

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

## Legislative Actuarial Note

RETIREMENT

**BILL NUMBER:** Senate Bill 326 (First Edition)

**SHORT TITLE:** Retired Nurses Return to Work.

**SPONSOR(S):** Senator Bingham

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**FUNDS AFFECTED:** General Fund, Highway Fund, and Receipt Funds

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

**EFFECTIVE DATE:** July 1, 2005

**BILL SUMMARY:** The present law provides for a cap on the amount of earnings that a re-employed retired employee may earn without reduction of the employee's retirement benefits. The earnable amount is the greater of either 50% of the salary the member was earning prior to retirement or \$25,420. This bill removes the reemployed earnings restrictions on any nurse who is retired from the Teachers' and State Employees' Retirement System and is reemployed to teach in a nursing program with the community college system. To qualify, registered nurse must have been retired for at least six months and not employed in any capacity by the State for at least six months immediately preceding the effective date of reemployment.

**ESTIMATED IMPACT:** There is no available data that will reflect how many retired nurses will return to employment under this bill but both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost would be negligible.

**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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

**TECHNICAL CONSIDERATIONS:** The estimated cost is determined by using the assumed rates of retirement versus the actual rates of retirement for members of this group.

**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.

**PREPARED BY:** Stanley Moore

**APPROVED BY:** James D. Johnson, Director  
Fiscal Research Division



**DATE:** April 8, 2005

**Signed Copy Located in the NCGA Principal Clerk's Offices**