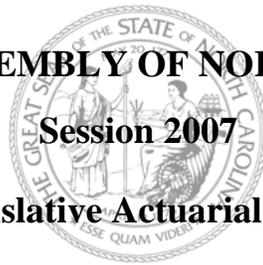


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 213 (First Edition)
SHORT TITLE: Remove Local Retirement Earnings Cap.
SPONSOR(S): Representatives Wainwright, Underhill, and Tucker

FUNDS AFFECTED: Local Funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: July 1, 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 with a local governmental employer on a part-time, interim, temporary, or contractual basis.

ESTIMATED IMPACT: Retirement System Actuary: Buck Consultants estimates the normal cost will increase by 0.53% of the payroll of the general employees/firefighters and the accrued liability will increase by 0.92% of the payroll of the general employees/firefighters for a total increase of 1.45% of the payroll of the general employees/firefighters.

Buck Consultants estimates the normal cost will increase by 0.37% of the payroll of the law enforcement officers and the accrued liability will increase by 0.79% of the payroll of the law enforcement officers for a total increase of 1.16% of the payroll of the law enforcement officers. The total cost is as follows:

Local Funds	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Employees	\$56.3M	\$59.0M	\$61.9M	\$64.9M	\$68.0M
LEO Salaries	<u>\$9.5M</u>	<u>\$10.0M</u>	<u>\$10.5M</u>	<u>\$11.0M</u>	<u>\$11.5M</u>
TOTAL COST	\$65.8M	\$69.0M	\$72.3M	\$75.9M	\$79.6M

General Assembly Actuary: Hartman & Associates estimates the cost to be 1.38% the payroll of all members of the Local Governmental Employees' Retirement System.

Local Funds	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
	\$64.9M	\$68.0M	\$71.3M	\$74.8M	\$78.4M

There are available gains of 0.33% of payroll in the Local Governmental Employees' Retirement System to pay a portion of this cost.

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

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
Division of Fiscal Research

DATE: March 23, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices