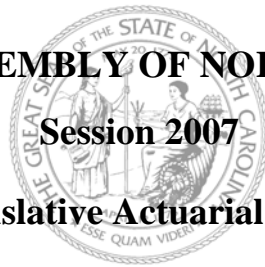


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1276 (First Edition)
SHORT TITLE: Remove Restriction/LEO Disability Benefits.
SPONSOR(S): Representatives Tillis, T. Harrell, and Thomas

FUNDS AFFECTED: Local funds

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

EFFECTIVE DATE: July 1, 2007

BILL SUMMARY: Under present law, a law enforcement officer, fireman or rescue squad worker has to have one year of membership service in order to qualify for disability retirement occurring while in the actual performance of duty. This bill will remove the requirement of one year and members would qualify on first day of employment.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

The Retirement System's Actuary, Buck Consultants, estimates the cost to be 0.01% of the payroll for all law enforcement officers in the Local Government Employees' Retirement System. The cost for general employees and firemen is not materially impacted by this legislation.

Local Funds	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
TOTAL COST	\$82,000	\$85,993	\$90,181	\$94,573	\$99,179

The General Assembly's Actuary, Hartman & Associates, estimates the cost to be 0.01% of the payroll for all law enforcement officers, firemen and rescue squad workers in the Local Government 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>
TOTAL COST	\$117,500	\$123,222	\$129,223	\$135,516	\$142,116

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.

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Fiscal Research Division

APPROVED BY: Lynn Muchmore, Director

DATE: May 4, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices