



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Actuarial Note - Retirement

Short Title: Shorter Separation for Retired ADAs and APDs.
Bill Number: House Bill 487 (First Edition)
Sponsor(s): Rep. Carson Smith and Rep. Wheatley

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 487, 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>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Systems Affected: Teachers' and State Employees' Retirement System (TSERS)

House Bill 487 (First Edition) reduces the period of time following retirement during which a TSERS retiree must perform no work for a TSERS employer from 6 months to 30 days for retired assistant district attorneys (ADAs) and retired assistant public defenders (APDs). No definition is provided for a retired ADA or APD. The bill also requires the retirement system to obtain a private letter ruling from the Internal Revenue Service (IRS) to determine if the provisions jeopardize the status of TSERS and repeals the relevant statutory changes if the ruling is unfavorable.

Gallagher, the actuary for the retirement systems, estimates that the bill will have no material impact on the contribution rates or liabilities of TSERS. Aon, the actuary for the General Assembly, estimates that the bill will have at most a 0.01% of pay impact on the actuarially determined employer contribution (ADEC) of TSERS if retirement rates increase by 10%.

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>
Active Members	
Count	299,037
General Fund Compensation	\$13,450M
Valuation Compensation (Total)	\$18,382M
Average Age	46
Average Service	10.8
Inactive Members	
Count	230,130
Retired Members	
Count	252,036
Annual Benefits	\$5,412M
Average Age	72
New Retirees During 2024	11,336

Financial Statistics (as of 12/31/2023 unless otherwise noted, M = millions)	
	<u>TSERS</u>
Accrued Liability (AL)	\$99,810M
Actuarial Value of Assets (AVA)	\$88,619M
Market Value of Assets (MVA)	\$83,643M
Unfunded Accrued Liability (AL - AVA)	\$11,191M
Funded Status (AVA / AL)	89%
Required Employer Contribution for FY 2025-26 (as % of pay)	17.14%
Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%
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	
	<u>TSERS</u>
Formula	1.82% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/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.

Both actuaries used data on the 1,088 current active ADAs and APDs as of March 2025.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Gallagher, "HB 487 / SB 364 – Shorter Separation for Retired ADAs and APDs", April 7, 2025, original of which is on file in the General Assembly's Fiscal Research Division.

Aon, "House Bill 487/Senate Bill 364: Shorter Separation for Retired Assistant District Attorneys and Retired Assistant Public Defenders", April 4, 2025, 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

