



NORTH CAROLINA GENERAL ASSEMBLY

Session 2017

Legislative Retirement Note

Short Title: Appropriations Act of 2018.
Bill Number: Senate Bill 99 (Fifth Edition)
Sponsor(s):

SUMMARY TABLE

ACTUARIAL IMPACT OF S.B. 99 (Ratified) (\$ in thousands)

	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>
State Impact					
General Fund Impact	33,490.7	-	-	-	-
Highway Fund Impact	957.2	-	-	-	-
Other/Receipts Impact	14,245.4	-	-	-	-
NET STATE IMPACT	\$48,693.3	-	-	-	-
Local Impact					
Local Governments	-	-	-	-	-
NET LOCAL IMPACT	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Section 35.28 has an actuarial impact.

Systems Affected: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS), and Legislative Retirement System (LRS)

Section 35.28 grants a one-time cost-of-living supplement of one percent (1.0%) of the annual benefit to retirees in TSERS, CJRS, and LRS who were retired as of September 1, 2018. The supplement will be paid in a lump sum on or before October 31, 2018.

Conduent, the actuary for the Retirement System, and Hartman & Associates, the actuary for the General Assembly, estimate that this section will have the following nonrecurring costs in FY 2018-19:

<u>System</u>	<u>Conduent</u>	<u>Hartman & Associates</u>
TSERS	0.31% of pay	0.33% of pay
CJRS	0.60% of pay	0.63% of pay
LRS	0.66% of pay	0.67% of pay

This section will not increase the unfunded liability of TSERS, CJRS, or LRS beyond FY 2018-19 because the additional contributions during the fiscal year are estimated to offset the additional benefits paid out. The bill appropriates funds and sets contribution rates sufficient to cover the increased cost of this section and contribute the amount recommended by the actuary to properly fund existing benefits.

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, 2016 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2016 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Active Members			
Count	305,013	560	170
General Fund Compensation	\$10,652M	\$74M	\$4M
Valuation Compensation (Total)	\$14,282M	\$72M	\$4M
Average Age	45	55	59
Average Service	10.7	13.6	6.8
Inactive Members			
Count	151,581	42	91
Retired Members			
Count	208,443	654	293
Annual Benefits	\$4,343M	\$41M	\$2M
Average Age	71	73	77
New Retirees During 2017	11,100	30	20

Financial Statistics (as of 12/31/2016 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Accrued Liability (AL)	\$74,548M	\$643M	\$29M
Actuarial Value of Assets (AVA)	\$67,377M	\$565M	\$28M
Market Value of Assets (MVA)	\$64,247M	\$539M	\$27M
Unfunded Accrued Liability (AL - AVA)	\$7,171M	\$78M	\$1M
Funded Status (AVA / AL)	90%	88%	96%
Required Employer Contribution for FY 2018-19 (as % of pay)	11.98%	32.35%	21.74%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 8.10%	3.50% - 5.50%	5.50%

Assumed Rate of Investment Return: 7.20%
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			
	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Formula	1.82% 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	50/24; 65/5	65/5
Employee contribution (as % of pay)	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

Conduent, "One-Time Pension Supplement for State, Local, Judicial and Legislative Retirement Systems", May 4, 2018, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "1% Non-Recurring Supplement for Retirees in the TSERS, LGERS, CJRS, and LRS", April 30, 2018, 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

