

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 320 (Second Edition)

SHORT TITLE: Budget Technical Corrections

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

EFFECTIVE DATE: July 1, 2005

PROVISION SUMMARY: Repeals the transfer of creditable service and contributions of the Utilities Commissioners from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System.

The transfer was allowed in a special provision in Senate bill 622 to be effective September 1, 2005 so this bill will prohibit the provision from being effective.

ESTIMATED IMPACT: Consolidated Judicial Retirement System

In Senate Bill 622, both, Buck Consultants, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost for the transfer of service would be 0.14% of payroll.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$73,360	\$76,228	\$79,209	\$82,306	\$90,928

This repeal, will save 0.14% of gains that are available in the Consolidated Judicial Retirement System.

In Senate Bill 622, the estimated employer contribution rate would increase from 2.34% of payroll to 12.59% of payroll as a result of the transfer. With the repeal, the estimated savings to the Utilities Commission in the form of employer contributions are as follows:

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$79,758	\$82,877	\$86,117	\$89,484	\$92,983

ASSUMPTIONS AND METHODOLOGY:

Teachers' & State Employees' Retirement System: 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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d)

rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

Consolidated Judicial Retirement System: 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, 2003 actuarial valuation of the fund. The data included 497 active members with an annual payroll of \$49.5 million and 408 retired members in receipt of annual pensions totaling \$19 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Table for deaths after retirement, and (d) rates of separation from active service based on System experience. The actuarial cost method used to determine the liabilities is the projected benefit method; however, the method used to determine the contribution rate is the projected unit credit method with a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Mellon
General Assembly Actuary - Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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: August 12, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices