

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 345 (First Edition)
SHORT TITLE: Teacher Credit for Excess Personal Leave.
SPONSOR(S): Senator Lucas

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

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

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Teachers earn personal leave days at the rate of two days per year, and at year end, up to five days can be carried forward into the next year. Any balance over five days at the end of each year will be converted to sick leave, which the teacher can use for sick leave purposes or to add additional retirement service at the date of retirement. At retirement, one month of additional service is allowed for each 20 days of sick leave.

ESTIMATED IMPACT ON STATE: 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: None

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: James D. Johnson, Director
Fiscal Research Division

DATE: March 28, 2005



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