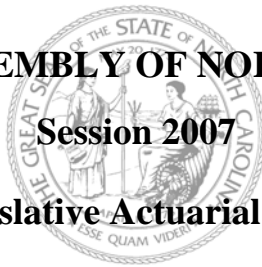


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1025 (First Edition)
SHORT TITLE: Local Govern. Retirement/Purchase of Service.
SPONSOR(S): Representative Coleman

FUNDS AFFECTED: Funds of participating local units of government.

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: The current law provides that members of the Local Governmental Employees' Retirement System may purchase credit for service spent in a probationary or employer-imposed waiting period and provides guidelines for purchase by the member or the member's employer. This bill allows an employer who chooses to pay the cost of the probationary employment to amortize its portion of the full actuarial cost over a period not to exceed 10 years if the employer has satisfied its accrued liability contribution

ESTIMATED IMPACT: Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that there would be no cost as a result of the enactment of this bill.

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, 2005 actuarial valuation of the fund. The data included 123,015 active members with an annual payroll of \$4.2 billion, 38,448 retired members in receipt of annual pensions totaling \$575 million and actuarial value of assets equal to \$14.4 billion. 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: 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: Lynn Muchmore, Director
Fiscal Research Division

DATE: April 15, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices