

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

**BILL NUMBER:** Senate Bill 1428

**SHORT TITLE:** Judicial Retirement/Guaranteed Refunds

**SPONSOR(S):** Senator Harris

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

**FUNDS AFFECTED:** General Fund

**BILL SUMMARY:** The bill guarantees a payment will be made to the legal representative if the amount of retirement benefits received by the member, spouse or designated survivor does not equal the member's accumulated contributions and interest. The payment will be the difference between the member's accumulated contributions and interest and amount of retirement benefit paid to all parties. Presently, no benefits are payable if the member chooses a joint and survivorship option.

**EFFECTIVE DATE:** July 1, 2002 and applies to former members who die on or after that date.

**ESTIMATED IMPACT ON STATE:** Both the Fund's actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, agree that the cost would be negligible. Most members will recover the amount of their contributions and interest in a short period of time and the probability of all parties dying within the recovery period would be very low.

**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, 2000, actuarial valuation of the fund. The data included 470 active members with an annual payroll of \$43.5 million and 368 retired members in receipt of annual pensions totaling \$14.5 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 Consultant, Inc.  
General Assembly Actuary - Hartman & Associates, LLC

**FISCAL RESEARCH DIVISION (919) 733-4910**

**PREPARED BY:** Stanley Moore

**APPROVED BY:** James D. Johnson

**DATE:** July 1, 2002



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