

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note



BILL NUMBER: Senate Bill 1286 (First Edition)
SHORT TITLE: Senior ADAs in Judicial Retirement System.
SPONSOR(S): Senator East

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt Funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System.

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: The act would allow all assistant district attorneys who have 15 years of service as an assistant district attorney to become members of the Consolidated Judicial Retirement System at the 3.02% accrual rate.

ESTIMATED IMPACT: Retirement System Actuary: Buck Consultants estimates the cost to be 1.44% of the payroll of all members of the Consolidated Judicial Retirement System plus any additional amount which would be 9.57% which the difference between the present rate payable to the Consolidated Judicial Retirement System (12.59%) and the present rate payable to the Teachers' and State Employees' Retirement System (3.02%).

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Normal & Accrued					
Liability Cost	\$779,000	\$801,000	\$824,000	\$847,000	\$871,000
Matching Rate	<u>\$679,000</u>	<u>\$699,000</u>	<u>\$719,000</u>	<u>\$739,000</u>	<u>\$760,000</u>
Total	\$1,458,000	\$1,500,000	\$1,543,000	\$1,586,000	\$1,631,000

The General Assembly Actuary: Hartman & Associates estimates the cost to be 0.57% the payroll of all members of the Consolidated Judicial Retirement System plus any additional amount which would be 9.57% which the difference between the present rate payable to the Consolidated Judicial Retirement System (12.59%) and the present rate payable to the Teachers' and State Employees' Retirement System (3.02%).

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Normal & Accrued					
Liability Cost	\$308,000	\$317,000	\$326,000	\$335,000	\$345,000
Matching Rate	<u>\$679,000</u>	<u>\$699,000</u>	<u>\$719,000</u>	<u>\$739,000</u>	<u>\$760,000</u>
Total	\$987,000	\$1,016,000	\$1,045,000	\$1,074,000	\$1,105,000

There are available gains of 1.23% of payroll in the Consolidated Judicial Retirement System to help fund this. The 1.23% remaining gains are after a cost-of-living is granted to retirees.

ASSUMPTIONS AND METHODOLOGY:

Teachers' & State 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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 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 entry age normal method with open-end unfunded accrued liability and 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.

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, 2004 actuarial valuation of the fund. The data included 490 active members with an annual payroll of \$49.4 million and 420 retired members in receipt of annual pensions totaling \$20.2 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.

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APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 9, 2006



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