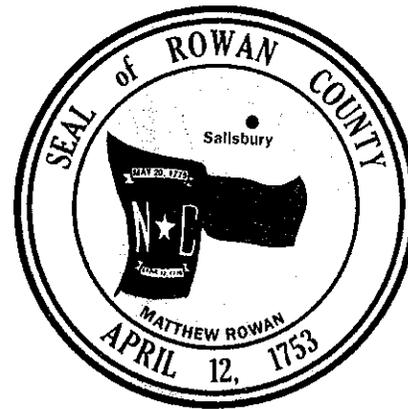


ROWAN COUNTY

North Carolina



Law Enforcement Officers' Special Separation Allowance

Fiscal Year Ended June 30, 2011

**ROWAN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FISCAL YEAR ENDED JUNE 30, 2011**

Plan Description. Rowan County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	18
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>104</u>
Total	<u>122</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011
Pages 2-66, 2-67

**ROWAN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FISCAL YEAR ENDED JUNE 30, 2011**

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00 percent investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5 percent to 12.3 percent per year. Both (a) and (b) included an inflation component of 3.75 percent. The assumptions did not include post-employment benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 21 years.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 235,164
Interest on net pension obligation	61,839
Adjustment to annual required contribution	<u>(66,213)</u>
Annual pension cost	230,790
Contributions made	<u>235,130</u>
Increase in net pension obligation	(4,340)
Net pension obligation, beginning of year	<u>1,236,770</u>
Net pension obligation, end of year	<u>\$ 1,232,430</u>

Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011
Pages 2-67, 2-68

**ROWAN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FISCAL YEAR ENDED JUNE 30, 2011**

Three-Year Trend Information

<u>For Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 213,096	53.2%	\$ 1,179,004
June 30, 2010	233,680	75.3%	1,236,770
June 30, 2011	230,790	101.9%	1,232,430

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$2,691,796. The covered payroll (annual payroll of active employees covered by the plan) was \$4,074,294, and the ratio of the UAAL to the covered payroll was 66.1 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011
Pages 2-68, 2-69*

**ROWAN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a ÷ b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b - a) ÷ c]</u>
12/31/01	\$ -	\$ 1,303,937	\$ 1,303,937	0%	\$ 3,171,958	41.1%
12/31/02	-	1,403,841	1,403,841	0%	3,427,767	41.0%
12/31/03	-	1,615,002	1,615,002	0%	3,443,637	46.9%
12/31/04	-	1,614,897	1,614,897	0%	3,511,008	46.0%
12/31/05	-	1,681,462	1,681,462	0%	3,967,984	42.4%
12/31/06	-	1,679,673	1,679,673	0%	3,927,493	42.8%
12/31/07	-	1,949,165	1,949,165	0%	4,220,556	46.2%
12/31/08	-	2,108,547	2,108,547	0%	4,386,342	48.1%
12/31/09	-	2,519,236	2,519,236	0%	4,182,461	60.2%
12/31/10	-	2,691,796	2,691,796	0%	4,074,294	66.1%

Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011

Page 2-93

**ROWAN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 133,360	24.5%
2003	150,458	35.9%
2004	166,383	51.6%
2005	181,948	45.9%
2006	184,128	41.4%
2007	176,877	56.3%
2008	178,571	61.0%
2009	203,058	55.9%
2010	222,471	79.1%
2011	235,164	100.0%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.5 - 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	None

Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011

Page 2-94