

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2015**

**Legislative Retirement Note  
Retirement Benefits**

**BILL NUMBER:** House Bill 274 (First Edition)  
**SHORT TITLE:** Retirement Technical Corrections Act of 2015.-AB  
**SPONSOR(S):** Representatives Gill, L. Bell, Elmore, and Waddell

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**FUNDS AFFECTED:** State General Fund, State Highway Fund, other State employer receipts for TSERS and DIP; local government funds for LGERS

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), and the Disability Income Plan (DIP).

**BILL SUMMARY:**

Section 1: Clarifies the definition of membership in TSERS with regard to hours worked. These revisions observe the opinion of the NC Supreme Court from 1997 in *Wiebenson v. Bd. of Trustees*.

Section 2: Conforms one reference to the effective date of the offset for Social Security Disability benefits to other references to the offset within the DIP statutes.

Section 3: Changes the asset transfer period for the Qualified Excess Benefit Arrangement in TSERS and LGERS from a fiscal year to a calendar year, to align with how the benefits are paid.

Section 4: Repeals superceded LGERS investment statutes.

Section 5: Clarifies a recently amended law pertaining to the rules surrounding funds recovered from legal settlements to correct a conflict with the Federal Exclusive Benefits rule.

**EFFECTIVE DATE:** July 1, 2015

**ESTIMATED IMPACT ON STATE:** Both Buck Consultants, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of any of the systems affected.

**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, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>LGERS</u>	<u>DIP</u>
Active Members			
Count	310,370	123,455	325,642
General Fund Compensation	\$9,914M		\$10,813M
Valuation Compensation (Total)	\$13,608M	\$5,556M	\$15,198M
Average Age	45	44	45
Average Service	10.6	10.3	Not avail.
Inactive Members			
Count	125,513	50,998	0
Retired Members			
Count	187,448	57,405	7,012
Annual Benefits	\$3,871M	\$1,039M	\$75M
Average Age	70	68	Not avail.
New Retirees During 2014	11,500	4,400	992

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>LGERS</u>	<u>DIP</u>
Accrued Liability (AL)	\$65,806M	Not meaningful	Not meaningful
Actuarial Value of Assets (AVA)	\$62,364M	\$21,498M	\$442M
Market Value of Assets (MVA)	\$62,789M	\$21,784M	\$421M
Unfunded Accrued Liability (AL - AVA)	\$3,442M	Not meaningful	Not meaningful
Funded Status (AVA / AL)	95%	Not meaningful	Not meaningful
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	6.52% (non-LEO)	0.41%
Assumed Rate of Investment Return	7.25%	7.25%	5.75%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	4.25% - 8.55%	4.25% - 9.10%
Cost Method	Entry Age Normal	Frozen Entry Age	Aggregate
Amortization	12 year, closed, flat \$	Not applicable	Not applicable
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>LGERS</u>	<u>DIP</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	65% of salary for long-term
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	Any/5 with permanent disability
Employee contribution (as % of pay)	6%	6%	None

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, “Retirement Technical Corrections Act of 2015 (House Bill 274)”, March 24, 2015, original of which is on file in the General Assembly’s Fiscal Research Division.

Hartman & Associates, LLC, “House Bill 274: An Act to Enact the Retirement Technical Corrections Act of 2015”, March 23, 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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**APPROVED BY:**  
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Fiscal Research Division



**DATE:** March 30, 2015

**Signed Copy Located in the NCGA Principal Clerk's Offices**