

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1378 (Committee Substitute)

SHORT TITLE: Reinstatement of Unused Sick Leave

SPONSOR(S): Representative Warwick

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Funds

BILL SUMMARY: Under present regulation, any sick leave standing to the employee's credit at the time of termination is reinstated if the employee is rehired within five years. This bill will allow any employee of the State, university, school systems or community colleges to reinstate any sick leave if they return to service within ten years.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE: Both actuaries agree that in some cases, a member's creditable service would be increased because of extending the time frame for the reinstatement of sick leave. Also, any member retiring within ten years of termination of employment could have any sick leave added to the creditable service; therefore, increasing the retirement benefit. No data is available as to the number of employees this would affect; but both actuaries agree, however, that the cost would be negligible.

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
General Assembly Actuary - Hartman & Associates, LLC

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: Tom Covington

DATE: Wednesday, June 16, 1999

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