

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

BILL NUMBER: Senate Bill 670

SHORT TITLE: Creditable Service/Workers' Compensation

SPONSOR: Senator Hartsell

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Funds

BILL SUMMARY: Changes the law relating to the purchase of service while an employee was on a leave of absence receiving workers' compensation benefits. This bill will require the local employer to pay the employee and employer portion of the required contributions.

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT ON STATE: Local Governmental Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be .01% of the payroll of all members of the Local Governmental Employees' Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
Cost	\$402,200	\$429,429	\$458,501	\$489,542	\$522,684

General Assembly Actuary: Hartman & Associates estimates the cost to be .02% of the payroll of all members of the Local Governmental Employee's Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
Cost	\$804,400	\$858,858	\$917,000	\$979,084	\$1,045,368

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, 2001, actuarial valuation of the fund. The data included 118,580 active members with an annual payroll of \$3.6 billion and 31,352 retired members in receipt of annual pensions totaling \$392.7 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

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