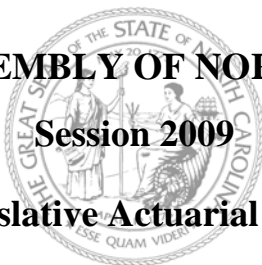


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 934 (First Edition)
SHORT TITLE: Local Employees' Retirement System COLAs.
SPONSOR(S): Representative Tucker

FUNDS AFFECTED: Local funds

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

EFFECTIVE DATE: July 1, 2009

BILL SUMMARY: States the General Assembly's intent to provide for a cost-of-living adjustment of 1% to retirees of the Local Governmental Employees' Retirement System.

ESTIMATED FISCAL IMPACTON LOCAL GOVERNMENTS:

The estimated cost to grant a 1% COLA for the Local Governmental Employees' Retirement System is as follows:

Retirement System Actuary: Buck Consultants estimates the cost to be 0.17 % of the payroll of all members of the Local Governmental Employees' Retirement System

Table with 6 columns: Local Funds, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14. Values range from \$9.0M to \$10.9M.

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.16% the payroll of all members of the Local Governmental Employees' Retirement System

Table with 6 columns: Local Funds, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14. Values range from \$8.4M to \$10.2M.

There are available gains of 0.58% of payroll in the Local Governmental Employees' Retirement System to fund this increase without increasing the contribution rate to units of local government.

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.

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Bob Weiss  
on behalf of Marilyn Chism, Director  
Fiscal Research Division



**DATE:** April 1, 2009

**Signed Copy Located in the NCGA Principal Clerk's Offices**