

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

BILL NUMBER: House Bill 1208

SHORT TITLE: Retired School Personnel Encouraged to Work

SPONSOR(S): Representative Shubert

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Under the present law, a retiree is allowed to earn in any calendar year, 50% of the salary earned during the 12 months of service prior to retirement or \$23,240, whichever is greater. The present law removes all reemployment earnings restrictions for any retiree who returns as a teacher, who has not been employed in any capacity, other than as a substitute, with a public school for the twelve months immediately preceding the date of reemployment.

This bill reduces the 12 month requirement to 6 months and expands who is eligible to return to service with no earning restrictions to include anyone employed as a (i) teacher, (ii) principal, (iii) assistant principal, (iv) superintendent, (v) associate or assistant superintendent, (vi) finance officer, (vii) athletic trainer, (viii) director, supervisor, or coordinator in transportation, child nutrition, health education, vocational education, community schools, special education, math/science, maintenance, or other area, (ix) school nurse, (x) school psychologist, (xi) school counselor, (xii) school social worker, (xiii) school media specialist, (xiv) speech and language pathologist, or (xv) audiologist.

The bill direct the Board of Trustees of the Teachers' and State Employees' Retirement System to request a letter of determination from the Internal Revenue Service as to how short a waiting period would the Internal Revenue Service allows.

EFFECTIVE DATE: July 1, 2001 and expires June 30, 2003.

ESTIMATED IMPACT ON STATE: Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 0.07% of the payroll of all members of the Teachers' and State Employee's Retirement System.

	2001-02	2002-03	2003-04	2004-05	2005-06
General Fund	\$5.0M	\$5.3M	\$5.6M	\$6.0M	\$6.3M
Highway Fund	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M
Receipt Funds	<u>\$1.5M</u>	<u>\$1.6M</u>	<u>\$1.7M</u>	<u>\$1.8M</u>	<u>\$1.9M</u>
TOTAL COST	\$6.8M	\$7.2M	\$7.6M	\$8.1M	\$8.6M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.044% of the payroll of all members of the Teachers' and State Employee's Retirement System.

	2001-02	2002-03	2003-04	2004-05	2005-06
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General Fund	\$4.9M	\$5.2M	\$5.5M	\$5.8M	\$6.1M
Highway Fund	\$0.2M	\$0.3M	\$0.3M	\$0.3M	\$0.3M
Receipt Funds	<u>\$1.5M</u>	<u>\$1.6M</u>	<u>\$1.7M</u>	<u>\$1.7M</u>	<u>\$1.9M</u>
TOTAL COST	\$6.6M	\$7.0M	\$7.4M	\$7.8M	\$8.3M

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

TECHNICAL CONSIDERATIONS: The System's tax attorney and actuary have stated that the Internal Revenue Service does not have a definitive definition of the break in service that constitutes a "bona fide termination of employment". If the break in service under this bill were deemed insufficient then the Systems tax qualification could be at risk.

FISCAL RESEARCH DIVISION 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: James D. Johnson

DATE: May 1, 2001



Signed Copy Located in the NCGA Principal Clerk's Offices