

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 560 (First Edition)

SHORT TITLE: Midland Retirement.

SPONSOR(S): Representatives Barnhart and Johnson

FUNDS AFFECTED: Local Funds of the Town of Midland

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Provides that if the Town of Midland becomes a participating employer of the Local Governmental Employees' Retirement System, the town council may elect to provide no prior service credit in the system for the one employee that was employed before the date that the town becomes a participating employer in the system. If the town elects not to allow prior service, then no credit will be given for the employee of the town for service provided before the town's participation in the system and the town will not be required to pay for any prior service credits.

ESTIMATED IMPACT ON LOCAL STSYEM: Both the Systems' actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, agree that there would be no impact on the Local Governmental Employees' Retirement System by allowing the Town of Midland to participate with allowing prior service to its employee.

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: Marilyn Chism, Director
Fiscal Research Division

DATE: March 24, 2009



Signed Copy Located in the NCGA Principal Clerk's Offices