



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Actuarial Note - Retirement

Short Title: Protect Our Students Act.-AB
Bill Number: House Bill 142 (Second Edition)
Sponsor(s): Rep. Torbett, Rep. K. Baker, Rep. Johnson, and Rep. Kidwell

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 142, V.2 (\$ in thousands)

	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-
Local Impact					
Local Governments	-	-	-	-	-
TOTAL LOCAL EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Section 3A has a potential actuarial impact on retirement systems.

Systems Affected: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS)

Section 3A: Expands the scope of conduct that will result in a felony forfeiture of a member's pension to include conduct that mandates revocation of a certification or professional license required to maintain employment in the position held by the member when the offense was committed. Buck, 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.

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, 2021 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2021 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>LGERS</u>
Active Members		
Count	300,310	132,235
General Fund Compensation	\$11,444M (2022 Session)	
Valuation Compensation (Total)	\$16,633M	\$7,550M
Average Age	46	44
Average Service	11.0	9.9
Inactive Members		
Count	198,642	93,473
Retired Members		
Count	238,652	79,318
Annual Benefits	\$5,045M	\$1,633M
Average Age	72	69
New Retirees During 2021	11,800	4,600

Financial Statistics (as of 12/31/2021 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>LGERS</u>
Accrued Liability (AL)	\$92,356M	\$34,884M
Actuarial Value of Assets (AVA)	\$83,139M	\$31,643M
Market Value of Assets (MVA)	\$87,966M	\$33,460M
Unfunded Accrued Liability (AL - AVA)	\$9,217M	\$3,241M
Funded Status (AVA / AL)	90%	91%
Required Employer Contribution for FY 2023-24 (as % of pay)	16.44%	12.85% (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		
	<u>TSERS</u>	<u>LGERS</u>
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

Buck, "House Bill 142 – Proposed Committee Substitute", February 27, 2023, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 142-Second Edition: Protect Our Students Act.-AB (Section 3A)", February 24, 2023, 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