

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1687

SHORT TITLE: Retired Teachers/Compensation

SPONSOR(S): Representative Arnold

SYSTEM AFFECTED: Teachers' and State Employees' Retirement System

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 \$22,480, whichever is greater. The present law also allows a retiree to return: (1) as a substitute or interim teacher in the public schools, (2) to teach in a public school that identified by the State Board of Education as a low-performing school, (3) to teach in a subject area or geographical area in which there is a shortage of teachers. This bill will remove 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.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT: Buck Consultants and Hartman & Associates state that the cost to the Teachers' and State Employees' Retirement System will be the loss of savings that would otherwise occur when a member has reached the limit before the retirement benefit is suspended for the remainder of the calendar year. They do not have data on how many retirees this legislation would effect but believe the cost would be significant.

ASSUMPTIONS AND METHODOLOGY: 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, 1998 actuarial valuation of the fund. The data included 278,558 active members with an annual payroll of \$7.995 billion and 97,820 retired members in receipt of annual pensions totaling \$1.375 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: 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.

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DATE: June 6, 2000



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