

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT**

BILL NUMBER: House Bill 1078

SHORT TITLE: Firefighters' 25-Year Retirement

SPONSOR(S): Representative Arnold

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Government Funds

BILL SUMMARY: Defines a career firefighter and reduces the service requirement for unreduced retirement benefits for a career firefighter from 30 years of service to 25 years of service regardless of age.

EFFECTIVE DATE: July 1, 2001

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: The following cost estimates are based on data of 4,123 firefighters with an annual payroll of \$135,400,000, projected at the average annual increase in compensation base of 6.45% for the Local System over the next five years.

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the normal cost will increase from 4.8% to 5.69% for an increase of 0.89% of the payroll of firefighters. They estimate the unfunded accrued liability will increase by \$27,510,000, which will require additional contributions of \$2,357,000 per year to liquidate this liability over a 15-year period.

	2001-02	2002-03	2003-04	2004-05	2005-06
Normal Cost	\$1.2m	\$1.3m	\$1.4m	\$1.5m	\$1.5m
Accrued Liability	<u>\$2.4m</u>	<u>\$2.5m</u>	<u>\$2.6m</u>	<u>\$2.8m</u>	<u>\$3.0m</u>
<u>Total Local Funds</u>	\$3.6m	\$3.8m	\$4.0m	\$4.3m	\$4.5m

General Assembly Actuary: Hartman & Associates estimates the normal cost will increase from 4.80% to 5.90% for an increase of 1.1% of the payroll of firefighters. They estimate the unfunded liability will be liquidated over a 15-year period by applying the rate of 1.8% to the payroll of firefighters.

	2001-02	2002-03	2003-04	2004-05	2005-06
Normal Cost	\$1.5m	\$1.6m	\$1.7m	\$1.8m	\$1.9m
Accrued Liability	<u>\$2.4m</u>	<u>\$2.6m</u>	<u>\$2.7m</u>	<u>\$2.9m</u>	<u>\$3.1m</u>
<u>Total Local Funds</u>	\$3.9m	\$4.2m	\$4.4m	\$4.7m	\$5.0m

ASSUMPTIONS AND METHODOLOGY: Local Governmental 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, 1999 actuarial valuation of the fund. The data included 112,431 active members with an annual payroll of \$3.12 billion and 28,562 retired members in receipt of annual pensions totaling \$318 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen 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

FISCAL RESEARCH DIVISION 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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DATE: April 20, 2001



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