

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 873 (First Edition)

**SHORT TITLE:** Fire and Rescue Workers' Retirement.

**SPONSOR(S):** Representative Holliman

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**FUNDS AFFECTED:** Local funds of local governmental employers that employ firefighter and rescue squad workers

**SYSTEM OR PROGRAM AFFECTED:** Local Governmental Employees' Retirement System

**EFFECTIVE DATE:** July 1, 2009

**BILL SUMMARY:** The bill adds definitions of career firefighters and rescue squad workers (full time employee of employer participating in the Local Government Employees' Retirement System who is actively serving in a position with relevant primary duties).

Presently firemen and rescue workers are eligible to retire at any age with 30 years of service, age 60 with 25 years of service or age 65 with 5 years of service. This bill changes the eligibility for retirement for firemen and rescue workers to any age with 30 years or age 55 with 5 years of service.

#### **ESTIMATED IMPACT ON LOCAL GOVERNMENTS:**

Retirement System Actuary: Buck Consultants estimates the normal cost to increase by 0.78% of payroll from 4.80% to 5.58% of payroll for all firefighters and rescue squad workers in the Local Governmental Employees' Retirement System. They estimate the accrued liability will increase by about \$44,000,000 and the accrued liability contribution will be 0.70% based on a 24-year liquidation period. The annual cost, based on an estimated payroll of \$382 million is as follows:

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Normal Cost	\$3.0M	\$3.1M	\$3.3M	\$3.4M	\$3.6M
Accrued Liability	<u>\$2.7M</u>	<u>\$2.8M</u>	<u>\$2.9M</u>	<u>\$3.1M</u>	<u>\$3.2M</u>
Retirement Cost	\$5.7M	\$5.9M	\$6.2M	\$6.5M	\$6.8M

General Assembly Actuary: Hartman & Associates estimates the normal cost to increase by 0.90% of payroll from 4.80% to 5.70% for all firefighters and rescue squad workers in the Local Governmental Employees' Retirement System. They estimate the accrued liability will increase by about \$41,600,000 and the accrued liability contribution will be 0.70% based on a 24-year liquidation period. Hartman & Associates estimated a salary base of \$409.9 million.

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Normal Cost	\$3.7M	\$3.9M	\$4.0M	\$4.2M	\$4.5M
Accrued Liability	\$2.9M	\$3.0M	\$3.1M	\$3.3M	\$3.5M
Retirement Cost	\$6.5M	\$6.9M	\$7.2M	\$7.5M	\$7.9M

**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, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability 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. Gains and losses are reflected in the normal rate. 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:** 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:**  
Marilyn Chism, Director  
Fiscal Research Division

**DATE:** April 22, 2009



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