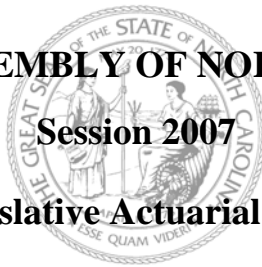


# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 689 (First Edition)

**SHORT TITLE:** Local Retirement System/Forgive Overpayments.

**SPONSOR(S):** Representatives Grady and Parmon

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**FUNDS AFFECTED:** Local Funds within the Local System Trust Fund

**SYSTEM OR PROGRAM AFFECTED:** Local Governmental Employees' Retirement System

**EFFECTIVE DATE:** When it becomes law.

**BILL SUMMARY:** Waives the repayment of benefits paid to ten spouses or family members of former retirees of the Law Enforcement Officers' Benefit and Retirement Fund who were transferred to the Local Governmental Retirement System in January 1986 and were paid in error from the Local System. Error occurred that resulted in the payment of retirement benefits to surviving family members that they were not entitled to receive.

**ESTIMATED IMPACT ON LOCAL GOVERNMENTS:** The total amount of the ten overpayments is \$1,372,219. The overpayments range from a low of \$51,027 to a high of \$295,740, with the average overpayment of \$137,221.

**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:** March 28, 2007



**Signed Copy Located in the NCGA Principal Clerk's Offices**