

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 50 (First Edition)
SHORT TITLE: Amend Mand. Retire. Age/Judges & Magistrates.
SPONSOR(S): Representatives McNeill, Hurley, Bishop, and Stam

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

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS).

BILL SUMMARY: The bill increases the mandatory retirement age for magistrates, judges and justices of the General Court of Justice from the end of the month in which the individual reaches age 72 to the end of the calendar year in which the individual reaches age 72. The change applies to magistrates, judges and justices holding office or elected on or after January 1, 2016.

EFFECTIVE DATE: January 1, 2016

ESTIMATED IMPACT ON STATE: Buck Consultants, the Retirement Systems' actuary, and Hartman & Associates, the General Assembly's actuary, do not expect the change in mandatory retirement age to have a financial impact on either retirement system.

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, 2012 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>	<u>CJRS</u>
Active Members		
Count	312,512	564
General Fund Compensation	\$9,891M	\$70M
Valuation Compensation (Total)	\$13,597M	\$71M
Average Age	45	55
Average Service	10.5	13.2
Inactive Members		
Count	124,976	48
Retired Members		
Count	179,908	559
Annual Benefits	\$3,713M	\$33M
Average Age	70	72
New Retirees During 2013	12,400	40

Financial Statistics (as of 12/31/2012 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>CJRS</u>
Accrued Liability (AL)	\$63,630M	\$528M
Actuarial Value of Assets (AVA)	\$59,912M	\$481M
Market Value of Assets (MVA)	\$57,780M	\$466M
Unfunded Accrued Liability (AL - AVA)	\$3,718M	\$46M
Funded Status (AVA / AL)	94%	91%
Annual Required Contribution (ARC) for FY 2014-15 (as % of pay)	8.76%	26.55%
Assumed Rate of Investment Return	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	5.00% - 5.95%
Cost Method	Entry Age Normal	Projected Unit Credit
Amortization	12 year, closed, flat \$	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>	<u>CJRS</u>
Formula	1.82% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/10 (5 if hired < Aug 2011)	50/24; 65/10 (5 if hired < Aug 2011)
Employee contribution (as % of pay)	6%	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, "Amended Mandatory Retirement Age for Judges and Magistrates (House Bill 50)", March 18, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 50: An Act to Amend the Mandatory Retirement Age for Magistrates, Judges, and Justices of the General Court of Justice to Require Retirement on December 31 of the Year the Magistrate, Judge, or Justice Attains the Age of 72", February 20, 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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DATE: March 19, 2015



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