

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE ACTUARIAL NOTE  
RETIREMENT**

**BILL NUMBER:** House Bill 1241

**SHORT TITLE:** Sick Leave/Judicial Retirement System

**SPONSOR(S):** Representative Redwine

**SYSTEM OR PROGRAM AFFECTED:** Consolidated Judicial Retirement System

**FUNDS AFFECTED:** General Fund

**BILL SUMMARY:** Presently, there is no allowance for service for sick leave for a member of the Judicial System, since these members do not earn sick leave. If any member of the Judicial System has five years of service, they are allowed to transfer any service in the Teachers' and State Employees' Retirement System into the Judicial System. At retirement, the benefit is calculated at the rate as benefits are calculated in the Teachers' and State Employees' Retirement System, presently at an accrual rate of 1.81% per year, but using an average final compensation based on last four years.

This bill will allow additional service credits in the Judicial Retirement System for any sick leave a member might have accumulated while a State employee. One month of service would be allowed for each 20 days or portion thereof of service leave standing to the member's credit.

**EFFECTIVE DATE:** July 1, 2001

**ESTIMATED IMPACT ON STATE:** Buck Consultants estimates that there is some cost of the proposal but estimates the cost to be negligible.

Hartman & Associates estimates the cost to be between 0.03% and 0.07% of estimated payroll.

	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
General Fund	\$18,000-\$35,000	\$15,700-\$36,700	\$16,500-\$38,400	\$17,300-\$40,300	\$18,100-\$42,200

**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, 1999 actuarial valuation of the fund. The data included 470 active members with an annual payroll of \$43 million and 361 retired members in receipt of annual pensions totaling \$13.3 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 Consultant, Inc.  
General Assembly Actuary - Hartman & Associates, LLC

**FISCAL RESEARCH DIVISION 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:** James D. Johnson

**DATE:** May 7, 2001

Official  
Fiscal Research Division  
Publication



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