

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT**

BILL NUMBER: House Bill 1107

SHORT TITLE: Remove Cap on Sick Leave

SPONSOR(S): Representative Pope

SYSTEM OR PROGRAM AFFECTED: Teacher's & State Employees' Retirement System

FUNDS AFFECTED: General Fund, Highway Fund, Receipt Fund

BILL SUMMARY: Presently, a member is allowed one month of service for each 20 days of sick leave when they retire. The amount of sick leave that can be used for retirement credit has a cap of 12 days of sick leave for each year of membership service. Twelve days is the maximum number that an employee can earn each year. This bill removes the cap of 12 days per year of membership, so that members who convert annual leave to sick leave at end of year can use all sick leave for additional service credits in the retirement system.

EFFECTIVE DATE: July 1, 2001

ESTIMATED IMPACT ON STATE: Buck Consultants and Hartman & Associates both agree that there is some cost of the proposal but estimates the cost to be very small.

ASSUMPTIONS AND METHODOLOGY: Teacher's & 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, 1999 actuarial valuation of the fund. The data included 285,784 active members with an annual payroll of \$8.4 billion and 102,939 retired members in receipt of annual pensions totaling \$1.510 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 - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION 733-4910

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DATE: April 13, 2001



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