

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1146

SHORT TITLE: Administrative Law Judges' Retirement

SPONSOR(S): Representative Henry M. Michaux, Jr.

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

FUNDS AFFECTED: General Fund

BILL SUMMARY: Transfers the eight administrative law judges from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE:

In order to liquidate the additional liability in the Judicial System, as a result of the transfer of service from the Teachers' and State Employees' Retirement System at an accrual rate of 1.80% to the Consolidated Judicial Retirement System at an accrual rate of 3.02%, Buck Consultants estimates the cost to be .36% of total payroll of the Judicial System and Hartman & Associates estimates the cost to be .30% of the payroll. In addition, there will be an additional cost of \$73,891 beginning the first year, which is the difference in the State System employer contribution rate of 10.83% of salary base of \$625,139 for the administrative law judges and the Judicial System contribution rate of 22.65% of the same salary base.

System Actuary: Buck Consultants

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Unfunded Liability Cost	\$156,000	\$166,528	\$177,086	\$188,314	\$200,253
Contribution Cost	<u>\$ 73,891</u>	<u>\$ 78,576</u>	<u>\$ 83,558</u>	<u>\$ 88,855</u>	<u>\$ 94,489</u>
Total Annual Cost	\$230,491	\$245,105	\$260,644	\$277,169	\$294,742

General Assembly Actuary: Hartman & Associates

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Unfunded Liability Cost	\$130,500	\$138,774	\$147,572	\$156,928	\$166,877
Contribution Cost	<u>\$ 73,891</u>	<u>\$ 78,576</u>	<u>\$ 83,558</u>	<u>\$ 88,855</u>	<u>\$ 94,489</u>
Total Annual Cost	\$204,391	\$217,350	\$231,130	\$245,783	\$261,366

ASSUMPTIONS AND METHODOLOGY: Consolidated Judicial Retirement System

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, 1997 actuarial valuation of the fund. The data included 456 active members with an annual payroll of \$39.7 million and 327 retired members in receipt of annual pensions totaling \$10.8 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Table for deaths after retirement, and (d) rates of separation from active service based on System experience. The actuarial cost method used to determine the liabilities is the projected benefit method; however, the method used to determine the contribution rate is the projected unit credit method with an unfunded liquidation period of ten years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary – Hartman & Associates

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. The above cost estimates are based on the salary base as of July 1, 1999 projected at the average annual increase in compensation base over the last five years of 6.34%.

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: Wednesday, April 21, 999



Signed Copy Located in the NCGA Principal Clerk's Offices