

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 960 (First Edition)

SHORT TITLE: Retirement Creditable Service Charter Schools.

SPONSOR(S): Representative R. Turner

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS).

BILL SUMMARY: The bill amends G.S. 135-4(cc) to modify the provisions for a member of TSERS to purchase credit for service in a charter school. Currently a member may purchase credit for employment in a charter school upon completion of five years of service in TSERS after the charter school employment. The member must make a lump-sum payment equal to the full liability for the service purchased. The bill would remove the requirement that the five years of service in TSERS be completed after the charter school employment and would limit the amount of service to be purchased to five years.

The bill also repeals G.S. 135-8(b)(5)d. which allows a member to receive credit for service in a charter school by making monthly contributions during a leave of absence equal to the employee and employer contribution rates.

EFFECTIVE DATE: This bill is effective when it becomes law.

ESTIMATED IMPACT ON STATE: Both Buck Consultants, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of TSERS.

ASSUMPTIONS AND METHODOLOGY:

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, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)	
Active Members	
Count	307,313
General Fund Compensation	\$9,865M
Valuation Compensation (Total)	\$13,737M
Average Age	45
Average Service	10.7

<b>Inactive Members</b>	
Count	134,871
<b>Retired Members</b>	
Count	194,607
Annual Benefits	\$4,058M
Average Age	70
New Retirees During 2015	11,400

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)	
Accrued Liability (AL)	\$67,715M
Actuarial Value of Assets (AVA)	\$64,734M
Market Value of Assets (MVA)	\$64,587M
Unfunded Accrued Liability (AL - AVA)	\$2,981M
Funded Status (AVA / AL)	96%
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.48% (new assumptions)
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%
Cost Method	Entry Age Normal
Amortization	12 year, closed, flat \$
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
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 David Vanderweide.

**SOURCES OF DATA:**

Buck Consultants, “Retirement Creditable Service Charter Schools – House Bill 960”, May 11, 2016, original of which is on file in the General Assembly’s Fiscal Research Division.

Hartman & Associates, LLC, “House Bill 960: An Act to Modify the Ability of a Member of the TSERS to Purchase Credit for Employment in a Charter School”, May 3, 2016, original of which is on file in the General Assembly’s Fiscal Research Division.

**TECHNICAL CONSIDERATIONS:**

**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.

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**APPROVED BY:**

Mark Trogdon, Director  
Fiscal Research Division

**DATE:** May 23, 2016



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