

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Retirement Note

RETIREMENT

BILL NUMBER: House Bill 327 (Third Edition)
SHORT TITLE: Fire and Rescue Pension Revisions of 2013.-AB
SPONSOR(S): Rep. Howard

FUNDS AFFECTED: State General Fund

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

EFFECTIVE DATE: Section 2 becomes effective December 1, 2013 and the remainder becomes effective July 1, 2013.

BILL SUMMARY:

(1) Updates language in Article 86 of G. S. Chapter 58 to make the provisions gender neutral; for example, replaces "firemen" with "firefighters." Also makes provisions regarding firefighters gender neutral in G. S. 25-9-406(i), G. S 25-9-408(f), G. S 147-69.2, G. S 147-69.7(a), and G. S 147-69.8.

(2) Enacts new G. S. 58-86-2 to add a definitions section to Article 86 for words and phrases as used in this Article.

(3) Deletes G. S 58-86-5 to eliminate the six-member Board of Trustees of the North Carolina Firemen's and Rescue Squad Workers. Enacts G. S 58-86-6 to create the Firefighters' and Rescue Squad Workers' Pension Fund Advisory Panel (the advisory panel).

(4) Provides that the advisory panel is to have seven members: (1) the director of the Retirement Systems Division of the North Carolina Department of State Treasurer, serving as chair; (2) a designee of the State Insurance Commissioner; and (3) five members appointed by the Board of Trustees of the Local Governmental Employees Retirement System (Board) that meet specified requirements. Allows members of the advisory panel to succeed themselves if they are reappointed by the Board. Also allows the persons who are serving on the Board of Trustees of the North Carolina Firemen's and Rescue Squad Workers on June 30, 2013, to serve as members of the advisory panel created in this act until their current terms expire.

(5) Directs the Board to administer the Pension Fund.

(6) Requires the advisory panel to meet at least once a year at the call of the chair. Provides that the advisory panel does not have any administrative authority, but requires the advisory panel to submit an annual report to the Board on the status and needs of the pension fund.

(7) Amends G. S 58-86-15, deleting the office of the Director of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund.

(8) Amends G. S 58-86-25 to delete the definition of eligible firemen (now moved to the definitions section in new G. S 58-86-2 and titled eligible firefighters). Requires eligible firefighters to attend 36 hours of training in each calendar year. Directs each eligible fire department (was, department) to annually report the names of the firefighters who meet the eligibility requirements under this Article to its respective governing body. Prohibits an eligible firefighter from also qualifying as an eligible rescue squad worker in order to receive double benefits under Article 86 of G. S Chapter 58. Amends G. S 58-86-30 to make the same changes as above applicable to an eligible rescue squad worker, including the prohibition against receiving double benefits.

(9) Amends G. S 58-86-35 (firefighters) and G. S 58-86-40 (rescue squad workers) to require that firefighters and rescue squad workers who are members of the fund make each monthly payment to the fund no later than March 31 following the end of the year in which the month occurred (was, 90 days after the end of the calendar year in which the month occurred). Provides that the pension fund does not award fully credited service based on payments after March 31, subsequent to the end of the calendar year in which the month occurred unless the payment is a lump sum payment as provided in G. S 58-86-45(a1).

(10) Amends G. S 58-86-45 by deleting outdated provisions regarding retroactive membership in the pension fund. Applies provision regarding a lump sum payment for service "otherwise not creditable" to all purchases of service credit for months for which timely payments were not previously made under G. S 58-86-35 or G. S 58-86-40.

(11) Amends subdivision (4) of G. S 58-86-60 to permit any member to withdraw from the fund, upon proper application, and receive a lump sum payment (was, made a distinction based on five or more years of contributing service and less than five years of contributing service). Provides that a member may not purchase time under G. S. 58-86-45 for which the member has received a refund.

(12) Deletes G. S. 58-86-91, which allowed periodic deductions from a member's retirement benefits to be paid to an employees' or retirees' association meeting certain criteria.

(13) Enacts new G. S. 58-86-95 to provide that members who resign as eligible firefighters or eligible rescue squad workers have the option of withdrawing from the fund and seeking a refund under G. S. 58-86-60 or taking a leave of absence under this section, or the member will be considered inactive. Requires any member not on active military service to provide written notice to the office of the director that the member is taking a leave of absence. Requires members on active military service to provide notice to the director before beginning active service and again upon returning from active duty. Provides additional criteria regarding leaves of absence and inactive membership.

(14) Enacts new G. S. 58-86-100, effective December 1, 2013, to provide for the forfeiture of retirement benefits, except for a return of member contributions, for members convicted of certain

felonies that would bring disrepute on a fire department or rescue squad. Applies to convictions under federal or state law meeting the specifications as detailed in this section. Provides for a member or former member to seek a reversal of a benefits forfeiture if the member subsequently receives a pardon, or the conviction is vacated or set aside for any reason, by presenting sufficient evidence to the State Treasurer.

(15) Amends G. S. 15A-1340.16(d) to establish as an aggravating factor a defendant who is a firefighter or rescue squad worker and commits an offense that is directly related to service as a firefighter or rescue squad worker. Enacts new subdivision (h) to G. S. 58-86-95 to provide that a member with less than 20 years of fully credited service in this system as of December 1, 2013, and is convicted of certain offenses committed after December 1, 2013, forfeits all benefits except for a return of member contributions, and is not entitled to any fully credited service accruing after December 1, 2013. This section becomes effective December 1, 2013.

ESTIMATED IMPACT ON STATE: Buck Consultants, the Retirement Systems' actuary, and Hartman & Associates, the General Assembly's actuary, does not expect this bill to have a material financial impact on the Fund.

ASSUMPTIONS AND METHODOLOGY:

Firemen and Rescue Squad Workers' Pension Fund

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, 2012 actuarial valuation of the fund. The data included 40,870 active members, 11,912 retired members in receipt of annual pensions totaling \$24.3 million and actuarial value of assets equal to \$338.9 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25% which includes inflation of 3%, (b) RP-2000 Mortality tables for retirees are set forward two year for all retirees, (c) RP-2000 Mortality tables for disabled retirees are set back six years for males and set forward one year for females, (d) RP-2000 Mortality tables for active employees are set forward two years for all members, (e) rates of separation from active service based on Fund's experience. The actuarial cost method used was the entry age method with level dollar closed amortization method and an amortization period of nine years. Detailed information concerning these assumptions and methods are 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.

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APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: May 1, 2013



Signed Copy Located in the NCGA Principal Clerk's Offices