



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Actuarial Note - Retirement

Short Title: DST Technical Corrections/Admin. Changes 2025.-AB
Bill Number: House Bill 476 (First Edition)
Sponsor(s): Rep. Carson Smith and Rep. Wheatley

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 476, V.1 (\$ in thousands)					
	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-
Local Impact					
Local Governments	-	-	-	-	-
TOTAL LOCAL EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Parts I, II, V, and VII 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)

Part I: Extends the provisional entry of a charter school into TSERS by up to two additional years and adjusts the timing of the required actuarial and financial review. Gallagher, the actuary for the retirement systems, estimates that this part will have no material impact on the contribution rates or liabilities of TSERS. Aon, the actuary for the General Assembly, estimates that this part could increase the future normal cost rate in TSERS by 0.01% of pay for every 240 members added at a charter school and the accrued liability contribution by 0.01% of pay for every 70 members added.



Part II: Requires the Boards of Trustees rather than the State Treasurer to determine the reversal of benefits forfeited due to felonious conduct in TSERS, LGERS, CJRS, and LRS. Both actuaries estimate that this part will have no material impact on the contribution rates or liabilities of TSERS, LGERS, CJRS, or LRS.

Part V: Corrects statutory references to restoration of service as an employee in TSERS. Both actuaries estimate that this part will have no material impact on the contribution rates or liabilities of TSERS.

Part VII: Makes technical and conforming changes to statutes governing LRS and LGERS. Both actuaries estimate that this part will have no material impact on the contribution rates or liabilities of LRS 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, 2023 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2023 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Active Members				
Count	299,037	141,269	582	170
General Fund Compensation	\$12,657M (2024 Session)		\$101M (2024 Session)	\$4M
Valuation Compensation (Total)	\$18,382M	\$9,184M	\$96M	\$4M
Average Age	46	43	54	58
Average Service	10.8	9.3	10.8	7.0
Inactive Members				
Count	230,130	108,697	70	120
Retired Members				
Count	252,036	85,027	850	294
Annual Benefits	\$5,412M	\$1,818M	\$57M	\$2M
Average Age	72	70	74	78
New Retirees During 2024	11,336	4,295	26	7

Financial Statistics (as of 12/31/2023 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Accrued Liability (AL)	\$99,810M	\$39,519M	\$920M	\$30M
Actuarial Value of Assets (AVA)	\$88,619M	\$34,328M	\$742M	\$31M
Market Value of Assets (MVA)	\$83,643M	\$32,437M	\$700M	\$29M
Unfunded Accrued Liability (AL - AVA)	\$11,191M	\$5,191M	\$178M	(\$0M)
Funded Status (AVA / AL)	89%	87%	81%	102%
Required Employer Contribution for FY 2025-26 (as % of pay)	17.14%	14.35% (non-LEO)	37.73%	18.26%
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, "HB 476 / SB 363 – DST Technical Corrections/Admin. Changes 2025.-AB", April 7, 2025, original of which is on file in the General Assembly's Fiscal Research Division.

Aon, "House Bill 476/Senate Bill 363: Extend Provisional Entry of Charter Schools in TSERS and Reversal of Benefits Forfeited Due to Felonious Conduct under TSERS, LGERS, CJRS, and LRS", April 2, 2025, 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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Signed copy located in the NCGA Principal Clerk's Offices

