



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 804 (Second Edition)

SHORT TITLE: Johnston Memorial Hospital Not in LGERS.

SPONSOR(S): Representative Daughtry

FUNDS AFFECTED: Local funds of Johnston Memorial Hospital

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

EFFECTIVE DATE: October 1, 2011

BILL SUMMARY: The Proposed Committee Substitute will allow Johnston Memorial Hospital to stop participation in the Local Governmental Employees' Retirement System for new employees hired on or after October 1, 2011. All existing employees as of September 30, 2011 will continue to participate in the Local System as long as they are employed with the hospital.

The Local Governmental Employees' Retirement System was created in 1945 and local units make an irrevocable election when their governing body elects to join the System. This will be the first unit that has withdrawn from the System in modern history.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: Buck Consultants, the Retirement Systems' actuary, and Hartman & Associates, the General Assembly's actuary, agree that the changes would not increase the liability to the Local System.

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, 2009 actuarial valuation of the fund. The data included 123,398 active members with an annual payroll of \$5.2 billion, 46,557 retired members in receipt of annual pensions totaling \$795.8 million and actuarial value of assets equal to \$17.7 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25% which includes inflation of 3%, (b) projected salary increases between 4.25% to 8.55% which includes inflation of 3.5%, (c) RP-2000 Mortality tables for retirees are set forward two years for male general employees, firemen and law enforcement and unadjusted for female general employees, (d) RP-2000 Mortality tables for disabled retirees are set back six years for males and set forward one year for females, (e) RP-2000 Mortality tables for active employees are set forward two years for male general employees, firemen and law enforcement officers and unadjusted for female general employees, (f)

rates of separation from active service based on System experience. The actuarial cost method used was the frozen entry age. 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.

PREPARED BY: Stanley Moore

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: May 6, 2011



Signed Copy Located in the NCGA Principal Clerk's Offices