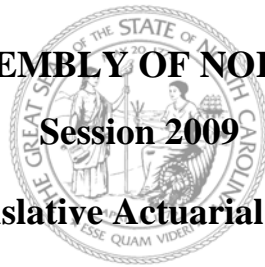


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 329 (First Edition)
SHORT TITLE: Retired Nurses Return to Work.
SPONSOR(S): Representatives England, Rapp, and Wilkins

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt Funds

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

EFFECTIVE DATE: July 1, 2009

BILL SUMMARY: Provides that the computation of postretirement earnings of a retiree under the Teachers' and State Employees' Retirement System will not include the retiree's earnings while the retiree is employed to teach in a permanent full-time or part-time capacity that exceeds 50% of the applicable workweek as a nursing instructor in a certified nursing program for a maximum of three years provided that the retiree meets the following criteria: (1) retires on or before June 1, 2009, regardless of age or years of creditable service, or (2) retires after July 1, 2009, after attaining (i) the age of at least 65 with five years of creditable service; or (ii) the age of at least 60 with 25 years of creditable service; or (iii) 30 years of service. Additionally requires that the retiree must have been retired for at least six months and must not have been employed in any capacity with a state-supported community college or university for at least six months immediately preceding the effective date of reemployment.

The bill requires that the community college or university must certify to the retirement system that it has a shortage of qualified nursing instructors before it may rehire a retired nursing instructor. Provides additional criteria regarding rehiring retired nursing instructors.

Effective July 1, 2009, directs each community college or university that employs a retired nursing instructor under the proposed new provisions of GS 135-3(8)c to pay to TSERS a Reemployed Nurse Contribution Rate of 11.70% as a percentage of covered salaries being paid to the retired nursing instructors who are exempt from the earnings cap under the proposed provisions and to make monthly reports on the payments to the Retirement Systems Division.

Directs the NC Community College System and the University of North Carolina to make a written report to the General Assembly by January 1, 2011, on the effectiveness of these proposed provisions in addressing the shortage of qualified nursing instructors.

Effective July 1, 2009 and expires June 30, 2013

ESTIMATED IMPACT: Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that the cost is less than 0.01% of total payroll as a result of the enactment of this bill.

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: None

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: Marilyn Chism, Director
Fiscal Research Division

DATE: March 17, 2009



Signed Copy Located in the NCGA Principal Clerk's Offices