



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

## Legislative Retirement Note

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

### SUMMARY TABLE

#### ACTUARIAL IMPACT OF H.B. 406, 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>					
Affected Counties	\$3 to \$10	\$25 to \$31	\$45 to \$56	\$65 to \$75	\$82 to \$93
<b>NET LOCAL IMPACT</b>	<b>\$3 to \$10</b>	<b>\$25 to \$31</b>	<b>\$45 to \$56</b>	<b>\$65 to \$75</b>	<b>\$82 to \$93</b>

### ACTUARIAL IMPACT SUMMARY

Systems Affected: Special Separation Allowances paid by Cleveland, Rutherford, Wayne, and Moore Counties

House Bill 406 (Third Edition) establishes a special separation allowance benefit for law enforcement officers who retire from Cleveland, Rutherford, Wayne, and Moore Counties 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, Rutherford, Wayne, or Moore 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, Rutherford, Wayne, and Moore Counties collectively by the following amounts:

<u>Year</u>	<u>Cavanaugh Macdonald</u>	<u>Hartman &amp; Associates</u>
2022	\$ 9,771	\$ 3,169
2023	30,792	24,535
2024	55,954	45,242
2025	75,360	65,344
2026	93,209	81,940
2027	114,627	99,460
2028	137,822	115,825
2029	163,331	130,877
2030	189,597	147,435
2031	214,493	162,505

### **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 (LGERS), including data on 580 law enforcement officers employed by Cleveland, Rutherford, Wayne, and Moore Counties with a total annual payroll of \$25.8 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 an affected 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, Rutherford, Wayne, and Moore County LEOs–House Bill 406 Third Edition", June 8, 2021, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 406, 3rd Edition: An Act Providing a Special Separation Allowance for Certain Cleveland, Rutherford, Wayne, and Moore County Law Enforcement

Officers”, June 2, 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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**ESTIMATE APPROVED BY**

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