

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 978 Teacher Retirement Credit Clarified

SHORT TITLE: Teacher Retirement Credit Clarified

SPONSOR(S): Senators Carter, Garrou and Metcalf

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Funds

BILL SUMMARY: Under present law, as of June 30 of each year, any annual leave over 30 days is converted to sick leave. This bill will teachers who retire during the school year to convert any annual leave over 30 days to sick leave for retirement purposes.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE: Both actuaries agree that in some cases, a member could end up with one additional month of service. Buck Consultants estimates the cost of the legislation is negligible. Hartman & Associates estimates the cost of the legislation to be .004% of payroll each year.

ASSUMPTIONS AND METHODOLOGY: Teacher's & State Employees' 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 271,128 active members with an annual payroll of \$7.374 billion and 92,236 retired members in receipt of annual pensions totaling \$1.231 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an 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: System Actuary - Buck Consultants
Hartman & Associates, LLC

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.

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: Monday, April 26, 1999



Signed Copy Located in the NCGA Principal Clerk's Offices