



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Actuarial Note - Retirement

Short Title: CBBC Working Group Changes.
Bill Number: Senate Bill 729 (First Edition)
Sponsor(s): Sen. Jim Burgin, Sen. Joyce Krawiec, and Sen. Carl Ford

SUMMARY TABLE

ACTUARIAL IMPACT OF S.B. 729, V.1 (\$ in thousands)

	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Systems Affected: Teachers' and State Employees' Retirement System (TSERS)

Section 1: Provides that a public school is not required to pay a Contribution Based Benefit Cap (CBBC) additional contribution if it certifies that the retiree's service during the period used to compute average final compensation was in a position where State law mandates the amount paid from State funds or the retiree served a minimum of 12 years in such a position and the greatest local supplement paid to the retiree for a school year during the period used to calculate the employee's average final compensation did not exceed 20% of the salary paid from State funds. 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.

Section 2: Authorizes the Department of State Treasurer to resolve any pending legal actions regarding the CBBC with respect to the amount and terms of payment and provides various administrative procedures for contributions owed by a school board during the litigation pause established by Session Law 2021-72. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS.

Section 3: Provides that the Treasurer may designate legal counsel to represent the interests of the administration of benefit programs. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS.

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, 2021 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2021 unless otherwise noted, M = millions)	
	TSERS
Active Members	
Count	300,310
General Fund Compensation	\$11,960M
Valuation Compensation (Total)	\$16,633M
Average Age	46
Average Service	11.0
Inactive Members	
Count	198,642
Retired Members	
Count	238,652
Annual Benefits	\$5,045M
Average Age	72
New Retirees During 2022	12,700

Financial Statistics (as of 12/31/2021 unless otherwise noted, M = millions)	
	TSERS
Accrued Liability (AL)	\$92,356M
Actuarial Value of Assets (AVA)	\$83,139M
Market Value of Assets (MVA)	\$87,966M
Unfunded Accrued Liability (AL - AVA)	\$9,217M
Funded Status (AVA / AL)	90%
Required Employer Contribution for FY 2023-24 (as % of pay)	16.44%
Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%
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
Formula	1.82% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%

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, "Potential Legislation Regarding NCSBA Policy Proposals from CBBC Working Group", March 20, 2023, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Senate Bill 729: CBBC Working Group Changes", April 14, 2023, 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