

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 1095 (First Edition)  
**SHORT TITLE:** Local Retirement Sys./Include NCSA.  
**SPONSOR(S):** Representative R. Warren

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**FUNDS AFFECTED:** Unknown at this time.

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

**EFFECTIVE DATE:** July 1, 2009

**BILL SUMMARY:** Includes the North Carolina Sheriffs' Association in the definition of "Employer" in the Local Governmental Employees' Retirement System.

In the late 1990s, the law relating to the Local Governmental Employee's Retirement System allowed fire department to be members of the System, if they received any funding from a city or county. The result was that some fire departments, that were non-profit corporations, were allowed to participate in the System. A ruling from the Internal Revenue Service was later requested and, in 2001, the Internal Revenue Service ruled that allowing non-profit corporations to participate would jeopardize the tax qualifications of the System. Since then, there have been no new non-profit corporations allowed to participate in the Local System.

Since the North Carolina Sheriff's Association is a non profit corporation, this would be in direct violation of the 2001 ruling from the Internal Revenue Service.

**ESTIMATED IMPACT ON LOCAL GOVERNMENTS:** Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that there would be no cost as a result of the enactment of this bill.

#### **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, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after

disability 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. Gains and losses are reflected in the normal rate. 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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**APPROVED BY:**

Marilyn Chism, Director  
Fiscal Research Division

**DATE:** April 27, 2009



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