

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

BILL NUMBER: House Bill 1513 (First Edition)

SHORT TITLE: Increase Local Gov't Death Benefit.

SPONSOR(S): Representatives G. Wilson and Bell

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Governments' Funds

BILL SUMMARY: Increases the Death Benefit for members of the Local Governmental Employees' Retirement System who die while employed after one year of service. This bill will increase the death benefit from one year's salary with maximum of \$20,000 to one year's salary with a minimum of \$25,000 and a maximum of \$50,000. The participating employer must have elected to have the death benefit coverage.

EFFECTIVE DATE: July 1, 2004

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Retirement System Actuary: Mellon estimates the first year cost will be \$1,969,006.

	2004-05	2005-06	2006-07	2007-08	2008-09
Local Funds	\$2.0M	\$2.1M	\$2.2M	\$2.4M	\$2.5

General Assembly Actuary: Hartman & Associates estimates the first year cost will be \$2,098,194.

	2004-05	2005-06	2006-07	2007-08	2008-09
Local Funds	\$2.1M	\$2.2M	\$2.4M	\$2.5M	\$2.7M

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, 2002, actuarial valuation of the fund. The data included 117,654 active members with an annual payroll of \$3.7 billion and 32,951 retired members in receipt of annual pensions totaling \$431 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 - Mellon

General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director
Fiscal Research Division



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