

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 1341 (First Edition)

SHORT TITLE: Amend Judicial Retirement System.

SPONSOR(S): Senator Soles

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

EFFECTIVE DATE: July 1, 2010

BILL SUMMARY: Under the present law, judges, district attorneys, public defenders and clerks of court are eligible to retire on an unreduced retirement benefit after meeting one of the following conditions:

- (1) Age 65 with 5 years of service;
- (2) Age 50 with 24 years of service;

Reduced benefits are available at age 50 with 5 years.

This bill will allow any member to retire on an unreduced benefit who is age 62 with 20 years of service.

ESTIMATED IMPACT ON STATE: Buck Consultants estimates the cost to be 0.07% of the payroll of all members of the Consolidated Judicial Retirement System.

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General Fund	\$48,300	\$48,300	\$48,300	\$48,300	\$48,300

General Assembly Actuary: Hartman & Associates estimates the normal cost to increase by .04% and the accrued liability cost to increase by .05% for a total increase of 0.09% of the payroll of all members of the Consolidated Judicial Retirement System.

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General Fund	\$62,100	\$62,100	\$62,100	\$62,100	\$62,100

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, 2008 actuarial valuation of the fund. The data included 551 active members with an annual payroll of \$66.1 million, 488 retired members in receipt of annual pensions totaling \$26.7 million and actuarial value of assets equal to \$433.5 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality

Tables, (tables are set forward two years for post-retirement period and set back one year for pre-retirement period and special mortality tables are used for period after disability 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 unit credit. Projected benefits and the corresponding liabilities are allocated based on proration by creditable service. 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: Buck Consultants
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: Marilyn Chism, Director
Fiscal Research Division

DATE: June 17, 2010



Signed Copy Located in the NCGA Principal Clerk's Offices