

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

**BILL NUMBER:** Committee Substitute for House Bill 1617

**SHORT TITLE:** Repeal Disability Retirement Reduction

**SPONSOR(S):** Representative Cox

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

**FUNDS AFFECTED:** Local Funds

**BILL SUMMARY:** Under the present law, any member who is retired on disability is allowed to earn the difference between the salary at retirement and the disability retirement benefit, with no effect on the disability retirement benefit. If earnings are greater than this difference, the disability retirement benefit is reduced dollar for dollar. This bill removes any earning restrictions for any member of the Local Governmental Employees' Retirement System who is retired on disability.

**EFFECTIVE DATE:** When it becomes law.

**ESTIMATED IMPACT ON LOCAL GOVERNMENTS:** Buck Consultants says the cost would be a loss of savings that would otherwise occur when the benefit is reduced because of excess earning. Hartman & Associates was not able to estimate the total financial impact since data regarding current or potential earning capability is not available.

**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, 2000, actuarial valuation of the fund. The data included 116,240 active members with an annual payroll of \$3.34 billion and 30,061 retired members in receipt of annual pensions totaling \$356.8 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:** July 19, 2002



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