary - Buck Consultant, Inc.  
  General Assembly Actuary - Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** Each unit of local government establishes their own sick leave policy so there is no uniformity among the 800+ participates of the Local System. Because of this, the actuary points out that since each employer has some discretion relative to the granting of sick leave, there could be a loss to the System due to the arbitrary inflation of sick leave at retirement.

**FISCAL RESEARCH DIVISION 733-4910**

**PREPARED BY:** Stanley Moore

**APPROVED BY:** James D. Johnson

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