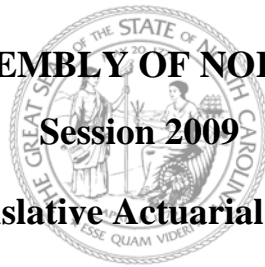


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 358 (First Edition)
SHORT TITLE: TAs in Special Ed. Classes/Personal Leave.
SPONSOR(S): Senator Rand

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt Funds for the Teachers' and State Employees' Retirement

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

EFFECTIVE DATE: July 1, 2009

BILL SUMMARY: The bill will allow a teacher assistant, who works in a position that will require a substitute when absent, to earn personal leave at the rate of 2 days per year. Personal leave can be accumulated up to a maximum of 5 days as of June 30 of each year. The balance over five days is then converted to sick leave, which can be used to either: (1) receive full salary while absent from work as a result of sickness or (2) increase creditable service at retirement. One month of retirement service is granted for each 20 days or portion.

ESTIMATED FISCAL IMPACT:

Retirement System Actuary: Buck Consultants estimates the maximum cost to be 0.01% of the payroll of all members of the Teachers' and State Employees' Retirement System. In developing the cost, Buck Consultants assumed that every teacher assistant converts the maximum number of excess personal leave days to creditable service toward retirement.

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
General Fund	\$1,019,300	\$1,075,158	\$1,134,076	\$1,196,224	\$1,261,777
Highway Fund	\$47,400	\$49,998	\$52,737	\$55,627	\$58,676
Receipt Funds	<u>\$391,500</u>	<u>\$412,954</u>	<u>\$435,584</u>	<u>\$459,454</u>	<u>\$484,632</u>
Total Cost	\$1,458,200	\$1,538,109	\$1,622,398	\$1,711,305	\$1,805,085

General Assembly Actuary: Hartman & Associates estimates the cost to have a minimum financial impact.

ASSUMPTIONS AND METHODOLOGY:

Teachers' & 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, 2007 actuarial valuation of the fund. The data included 338,490 active members with an annual payroll of \$12.7 billion, 145,855 retired members in receipt of annual pensions totaling \$2.9 billion, and actuarial value of assets equal to

\$55.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen 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: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: The cost estimates are based on information that there are 8,366 teacher assistants who earn an average salary of \$21,000 for ten months.

FISCAL RESEARCH DIVISION: (919) 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:
Bob Weiss
on behalf of Marilyn Chism, Director
Fiscal Research Division

DATE: April 6, 2009



Signed Copy Located in the NCGA Principal Clerk's Offices