



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Legislative Retirement Note

Short Title: Justice/Judge May Continue Term Past Age 72.
Bill Number: House Bill 501 (First Edition)
Sponsor(s): Representatives Morey and John

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 501, V. 1 (\$ in thousands)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
General Fund	(234)	(242)	(251)	(260)	(269)
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	(234)	(242)	(251)	(260)	(269)

ACTUARIAL IMPACT SUMMARY

Systems Affected: Consolidated Judicial Retirement System (CJRS)

House Bill 501 (First Edition) allows judges and justices elected prior to their 72nd birthday to continue in office past the mandatory retirement age of 72 until January 1 of the year following the next election for members of the General Assembly. Cavanaugh Macdonald, the actuary for the retirement systems, estimates that the bill will reduce the CJRS actuarially determined employer contribution by 0.31% of pay. Hartman & Associates, the actuary for the General Assembly, estimates that the bill will reduce the CJRS actuarially determined employer contribution by 0.22% of pay.

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, 2017 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:



Membership Statistics (as of 12/31/2017 unless otherwise noted, M = millions)	
Active Members	
Count	562
General Fund Compensation	\$76M
Valuation Compensation (Total)	\$76M
Average Age	55
Average Service	13.5
Inactive Members	
Count	44
Retired Members	
Count	682
Annual Benefits	\$43M
Average Age	73
New Retirees During 2018	30

Financial Statistics (as of 12/31/2017 unless otherwise noted, M = millions)	
Accrued Liability (AL)	\$682M
Actuarial Value of Assets (AVA)	\$587M
Market Value of Assets (MVA)	\$596M
Unfunded Accrued Liability (AL - AVA)	\$95M
Funded Status (AVA / AL)	87%
Required Employer Contribution for FY 2019-20 (as % of pay)	33.60%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 5.50%
Assumed Rate of Investment Return: 7.00%	
Cost Method: Entry Age Normal	
Amortization: 12 year, closed, flat dollar	
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
Formula	3.02% to 4.02% x Service x Final Pay
Unreduced retirement age/service	50/24; 65/5
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

G.S. 7A-170(b) states that no magistrate may continue in office beyond the last day of the month in which he reaches the mandatory retirement age for judges and justices. Under this bill, it is unclear if that mandatory retirement age for magistrates would be 72 or the age on January 1 following the next election of the General Assembly. This note assumes that the bill will have no

effect on the retirement dates of magistrates. Magistrates are members of the Teachers' and State Employees' Retirement System (TSERS), not CJRS.

DATA SOURCES

Cavanaugh Macdonald Consulting, LLC, "Actuarial Impact of Allowing Judges to Work Past Age 72 - SB 585 and HB 501", April 11, 2019, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 501/Senate Bill 585: An Act to Allow Justices and Judges to Continue Their Term Past Age 72", April 23, 2019, 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