

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2017

## Legislative Retirement Note

**BILL NUMBER:** Senate Bill 117 (Second Edition)

**SHORT TITLE:** Forfeiture of Retirement Benefits/Judges.

**SPONSOR(S):** Senators Pate and Tucker

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**FUNDS AFFECTED:** State General Fund

**SYSTEM OR PROGRAM AFFECTED:** Consolidated Judicial Retirement System (CJRS)

**BILL SUMMARY:** Senate Bill 117 (Second Edition) prohibits the payment of any retirement benefits or allowances, except for a return of member contributions plus interest, to any judge who is impeached and convicted for reasons other than a physical or mental incapacity interfering with the performance of the judge's duties. Also prohibits paying retirement benefits or allowances, except for a return of member contributions plus interest, to any judge removed from office under G.S. 7A-376(b), which allows the Supreme Court to remove any judge for willful misconduct in office, willful and persistent failure to perform the judge's duties, habitual intemperance, conviction of a crime involving moral turpitude, or conduct prejudicial to the administration of justice that brings the judicial office into disrepute.

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

**ESTIMATED IMPACT ON STATE:** Both Conduent, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will cause no material reduction in the contribution rates or liabilities of CJRS.

### 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, 2015 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2015 unless otherwise noted, M = millions)	
	CJRS
Active Members	
Count	561
General Fund Compensation	\$70M
Valuation Compensation (Total)	\$70M
Average Age	55
Average Service	12.9
Inactive Members	
Count	45

<b>Retired Members</b>	
Count	647
Annual Benefits	\$40M
Average Age	72
New Retirees During 2016	20

<b>Financial Statistics (as of 12/31/2015 unless otherwise noted, M = millions)</b>	
	<u>CJRS</u>
Accrued Liability (AL)	\$616M
Actuarial Value of Assets (AVA)	\$550M
Market Value of Assets (MVA)	\$521M
Unfunded Accrued Liability (AL - AVA)	\$66M
Funded Status (AVA / AL)	89%
Required Employer Contribution for FY 2017-18 (as % of pay)	30.23%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 5.50%
Assumed Rate of Investment Return: 7.25%	
Cost Method: Entry Age Normal	
Amortization: 12 year, closed, flat dollar	
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

<b>Benefit Provisions</b>	
	<u>CJRS</u>
Formula	3.02% to 4.02% x Service x Final Pay
Unreduced retirement age/service	50/24; 65/5
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:**

Conduent, “Forfeiture of Retirement Benefits/Judges – House Bill 160 / Senate Bill 117”, March 6, 2017, original of which is on file in the General Assembly’s Fiscal Research Division.

Hartman & Associates, LLC, “House Bill 160/Senate Bill 117: An Act Prohibiting Receipt of Benefits From the CJRS for Judges Who Have Been Impeached or Removed From Office”, February 28, 2017, 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:** March 8, 2017



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