

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1379 (First Edition)

SHORT TITLE: Local Law Officers Return to Work.

SPONSOR(S): Representatives McLawhorn, R. Warren, Spear, and Burr

FUNDS AFFECTED: Local Funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: July 1, 2009

BILL SUMMARY: The present law provides that a law enforcement officer is eligible to retire on an unreduced retirement allowance at age 55 with 5 years of service and at any age with 30 years of service. They are also eligible to receive the special separation allowance which pays the retiree 0.85% of the officer's salary for each year of service. This allowance is paid until age 62 or the first day of reemployment with a unit of local government. (There is no provision for the continuation of this benefit during reemployment period).

The present law allows a local retiree to return to service with a local governmental employer on a part-time, interim, temporary, or contractual basis and earn the greater of \$28,080 or 50% of the retiree's salary before retirement in any calendar year before retirement benefits are suspended for the remainder of the calendar year.

The bill completely removes any earning restrictions for any retired law enforcement officer who returns to service with a local governmental employer as a law enforcement officer on a permanent full-time or part-time capacity, provided they have not been employed in any capacity with a local employer as a law enforcement officer in the six months prior to reemployment. Each local law enforcement agency employing retired local law enforcement officers shall pay to the Local Retirement System 11.70% of the salary paid to each retired officer they have reemployed. Requires each local law enforcement agency to report monthly on payments to the Retirement Systems Division

ESTIMATED FISCAL IMPACT ON LOCAL GOVERNMENTS:

Retirement System Actuary: Buck Consultants estimates the normal cost to increase by 0.12 % and the accrued liability cost will increase by 0.23% of the payroll of all law enforcement officers of the Local Governmental Employees' Retirement System

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Normal Cost	\$1.1M	\$1.2M	\$1.2M	\$1.3M	\$1.3M
Accrued Liability	<u>\$2.1M</u>	<u>\$2.2M</u>	<u>\$2.3M</u>	<u>\$2.4M</u>	<u>\$2.6M</u>
Total Cost	\$3.3M	\$3.4M	\$3.5M	\$3.7M	\$3.9M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.10 % and the accrued liability cost will increase by 0.22% of the payroll of all law enforcement officers of the Local Governmental Employees' Retirement System

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Normal Cost	\$0.9M	\$1.0M	\$1.0M	\$1.1M	\$1.1M
Accrued Liability	<u>\$2.0M</u>	<u>\$2.1M</u>	<u>\$2.2M</u>	<u>\$2.3M</u>	<u>\$2.4M</u>
Total Cost	\$2.9M	\$3.1M	\$3.2M	\$3.4M	\$3.5M

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, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability 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. Gains and losses are reflected in the normal rate. 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: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910. 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.

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APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: May 5, 2009



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