



# NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

## Legislative Actuarial Note - Retirement

**Short Title:** Retirement Death Benefits Rewrite.-AB  
**Bill Number:** House Bill 477 (First Edition)  
**Sponsor(s):** Rep. Carson Smith and Rep. Wheatley

### SUMMARY TABLE

#### ACTUARIAL IMPACT OF H.B. 477, V.1 (\$ in thousands)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
<b>State Impact</b>					
General Fund	2,702	2,790	2,880	2,974	3,070
Highway Fund	140	144	149	154	159
Other/Receipts	1,266	1,308	1,350	1,394	1,439
<b>TOTAL STATE EXPENDITURES</b>	<b>4,108</b>	<b>4,241</b>	<b>4,379</b>	<b>4,521</b>	<b>4,668</b>
<b>Local Impact</b>					
Local Governments	3,040	3,139	3,241	3,347	3,455
<b>TOTAL LOCAL EXPENDITURES</b>	<b>3,040</b>	<b>3,139</b>	<b>3,241</b>	<b>3,347</b>	<b>3,455</b>

### ACTUARIAL IMPACT SUMMARY

Systems Affected: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Death Benefit Plans (DBP)

Parts I through V: Recodify and standardize death benefit statutes for TSERS, LGERS, CJRS, LRS, and DBP with no change to the benefits received. Both Gallagher, the actuary for the retirement systems, and Aon, the actuary for the General Assembly, estimate that these parts will have no material impact on the contribution rates or liabilities of any of the affected systems.

Part VI: Expands eligibility for the survivor's alternate benefit in TSERS, LGERS, CJRS, and LRS. The survivor's alternate benefit provides a lifetime benefit option if a member dies in service prior to retirement and has one and only one beneficiary eligible for a return of contributions. Currently, the benefit is only available to those who are eligible to retire or have at least 20 years of

creditable service in TSERS and LGERS (different requirements apply to line-of-duty deaths, CJRS, and LRS). This part expands eligibility to all those with at least 5 years of membership service. The actuaries estimates that this part will increase the actuarially determined employer contribution (ADEC) and accrued liability (AL) of TSERS, LGERS, CJRS, and LRS by the following amounts:

	Gallagher		Aon	
	ADEC	AL	ADEC	AL
TSERS	0.02% of pay	\$15.0 million	0.01% of pay	\$11.1 million
LGERS	0.03% of pay	\$8.6 million	0.02% of pay General 0.03% of pay LEO	\$6.5 million
CJRS	0.01% of pay	\$0.1 million	0.03% of pay	\$0.3 million
LRS	0.03% of pay	\$0.0 million	0.03% of pay	\$0.0 million

Part VII: Authorizes the TSERS Board of Trustees to redirect up to 0.04% of pay from the contribution to the TSERS portion of DBP to pay for line-of-duty death benefits under Article 12A of Chapter 143 of the General Statutes. The redirected funds would only be used after all funds directly appropriated to pay line-of-duty death benefits are exhausted and any redirected funds remaining at the end of the fiscal year would go to the DBP. Gallagher notes that the current 0.13% of pay contribution to the TSERS portion of the DBP results in a surplus position of \$140 million and that this part would reduce that surplus by at most \$7.8 million in the first year. Aon estimates that even if the full 0.04% of pay were redirected each year, the current 0.13% of pay contribution rate would be likely to still generate a surplus.

## 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, 2023 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2023 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Active Members				
Count	299,037	141,269	582	170
General Fund Compensation	\$13,450M		\$105M	\$4M
Valuation Compensation (Total)	\$18,382M	\$9,184M	\$96M	\$4M
Average Age	46	43	54	58
Average Service	10.8	9.3	10.8	7.0
Inactive Members				
Count	230,130	108,697	70	120
Retired Members				
Count	252,036	85,027	850	294
Annual Benefits	\$5,412M	\$1,818M	\$57M	\$2M
Average Age	72	70	74	78
New Retirees During 2024	11,336	4,295	26	7

Financial Statistics (as of 12/31/2023 unless otherwise noted, M = millions)				
	TSERS	LGERS	CJRS	LRS
Accrued Liability (AL)	\$99,810M	\$39,519M	\$920M	\$30M
Actuarial Value of Assets (AVA)	\$88,619M	\$34,328M	\$742M	\$31M
Market Value of Assets (MVA)	\$83,643M	\$32,437M	\$700M	\$29M
Unfunded Accrued Liability (AL - AVA)	\$11,191M	\$5,191M	\$178M	(\$0M)
Funded Status (AVA / AL)	89%	87%	81%	102%
Required Employer Contribution for FY 2025-26 (as % of pay)	17.14%	14.35% (non-LEO)	37.73%	18.26%
Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%	3.25% - 8.25%	3.25% - 4.75%	3.25%
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	LGERS	CJRS	LRS
Formula	1.82% x Service x 4 Year Avg Pay	1.85% 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	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5
Employee contribution (as % of pay)	6%	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

Gallagher, "HB 477 / SB 359 – Retirement Death Benefits Rewrite.-AB", April 7, 2025, original of which is on file in the General Assembly's Fiscal Research Division.

Aon, "House Bill 477/Senate Bill 359 – Retirement Death Benefits Rewrite", April 3, 2025, original of which is on file in the General Assembly's Fiscal Research Division.

## **LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS**

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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**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

## **ESTIMATE PREPARED BY**

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## **ESTIMATE APPROVED BY**

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April 8, 2025



**Signed copy located in the NCGA Principal Clerk's Offices**