

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2017

Legislative Retirement Note

BILL NUMBER: House Bill 159 (First Edition)
SHORT TITLE: Charter School TSERS Election.
SPONSOR(S): Representatives R. Turner and Williams

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts

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

BILL SUMMARY: Amends GS 135-5.3(b3) to allow a charter school seeking to become a participating employer in TSERS prior to the end of the second year of operation (was, initial year of operation) to be granted provisional entry for one year. Amends subsection (b4) to provide that a charter school seeking to become a participating employer in TSERS after the end of the initial year of operation but before the end of the second year of operation may (was shall) undergo an actuarial and financial review as required by the Board of Trustees prior to entry. Adds new provision to mandate that a charter school seeking to become a participating employer in the Retirement System after the end of the second year undergo an actuarial and financial review.

EFFECTIVE DATE: August 1, 2017

ESTIMATED IMPACT ON STATE: Both Conduent, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of TSERS.

ASSUMPTIONS AND METHODOLOGY:

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, 2015 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Table with 2 columns: Membership Statistics (as of 12/31/2015 unless otherwise noted, M = millions) and TSERS. Rows include Active Members, Count (305,291), General Fund Compensation (\$10,185M), Valuation Compensation (Total) (\$13,897M), Average Age (45), and Average Service (10.7).

Inactive Members	
Count	143,214
Retired Members	
Count	201,522
Annual Benefits	\$4,202M
Average Age	71
New Retirees During 2016	11,100

Financial Statistics (as of 12/31/2015 unless otherwise noted, M = millions)	
	<u>TSERS</u>
Accrued Liability (AL)	\$71,522M
Actuarial Value of Assets (AVA)	\$66,169M
Market Value of Assets (MVA)	\$62,669M
Unfunded Accrued Liability (AL - AVA)	\$5,353M
Funded Status (AVA / AL)	93%
Required Employer Contribution for FY 2017-18 (as % of pay)	10.33%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 8.10%
Assumed Rate of Investment Return	7.25%
Cost Method	Entry Age Normal
Amortization	12 year, closed, flat dollar
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
	<u>TSERS</u>
Formula	1.82% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Conduent, "Charter School TSERS Election – House Bill 159", March 8, 2017, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 159: An Act to Extend the Amount of Time a Charter School Has to Elect to Become a Participating Employer in TSERS", February 27, 2017, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

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:

Mark Trogdon, Director
Fiscal Research Division

DATE: March 16, 2017



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