

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

BILL NUMBER: House Bill 81

SHORT TITLE: Increase Death Benefit

SPONSOR(S): Representative Tucker

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Government 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

EFFECTIVE DATE: July 1, 2001

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Retirement System Actuary: Buck Consultants estimates the first year cost will be \$1,646,473.

	2001-02	2002-03	2003-04	2004-05	2005-06
Local Funds	\$1.6M	\$1.8M	\$1.9M	\$2.0M	\$2.1

General Assembly Actuary: Hartman & Associates estimates the first year cost will be \$1,579,269.

	2001-02	2002-03	2003-04	2004-05	2005-06
Local Funds	\$1.6M	\$1.7M	\$1.8M	\$1.9M	\$2.0M

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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DATE: March 14, 2001



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