

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT**

BILL NUMBER: House Bill 1499 (First Edition)

SHORT TITLE: Retired Teachers Changes

SPONSOR(S): Representatives Warner and Yongue

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Funds

BILL SUMMARY: Under the present law, a retiree is allowed to earn in any calendar year or the twelve months following retirement, 50% of the salary earned during the 12 months of service prior to retirement or \$24,620, whichever is greater. The present law removes all reemployment earnings restrictions for any retiree who returns as a teacher, who has not been employed in any capacity, other than as a substitute or part-time tutor, with a public school for the six months immediately preceding the date of reemployment.

This bill will extend the sunset from June 30, 2004 to June 30, 2010 and includes guidance counselors and media coordinator along with teachers.

EFFECTIVE DATE: July 1, 2004.

ESTIMATED IMPACT ON STATE:

Retirement System Actuary: Mellon estimates the cost to be 0.17% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	2004-05	2005-06	2006-07	2007-08	2008-09
General Fund	\$13.0M	\$13.8M	\$14.5M	\$15.4M	\$16.3M
Highway Fund	\$ 0.7M	\$ 0.7M	\$ 0.7M	\$ 0.8M	\$ 0.8M
Receipt Funds	<u>\$ 4.5M</u>	<u>\$ 4.7M</u>	<u>\$ 5.0M</u>	<u>\$ 5.3M</u>	<u>\$ 5.6M</u>
TOTAL COST	\$18.1M	\$19.2M	\$20.3M	\$21.4M	\$22.6M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.15% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	2004-05	2005-06	2006-07	2007-08	2008-09
General Fund	\$11.5M	\$12.1M	\$12.8M	\$13.6M	\$14.3M
Highway Fund	\$ 0.6M	\$ 0.6M	\$ 0.6M	\$ 0.7M	\$ 0.7M
Receipt Funds	<u>\$ 3.9M</u>	<u>\$ 4.2M</u>	<u>\$ 4.4M</u>	<u>\$ 4.7M</u>	<u>\$ 4.9M</u>
TOTAL COST	\$16.0M	\$16.9M	\$17.9M	\$18.9M	\$20.0M

There are no remaining actuarial gains within the System, so the bill will require an appropriation of the above amounts.

ASSUMPTIONS AND METHODOLOGY: Teachers' & 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, 2002 actuarial valuation of the fund. The data included 296,377 active members with an annual payroll of \$9.7 billion and 118,129 retired members in receipt of annual pensions totaling \$2 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 a 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 - Mellon.
General Assembly Actuary - Hartman & Associates, LLC

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Signed Copy Located in the NCGA Principal Clerk's Offices