



**JOINT LEGISLATIVE EDUCATION OVERSIGHT  
SUBCOMMITTEE ON RETIREES' RETURN TO WORK**

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**AGENDA**

April 24 , 2006  
Room 1124, Legislative Building  
4:00 PM

**WELCOME**

Senator Charlie Dannelly and Representative Rick Glazier, Co-Chairs

**APPROVAL OF MINUTES FROM PREVIOUS MEETING**

**COST TO THE RETIREMENT SYSTEM OF REDUCING THE SIX  
MONTH BREAK-IN-SERVICE REQUIREMENT**

- Michael Williamson, Deputy State Treasurer & Director of the Retirement Systems Division

**COST OF TEACHER TURNOVER**

- Jennifer Haygood, Fiscal Research Division

**11.7% - HOW WAS THIS PERCENTAGE DETERMINED**

- Stanley Moore, Fiscal Research Division

**COMMITTEE DISCUSSION OF PROPOSED LEGISLATION**





April 19, 2006

**OVERNIGHT DELIVERY**

Mr. Michael L. Williamson  
Deputy Treasurer and Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: Proposed Change in Reemployment Provisions**

Dear Mr. Williamson:

As you requested, we have estimated the impact of proposed legislation that would change reemployment provisions of the Teachers' and State Employees' Retirement System (TSERS).

Under the current law, a classroom teacher who retires must not return to work in any capacity for six months after their retirement in order to be exempt from the earnings restriction upon their subsequent reemployment as a teacher. We have estimated the cost of changing this six-month period to a 91-day period.

Based on the results of the December 31, 2004 valuation, with an update for the assumption changes that will be proposed in April for the December 31, 2005 valuation, we have estimated the cost of the proposed change in the waiting period for the approximately 90,000 active teachers covered by TSERS. The results of our estimates are as follows.

**Summary of Principal Results**  
*(Amounts in Millions)*

	<u>Current Provisions</u>	<u>91-Day Waiting Period</u>
Accrued Liability	\$44,152	\$44,288
Actuarial Value of Assets	47,384	47,384
Unfunded Accrued Liability	(3,232)	(3,096)
Funded Ratio	107.3%	107.0%
GASB 25 Annual Required Contribution Rate	1.64%	1.88%
Increase in 1 <sup>st</sup> Year Funding *		28

\* *Estimated based on a payroll of \$11,588,000,000 used for the 2006 Session of The General Assembly.*



As the table shows, we have estimated that the Unfunded Accrued Liability would increase by \$136,000,000 if the waiting period is changed to 91 days. Under the current funding methodology, this increase in Unfunded Accrued Liability will be covered by increased contributions over the liquidation period, which is nine years. Based on this 9-year liquidation period, we have estimated that the contribution for the 2006-2007 fiscal year will increase by \$28,000,000.

As you know, the IRS requires an undefined bona fide termination of employment in order for qualified plans to offer reemployment. Should the IRS determine that this proposed waiting period does not constitute a bona fide termination of employment, the Plan's qualified status could be at risk.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



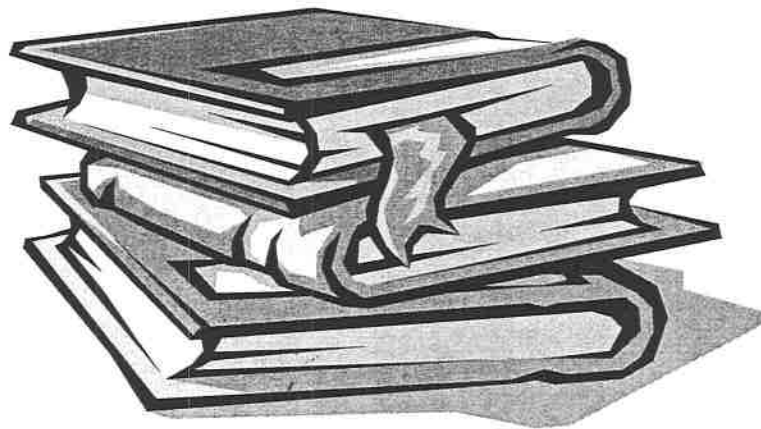
Richard A. Mackesey, F.S.A.  
Principal, Consulting Actuary

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# Average Cost of Teacher Turnover



NC General Assembly  
Joint Legislative Education Oversight Subcommittee on Retirees'  
Return to Work  
Jennifer Haygood, Fiscal Research  
April 24, 2006





# Average Cost of Teacher Turnover

- Turnover costs include:
  - Tangible costs:
    - Fixed costs
    - Variable costs
  - Intangible costs
- Total tangible costs will vary by LEA:  
\$355 - \$11,000

# Fixed Costs

- Costs incurred with every new hire

Activity	Average Cost Per Teacher
<b>Separation Costs</b>	
Exit interview	Cost varies by LEA
Administrative costs	
<b>Hiring Costs</b>	
Advertising/Recruiting	Cost varies by LEA
Processing Applications/conducting interviews	
Background checks	
Administrative tasks	

# Variable Costs

- Costs that vary depending on the experience level and field of the new hire.
- According to DPI, average new hire has 4 years of experience.

Activity	Average Cost Per Teacher
<b>Recruitment Incentives</b>	
Signing Bonus and other incentives	Varies by LEA
<b>Training Costs</b>	
Orientation	\$366 (3 days pay) for a teacher with < 6 months experience
Lateral Entry Induction	\$1,221 (10 days pay), lateral entry only
Mentoring	\$1,100, ILTs only
ILT (Initially Licensed Teacher) Training	Varies by LEA

# Total Tangible Costs

- LEA specific data is not currently available.
- Study by Texas Center for Education Research calculated tangible costs for three LEAs:
  - \$255 - \$5,165
- US Department of Labor estimates that tangible costs are approximately 33% of new hire's salary and benefits:
  - \$11,000

***Note: If the number of new hires replacing retired teachers is a small percentage of total new hires, the actual turnover costs associated with replacing a retired teacher will likely be less than the average cost.***

# Intangible Costs

- Costs that do not come with a price tag.

Activity	Average Cost Per Teacher
<b>Intangible Costs</b>	
Learning Curve Costs	New Hire > Retired Teacher
Productivity (School-wide and student performance)	Varies depending on the quality of the teacher

# Turnover Costs in Context

- As long as a position exists, turnover costs are inevitable.
- Efficiency measure: Average turnover costs per year  
= Turnover costs  $\div$  # of years the teacher remains in the classroom

Length of teacher's career	Avg. turnover costs/year*
5 years	\$2,200
25 years	\$440
30 years	\$367
35 years	\$314

\*Assumes cost of replacing teacher = \$11,000.

# Turnover Costs in Context

- Other things to consider include differential in:
  - Salary
  - Longevity Rate
  - Vacation Leave Accrual Rate

<b>Year of Experience</b>	<b>Base Salary</b>	<b>Longevity Rate*</b>	<b>Annual Leave Accrual Rate*</b>
0	\$26,260	0%	1.00 day/month
4	\$30,080	0%	1.15 days/month
24	\$43,180	3.25%	2.15 days/month
29	\$46,590	4.50%	2.15 days/month

\*Assumes years of experience = years of state service.

All FTE Reflect the Higher of Current Yr or Average of the Past 3 Years	Allotted FTE 2005-06	Estimated FTE 2005-06	Growth	% Increase	Appropriation Required	Total Requirements	Estimated Receipts
Curriculum	149,491	150,617	1,126	0.75%	\$3,560,884	\$4,763,924	\$1,203,040
Continuing Education	22,681	23,764	1,083	4.77%	\$3,284,417	\$4,028,330	\$743,913
Basic Skills	18,578	18,619	41	0.22%	\$194,789	\$194,789	\$0
<b>TOTAL</b>	<b>190,750</b>	<b>193,000</b>	<b>2,250</b>	<b>1.18%</b>	<b>\$7,040,090</b>	<b>\$8,987,044</b>	<b>\$1,946,953</b>

NOTE: Curriculum FTE are based on spring estimates submitted March 2006. Continuing Ed and Basic Skills are considered final.

2003-2004  
Allotments Per Regular Budget FTE:

**Curriculum**

Regular *	\$456,439,998	\$346,878,786
Contract	\$978,357	\$1,126,139
Academic Support Supplement	\$0	\$0
<b>Total Curriculum FTE</b>	<b>\$457,418,355</b>	<b>\$348,004,925</b>
Direct Instruction	149,491	120,307
Enrollment Allotment	\$3,059.84	\$2,892.64
<b>Total Requirements</b>	<b>\$1,171.00</b>	<b>\$1,103.00</b>
Student Receipts	\$4,230.84	\$3,995.64
Appropriation	1068.42	835.75
	\$3,162.42	\$3,159.89

**Occupational**

Allotment	\$57,804,857
<b>Total Occupational FTE</b>	<b>22,681</b>
Direct Instruction	\$2,548.60
Enrollment Allotment	\$1,171.00
<b>Total Requirements</b>	<b>\$3,719.60</b>
Student Receipts	\$686.90



Appropriation \$3,032.70

**Basic Skills**

Allotment \$66,508,551

Total Basic Skills FTE 18,578

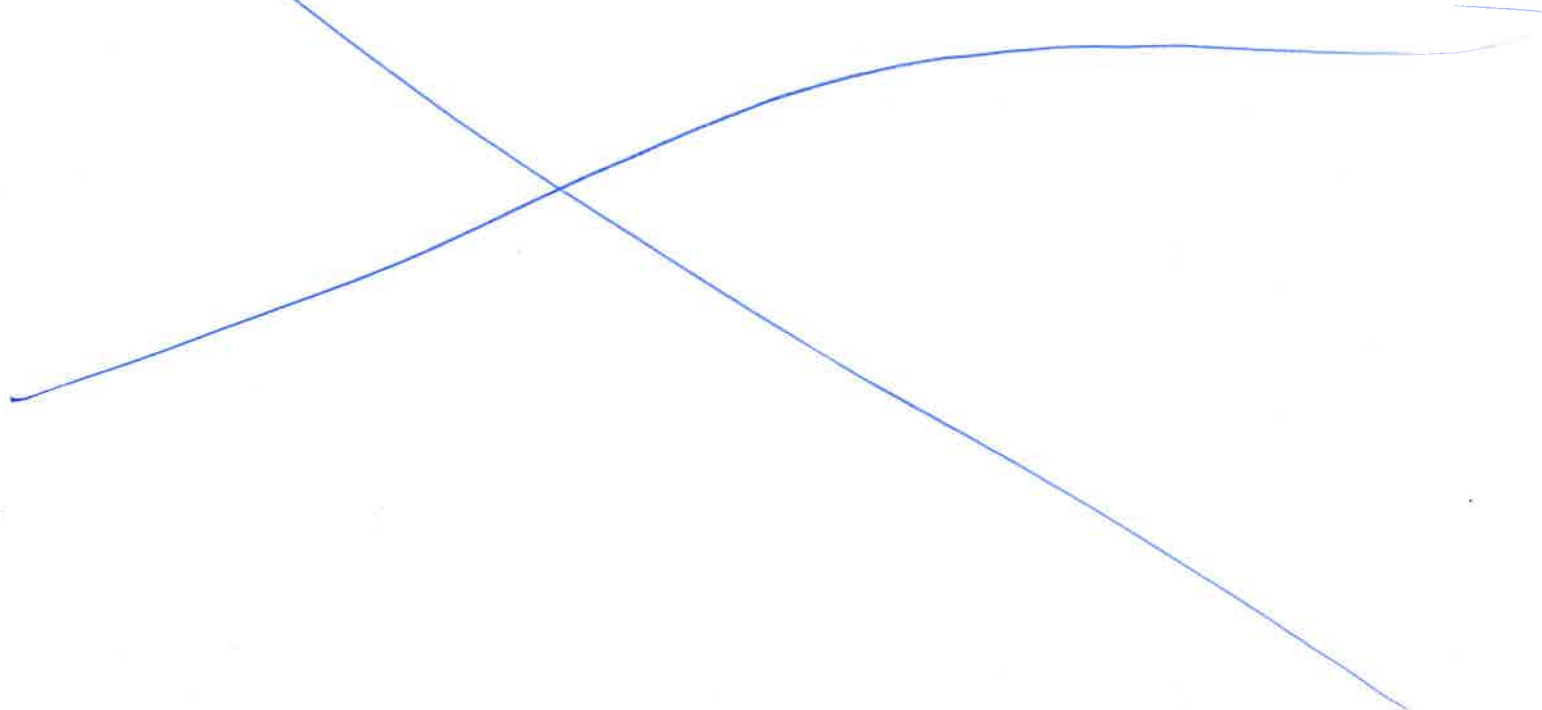
Direct Instruction \$3,579.96

Enrollment Allotment \$1,171.00

Total Requirements \$4,750.96

Federal Receipts 0

Appropriation \$4,750.96



Curriculum FTE are estimated as of March

	CURRICULUM		NON-CURRICULUM		BASIC SKILLS	
	2006 Estimated FTE	2005-06 Growth	2006 - 2007 FTE	2006 - 2007 Growth	2006 - 2007 FTE	2006 - 2007 Growth
ALAMANCE COMMUNITY COLLEGE	3,151	43	293	73	311	6
ASHEVILLE-BUNCOMBE TECH CC	4,660	223	631	7	373	19
BEAUFORT CO COMMUNITY COLLEGE	1,300	(36)	201	0	266	9
BLADEN COMMUNITY COLLEGE	1,188	47	213	-15	72	0
BLUE RIDGE COMMUNITY COLLEGE	1,587	2	504	-3	158	-10
BRUNSWICK COMMUNITY COLLEGE	850	10	226	4	214	-1
CALDWELL COMMUNITY COLLEGE	2,953	60	427	50	357	63
CAPE FEAR COMMUNITY COLLEGE	5,625	227	624	-22	412	41
CARTERET COMMUNITY COLLEGE	1,303	(42)	247	17	129	-4
CATAWBA VALLEY COMMUNITY COLL	3,674	14	427	43	364	56
CENTRAL CAROLINA COMMUNITY COL	3,596	(9)	622	3	812	-1
CENTRAL PIEDMONT COMMUNITY COL	10,398	289	963	90	890	-28
CLEVELAND COMMUNITY COLLEGE	2,347	140	258	13	170	-11
COASTAL CAROLINA COMMUNITY COL	3,190	(6)	777	52	238	-5
COLLEGE OF THE ALBEMARLE	1,604	(51)	229	-6	287	-9
CRAVEN COMMUNITY COLLEGE	2,093	(20)	333	-1	211	-19
DAVIDSON CO COMMUNITY COLLEGE	2,426	(108)	520	58	427	-16
DURHAM TECHNICAL COMM COLL	3,444	(16)	715	128	448	-3
EDGEcombe COMMUNITY COLLEGE	1,829	10	256	-11	321	-9
FAYETTEVILLE TECH COMM COLL	7,645	107	1,373	60	1,130	71
FORSYTH TECHNICAL COMM COLL	4,984	33	694	4	564	47
GASTON COLLEGE	3,872	91	338	-17	276	19
GUILFORD TECH COMM COLL	6,935	144	641	126	728	-25
HALIFAX COMMUNITY COLLEGE	1,398	(55)	142	2	100	-18
HAYWOOD COMMUNITY COLLEGE	1,545	15	174	-5	82	-2
ISOTHERMAL COMMUNITY COLLEGE	1,724	43	218	23	156	-16
JAMES SPRUNT COMMUNITY COLLEGE	1,122	(29)	162	25	92	1
JOHNSTON COMMUNITY COLLEGE	3,105	157	335	41	298	-1
LENOIR COMMUNITY COLLEGE	2,188	45	552	77	400	-9
MARTIN COMMUNITY COLLEGE	784	17	149	29	180	-31
MAYLAND COMMUNITY COLLEGE	1,144	24	268	19	233	29
MCDOWELL TECHNICAL COMM COLL	1,012	10	162	25	136	9
MITCHELL COMMUNITY COLLEGE	1,679	(13)	297	4	152	-1
MONTGOMERY COMMUNITY COLLEGE	684	15	133	19	70	9
NASH COMMUNITY COLLEGE	1,685	(2)	377	-2	224	-17
PAMLICO COMMUNITY COLLEGE	315	(14)	77	-9	95	-5
PIEDMONT COMMUNITY COLLEGE	2,060	107	247	1	145	18
PITT COMMUNITY COLLEGE	4,891	106	256	19	290	-5
RANDOLPH COMMUNITY COLLEGE	1,681	(5)	422	-16	325	14
RICHMOND COMMUNITY COLLEGE	1,282	(67)	213	-21	422	7
ROANOKE-CHOWAN COMMUNITY COLL	783	(9)	85	5	107	5
ROBESON COMMUNITY COLLEGE	1,888	(6)	587	53	1,024	-13
ROCKINGHAM COMMUNITY COLLEGE	1,578	(6)	346	7	119	-9
ROWAN-CABARRUS COMMUNITY COLL	3,936	(251)	688	50	397	-141
SAMPSON COMMUNITY COLLEGE	1,093	(27)	257	-30	335	-10
SANDHILLS COMMUNITY COLLEGE	2,991	(32)	298	17	326	4
SOUTH PIEDMONT COMMUNITY COLLEGE	1,408	7	370	52	278	3
SOUTHEASTERN COMMUNITY COLLEGE	1,767	(62)	345	16	240	-24
SOUTHWESTERN COMMUNITY COLLEGE	1,548	(40)	429	30	176	6
STANLY COMMUNITY COLLEGE	1,570	(5)	409	17	158	1
SURRY COMMUNITY COLLEGE	2,412	(165)	459	1	170	10
TRI-COUNTY COMMUNITY COLLEGE	842	(62)	194	12	39	-3

VANCE GRANVILLE COMMUNITY COLL	3,261	(46)	636	-8	361	18
WAKE TECHNICAL COMMUNITY COLL	8,251	420	1,219	-27	991	-6
WAYNE COMMUNITY COLLEGE	2,537	(28)	514	2	385	-15
WESTERN PIEDMONT COMM COLLEGE	2,125	(9)	336	33	443	19
WILKES COMMUNITY COLLEGE	2,103	(70)	513	-36	253	-8
WILSON TECH. COMM. COLLEGE	1,571	11	383	5	259	32
	150,617	1,126	23,764	1,083	18,619	41





# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

*Research Division*

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Raleigh, NC 27603-5925  
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*Terrence D. Sullivan*  
Director

**To:** Joint Legislative Education Oversight Committee  
Subcommittee on Retirees Returning to Work

Senator Dannelly, Co-chair  
Representative Glazier, Co-chair

**From:** Shirley Iorio, Ph D  
Legislative Analyst, Research Division

**Date:** April 24, 2006

**Re:** Bill Draft 2005-LL-219[v.10]

This proposed legislation makes several changes within the Teachers' and State Employees' Retirement System (TSERS) affecting retirees who return to work:

**Section 1.** Amends G.S. 135-1 by establishing a "normal retirement age" as follows:

- The age of 60 or older with 25 or more years of creditable service, or
- The age of 65 or older with 5 or more years of membership service.

**Section 2.** Amends G.S. 135-1(20) by rewriting the definition of "retirement" as follows:

- For a member who has reached normal retirement age, retirement means the start of a retirement allowance under the statutory provisions for TSERS.
- For a member who has not yet reached normal retirement age, retirement means the start of a retirement allowance under the statutory provisions for TSERS **and the following:**
  - A complete separation from active service, with no intent or agreement, express or implied, to return to service; **and**
  - A requirement that the member shall not render any service, on a part-time, temporary, substitute, or contractual basis at any time during the total of 25 working days immediately following the effective date of retirement **plus** the number of days during the previous 12 months that were not scheduled work days or holidays for that member.\*

\*There is an exception to the break-in-service requirement for a member who retires before reaching normal retirement age and is employed to teach in a public school. The exception allows a retiree to be employed to teach in a public school after at least 91 calendar days following the effective date of retirement

**Section 3.** Amends, G.S. 135-3(8)c, the law that pertains to beneficiaries who retire on an early or service retirement allowance and return to work for an employer that participates in the Retirement System. Currently, a retiree may return to service during the 12-month period immediately following the effective date of retirement or in any calendar year on a part-time, interim, temporary or contractual basis and earn the greater of \$20,000 (adjusted each year for inflation) or 50% of the salary that the

person earned during the 12 months of service prior to retirement. If the retiree exceeds this earnings cap, their retirement allowance is suspended as of the first day of the month following the month in which the reemployment earnings exceeded the cap. This proposed legislation adds the following conditions:

- If the beneficiary earns in any one month an amount that exceeds 60% of the average reported monthly compensation, excluding terminal payments, earned during the 12 months of service immediately preceding the effective date of retirement, then their retirement allowance is suspended.\*

\*Exception. When the beneficiary's employment is for a fixed term of no more than six months and is preceded by at least a six-month continuous separation from active service following their retirement.

There is an exemption that allows a beneficiary to be re-employed to teach after retirement and still collect full retirement benefits in addition to their salary. Currently, a beneficiary who is reemployed to teach must be retired at least six months and may not have been employed in any capacity with a public school for at least six months immediately preceding the effective date of reemployment. Also, to be exempt from the postretirement earnings cap, the beneficiary must be employed to teach in a permanent full-time or part-time capacity that exceeds 50% of the applicable workweek in a public school. This proposed legislation makes the following changes to that provision:

- Reduces the required break-in-service time from six months to 91 calendar days; and
- Removes the phrase "immediately preceding the effective date of reemployment" in reference to the break-in-service time period.

**Section 4.** Restores the UNC Phased Retirement Program by removing the reemployment restrictions for participants.

**Section 5.** Requires The University of North Carolina to establish a normal retirement age of either 59 ½ or 60 years of age and limit the UNC Phased Retirement Program to persons who have reached that normal retirement age.

**Section 6.** Allows the North Carolina Community College System to establish for its faculty a phased retirement program similar to the UNC Program.

**Section 7.** Sets an effective date of July 1, 2006. However, Sections 1 through 3 do not apply to participants in the UNC Phased retirement Program or to members of the phased retirement program established for the faculty of the NC Community College System under Section 6.

## **Chapter 135.**

### **Retirement System for Teachers and State Employees; Social Security; Health Insurance Program for Children.**

#### **Article 1.**

##### **Retirement System for Teachers and State Employees.**

#### **§ 135-1. Definitions.**

The following words and phrases as used in this Chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

- (1) "Accumulated contributions" shall mean the sum of all the amounts deducted from the compensation of a member and accredited to his individual account in the annuity savings fund, together with regular interest thereon as provided in G.S. 135-8.
- (2) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the basis of such mortality tables as shall be adopted by the Board of Trustees, and regular interest.
- (3) "Annuity" shall mean payments for life derived from that "accumulated contribution" of a member. All annuities shall be payable in equal monthly installments.
- (4) "Annuity reserve" shall mean the present value of all payments to be made on account of any annuity or benefit in lieu of any annuity, computed upon the basis of such mortality tables as shall be adopted by the Board of Trustees, and regular interest.
- (5) "Average final compensation" shall mean the average annual compensation of a member during the four consecutive calendar years of membership service producing the highest such average; but shall not include any compensation, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. In the event a member is or has been in receipt of a benefit under the provisions of G.S. 135-105 or G.S. 135-106, the compensation used in the calculation of "average final compensation" shall be the higher of compensation of the member under the provisions of this Article or compensation used in calculating the payment of benefits under Article 6 of this Chapter as adjusted for percentage increases in the post disability benefit.
- (6) "Beneficiary" shall mean any person in receipt of a pension, an annuity, a retirement allowance or other benefit as provided by this Chapter.
- (7) "Board of Trustees" shall mean the Board provided for in G.S. 135-6 to administer the Retirement System.
- (7a) a. "Compensation" shall mean all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2),

and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee or teacher in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall include:

1. Performance-based compensation (regardless of whether paid in a lump sum, in periodic installments, or on a monthly basis);
  2. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or regulation;
  3. Payment of tax consequences for benefits provided by the employer, so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses";
  4. Payout of vacation leave so long as such payouts are permitted by applicable law and regulation; and
  5. Employee contributions to eligible deferred compensation plans.
- b. "Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. "Compensation" includes all special pay contribution of annual leave made to a 401(a) Special Pay Plan for the benefit of an employee. Notwithstanding any other provision of this Chapter, "compensation" shall not include:
1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
  2. Travel supplement/allowance (nonaccountable allowance plans);
  3. Employer contributions to eligible deferred compensation plans;
  4. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
  5. Reimbursement of uninsured medical expenses;
  6. Reimbursement of business expenses;
  7. Reimbursement of moving expenses;
  8. Reimbursement/payment of personal expenses;
  9. Incentive payments for early retirement;
  10. Bonuses paid incident to retirement;



11. Contract buyout/severance payments; and
  12. Payouts for unused sick leave.
- c. In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments.
- (8) "Creditable service" shall mean the total of "prior service" plus "membership service" plus service, both noncontributory and purchased, for which credit is allowable as provided in G.S. 135-4. In no event, however, shall "creditable service" be deemed "membership service" for the purpose of determining eligibility for benefits accruing under this Chapter.
  - (9) "Earnable compensation" shall mean the full rate of the compensation that would be payable to a teacher or employee if he worked in full normal working time. In cases where compensation includes maintenance, the Board of Trustees shall fix the value of that part of the compensation not paid in money.
  - (10) "Employee" shall mean all full-time employees, agents or officers of the State of North Carolina or any of its departments, bureaus and institutions other than educational, whether such employees are elected, appointed or employed: Provided that the term "employee" shall not include any person who is a member of the Consolidated Judicial Retirement System, any member of the General Assembly or any part-time or temporary employee. Notwithstanding any other provision of law, "employee" shall include all employees of the General Assembly except participants in the Legislative Intern Program, pages, and beneficiaries in receipt of a monthly retirement allowance under this Chapter who are reemployed on a temporary basis. In all cases of doubt, the Board of Trustees shall determine whether any person is an employee as defined in this Chapter. "Employee" shall also mean every full-time civilian employee of the army national guard and air national guard of this State who is employed pursuant to section 709 of Title 32 of the United States Code and paid from federal appropriated funds, but held by the federal authorities not to be a federal employee: Provided, however, that the authority or agency paying the salaries of such employees shall deduct or cause to be deducted from each employee's salary the employee's contribution in accordance with applicable provisions of G.S. 135-8 and remit the same, either directly or indirectly, to the Retirement System; coverage of employees described in this sentence shall commence upon the first day of the calendar year or fiscal year, whichever is earlier, next following the date of execution of an agreement between the Secretary of Defense of the United States and

the Adjutant General of the State acting for the Governor in behalf of the State, but no credit shall be allowed pursuant to this sentence for any service previously rendered in the above-described capacity as a civilian employee of the national guard: Provided, further, that the Adjutant General, in his discretion, may terminate the Retirement System coverage of the above-described national guard employees if a federal retirement system is established for such employees and the Adjutant General elects to secure coverage of such employees under such federal retirement system. Any full-time civilian employee of the national guard described above who is now or hereafter may become a member of the Retirement System may secure Retirement System credit for such service as a national guard civilian employee for the period preceding the time when such employees became eligible for Retirement System coverage by paying to the Retirement System an amount equal to that which would have constituted employee contributions if he had been a member during the years of ineligibility, plus interest. Employees of State agencies, departments, institutions, boards, and commissions who are employed in permanent job positions on a recurring basis and who work 30 or more hours per week for nine or more months per calendar year are covered by the provisions of this subdivision. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa.

- (11) "Employer" shall mean the State of North Carolina, the county board of education, the city board of education, the State Board of Education, the board of trustees of the University of North Carolina, the board of trustees of other institutions and agencies supported and under the control of the State, or any other agency of and within the State by which a teacher or other employee is paid.
- (11a) "Filing" when used in reference to an application for retirement shall mean the receipt of an acceptable application on a form provided by the Retirement System.
- (11b) "Law-Enforcement Officer" means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State.
- (12) "Medical board" shall mean the board of physicians provided for in G.S. 135-6.

- (13) "Member" shall mean any teacher or State employee included in the membership of the System as provided in G.S. 135-3 and 135-4.
- (14) "Membership service" shall mean service as a teacher or State employee rendered while a member of the Retirement System.
- (15) "Pension reserve" shall mean the present value of all payments to be made on account of any pension or benefit in lieu of any pension computed upon the basis of such mortality tables as shall be adopted by the Board of Trustees, and regular interest.
- (16) "Pensions" shall mean payments for life derived from money provided by the State of North Carolina, and by county or city boards of education. All pensions shall be payable in equal monthly installments.
- (17) "Prior service" shall mean service rendered prior to the date of establishment of the Retirement System for which credit is allowable under G.S. 135-4; provided, persons now employed by the Board of Transportation shall be entitled to credit for employment in road maintenance by the various counties and road districts prior to 1931.
- (18) "Public school" shall mean any day school conducted within the State under the authority and supervision of a duly elected or appointed city or county school board, and any educational institution supported by and under the control of the State.
- (19) "Regular interest" shall mean interest compounded annually at such a rate as shall be determined by the Board of Trustees in accordance with G.S. 135-7, subsection (b).
- (20) "Retirement" means the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the six months immediately following the effective date of retirement.
- (21) "Retirement allowance" shall mean the sum of the "annuity and the pensions," or any optional benefit payable in lieu thereof.
- (22) "Retirement System" shall mean the Teachers' and State Employees' Retirement System of North Carolina as defined in G.S. 135-2.
- (23) "Service" shall mean service as a teacher or State employee as described in subdivision (10) or (25) of this section.
- (24) "Social security breakpoint" shall mean the maximum amount of taxable wages under the Federal Insurance Contributions Act as from time to time in effect.
- (25) "Teacher" shall mean any teacher, helping teacher, teacher in a job-sharing position under G.S. 115C-326.5 except for a beneficiary in that position, librarian, principal, supervisor, superintendent of public schools or any full-time employee, city or county, superintendent of

public instruction, or any full-time employee of Department of Public Instruction, president, dean or teacher, or any full-time employee in any educational institution supported by and under the control of the State: Provided, that the term "teacher" shall not include any part-time, temporary, or substitute teacher or employee except for a teacher in a job-sharing position, and shall not include those participating in an optional retirement program provided for in G.S. 135-5.1 or G.S. 135-5.4. In all cases of doubt, the Board of Trustees, hereinbefore defined, shall determine whether any person is a teacher as defined in this Chapter. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "teacher" solely because the person holds a temporary or time-limited visa. Notwithstanding the foregoing, the term "teacher" shall not include any nonimmigrant alien employed in elementary or secondary public schools (whether employed in a full-time, part-time, temporary, permanent, or substitute teacher position) and participating in an exchange visitor program designated by the United States Department of State pursuant to 22 C.F.R. Part 62 or by the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q).

- (26) "Year" as used in this Article shall mean the regular fiscal year beginning July 1 and ending June 30 in the following calendar year unless otherwise defined by regulation of the Board of Trustees.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

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BILL DRAFT 2005-LL-219 [v.10] (4/12)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)

4/20/2006 10:42:19 AM

Short Title: Retirees Returning to Work.

(Public)

Sponsors:

Referred to:

A BILL TO BE ENTITLED

AN ACT TO AMEND THE LAW AFFECTING RETIREES RETURNING TO WORK.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 135-1 is amended by adding a new subdivision to read:

"(14a) "Normal retirement age" means the age of 60 or older with 25 or more years of creditable service or the age of 65 or older with 5 or more years of membership service."

**SECTION 2.** G.S. 135-1(20) reads as rewritten:

"(20) "Retirement" means the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the six months immediately following the effective date of retirement. means:

a. In the case of a member who has reached normal retirement age, the commencement of a retirement allowance under the provisions of this Article.

b. In the case of a member who has not yet reached normal retirement age, the commencement of a retirement allowance under the provisions of this Article and a complete separation from active service, with no intent or agreement, express or implied, to return to service, and subject to the requirement that the member shall not render any service, whether part-time, temporary, substitute, or contractor service, at any time during the total of twenty-five

1           working days immediately following the effective date of  
2           retirement plus the number of days during the previous twelve  
3           months that were not scheduled work days or holidays for that  
4           member.

5           However, notwithstanding the foregoing provisions of this subdivision  
6           and pursuant to G.S. 135-3(8)c., a member who retired before reaching  
7           normal retirement age may be employed to teach in a public school  
8           after at least ninety-one calendar days following the effective date of  
9           retirement."

10       **SECTION 3. G.S. 135-3(8)c. reads as rewritten:**

11       "c.   Should a beneficiary who retired on an early or service  
12       retirement allowance under this Chapter be reemployed, or  
13       otherwise engaged to perform services, by an employer  
14       participating in the Retirement System on a part-time,  
15       temporary, interim, or on a fee-for-service basis, whether  
16       contractual or otherwise, and if such beneficiary earns an  
17       amount during the 12-month period immediately following the  
18       effective date of retirement or in any calendar year which  
19       exceeds fifty percent (50%) of the reported compensation,  
20       excluding terminal payments, during the 12 months of service  
21       preceding the effective date of retirement, or twenty thousand  
22       dollars (\$20,000), whichever is greater, as hereinafter indexed,  
23       then the retirement allowance shall be suspended as of the first  
24       day of the month following the month in which the  
25       reemployment earnings exceed the amount above, for the  
26       balance of the calendar year. The retirement allowance of such  
27       a beneficiary shall also be suspended as provided in this sub-  
28       subdivision if that beneficiary earns in any one month an  
29       amount that exceeds sixty percent (60%) of the average  
30       reported monthly compensation, excluding terminal payments,  
31       earned during the twelve months of service immediately  
32       preceding the effective date of retirement, unless the  
33       beneficiary's employment resulting in that monthly amount is  
34       for a fixed term of no more than six months and is preceded by  
35       at least a six-month continuous separation from active service  
36       following the beneficiary's retirement. The retirement allowance  
37       of the beneficiary shall be reinstated as of January 1 of each  
38       year following suspension. The amount that may be earned  
39       before suspension shall be increased on January 1 of each year  
40       by the ratio of the Consumer Price Index to the Index one year  
41       earlier, calculated to the nearest tenth of a percent (1/10 of 1%).

42       The computation of postretirement earnings of a beneficiary  
43       under this sub-subdivision, G.S. 135-3(8)c., who has been  
44       retired at least ~~six months~~ ninety-one calendar days and has not

1           been employed in any capacity with a public school for at least  
2           ~~six months immediately preceding the effective date of~~  
3           ~~reemployment; ninety-one calendar days,~~ shall not include  
4           earnings while the beneficiary is employed to teach in a  
5           permanent full-time or part-time capacity that exceeds fifty  
6           percent (50%) of the applicable workweek in a public school.  
7           The Department of Public Instruction shall certify to the  
8           Retirement System that a beneficiary is employed to teach by a  
9           local school administrative unit under the provisions of this  
10          sub-subdivision and as a retired teacher as the term is defined  
11          under the provisions of G.S. 115C-325(a)(5a).

12          Beneficiaries employed under this sub-subdivision are not  
13          entitled to any benefits otherwise provided under this Chapter  
14          as a result of this period of employment."

15          **SECTION 4.** Section 29.28(f) of S.L. 2005-276 reads as rewritten:

16          **"SECTION 29.28.(f)** Subsections (a) and (b) of this section become effective August  
17          1, 2005. Subsection (e) of this section becomes effective November 1, 2005, but does  
18          not apply to participants in The University of North Carolina Phased Retirement  
19          ~~Program until June 30, 2007. Program.~~ The remainder of this section becomes effective  
20          June 30, 2005."

21          **SECTION 5.** The University of North Carolina shall establish a normal  
22          retirement age of either 59½ or 60 years of age and shall limit the UNC Phased  
23          Retirement Program to persons who have reached that normal retirement age.

24          **SECTION 6.** The North Carolina Community College System may establish  
25          a phased retirement program for its faculty that functions in a manner similar to The  
26          University of North Carolina Phased Retirement Program.

27          **SECTION 7.** This act becomes effective July 1, 2006, but Sections 1 through  
28          3 of this act do not apply to participants in The University of North Carolina Phased  
29          Retirement Program or to members of the phased retirement program established for the  
30          faculty of the North Carolina Community College System under Section 6 of this act.







**NORTH CAROLINA GENERAL ASSEMBLY**  
**AMENDMENT**  
**Bill**

\_\_\_\_\_ ARH-74 [v.1]

AMENDMENT NO. \_\_\_\_\_  
(to be filled in by  
Principal Clerk)

Page 1 of 1

Date \_\_\_\_\_, 2005

Comm. Sub. [NO]  
Amends Title [NO]

Representative Glazier

- 1 moves to amend 2005-LL-219[v.10] on page 2, lines 2-3, by rewriting the lines to read:
- 2 "retirement plus the average number of days during the previous two years that were not
- 3 scheduled work days or holidays for that".

SIGNED \_\_\_\_\_  
Amendment Sponsor

SIGNED \_\_\_\_\_  
Committee Chair if Senate Committee Amendment

ADOPTED \_\_\_\_\_ FAILED \_\_\_\_\_ TABLED \_\_\_\_\_





NORTH CAROLINA GENERAL ASSEMBLY  
AMENDMENT

Bill \_\_\_\_\_

AMENDMENT NO. \_\_\_\_\_  
(to be filled in by  
Principal Clerk)

\_\_\_\_\_ ARH-71 [v.2]

Page 1 of 1

Date \_\_\_\_\_, 2005

Comm. Sub. [NO]  
Amends Title [NO]

Representative Glazier

1 moves to amend 2005-LL-219[v.10] on page 2, line 4, by inserting quotation marks at  
2 the end of that line;

3  
4 and on page 2, lines 5-9, by deleting the lines;

5  
6 and on page 2, lines 43-44, through page 3, lines 1-3, by rewriting the lines to read:  
7 "under this sub-subdivision, G.S. 135-3(8)c., who ~~has been retired at least six months~~  
8 meets either definition of retirement under G.S. 135-1(20) and who, before the effective  
9 date of reemployment, has not been employed in any capacity with a public school for  
10 at least six months immediately at any time during the total of 25 working days  
11 immediately following the effective date of retirement plus the number of days during  
12 the previous 12 months that were not scheduled work days or holidays for that member,  
13 preceding the effective date of reemployment, shall not include".  
14

SIGNED \_\_\_\_\_  
Amendment Sponsor

SIGNED \_\_\_\_\_  
Committee Chair if Senate Committee Amendment

ADOPTED \_\_\_\_\_ FAILED \_\_\_\_\_ TABLED \_\_\_\_\_

