



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Legislative Retirement Note

Short Title: Portability of Leave/Charter Schools.
Bill Number: Senate Bill 123 (First Edition)
Sponsor(s): Senator Sanderson

SUMMARY TABLE

ACTUARIAL IMPACT OF S.B. 123, V. 1 (\$ in thousands)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

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

Senate Bill 123 (First Edition) amends G.S. 115C-12(8) and 115C-218.90(a) to require that rules providing sick leave for public school employees must allow sick leave to be transferred between a charter school and a local school administrative unit. Leave to be accepted by a local school administrative unit must not result in leave being accrued at a greater rate than the rate set by the State Board of Education.

Under TSERS, a member receives one month of creditable service at retirement for each 20 days of unused sick leave. Thus, allowing transfers of sick leave may increase retirement allowances for these members, producing a cost to TSERS.

Cavanaugh Macdonald, the actuary for TSERS, estimates that the contribution rate for TSERS will increase by less than 0.01% of payroll due to the bill. Cavanaugh Macdonald further estimates that the contribution would increase by 0.01% of payroll if approximately 25,000 additional months of sick leave were converted to service due to the bill, which is greater than the additional leave expected to be converted.

Hartman & Associates, the actuary for the General Assembly, states that sufficient data does not exist to perform a detailed analysis. However, available data indicates the number of members transferring between charter schools and local units is minimal, so the cost to TSERS is likely to be negligible.

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, 2017 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2017 unless otherwise noted, M = millions)	
Active Members	
Count	304,554
General Fund Compensation	\$11,005M
Valuation Compensation (Total)	\$15,059M
Average Age	45
Average Service	10.8
Inactive Members	
Count	160,087
Retired Members	
Count	215,008
Annual Benefits	\$4,521M
Average Age	71
New Retirees During 2018	11,200

Financial Statistics (as of 12/31/2017 unless otherwise noted, M = millions)	
Accrued Liability (AL)	\$79,209M
Actuarial Value of Assets (AVA)	\$69,568M
Market Value of Assets (MVA)	\$70,608M
Unfunded Accrued Liability (AL - AVA)	\$9,641M
Funded Status (AVA / AL)	88%
Required Employer Contribution for FY 2019-20 (as % of pay)	12.97%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 8.10%
Assumed Rate of Investment Return: 7.00%	
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	
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

Cavanaugh Macdonald Consulting, LLC, "Portability of Leave/Charter Schools – S.B. 123", March 13, 2019, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Senate Bill 123: An Act to Allow Sick Leave to be Transferred Between a Charter School and a Local School Administrative Unit", March 21, 2019, 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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