

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 1135 (First Edition)
SHORT TITLE: Retirement Credits for Peace Corps Service.
SPONSOR(S): Representatives Meyer, Horn, G. Martin, and Hardister

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS).

BILL SUMMARY: The bill amends G.S. 135-4 and G.S. 128-26 to allow purchase of creditable service in TSERS and LGERS for up to five years of Peace Corps volunteer service. Prior to making the purchase, the member must complete five years of membership service in TSERS or LGERS. The cost of the purchase is equal to the full liability for the service credits, calculated using the same assumptions used in the valuation except that the cost of the purchase assumes post-retirement cost-of-living increases.

EFFECTIVE DATE: July 1, 2016

ESTIMATED IMPACT ON STATE: Both Buck Consultants, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of any of the systems affected.

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, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>LGERS</u>
Active Members		
Count	307,313	123,184
General Fund Compensation	\$9,865M	
Valuation Compensation (Total)	\$13,737M	\$5,652M
Average Age	45	44
Average Service	10.7	10.3
Inactive Members		
Count	134,871	55,298
Retired Members		

Count	194,607	60,408
Annual Benefits	\$4,058M	\$1,109M
Average Age	70	68
New Retirees During 2015	11,400	4,100

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>LGERS</u>
Accrued Liability (AL)	\$67,715M	Not meaningful
Actuarial Value of Assets (AVA)	\$64,734M	\$22,682M
Market Value of Assets (MVA)	\$64,587M	\$22,745M
Unfunded Accrued Liability (AL - AVA)	\$2,981M	Not meaningful
Funded Status (AVA / AL)	96%	Not meaningful
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.48% (new assumptions)	7.25% (non-LEO)
Assumed Rate of Investment Return	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%	3.50% - 6.71%
Cost Method	Entry Age Normal	Frozen Entry Age
Amortization	12 year, closed, flat \$	Not applicable
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015		

Benefit Provisions		
	<u>TSERS</u>	<u>LGERS</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5
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, "Retirement Credits for Peace Corp Service – House Bill 1135", May 24, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 1135: An Act to Allow for the Purchase of Credit in the State Retirement Systems at Full Cost for Peace Corps Volunteer Service", May 23, 2016, 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.

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DATE: May 27, 2016



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