



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

## Legislative Retirement Note

**Short Title:** No Waiting Period Under LGERS/VFDF Grants.  
**Bill Number:** Senate Bill 311 (Third Edition)  
**Sponsor(s):** Senator Corbin

### SUMMARY TABLE

#### ACTUARIAL IMPACT OF S.B. 311, V. 3 (\$ in thousands)

	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
<b>Local Impact</b>					
Local Governments	-	-	-	-	-
<b>TOTAL LOCAL EXPENDITURES</b>	-	-	-	-	-

### ACTUARIAL IMPACT SUMMARY

Section 1 has a potential actuarial impact on a retirement system.

Systems Affected: Local Governmental Employees' Retirement System (LGERS)

Section 1: Prohibits participating employers from imposing a waiting period on employees who are otherwise eligible to become members of LGERS. Both Cavanaugh Macdonald, the actuary for LGERS, and Hartman & Associates, the actuary for the General Assembly, estimate that this section will have no material impact on the contribution rates or liabilities of LGERS.

### ASSUMPTIONS AND METHODOLOGY

The cost estimates of the actuaries are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2019 actuarial valuations, except where new assumptions based on the experience study completed in 2020 would have a material impact on the results. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2019 unless otherwise noted, M = millions)	
	<u>LGERS</u>
Active Members	
Count	132,058
Valuation Compensation (Total)	\$7,066M
Average Age	44
Average Service	9.9
Inactive Members	
Count	79,588
Retired Members	
Count	75,002
Annual Benefits	\$1,479M
Average Age	69
New Retirees During 2020	4,300

Financial Statistics (as of 12/31/2019 unless otherwise noted, M = millions)	
	<u>LGERS</u>
Accrued Liability (AL)	\$30,701M
Actuarial Value of Assets (AVA)	\$27,435M
Market Value of Assets (MVA)	\$28,225M
Unfunded Accrued Liability (AL - AVA)	\$3,266M
Funded Status (AVA / AL)	89%
Required Employer Contribution for FY 2021-22 (as % of pay)	11.35% (non-LEO)
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 7.75%
Assumed Rate of Investment Return: 7.00%	
Cost Method: Entry Age Normal	
Amortization: 12 year, closed, flat dollar	
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
	<u>LGERS</u>
Formula	1.85% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from the Fiscal Research Division.

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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Cavanaugh Macdonald Consulting, LLC, "Actuarial Impact of Prohibiting Membership Waiting Periods - SB 311", August 16, 2021, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Senate Bill 311 Proposed House Committee Substitute S311-CSBCp-51 [v.2], Section 1: Preventing Membership Waiting Periods for Eligible Members Under the LGERS", August 17, 2021, original of which is on file in the General Assembly's Fiscal Research Division.

## **LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State or local government retirement systems and does not address sections that have no projected actuarial impacts.

## **CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

## **ESTIMATE PREPARED BY**

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David Vanderweide

## **ESTIMATE APPROVED BY**

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Mark Trogdon, Director of Fiscal Research  
Fiscal Research Division  
August 23, 2021



**Signed copy located in the NCGA Principal Clerk's Offices**