



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Actuarial Note - Retirement

Short Title: 2024 Retirement Technical Corrections.
Bill Number: House Bill 988 (First Edition)
Sponsor(s): Rep. Carson Smith

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 988, V.1 (\$ 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

Systems Affected: Teachers’ and State Employees’ Retirement System (TSERS), Local Governmental Employees’ Retirement System (LGERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF), Disability Income Plan (DIP), Death Benefit Plans (DBP)

Part 1: Amends various statutes to use the consistent term “Executive Director of the Retirement Systems Division.” Both Buck, 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 TSERS, LGERS, FRSWPF, DIP, DBP.

Part 2: Changes the term “final average compensation” to “average final compensation” and capitalizes the term “Retirement System” in several places in the TSERS and LGERS statutes to conform with usage elsewhere in those statutes. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or LGERS.

Part 3: Amends statutes which reference a specific required minimum distribution age to instead reference the federal law which defines the applicable age. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS, LGERS, CJRS, or LRS.

Part 4: Makes other technical, grammatical, and conforming changes. 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)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
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				
	TSERS	LGERS	CJRS	LRS
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

Buck, "HB 988 – 2024 Retirement Technical Corrections", May 13, 2024, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 988: 2024 Retirement Technical Corrections", May 6, 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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Signed copy located in the NCGA Principal Clerk's Offices