

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 2102 (First Edition)
SHORT TITLE: Appellate Clerks/Judicial Retirement System.
SPONSOR(S): Senator Clodfelter

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

EFFECTIVE DATE: July 1, 2008

PROVISION SUMMARY: The clerks of the Supreme Court and the Court of Appeals are presently members of the Teachers' and State Employees' Retirement System. This bill will transfer two clerks who are serving on July 1, 2008, from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System along with all their service as the clerk prior to July 1, 2008. Anyone who becomes a clerk after July 1, 2008 will also become a member of the Consolidated Judicial Retirement System.

ESTIMATED IMPACT ON STATE: The Systems' actuary, Buck Consultants, estimates the cost to be 0.27% of the payroll of the Consolidated Judicial Retirement System to transfer all service prior to July 1, 2008 as the clerk from the State System to the Judicial System. The employer contribution rate will increase from 3.73% in the State System to 13.21% in the Judicial System on the salary of the clerks, an increase of 9.48%. The estimated increase is as follows:

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Liability	\$165,364	\$169,068	\$172,855	\$176,727	\$180,686
Contributions	<u>\$23,321</u>	<u>\$24,324</u>	<u>\$25,370</u>	<u>\$26,460</u>	<u>\$27,598</u>
Total Annual Cost	\$188,685	\$193,392	\$198,225	\$203,188	\$208,284

The General Assembly's actuary, Hartman & Associates, estimates the cost to be 0.28% of the payroll of the Consolidated Judicial Retirement System to transfer all service prior to July 1, 2008 as the clerk from the State System to the Judicial System. The employer contribution rate will increase from 3.73% in the State System to 13.21% in the Judicial System on the salary of the clerks, an increase of 9.48%. The estimated increase is as follows:

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Liability	\$171,489	\$175,330	\$179,258	\$183,273	\$187,378
Contributions	<u>\$23,321</u>	<u>\$24,324</u>	<u>\$25,370</u>	<u>\$26,460</u>	<u>\$27,598</u>
Total Annual Cost	\$194,810	\$199,654	\$204,627	\$209,733	\$214,598

Hartman & Associates estimates the decrease in the liability in the State System of about \$98,000 per year.

There are available gains of 1.90 of payroll in the Consolidated Judicial Retirement System to fund this change in membership.

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, 2006 actuarial valuation of the fund. The data included 512 active members with an annual payroll of \$53.3 million, 460 retired members in receipt of annual pensions totaling \$23.9 million and actuarial value of assets equal to \$406 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables. Tables are set forward two years for post-retirement period and set back one year for pre-retirement period. Special mortality tables are used for period after disability 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 unit credit. Projected benefits and the corresponding liabilities are allocated based on proration by creditable service. The method used to determine the contribution rate is the projected unit credit method with a frozen unfunded liquidation period of nine 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: 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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DATE: June 2, 2008



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