

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

## Legislative Retirement Note

**BILL NUMBER:** House Bill 205 (First Edition)  
**SHORT TITLE:** Increase Retirement Age for Judges.  
**SPONSOR(S):** Representatives Schaffer and Daughtry

---

**FUNDS AFFECTED:** State General Fund, State Highway Fund, other State employer receipts

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS).

**BILL SUMMARY:** The bill increases the mandatory retirement age for judges and justices of the General Court of Justice from 72 to 75 years of age. The change applies to judges and justices holding office or elected on or after December 1, 2015. Under existing law, G.S. 7A-170(b) applies the mandatory retirement age for judges and justices to magistrates, so magistrates are also affected by the change in mandatory retirement age in this bill.

**EFFECTIVE DATE:** December 1, 2015

**ESTIMATED IMPACT ON STATE:** Buck Consultants, the Retirement Systems' actuary, and Hartman & Associates, the General Assembly's actuary, do not expect the change in mandatory retirement age to have a financial impact on either retirement system.

### ASSUMPTIONS AND METHODOLOGY:

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, 2012 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2012 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>CJRS</u>
Active Members		
Count	312,512	564
General Fund Compensation	\$9,891M	\$70M
Valuation Compensation (Total)	\$13,597M	\$71M
Average Age	45	55
Average Service	10.5	13.2
Inactive Members		
Count	124,976	48
Retired Members		
Count	179,908	559
Annual Benefits	\$3,713M	\$33M
Average Age	70	72
New Retirees During 2013	12,400	40

Financial Statistics (as of 12/31/2012 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>CJRS</u>
Accrued Liability (AL)	\$63,630M	\$528M
Actuarial Value of Assets (AVA)	\$59,912M	\$481M
Market Value of Assets (MVA)	\$57,780M	\$466M
Unfunded Accrued Liability (AL - AVA)	\$3,718M	\$46M
Funded Status (AVA / AL)	94%	91%
Annual Required Contribution (ARC) for FY 2014-15 (as % of pay)	8.76%	26.55%
Assumed Rate of Investment Return	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	5.00% - 5.95%
Cost Method	Entry Age Normal	Projected Unit Credit
Amortization	12 year, closed, flat \$	12 year, closed, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA		

Benefit Provisions		
	<u>TSERS</u>	<u>CJRS</u>
Formula	1.82% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/10 (5 if hired < Aug 2011)	50/24; 65/10 (5 if hired < Aug 2011)
Employee contribution (as % of pay)	6%	6%

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

#### **SOURCES OF DATA:**

Buck Consultants, "Increase Retirement Age for Judges (House Bill 205)", March 17, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 205: An Act to Increase the Mandatory Retirement Age for Judges and Justices of the General Court of Justice", March 16, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

#### **TECHNICAL CONSIDERATIONS:**

**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.

**PREPARED BY:** David Vanderweide

**APPROVED BY:**

Mark Trogdon, Director  
Fiscal Research Division

**DATE:** March 18, 2015



**Signed Copy Located in the NCGA Principal Clerk's Offices**