



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

## Legislative Retirement Note

**Short Title:** Spec. Sep. Allowance/25-Yr Cleveland Cty LEOs.  
**Bill Number:** House Bill 406 (Second Edition)  
**Sponsor(s):** Representative Hastings

### SUMMARY TABLE

#### ACTUARIAL IMPACT OF H.B. 406, V.2 (\$ 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>					
Cleveland County	- to \$3	\$1 to \$8	\$6 to \$15	\$13 to \$19	\$20 to \$25
<b>NET LOCAL IMPACT</b>	<b>- to \$3</b>	<b>\$1 to \$8</b>	<b>\$6 to \$15</b>	<b>\$13 to \$19</b>	<b>\$20 to \$25</b>

### ACTUARIAL IMPACT SUMMARY

Systems Affected: Special Separation Allowances paid by Cleveland County

House Bill 406 (Second Edition) establishes a special separation allowance benefit for law enforcement officers who retire from Cleveland County with more than 25 years of service in the Local Governmental Employees' Retirement System (LGERS) and 10 years of continuous service as a law enforcement officer with Cleveland County immediately prior to retirement, but prior to eligibility for existing separation allowances. The benefit is paid until age 62 in the following amounts:

Years of Service at Retirement	% of Base Compensation per Year of Service
25	0.725%
26	0.750%
27	0.775%
28	0.800%
29	0.825%

The existing special separation allowances are paid to all local law enforcement officers who retire with at least 30 years of service or at age 55 with at least 5 years of service. The existing benefit is paid until age 62 in an amount equal to 0.85% of base compensation per year of service.

Cavanaugh Macdonald, the actuary for the retirement systems, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will increase payments from Cleveland County by the following amounts:

<u>Year</u>	<u>Cavanaugh Macdonald</u>	<u>Hartman &amp; Associates</u>
2022	\$ 2,650	\$ 0
2023	8,236	651
2024	14,824	6,338
2025	19,100	13,440
2026	24,503	19,880
2027	31,812	25,249
2028	37,218	29,963
2029	40,611	29,873
2030	42,878	30,755
2031	46,350	33,841

The figures above from Cavanaugh Macdonald are contained in a revision to their original April 12 actuarial note. This revision is not related to the minor technical difference between the First Edition and the Second Edition of the bill.

### **ASSUMPTIONS AND METHODOLOGY**

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The cost estimates of the actuaries are based on the employee data and actuarial assumptions used to prepare the December 31, 2019 actuarial valuation for the Local Governmental Employees' Retirement System (LERS), including data on 138 law enforcement officers employed by Cleveland County with a total annual payroll of \$6.3 million. Cavanaugh Macdonald also assumed an increased probability of retirement due to the additional benefit granted in the bill.

<b>Benefit Provisions – Special Separation Allowance</b>	
Formula	0.725% to 0.825% x Service x Base Compensation
Unreduced retirement age/service	Any/25 with 10 years of continuous service with Cleveland County; not yet Any/30 or 55/15
Payable until	Age 62
Employee contribution (as % of pay)	0%

### **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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Cavanaugh Macdonald Consulting, LLC, "Special Separation Allowance/25 Yr Cleveland County LEOs–House Bill 406 (Revised)", April 14, 2021, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 406: An Act Providing a Special Separation Allowance for Certain Cleveland County Law Enforcement Officers", April 7, 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  
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April 15, 2021



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