



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2017

Legislative Retirement Note

BILL NUMBER: Senate Bill 490 (First Edition)

SHORT TITLE: Portability of Leave/Charter Schools.

SPONSOR(S): Senator Sanderson

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts

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

BILL SUMMARY: Senate Bill 490 (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 the Teachers' and State Employees' Retirement System (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.

EFFECTIVE DATE: The bill is effective when it becomes law and applies to individuals employed by a local school administrative unit or a charter school on or after that date.

ESTIMATED IMPACT ON STATE:

Conduent, the actuary for TSERS, estimates that the contribution rate for TSERS will increase by less than 0.01% of payroll due to the bill. Conduent further estimates that the contribution would increase by 0.01% of payroll if approximately 73,000 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 System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2015 actuarial valuations.

Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2015 unless otherwise noted, M = millions)	
	<u>TSERS</u>
Active Members	
Count	305,291
General Fund Compensation	\$10,185M
Valuation Compensation (Total)	\$13,897M
Average Age	45
Average Service	10.7
Inactive Members	
Count	143,214
Retired Members	
Count	201,522
Annual Benefits	\$4,202M
Average Age	71
New Retirees During 2016	11,100

Financial Statistics (as of 12/31/2015 unless otherwise noted, M = millions)	
	<u>TSERS</u>
Accrued Liability (AL)	\$71,522M
Actuarial Value of Assets (AVA)	\$66,169M
Market Value of Assets (MVA)	\$62,669M
Unfunded Accrued Liability (AL - AVA)	\$5,353M
Funded Status (AVA / AL)	93%
Required Employer Contribution for FY 2017-18 (as % of pay)	10.33%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 8.10%
Assumed Rate of Investment Return	7.25%
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	
	<u>TSERS</u>
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 David Vanderweide.

SOURCES OF DATA:

Conduent, "Portability of Leave / Charter Schools – Senate Bill 490", April 26, 2017, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Senate Bill 490: An Act to Allow Sick Leave to be Transferred Between a Charter School and a Local School Administrative Unit", April 8, 2017, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

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.

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DATE: April 26, 2017



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