

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE ACTUARIAL NOTE**

**BILL NUMBER:** Senate Bill 494

**SHORT TITLE:** Public Defender./Appellate. Defender. Retirement

**SPONSOR(S):** Senator Tony Rand

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

**FUNDS AFFECTED:** General Fund

**BILL SUMMARY:** Transfers the eleven public defenders and the one appellate defenders from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System

**EFFECTIVE DATE:** July 1, 1997

**ESTIMATED IMPACT ON STATE:**

In order to liquidate the liability in the Judicial System, as a result of the transfer of service from the Teachers' and State Employees' Retirement System at a accrual rate of 1.75% to the Consolidated Judicial Retirement System at a accrual rate of 3.02%, the actuaries estimate the cost to be .72% of total payroll of the Judicial System (Buck) and .69% of the payroll (Dilts). In addition, there will be an additional cost beginning with the first year of \$132,370 which is the difference in the State System employer contribution rate of 10.83% of salary base of \$1,119,885 and the Judicial System contribution rate of 22.65% of the salary base.

**System Actuary:** Buck Consultants estimates the cost to be .72% of total payroll to the Judicial System .

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
General Fund	\$288,863	\$303,133	\$318,108	\$333,822	\$350,313
General Fund	<u>\$132,370</u>	<u>\$138,910</u>	<u>\$145,772</u>	<u>\$152,973</u>	<u>\$160,530</u>
Total Annual Cost	\$421,234	\$442,043	\$463,879	\$486,795	\$510,843

**General Assembly Actuary:** Dilts, Umstead & Dunn estimates the cost to be .69% of payroll.

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
General Fund	\$276,827	\$290,502	\$304,853	\$319,913	\$335,717
General Fund	<u>\$132,370</u>	<u>\$138,910</u>	<u>\$145,772</u>	<u>\$152,973</u>	<u>\$160,530</u>
Total Annual Cost	\$409,109	\$429,412	\$450,625	\$472,888	\$496,246

**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, 1995 actuarial valuation of the fund. The data included 438 active members with an annual payroll of \$35.7 million and 329 retired members in receipt of annual pensions totaling \$9.9 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (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 - Dilts, Umstead & Dunn

**FISCAL RESEARCH DIVISION:** 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, 1997 projected at the average annual increase in compensation base over the last five years of 4.94%.

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**DATE:** April 14, 1997



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