NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Actuarial Note - Retirement

Short Title: Disaster Recovery Act of 2024.
Bill Number: House Bill 149 (Fifth Edition)
Sponsor(s):

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 149, V.5 ($ in thousands)

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	**-**	**-**	**-**	**-**	**-**
Local Impact					
Local Governments	-	-	-	-	-
TOTAL LOCAL EXPENDITURES	**-**	**-**	**-**	**-**	**-**

ACTUARIAL IMPACT SUMMARY

Section 12.1 has potential actuarial impacts on retirement systems.

Systems Affected: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), law enforcement Special Separation Allowances (SSA), Sheriffs' Supplemental Pension Fund (SSPF)

Section 12.1: Modifies retiree return-to-work laws in TSERS and LGERS by:
- Reducing the six-month separation period in TSERS to one month for those who retired prior to October 1, 2024 who return to positions certified by the employing agency as being needed due to the Hurricane Helene emergency or recovery;
- Exempting earnings between September 25, 2024 and the expiration of the emergency from the TSERS and LGERS retiree earnings limits for those who retired prior to October 1,

2024, provided the earnings are related to a position certified by the employing agency as being needed due to the emergency or recovery;

- Specifying that law enforcement special separation allowance and Sheriffs' Supplemental Pension Fund benefits will not be impacted by work performed between September 25, 2024 and the expiration of the emergency in positions documented by the employing agency as being needed due to the emergency or recovery.

Both Gallagher, the actuary for the retirement systems, and Hartman & Associates, the actuary for the General Assembly, estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or LGERS, and no material impact on the benefit payments from the SSA.

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, 2022 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2022 unless otherwise noted, M = millions)		
	TSERS	LGERS
Active Members		
Count	297,802	135,706
General Fund Compensation	$12,657M	
Valuation Compensation (Total)	$17,601M	$8,292M
Average Age	46	44
Average Service	10.9	9.6
Inactive Members		
Count	218,956	101,818
Retired Members		
Count	246,374	82,466
Annual Benefits	$5,259M	$1,729M
Average Age	72	69
New Retirees During 2023	11,416	4,360

Financial Statistics (as of 12/31/2022 unless otherwise noted, M = millions)		
	TSERS	LGERS
Accrued Liability (AL)	$96,675M	$37,090M
Actuarial Value of Assets (AVA)	$85,407M	$32,708M
Market Value of Assets (MVA)	$77,445M	$29,655M
Unfunded Accrued Liability (AL - AVA)	$11,268M	$4,382M
Funded Status (AVA / AL)	88%	88%
Required Employer Contribution for FY 2024-25 (as % of pay)	16.79%	13.60% (non-LEO)

Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%	3.25% - 8.25%
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
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%	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.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Gallagher, "Bill Draft 2023-NBa-189A [v.12]: A Bill to Be Entitled An Act to Enact the Disaster Recovery Act of 2024", October 9, 2024, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Disaster Recovery Act of 2024 (Section 12.1)", October 8, 2024, 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