NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Actuarial Note - Retirement

Short Title: Revive High-Need Retired Teachers Program.
Bill Number: House Bill 106 (Second Edition)
Sponsor(s): Rep. Carver, Rep. Scott, and Rep. Willis

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 106, V.2 ($ in thousands)

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
State Impact					
General Fund	2,690	2,778	2,868	2,961	3,057
Highway Fund	140	144	149	154	159
Other/Receipts	1,266	1,308	1,350	1,394	1,439
TOTAL STATE EXPENDITURES	**4,096**	**4,229**	**4,367**	**4,508**	**4,655**

ACTUARIAL IMPACT SUMMARY

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

House Bill 106 (Second Edition) reenacts the provisions of Session Law 2019-110, which allowed TSERS retirees to serve as classroom teachers under certain conditions and makes two modifications to those provisions. Session Law 2019-110 expired June 30, 2021. Session Law 2019-110 specified the following conditions that are also specified in the bill:

1. The retiree must have retired with an unreduced benefit.
2. The retiree must be reemployed to teach in a school that is either a Title I school or received a State school performance grade of D or F.
3. The retiree would continue to receive his or her pension in addition to the salary for teaching.
4. The salary for teaching would be equal to the salary on the first step of the teacher salary schedule, except for STEM and special education teachers who would be paid on the sixth step of the schedule. The teacher would not receive any State supplement or bonus, but would receive any local supplement.
5. The term of the teacher's contract shall be no more than one year.
6. The teaching salary would not count against the retiree earnings limit in G.S. 135-3(a)(8).
7. The employer hiring the teacher would be required to report to the Department of State Treasurer on the teacher's employment and earnings.

8. TSERS would receive neither employee nor employer contributions on the teaching salary and the retiree would not earn any TSERS service credit for the period.
9. The retiree would be enrolled in the State Health Plan as an active employee and the LEA would pay the employer premium to the State Health Plan.
10. The State Treasurer shall seek a private letter ruling from the Internal Revenue Service to determine if the provisions jeopardize the status of TSERS.
11. A retiree employed as a high-need retired teacher is not eligible to elect into a contributing position.

The modifications to the provisions of Session Law 2019-110 are as follows:

a. The retiree must have retired at least two months prior to being reemployed. In Session Law 2019-110, they must have retired on or before February 1, 2019 and have not performed any work for a TSERS employer in the six months following retirement.
b. The retirees may be reemployed by "public school units," a broader definition in Chapter 115C of the General Statutes, rather than only "local boards of education" as in Session Law 2019-110.

The bill applies beginning with the 2025-2026 school year and expires June 30, 2029. Previous laws allowing retirees to return as classroom teachers, for example Session Laws 1998-212, 2001-424, 2002-126, 2004-124, 2005-144, and 2007-145, contained expiration dates that were amended by subsequent law.

Gallagher, the actuary for the retirement systems, estimates that the bill will increase the actuarially determined employer contribution (ADEC) for TSERS by 0.02% of pay. Aon, the actuary for the General Assembly, estimates that the bill will increase the ADEC for TSERS by 0.01% to 0.02% of pay. The 0.02% of pay estimate was multiplied by estimated General Fund, Highway Fund, and other/receipts salaries to produce the actuarial impact figures in the table at the top of this note.

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, 2023 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2023 unless otherwise noted, M = millions)	
	TSERS
Active Members	
Count	299,037
General Fund Compensation	$13,450M
Valuation Compensation (Total)	$18,382M
Average Age	46
Average Service	10.8
Inactive Members	
Count	230,130

Retired Members	
Count	252,036
Annual Benefits	$5,412M
Average Age	72
New Retirees During 2024	11,336

Financial Statistics (as of 12/31/2023 unless otherwise noted, M = millions)	
	TSERS
Accrued Liability (AL)	$99,810M
Actuarial Value of Assets (AVA)	$88,619M
Market Value of Assets (MVA)	$83,643M
Unfunded Accrued Liability (AL - AVA)	$11,191M
Funded Status (AVA / AL)	89%
Required Employer Contribution for FY 2025-26 (as % of pay)	17.14%
Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%
Assumed Rate of Investment Return: 6.50%	
Cost Method: Entry Age Normal	
Amortization: 12 year, closed, flat dollar	
Demographic assumptions based on 2015-2019 experience, Pub-2010 mortality, and projection of future mortality improvement with scale MP-2019	

Benefit Provisions				
	TSERS	LGERS	CJRS	LRS
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	4.02% x Service x Highest Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5
Employee contribution (as % of pay)	6%	6%	6%	7%

Gallagher assumed an additional 2.5% to 10% probability of unreduced retirement when first eligible during the effective period of the bill for current teachers in high-needs positions. Gallagher assumed 65% of the teacher population fits the high-needs criteria.

Aon assumed an additional 5% to 10% probability of retirement during the effective period of the bill. Aon considered scenarios where only teachers currently at a Title I school would be reemployed at a Title I school and scenarios where all reemployed teachers would be reemployed at Title I schools.

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

Gallagher, “House Bill 106 Proposed Committee Substitute H106-CSBEap-4 [v.2] (Revive High-Need Retired Teachers Program)”, March 18, 2025, original of which is on file in the General Assembly’s Fiscal Research Division.

Aon, “House Bill 106: Revive and Expand the Program to Allow Retired Educators to Return to Work in High Need Schools”, March 18, 2025, 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.

ESTIMATE PREPARED BY

David Vanderweide

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
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Signed copy located in the NCGA Principal Clerk's Offices