

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Senate Bill 638 Local Government Retirement Definition

SHORT TITLE: Local Government Retirement Definition

SPONSOR(S): Senator Tony Rand

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

BILL SUMMARY: Redefines "Employer" and "Employee" in the Local Governmental Employees' Retirement System to include firemen and fire departments that serve a city or county and is supported with public funds. Some fire departments then would then be eligible to become a participating employer in the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT ON STATE: Both actuaries agree there would not be any additional cost to the Local System because each employee and employer would be paying the necessary contributions. However, both actuaries noted that the inclusion of non-governmental entities in the System could create adverse tax consequences by jeopardizing the qualified status of the System.

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, 1997 actuarial valuation of the fund. The data included 106,802 active members with an annual payroll of \$2.743 billion and 25,456 retired members in receipt of annual pensions totaling \$261.2 million. 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: System Actuary - Buck Consultant, Inc.
General Assembly Actuary – Hartman & Associates

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: Tom Covington

DATE: Tuesday, April 20, 1999



Signed Copy Located in the NCGA Principal Clerk's Offices