

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE ACTUARIAL NOTE**

**BILL NUMBER:** Senate Bill 190

**SHORT TITLE:** Increase Pension Benefits

**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 members and retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$135 to \$150.

**EFFECTIVE DATE:** July 1, 1997

**ESTIMATED IMPACT ON STATE:**

**SYSTEM ACTUARY**

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
<b>GENERAL FUND</b>	<b>\$4,227,360</b>	<b>\$4,227,360</b>	<b>\$4,227,360</b>	<b>\$4,227,360</b>	<b>\$4,227,360</b>

**GENERAL ASSEMBLY ACTUARY**

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
<b>GENERAL FUND</b>	<b>\$4,485,000</b>	<b>\$4,485,000</b>	<b>\$4,485,000</b>	<b>\$4,485,000</b>	<b>\$4,485,000</b>

**ASSUMPTIONS AND METHODOLOGY:** The cost estimates of the System's Actuary are based on the membership data, actuarial assumptions and actuarial methods used to prepare the June 30, 1996 actuarial valuation of the fund. The data included 26,071 active members and 6,949 retired members in receipt of annual pensions totaling \$11.1 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 - Dilts, Umstead & Dunn

**TECHNICAL CONSIDERATIONS:** Based on the June 30, 1996 actuarial valuation, the Fund's actuary recommended an appropriation of \$10,529,354 in order to maintain the present

level of benefits. The appropriation in past years has been \$11,735,187 and the Governor's continuation budget for 1997-98 reflects a recommended appropriation of \$11,735,187. The Governor's recommended appropriation is \$1,205,833 more than is needed to maintain the present level of benefits. Also, as a result of method of reporting a market related value of assets rather than book value, based on the actuary's valuation for year ending June 30, 1996, the Governor's recommended appropriation could also be reduced by \$737,062 for 1997-98. The \$1,205,833 plus \$737,062 equals a total of \$1,942,895 that the State's General Fund appropriation to the Firemen's and Rescue Squad Workers' Pension Fund could be reduced without having any negative impact on the actuarial soundness of the System, or the General Assembly could increase retirement benefits for members of the Fund.

**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

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**PREPARED BY: :** Stanley Moore

**APPROVED BY:** Tom Covington **TomC**

**DATE:** March 7, 1997



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