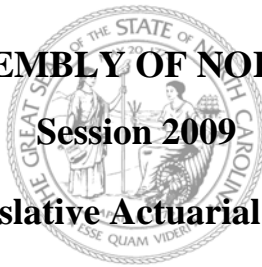


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 599 (First Edition)
SHORT TITLE: Appellate Clerks in Judicial Retire. System.
SPONSOR(S): Senator Clodfelter

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

EFFECTIVE DATE: July 1, 2009

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 the two clerks, who are serving on July 1, 2009, from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System. Any service these clerks have rendered prior to July 1, 2009, will remain in the Teachers' and State Employees' Retirement System. After five years of service in the Consolidated Judicial Retirement System, the clerks can transfer their service prior to July 1, 2009 from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System.

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 present total employer contribution rate for the Teachers' and State Employees' Retirement System is 8.15% and 17.31% for the Consolidated Judicial Retirement System. Since no prior service is to be transferred, both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that the only cost would be the difference in the two employer contribution rates of 9.16%. This should amount to about \$23,000 per year.

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, 2007 actuarial valuation of the fund. The data included 548 active members with an annual payroll of \$61.3 million, 482 retired members in receipt of annual pensions totaling \$26 million, and actuarial value of assets equal to \$430.4 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 and 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.

PREPARED BY: Stanley Moore

APPROVED BY:

Bob Weiss
on behalf of Marilyn Chism, Director
Fiscal Research Division



DATE: April 6, 2009

Signed Copy Located in the NCGA Principal Clerk's Offices