

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 676 (Third Edition)

SHORT TITLE: Increase Register of Deeds' Pension.

FUNDS AFFECTED: Fees collected by each register of deeds and submitted to the Department of Treasurer.

SYSTEM OR PROGRAM AFFECTED: Register of Deeds Supplemental Pension Fund.

EFFECTIVE DATE: July 1, 2007

BILL SUMMARY: Reduces the percentage of the fees collected and remitted to the Department of State Treasurer from 4.5% to 1.5%. Amends the law so that retiring registers of deeds will become eligible to receive a monthly pension from the Supplement Fund in the month immediately following the effective date of retirement, rather than having to wait until the January following their retirement. The bill also increases the maximum monthly pension payable to eligible registers of deeds from \$1,200 to \$1,500 not to exceed 75% of latest salary including supplements.

The bill also excludes any benefits in the calculation of the maximum benefit 75% of salary from the Supplemental Retirement Plan (401(k) Plan) as a result of employer contributions.

ESTIMATED IMPACT ON COUNTIES: The Fund's actuary, Buck Consultants, estimates the increase in the accrued liability to be \$6,553,000 and the increase in the active payroll would be about 2.57% of payroll. There are sufficient reserves to cover the cost of this increase.

The General Assembly's actuary, Hartman & Associate, does not expect the changes to eliminate the over-funded status or to create a required contribution as a result of these changes.

ASSUMPTIONS AND METHODOLOGY: **Register of Deeds Supplemental Pension Fund.** 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, 2005 actuarial valuation of the fund. The data included 99 active register of deeds and 79 retired members in receipt of annual pensions totaling \$854,152. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1994 Group Annuity Mortality Tables for deaths after retirement. . The actuarial cost method used was the entry age normal cost method. The Funds has assets of \$27.6 million as of December 31, 2005 and had a funded ratio of 239%. Detailed information concerning these assumptions and methods are shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: Buck Consultants
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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APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 28, 2007



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