



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2017

Legislative Retirement Note

BILL NUMBER: House Bill 9 (First Edition)
SHORT TITLE: Allow Election Day Service - Retired LEOs.
SPONSOR(S): Representative Fraley

FUNDS AFFECTED: Local government funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System (LGERS), Special Separation Allowance for Local Officers.

BILL SUMMARY: House Bill 9 (First Edition) amends G.S. 143-166.42 concerning special separation allowances for local law-enforcement officers (LEOs), making organizational and clarifying changes and also adding language that allows a retired officer to be employed by county boards of elections in connection to Election Day service without suspending the retired officers' special separation allowance. The special separation allowance is a benefit of 0.85% of compensation times years of creditable service that is paid by the local government between unreduced retirement and age 62.

EFFECTIVE DATE: The bill is effective when it becomes law.

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the Retirement Systems, notes that there is no data available which will allow an estimate of the potential number of individuals eligible to receive the allowance that might avail them of the employment opportunity, nor is there data available on the suspension of current separation allowances due to Election Day service. However, they estimate that the average monthly separation allowance for those whose monthly allowance is less than a month of employment at the N.C. minimum wage (\$7.25 per hour) is \$840, so they estimate that in the first year, the amount paid in separation allowances would increase by \$840 times the number of recipients performing Election Day service.

Hartman & Associates, the actuary for the General Assembly, estimates that the bill will have a negligible impact on the amount paid in special separation allowances.

ASSUMPTIONS AND METHODOLOGY:

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, 2015 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2015 unless otherwise noted, M = millions)	
	<u>LGERS</u>
Active Members	
Count	124,974
General Fund Compensation	
Valuation Compensation (Total)	\$5,869M
Average Age	44
Average Service	10.2
Inactive Members	
Count	59,289
Retired Members	
Count	63,110 (9,682 were LEOs)
Annual Benefits	\$1,182M
Average Age	68
New Retirees During 2016	4,100

Financial Statistics (as of 12/31/2015 unless otherwise noted, M = millions)	
	<u>LGERS</u>
Accrued Liability (AL)	\$24,360M
Actuarial Value of Assets (AVA)	\$23,649M
Market Value of Assets (MVA)	\$22,404M
Unfunded Accrued Liability (AL - AVA)	\$711M
Funded Status (AVA / AL)	97%
Required Employer Contribution for FY 2017-18 (as % of pay)	7.50% (non-LEO)
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 7.75%
Assumed Rate of Investment Return: 7.25%	
Cost Method: Entry Age Normal	
Amortization: 12 year, closed, flat dollar	
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
	<u>LGERS</u>
Formula	1.85% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, “Allow Election Day Service – Retired LEOs – House Bill 1088”, June 7, 2016, original of which is on file in the General Assembly’s Fiscal Research Division.

Hartman & Associates, LLC, “House Bill 1088: An Act to Allow Retired Law Enforcement Officers to be Employed For Election Day Service Without Causing Suspension of the Separation Allowance”, June 3, 2016, original of which is on file in the General Assembly’s Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

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: David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division



DATE: February 24, 2017

Signed Copy Located in the NCGA Principal Clerk's Offices