

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1313 (First Edition)
SHORT TITLE: Public Defenders/Judicial Retirement System
SPONSOR(S): Representatives Jeffus, Harrison, Goodwin, and Coleman

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

FUNDS AFFECTED: General Fund

EFFECTIVE DATE: July 1, 2007

BILL SUMMARY: Public defenders are presently members of the Teachers' and State Employees' Retirement System. This bill will transfer all public defenders, who are serving on July 1, 2007, from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System. Those who become public defenders after July 1, 2007 will also be members of the Consolidated Judicial Retirement System.

ESTIMATED IMPACT ON STATE: Both, the Systems' actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, expect no financial impact to the Consolidated Judicial Retirement System as result of this change since no service prior to July 1, 2007 will be transferred from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System. However, the employer contribution rate will increase from 3.34% of payroll in the State System to 12.59% of payroll in the Judicial System, an increase of 9.25%. The estimated increase based on an estimated payroll of \$2.1 million is as follows:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Fund	\$194,250	\$200,602	\$207,162	\$213,936	\$220,932

ASSUMPTIONS AND METHODOLOGY: Consolidated Judicial 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 497 active members with an annual payroll of \$51 million, 449 retired members in receipt of annual pensions totaling \$20.2 million and actuarial value of assets equal to \$382.5 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 Table for deaths after retirement, and (d) rates of separation from active service based on System experience. The actuarial cost method used to determine the liabilities is the projected benefit method; however, the method used to determine the contribution rate is the projected unit credit method with a frozen unfunded liquidation period of nine years. 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 Consultants
General Assembly Actuary - 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: April 20, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices