



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Actuarial Note - Retirement

Short Title: The Disaster Recovery Act of 2024 - Part II.
Bill Number: Senate Bill 743 (Fifth Edition)
Sponsor(s):

SUMMARY TABLE

ACTUARIAL IMPACT OF S.B. 743, V.5 (\$ in thousands)

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-
Local Impact					
Local Governments	-	-	-	-	-
TOTAL LOCAL EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Sections 4F.1 and 4F.2 have potential actuarial impacts on retirement systems.

Systems Affected: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Disability Income Plan (DIP), Contributory Death Benefit (CDB)

Section 4F.1: Temporarily extends certain deadlines to apply for benefits, modify benefit elections, or provide documentation in TSERS, LGERS, CJRS, LRS, DIP, and CDB for individuals who certify in writing that their primary place of residence was located in the counties included in the federal disaster declaration as a result of Hurricane Helene. Both Gallagher, the actuary for the retirement systems, and Hartman & Associates, the actuary for the General Assembly, estimate that this section will have no material impact on the contribution rates or liabilities of the affected systems.

Section 4F.2: Temporarily allows the State Treasurer or his designee to waive penalties for late payment of employer and employee contributions to TSERS or LGERS if the delay was due to circumstances caused by Hurricane Helene. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or LGERS.

ASSUMPTIONS AND METHODOLOGY

The cost estimates of the actuaries are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2022 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2022 unless otherwise noted, M = millions)				
	TSERS	LGERS	CJRS	LRS
Active Members				
Count	297,802	135,706	581	170
General Fund Compensation	\$12,657M		\$101M	\$4M
Valuation Compensation (Total)	\$17,601M	\$8,292M	\$88M	\$4M
Average Age	46	44	54	60
Average Service	10.9	9.6	11.3	7.4
Inactive Members				
Count	218,956	101,818	60	108
Retired Members				
Count	246,374	82,466	816	288
Annual Benefits	\$5,259M	\$1,729M	\$55M	\$2M
Average Age	72	69	74	78
New Retirees During 2023	11,416	4,360	41	17

Financial Statistics (as of 12/31/2022 unless otherwise noted, M = millions)				
	TSERS	LGERS	CJRS	LRS
Accrued Liability (AL)	\$96,675M	\$37,090M	\$877M	\$30M
Actuarial Value of Assets (AVA)	\$85,407M	\$32,708M	\$721M	\$31M
Market Value of Assets (MVA)	\$77,445M	\$29,655M	\$654M	\$28M
Unfunded Accrued Liability (AL - AVA)	\$11,268M	\$4,382M	\$155M	(\$0M)
Funded Status (AVA / AL)	88%	88%	82%	101%
Required Employer Contribution for FY 2024-25 (as % of pay)	16.79%	13.60% (non-LEO)	35.96%	19.32%
Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%	3.25% - 8.25%	3.25% - 4.75%	3.25%
Assumed Rate of Investment Return: 6.50%				
Cost Method: Entry Age Normal				
Amortization: 12 year, closed, flat dollar				
Demographic assumptions based on 2015-2019 experience, Pub-2010 mortality, and projection of future mortality improvement with scale MP-2019				

Benefit Provisions				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	4.02% x Service x Highest Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5
Employee contribution (as % of pay)	6%	6%	6%	7%

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

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Gallagher, "Senate Bill 743 – A Bill to Be Entitled An Act to Make Modifications to and Provide Additional Appropriations for the Disaster Recovery Act of 2024", October 24, 2024, original of which is on file in the General Assembly's Fiscal Research Division.

Gallagher, "Senate Bill 743 – A Bill to Be Entitled An Act to Make Modifications to and Provide Additional Appropriations for the Disaster Recovery Act of 2024", October 28, 2024, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Disaster Recovery Act of 2024-Part II (Sections 4F.1 and 4F.2)", October 23, 2024, original of which is on file in the General Assembly's Fiscal Research Division.

LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS

This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State or local government retirement systems and does not address sections that have no projected actuarial impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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November 4, 2024



Signed copy located in the NCGA Principal Clerk's Offices