

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 693 (First Edition)
SHORT TITLE: Teachers Convert Personal Leave to Sick Leave.
SPONSOR(S): Representatives Jeffus, Parmon, Pate, and Fisher

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

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

EFFECTIVE DATE: July 1, 2007

BILL SUMMARY: The present law allows teachers to accumulate personal leave without limit until June 30 of each year. Then all personal leave in excess of five days is lost. This bill will allow any personal leave over five days to convert to sick leave.

ESTIMATED IMPACT: Retirement System Actuary: Buck Consultants estimates the cost to be 0.12% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Fund	\$11.1M	\$11.6M	\$12.0M	\$12.5M	\$13.0M
Highway Fund	\$0.5M	\$0.6M	\$0.6M	\$0.6M	\$0.6M
Receipt Funds	<u>\$3.5M</u>	<u>\$3.6M</u>	<u>\$3.8M</u>	<u>\$3.9M</u>	<u>\$4.1M</u>
TOTAL COST	\$15.1M	\$15.7M	\$16.4M	\$17.0M	\$17.7M

General Assembly Actuary: Hartman & Associates estimates the cost to have a minimal financial impact on the Teachers' and State Employees' Retirement System.

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, 2005 actuarial valuation of the fund. The data included 321,513 active members with an annual payroll of \$11 billion, 134,719 retired members in receipt of annual pensions totaling \$2.5 billion and actuarial value of assets equal to \$49.7 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: Buck Consultants
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.

PREPARED BY: Stanley Moore

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division



DATE: May 2, 2007

Signed Copy Located in the NCGA Principal Clerk's Offices