

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

## Legislative Actuarial Note

RETIREMENT

**BILL NUMBER:** House Bill 447 (First Edition)

**SHORT TITLE:** LEO Creditable Service/Workers' Compensation.

**SPONSOR(S):** Representatives Eddins and Glazier

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**FUNDS AFFECTED:** Local Funds

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

**EFFECTIVE DATE:** July 1, 2005

**BILL SUMMARY:** Allows a law enforcement officer, who is on an employer-approved leave of absence and is receiving Workers' Compensation benefits as a result of serious bodily injury incurred in the line of duty as a result of an intentional or unlawful act of another, and who returns to service on or after August 1, 2005, to purchase creditable service for the time on leave of absence. The employing local employer and the member must pay the cost.

**ESTIMATED IMPACT ON LOCAL GOVERNMENTS:** Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost would be negligible.

**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, 2003 actuarial valuation of the fund. The data included 119,755 active members with an annual payroll of \$3.9 billion and 34,861 retired members in receipt of annual pensions totaling \$487.5 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 - Mellon  
General Assembly Actuary - 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:** James D. Johnson, Director  
Fiscal Research Division



**DATE:** April 5, 2005

**Signed Copy Located in the NCGA Principal Clerk's Offices**