

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 980 (First Edition)

SHORT TITLE: Public Defenders/Judicial Retirement System.

SPONSOR(S): Senator Atwater

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

FUNDS AFFECTED: General Fund

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Allows public defenders who are serving on July 1, 2005, or who become public defenders after that date to be members of the Consolidated Judicial Retirement System.

ESTIMATED IMPACT ON STATE: Both, the Systems' actuary, Mellon (Buck Consultants), and the General Assembly's actuary, Hartman & Associates, expect no financial impact to either the Consolidated Judicial Retirement System as result of this change. However, the estimated cost for the increase in the employer contribution rate will increase from 2.17% of payroll to 12.59% of payroll. The estimated increase is as follows:

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$170,916	\$177,599	\$184,543	\$191,759	\$199,257

No funds are contained in the Governor's recommended budget for the 2005-07 biennium for this increase in retirement cost.

ASSUMPTIONS AND METHODOLOGY: 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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Fiscal Research Division



DATE: April 19, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices