

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 956 (Fourth Edition)

SHORT TITLE: Retired Teachers Work.

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: Under the present law, any retiree can return to employment with a public school to teach and not have any reemployment earning restrictions. The retirees can receive their retirement benefit and their salary as a teacher. In order to do so, they must have been retired for six months and have not worked in any capacity with the public schools during the six months prior to being reemployed. This provision is the law and will expire June 30, 2007.

This act extends the law until June 30, 2009 that allows someone to return to teach with no earning restrictions. The bill allows anyone who retired on or before July 1, 2007 to return after during this time frame to teach with no earning restrictions but in order for future retirees to return with no earning restrictions, the retiree must have retired after July 1, 2007 and must have been at least age 60 with 25 or more years of creditable service. The bill also requires an employer contribution rate of 11.70% of the payroll of all retirees who returns to teach.

ESTIMATED IMPACT:

Retirement System Actuary: Buck Consultants estimates the cost to extend the sunset until June 30, 2009 with the new age and service requirements to be 0.02% 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	\$1,850,000	\$1,925,480	\$2,004,040	\$2,085,804	\$2,170,905
Highway Fund	\$88,400	\$92,007	\$95,761	\$99,668	\$103,734
Receipt Funds	<u>\$579,000</u>	<u>\$602,831</u>	<u>\$627,427</u>	<u>\$653,026</u>	<u>\$679,669</u>
TOTAL COST	\$2,517,600	\$2,620,318	\$2,727,227	\$2,838,498	\$2,954,309

General Assembly Actuary: Hartman & Associates estimates the cost to extend the sunset until June 30, 2009 with the new age and service requirements to be 0.01% 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	\$925,000	\$962,740	\$1,002,020	\$1,042,902	\$1,085,453
Highway Fund	\$44,200	\$46,003	\$47,880	\$49,834	\$51,867
Receipt Funds	<u>\$289,600</u>	<u>\$301,416</u>	<u>\$313,713</u>	<u>\$326,513</u>	<u>\$339,835</u>
TOTAL COST	\$1,258,800	\$1,310,159	\$1,363,614	\$1,419,249	\$1,477,154

The employer contribution rate of 11.70% during this period of time should be adequate to pay for this benefit.

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.

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Fiscal Research Division



DATE: June 28, 2007

Signed Copy Located in the NCGA Principal Clerk's Offices