



NORTH CAROLINA GENERAL ASSEMBLY

Session 2017

Legislative Retirement Note

Short Title: Permit Municipal Charter School/Certain Towns.
Bill Number: House Bill 514 (Third Edition)
Sponsor(s): Representative Brawley

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 514, V.3 (\$ in thousands)

	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>
State Impact					
General Fund Impact	-	-	-	-	-
Highway Fund Impact	-	-	-	-	-
Other/Receipts Impact	-	-	-	-	-
NET STATE IMPACT	-	-	-	-	-
Local Impact					
Local Governments	-	-	-	-	-
NET LOCAL IMPACT	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Sections 6, 7, and 8 have potential actuarial impacts on retirement systems.

Systems Affected: Teachers' and State Employees' Retirement System (TSERS)

Sections 6 and 8 allow the boards of directors of charter schools operated by the Town of Cornelius, the Town of Huntersville, the Town of Matthews, and the Town of Mint Hill to elect to become participating employers in TSERS under the same conditions as charter schools operated by private nonprofit corporations. Other sections of the bill permit the Towns to operate charter schools for the first time, so no such schools currently exist. Both Conduent, the actuary for TSERS, and Hartman & Associates, the actuary for the General Assembly, estimate that these sections will have no material impact on the contribution rates or liabilities of TSERS.

Section 7 allows TSERS members to purchase creditable service for periods of employment in charter schools operated by the Town of Cornelius, the Town of Huntersville, the Town of

Matthews, or the Town of Mint Hill whose boards of directors elect not to participate in TSERS. The purchase would be made on the same basis as for periods of employment at a charter school operated by a private nonprofit corporation. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS.

ASSUMPTIONS AND METHODOLOGY

The cost estimates of the actuaries are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2016 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2016 unless otherwise noted, M = millions)	
	TSERS
Active Members	
Count	305,013
General Fund Compensation	\$10,652M
Valuation Compensation (Total)	\$14,282M
Average Age	45
Average Service	10.7
Inactive Members	
Count	151,581
Retired Members	
Count	208,443
Annual Benefits	\$4,343M
Average Age	71
New Retirees During 2017	11,100

Financial Statistics (as of 12/31/2016 unless otherwise noted, M = millions)	
	TSERS
Accrued Liability (AL)	\$74,548M
Actuarial Value of Assets (AVA)	\$67,377M
Market Value of Assets (MVA)	\$64,247M
Unfunded Accrued Liability (AL - AVA)	\$7,171M
Funded Status (AVA / AL)	90%
Required Employer Contribution for FY 2018-19 (as % of pay)	11.98%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 8.10%
Assumed Rate of Investment Return: 7.20%	
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	
	TSERS
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 the Fiscal Research Division.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Conduent, "Permit Municipal Charter School/Certain Towns – House Bill 514", May 30, 2018, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 514, Third Edition: An Act to Permit Certain Towns to Operate Charter Schools", May 30, 2018, original of which is on file in the General Assembly's Fiscal Research Division.

LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS

This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State or local government retirement systems and does not address sections that have no projected actuarial impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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Signed copy located in the NCGA Principal Clerk's Offices