



**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2015**

**Legislative Retirement Note**

**BILL NUMBER:** Senate Bill 2 (Second Edition)  
**SHORT TITLE:** Magistrates Recusal for Civil Ceremonies.  
**SPONSOR(S):**

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

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees' Retirement System (TSERS)

**BILL SUMMARY:**

Section 5 of the bill grants membership service in TSERS to any magistrate who resigned, or was terminated from, his or her office between October 6, 2014 and the effective date of the bill who is subsequently reappointed within 90 days after the effective date of the bill. The service will be granted for the full period of the break in service at the rate of compensation that would have applied had there been no break. The Judicial Department is required to pay both the employee and employer contributions related to this service to TSERS.

No other sections of the bill affect State retirement systems.

**EFFECTIVE DATE:** The bill is effective when it becomes law.

**ESTIMATED IMPACT ON STATE:**

Buck Consultants, the actuary for the System, estimates that this bill will result in a change in the annual required contribution for TSERS of less than 0.01% of payroll. The bill will result in a small increase in contributions made by the Judicial Department.

Hartman and Associates, the actuary for the General Assembly, estimates that the bill will not have a material impact on TSERS due to the small number of members impacted and the submission of all contributions related to the service.

**ASSUMPTIONS AND METHODOLOGY:**

A list of eight magistrates who have resigned their posts was provided.

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, 2013 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>
Active Members	
Count	312,512
General Fund Compensation	\$9,891M
Valuation Compensation (Total)	\$13,597M
Average Age	45
Average Service	10.5
Inactive Members	
Count	124,976
Retired Members	
Count	179,908
Annual Benefits	\$3,713M
Average Age	70
New Retirees During 2013	12,400

Financial Statistics (as of 12/31/2012 unless otherwise noted, M = millions)	
	<u>TSERS</u>
Accrued Liability (AL)	\$63,630M
Actuarial Value of Assets (AVA)	\$59,912M
Market Value of Assets (MVA)	\$57,780M
Unfunded Accrued Liability (AL - AVA)	\$3,718M
Funded Status (AVA / AL)	94%
Annual Required Contribution (ARC) for FY 2014-15 (as % of pay)	8.76%
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%
Cost Method	Entry Age Normal
Amortization	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>
Formula	1.82% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/10 (5 if hired < Aug 2011)
Employee contribution (as % of pay)	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, “Senate Bill 2 – Magistrates Recusal of Civil Ceremonies”, February 24, 2015, original of which is on file in the General Assembly’s Fiscal Research Division.

Hartman & Associates, LLC, “Senate Bill 2 Proposed Committee Substitute S2-CSTG-1[v.5], Section 5: Membership Service in TSERS for Magistrates with Certain Breaks in Service”, February 24, 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.

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**APPROVED BY:**

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Fiscal Research Division

**DATE:** February 25, 2015



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