



# NORTH CAROLINA GENERAL ASSEMBLY

2021 Session

## Legislative Actuarial Note - Retirement

**Short Title:** Judicial Retirement/Survivor Benefits Parity.-AB  
**Bill Number:** House Bill 1099 (First Edition)  
**Sponsor(s):** Rep. C. Smith and Rep. McNeill

### SUMMARY TABLE

#### ACTUARIAL IMPACT OF H.B. 1099, V.1 (\$ in thousands)

|                                 | <u>FY 2022-23</u> | <u>FY 2023-24</u> | <u>FY 2024-25</u> | <u>FY 2025-26</u> | <u>FY 2026-27</u> |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>State Impact</b>             |                   |                   |                   |                   |                   |
| General Fund                    | -                 | -                 | -                 | (8)               | (25)              |
| Highway Fund                    | -                 | -                 | -                 | -                 | -                 |
| Other/Receipts                  | -                 | -                 | -                 | -                 | -                 |
| <b>TOTAL STATE EXPENDITURES</b> | -                 | -                 | -                 | <b>(8)</b>        | <b>(25)</b>       |

This table assumes that the impact of the changes is first recognized in the December 31, 2023 valuation, when members affected by the change first appear in the census, and then reduces the normal cost linearly over the subsequent 40 years.

### ACTUARIAL IMPACT SUMMARY

Systems Affected: Consolidated Judicial Retirement System (CJRS)

House Bill 1099 (First Edition) eliminates the un-remarried surviving spouse benefit in CJRS for members who first earn service on or after July 1, 2023 or who withdraw service earned prior to that date. The un-remarried surviving spouse benefit pays a monthly benefit upon the member's death to the member's spouse as long as that spouse remains alive and unmarried. That benefit is equal to 50% of the benefit that would have been payable to the member without the election of an optional form, reduced by 2% for each full year by which the age of the member exceeded the age of the spouse. This benefit is paid in addition to any benefit payable to the spouse or someone else as a named beneficiary under an optional form of payment.

The bill also adds a survivor's alternate benefit similar to the benefit in the Teachers' and State Employees' Retirement System that pays a lifetime annuity to a named beneficiary if an active member dies after meeting age and service requirements and leaving only one eligible beneficiary. Finally, the bill replaces the current CJRS lump sum active death benefit equal to the member's annual compensation with a benefit equal to \$50,000. These changes also only apply to members who first earn service on or after July 1, 2023 or who withdraw service earned prior to that date.

Cavanaugh Macdonald, the actuary for the retirement systems, estimates that the bill will reduce the normal cost and thus the required contribution in the long term, after all current members have been replaced by members who joined on or after July 1, 2023, by 0.72% of pay. Hartman & Associates, the actuary for the General Assembly, estimates that the bill will reduce the normal cost in the long term by 1.3% of pay. The bill will not affect the current funded status of CJRS.

**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, 2020 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

| Membership Statistics (as of 12/31/2020 unless otherwise noted, M = millions) |             |
|---|-------------|
|   | <u>CJRS</u> |
| Active Members  |             |
| Count   | 558         |
| General Fund Compensation   | \$83M       |
| Valuation Compensation (Total)  | \$80M       |
| Average Age   | 55          |
| Average Service   | 13.2        |
| Inactive Members  |             |
| Count   | 52          |
| Retired Members   |             |
| Count   | 761         |
| Annual Benefits   | \$49M       |
| Average Age   | 74          |
| New Retirees During 2021  | 50          |

| Financial Statistics (as of 12/31/2020 unless otherwise noted, M = millions)   |               |
|--|---------------|
|  | <u>CJRS</u>   |
| Accrued Liability (AL)   | \$796M        |
| Actuarial Value of Assets (AVA)  | \$661M        |
| Market Value of Assets (MVA)   | \$695M        |
| Unfunded Accrued Liability (AL - AVA)  | \$135M        |
| Funded Status (AVA / AL)   | 83%           |
| Required Employer Contribution for FY 2022-23 (as % of pay)  | 38.99%        |
| Salary Increase Assumption (includes 3.25% inflation and productivity)   | 3.25% - 4.75% |
| 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>CIRS</u>                          |
| Formula                             | 3.02% to 4.02% x Service x Final Pay |
| Unreduced retirement age/service    | 50/24; 65/5                          |
| 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.

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## **TECHNICAL CONSIDERATIONS**

N/A.

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## **DATA SOURCES**

Cavanaugh Macdonald Consulting, LLC, "Changes to Death Benefits for Judges - HB 1099", May 31, 2022, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 1099: An Act Establishing a Survivor's Alternate Benefit Under the CJRS", May 30, 2022, original of which is on file in the General Assembly's Fiscal Research Division.

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## **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.

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## **CONTACT INFORMATION**

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

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## **ESTIMATE PREPARED BY**

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## **ESTIMATE APPROVED BY**

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 Fiscal Research Division  
 May 31, 2022



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