

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

BILL NUMBER: House Bill 943

SHORT TITLE: Discontinued Membership Service

SPONSOR(S): Representative Barefoot

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Funds

BILL SUMMARY: Allows a member whose employment is involuntarily terminated to receive an unreduced retirement benefit if the member is age 55 with 20 or more years of service and a reduced retirement benefit if the member is age 50 with 20 or more years of service. The reduced is 3% per year for each year the member is short of age 55. The terminated member's employer will pay the additional liabilities imposed upon the retirement system.

EFFECTIVE DATE: When it becomes law

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Buck Consultants and Hartman & Associates agree that there would be no cost to the Local Governmental Employees' Retirement System since the participating local employer would be paying the full liability.

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

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson

DATE: April 13, 2001



Signed Copy Located in the NCGA Principal Clerk's Offices