



# NORTH CAROLINA GENERAL ASSEMBLY

## 2023 Session

### Legislative Actuarial Note - Retirement

**Short Title:** Eliminate Transfer of Creditable Svc to CJRS.  
**Bill Number:** House Bill 121 (First Edition)  
**Sponsor(s):** Rep. Warren

#### SUMMARY TABLE

#### ACTUARIAL IMPACT OF H.B. 121, V.1 (\$ in thousands)

	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
<b>State Impact</b>					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
<b>TOTAL STATE EXPENDITURES</b>	-	-	-	-	-
<b>Local Impact</b>					
Local Governments	-	-	-	-	-
<b>TOTAL LOCAL EXPENDITURES</b>	-	-	-	-	-

#### ACTUARIAL IMPACT SUMMARY

Systems Affected: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), Consolidated Judicial Retirement System (CJRS), and Legislative Retirement System (LRS)

House Bill 121 (First Edition) eliminates the ability to transfer service from TSERS, LGERS, or LRS to CJRS, effective January 1, 2024. Both Buck, the actuary for the retirement systems, and Hartman & Associates, the actuary for the General Assembly, state that the bill would have no impact on the current contribution rates or liabilities of any of the systems but would lower future actuarial costs across the systems collectively by a small, unknown amount.

#### ASSUMPTIONS AND METHODOLOGY

The cost estimates of the actuaries are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2021 actuarial valuations. Significant

membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2021 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CIRS</u>	<u>LRS</u>
<b>Active Members</b>				
Count	300,310	132,235	569	170
General Fund Compensation	\$11,960M		\$87M	\$4M
Valuation Compensation (Total)	\$16,633M	\$7,550M	\$83M	\$4M
Average Age	46	44	54	59
Average Service	11.0	9.9	11.9	6.8
<b>Inactive Members</b>				
Count	198,642	93,473	57	113
<b>Retired Members</b>				
Count	238,652	79,318	792	290
Annual Benefits	\$5,045M	\$1,633M	\$52M	\$2M
Average Age	72	69	74	78
New Retirees During 2022	12,700	4,800	33	6

Financial Statistics (as of 12/31/2021 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CIRS</u>	<u>LRS</u>
Accrued Liability (AL)	\$92,356M	\$34,884M	\$832M	\$30M
Actuarial Value of Assets (AVA)	\$83,139M	\$31,643M	\$703M	\$31M
Market Value of Assets (MVA)	\$87,966M	\$33,460M	\$744M	\$32M
Unfunded Accrued Liability (AL - AVA)	\$9,217M	\$3,241M	\$129M	(\$1M)
Funded Status (AVA / AL)	90%	91%	84%	102%
Required Employer Contribution for FY 2023-24 (as % of pay)	16.44%	12.85% (non-LEO)	32.84%	18.61%
Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%	3.25% - 8.25%	3.25% - 4.75%	3.25%
Assumed Rate of Investment Return: 6.50%				
Cost Method: Entry Age Normal				
Amortization: 12 year, closed, flat dollar				
Demographic assumptions based on 2015-2019 experience, Pub-2010 mortality, and projection of future mortality improvement with scale MP-2019				

Benefit Provisions				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	4.02% x Service x Highest Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5
Employee contribution (as % of pay)	6%	6%	6%	7%

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

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## TECHNICAL CONSIDERATIONS

N/A.

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## DATA SOURCES

Buck, "Prospective Elimination of Transfer of Creditable Service to CJRS", February 21, 2023, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 121: An Act Eliminating the Transfer of Creditable Service to the CJRS", February 28, 2023, original of which is on file in the General Assembly's Fiscal Research Division.

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## LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS

This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State or local government retirement systems and does not address sections that have no projected actuarial impacts.

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## CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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## ESTIMATE PREPARED BY

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**Signed copy located in the NCGA Principal Clerk's Offices**