

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

**BILL NUMBER:** House Bill 80 (First Edition)

**SHORT TITLE:** Increase Local Retirement Benefits

**SPONSOR(S):** Representative Tucker

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

**FUNDS AFFECTED:** Local Funds

**BILL SUMMARY:** Increases the accrual rate for active members from 1.78% to 1.81% for each year of service and grants an adjusting increase of 1.7% to retirees as a result of the accrual rate change.

**EFFECTIVE DATE:** July 1, 2001

**ESTIMATED IMPACT ON LOCAL GOVERNMENTS:**

Retirement System Actuary: Buck Consultants estimates the cost of the formula increase and adjustment to retirees to be .62% of payroll.

	2001-02	2002-03	2003-04	2004-05	2005-06
Local Funds	\$22.7m	\$24.1m	\$25.7m	\$27.3m	\$29.1m

General Assembly Actuary: Hartman & Associates estimates the cost of the formula increase and adjustment to retirees to be .55% of payroll.

	2001-02	2002-03	2003-04	2004-05	2005-06
Local Funds	\$20.1m	\$21.4m	\$22.8m	\$24.2m	\$25.8m

There are actuarial gains within the Local System to provide this increase without additional cost to the local governments.

**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, 1999 actuarial valuation of the fund. The data included 112,431 active members with an annual payroll of \$3.12 billion and 28,562 retired members in receipt of annual pensions totaling \$318 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

**FISCAL RESEARCH DIVISION 733-4910**

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**APPROVED BY:** James D. Johnson

**DATE:** February 23, 2001



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