

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT**

BILL NUMBER: House Bill 1170

SHORT TITLE: Enhance Local Retirement Benefits

SPONSOR: Representative Bell

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Funds

BILL SUMMARY: Increases the accrual rate for active members from 1.82% to 1.85% for each year of service and grants an adjusting increase of 1.5% to retirees as a result of the accrual rate change and provides a post-retirement increase of 2% in the benefits of retirees. Also, an adjusting increase of 6% is given to those who retired on or before June 1, 1982, and 1.1% is given to those who retired on or after July 1, 1982, but before July 1, 1993.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: Local Governmental Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the total cost to be .95% of the payroll of all members of the Local Governmental Employees' Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
Formula Increase .66%	\$26.5M	\$28.3M	\$30.3M	\$32.3M	\$34.5M
2% Cola .22%	\$ 8.8M	\$ 9.4M	\$10.1M	\$10.8M	\$11.5M
Adjusting Colas .07%	<u>\$ 2.8M</u>	<u>\$ 3.0M</u>	<u>\$ 3.2M</u>	<u>\$ 3.4M</u>	<u>\$ 3.6M</u>
TOTAL COST .95%	\$38.2M	\$40.8M	\$43.6M	\$46.5M	\$49.60M

General Assembly Actuary: Hartman & Associates estimates the cost of the formula increase to be .60%, the cost of 2% to be .20% of the payroll of all members of the Local Governmental Employee's Retirement System. He is unable to estimate the adjusting increases due to lack of data.

	2003-04	2004-05	2005-06	2006-07	2007-08
Formula Increase .60%	\$24.1M	\$25.8M	\$27.5M	\$29.4M	\$31.4M
2% Cola .20%	\$ 8.0M	\$ 8.6M	\$ 9.2M	\$ 9.8M	\$10.4M
Adjusting Colas	unknown	unknown	unknown	unknown	unknown
TOTAL COST	\$32.1M	\$34.4M	\$38.7M	\$39.2M	\$41.8M

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, 2001, actuarial valuation of the fund. The data included 118,580 active members with an annual payroll of \$3.6 billion and 31,352 retired members in receipt of annual pensions totaling \$392.7 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 - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

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DATE: April 30, 2003



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