

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

This document includes both actuarial note and a fiscal note.

BILL NUMBER: House Bill 243

SHORT TITLE: Teachers Retirement Eligibility

SPONSOR(S): Representative Rogers

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

BILL SUMMARY: Under present law, an employee must work at least 30 hours per week on a recurring basis for nine or more month per years in order to be a member of the Teachers' and State Employees' Retirement System. This bill will allow teachers who work not less than 50% of the time to be required to be a member of the system.

EFFECTIVE DATE: July 1, 2001

ESTIMATED IMPACT ON STATE: Buck Consultants and Hartman & Associates state that the normal contributions paid on behalf of all members of the System will be adequate to fund the cost of these estimated 2,000 additional members.

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: Retirement System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

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: March 19, 2001



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NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 243 (1st Edition)

SHORT TITLE: Teacher Retirement Eligibility

SPONSOR(S): Representative Rogers

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
EXPENDITURES					
General Fund	\$1,765,000	\$1,835,000	\$1,908,000	\$1,985,000	\$2,064,000
Other					
POSITIONS:					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Local School Administrative Units, Teachers and State Employees Retirement System				
EFFECTIVE DATE:	July 1, 2001				

BILL SUMMARY:

TEACHER RETIREMENT ELIGIBILITY. TO AMEND THE DEFINITION OF THE TERM "TEACHER" FOR PURPOSES OF MEMBERSHIP IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM. Amends GS 135-1(25) to broaden the definition of "teacher" for purposes of membership in retirement system. Term includes teachers who are employed to teach in permanent positions and who work not less than 50% of the time required of a person employed as a teacher, as defined in GS 115C-325(a)(6)(full-time, permanent positions).

Source: Bill Digest (2/26/01)

ASSUMPTIONS AND METHODOLOGY:

To be classified as a full-time teacher, an individual must be employed for the required workweek of the Local Education Agency (LEA) in which they are employed, but this must be at least 30 hours per week. Teachers employed 30 hours or more a week are currently a part of the retirement system. This bill will include teachers that are currently employed 50% of the work time required of a person by the school system. Based on the minimum of 30 hours a week for full-time classification, the 50% would allow teachers working between 15 hours and 30 hours a week to be a part of the Teachers' and State Employees' Retirement System.

The North Carolina Department of Public Instruction identified 1,191 teachers that were employed in North Carolina's public schools and worked between 15 and 30 hours per week (December 2000).

The average teacher salary as of December 2000 (6th pay period) was \$36,988.

For purposes of costing this bill, it is assumed that the average salary for part-time teachers is 1/2 the average teacher salary or \$18,494.

The \$1,764,000 estimate for FY 2001-02 is based on applying the scheduled FY 2001-02 retirement rate to 1,191 part-time teachers making an average of \$18,494 (1,191 * \$18,494); (\$22,026,354 * 8.01%)

For all future years, the retirement rate was held constant and teacher salaries were increased 4% per year.

TECHNICAL CONSIDERATIONS:

Some teachers elect to be employed 50% of the time to avoid deductions from their pay for items such as the required 6% employee contribution for retirement. This bill requires that all teachers working 50% of the school's work schedule be a part of the retirement system.

Some local school administrative units employ 1/2 teachers due to the fact that they can employ more teachers because they do not have to pay retirement and hospitalization. This bill would not impact hospitalization cost, however, the retirement cost would reduce the number of total 1/2 teachers a school system could employ.

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Philip Price

APPROVED BY: James D. Johnson

DATE: April 12, 2001



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