



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Actuarial Note - Retirement

Short Title: Support the Dept. of Adult Correction.-AB
Bill Number: Senate Bill 355 (First Edition)
Sponsor(s): Sen. Warren Daniel, Sen. Danny Earl Britt, Jr., and Sen. Buck Newton

SUMMARY TABLE

ACTUARIAL IMPACT OF S.B. 355, V.1 (\$ in thousands)					
	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Section 5.1 has a potential actuarial impact on retirement systems.

Systems Affected: Teachers' and State Employees' Retirement System (TSERS), State law enforcement special separation allowances (SSA)

Section 5.1: Expands the definition of Probation/Parole Officer in TSERS to include full-time paid employees of the Department of Adult Correction's Office of Staff Development and Training who are certified as Probation/Parole Officers and work exclusively in a training role. Changing the definition in TSERS also allows these individuals to earn credit toward the SSA for this service. Both Gallagher, the actuary for the retirement systems, and Aon, the actuary for the General Assembly, estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or the amount of SSA payments.

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, 2023 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:



Membership Statistics (as of 12/31/2023 unless otherwise noted, M = millions)	
	<u>TSERS</u>
Active Members	
Count	299,037
General Fund Compensation	\$13,450M
Valuation Compensation (Total)	\$18,382M
Average Age	46
Average Service	10.8
Inactive Members	
Count	230,130
Retired Members	
Count	252,036
Annual Benefits	\$5,412M
Average Age	72
New Retirees During 2024	11,336

Financial Statistics (as of 12/31/2023 unless otherwise noted, M = millions)	
	<u>TSERS</u>
Accrued Liability (AL)	\$99,810M
Actuarial Value of Assets (AVA)	\$88,619M
Market Value of Assets (MVA)	\$83,643M
Unfunded Accrued Liability (AL - AVA)	\$11,191M
Funded Status (AVA / AL)	89%
Required Employer Contribution for FY 2025-26 (as % of pay)	17.14%
Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%
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>
Formula	1.82% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	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.

Both actuaries also used the following information specific to the positions affected by this bill:

- Budgeted salaries for the 108 positions in the Office of Staff Development and Training
- A statement from the Department of Adult Correction that no current full-time paid employees of the Office are certified Probation/Parole Officers
- A legislative staff estimate that roughly one-third of the positions in the Office are focused on training Probation/Parole Officers and thus might potentially be filled by certified Probation/Parole Officers in the future

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Gallagher, “SB 355 – Support the Dept. of Adult Correction.-AB”, April 17, 2025, original of which is on file in the General Assembly’s Fiscal Research Division.

Aon, “Senate Bill 355: Support the Work of the Department of Adult Correction”, April 15, 2025, 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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