

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 292

SHORT TITLE: Reduce Early Retirement Penalty

SPONSOR(S): Senator David Hoyle

FUNDS AFFECTED: General () Highway () Local (X)

BILL SUMMARY: Changes the method for calculating the reduction for early retirement in the Local Governmental Employees' Retirement System. This change will affect members retiring between ages 50 and 60 with service between 20 and 30 years. Under this change, the benefit of those retiring under early retirement would be reduced by the lesser of: (1) 5% for each year less than 30 years of service, or (2) 5% for each year under age 60 in addition to the 15% reduction between age 60 and 65.

EFFECTIVE DATE: July 1, 1995

SYSTEM OR PROGRAM AFFECTED Local Governmental Employees' Retirement System.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

SYSTEM ACTUARY

	<u>FY</u> <u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	
	1995-96	1996-97	1997-98	1998-99	1999-2000
Local Funds	\$2.56m	\$2.77m	\$3.01m	\$3.26m	\$3.54m

GENERAL ASSEMBLY ACTUARY

	<u>FY</u> <u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	
	1995-96	1996-97	1997-98	1998-99	1999-2000
Local Funds	\$2.94m	\$3.19m	\$3.46m	\$3.76m	\$4.07m

ASSUMPTIONS AND METHODOLOGY: 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, 1993 actuarial valuation of the fund. The data included 94,762 active members with an annual payroll of \$2.142 billion and 20,195 retired members in receipt of annual pensions totaling \$160 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (c) 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. The cost projections over the next five

years take into account the average increase of 8.5% in total compensation of all members over the last five years.

SOURCES OF DATA: Buck Consultant, Inc. and Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: 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.
733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington **TomC**

DATE: April 11, 1995



Signed Copy Located in the NCGA Principal Clerk's Offices