

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 544

SHORT TITLE: Local Retire/Employer Payment.

SPONSOR(S): Representative Sherrill

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Funds

BILL SUMMARY: The bill allows the local employer to make an irrevocable election to pay all or any portion of the required employee's contributions of 6% of salary to the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: July 1, 1997

ESTIMATED IMPACT: Both actuaries agree that the payment of employee contributions by the employer would provide greater "take home pay" to the employee if the payment of employee contributions were made in lieu of a salary increase. Also, the employer would realize some saving as a result of lower payments into the Local Retirement System and Social Security. If any local employer elects to make the employee contribution, the long term effect would be a lower salary base on which retirement benefits would be calculated for those employees affected. This also would produce a lower salary base on which to fund benefits if any local employer elects to pay the employee contributions. The fiscal impact of this bill should be neutral.

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, 1995 actuarial valuation of the fund. The data included 101,341 active members with an annual payroll of \$2.429 billion and 22,732 retired members in receipt of annual pensions totaling \$201.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (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 - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: 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.

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom CovingtonTomC

DATE: March 31, 1997



Signed Copy Located in the NCGA Principal Clerk's Offices