

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE ACTUARIAL NOTE**

**BILL NUMBER:** House Bill 962

**SHORT TITLE:** Repeal Retirement Exclusion

**SYSTEM OR PROGRAM AFFECTED:** Consolidated Judicial Retirement System

**FUNDS AFFECTED:** General Fund

**BILL SUMMARY:** Repeals the law that reduces the retirement benefit of any former member of the Judicial Retirement System who is appointed to serve as a judicial officer in the United States courts.

**EFFECTIVE DATE:** When it becomes law

**ESTIMATED IMPACT ON STATE:**

**System Actuary:** Buck Consultants estimates an increase in the unfunded accrued liability of \$354,000 which would be liquidated by .14% of total payroll to the Judicial System.

	<u>FY</u> <b>1999-00</b>	<u>FY</u> <b>2000-01</b>	<u>FY</u> <b>2001-02</b>	<u>FY</u> <b>2002-03</b>	<u>FY</u> <b>2003-04</b>
General Fund	\$60,900	\$64,761	\$68,867	\$73,233	\$77,876

**General Assembly Actuary:** Hartman & Associates estimates an increase in the unfunded accrued liability of \$258,000 which would be liquidated by .10% of total payroll to the Judicial System.

	<u>FY</u> <b>1999-00</b>	<u>FY</u> <b>2000-01</b>	<u>FY</u> <b>2001-02</b>	<u>FY</u> <b>2002-03</b>	<u>FY</u> <b>2003-04</b>
General Fund	\$43,500	\$46,258	\$49,191	\$52,309	\$55,626

**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

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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, 1999



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