

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 1180

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Senator Warren

SYSTEM OR PROGRAM AFFECTED: North Carolina Firemen's and Rescue Squad Workers' Pension Fund

FUNDS AFFECTED: General Fund

BILL SUMMARY: Increases the monthly benefit to retirees and future retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$141 to \$146 and allows the fire marshal of each county to be a member of the Pension Fund.

EFFECTIVE DATE: July 1, 1998

**ESTIMATED IMPACT ON STATE:
SYSTEM ACTUARY**

| | <u>FY</u> 1998-99 | <u>FY</u> 1999-00 | <u>FY</u> 2000-01 | <u>FY</u> 2001-02 | <u>FY</u> 2002-03 |
|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Benefit Increase | \$1,657,745 | \$1,657,745 | \$1,657,745 | \$1,657,745 | \$1,657,745 |
| Fire marshals | <u>\$10,000</u> | <u>\$10,000</u> | <u>\$10,000</u> | <u>\$10,000</u> | <u>\$10,000</u> |
| Total | \$1,667,745 | \$1,667,745 | \$1,667,745 | \$1,667,745 | \$1,667,745 |
| Actuarial gains | <u>\$1,288,152</u> | <u>\$1,288,152</u> | <u>\$1,288,152</u> | <u>\$1,288,152</u> | <u>\$1,288,152</u> |
| Net Cost | \$379,593 | \$379,593 | \$379,593 | \$379,593 | \$379,593 |

GENERAL ASSEMBLY ACTUARY

| | <u>FY</u> 1998-99 | <u>FY</u> 1999-00 | <u>FY</u> 2000-01 | <u>FY</u> 2001-02 | <u>FY</u> 2002-03 |
|-------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total | \$2,011,870 | \$2,011,870 | \$2,011,870 | \$2,011,870 | \$2,011,870 |

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 June 30, 1997 actuarial valuation of the fund. The data included 25,928 active members and 7,061 retired members in receipt of annual pensions totaling \$11.9 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability. 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: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: Based on the June 30, 1997 actuarial valuation, if the accrued liability is amortized over a 5 year period, the annual accrued liability contribution could be reduced by \$1,288,152 or the current contribution level could be maintained and the pension could be increased by \$3.88 per month. The current level of contributions by the State is \$11,735,187 so it could be reduced to \$10,447,035.

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

(919) 733-4910

PREPARED BY: : Stanley Moore

APPROVED BY: Tom Covington

DATE: June 2, 1998



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