

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 869 (First Edition)
SHORT TITLE: Remove Restriction/Firefighter Disability.
SPONSOR(S): Senators Daniel, Newton, and Carney

FUNDS AFFECTED: Local funds

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

EFFECTIVE DATE: July 1, 2012

BILL SUMMARY: Under present law, general employees of cities and counties must have five years of membership service in order to qualify for disability retirement benefits, either as a result of an on-the-job injury or other injuries or illnesses. Law enforcement officers must have five years of membership service in order to qualify for disability retirement benefits for non-work related injuries or illnesses and on-the-job injuries when first employed. Presently, firemen or rescue squad workers must have one year of membership service in order to qualify for disability retirement benefits resulting from an injury occurring while in the actual performance of duty and five years for non-work related injuries or illnesses. **This bill will remove the one year requirement and make firemen or rescue squad workers eligible for disability benefits on the first day of employment for any disability occurring while in the actual performance of duty.**

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Buck Consultants, the Retirement Systems' actuary, estimates the annual cost of the change would be about \$50,000 but would not change the normal contribution rates for General Employees and Firefighters and Rescue Squad Workers.

Hartman & Associates, the General Assembly's actuary, states the estimated cost is not expected to be large enough to impact the normal contribution rate.

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, 2010 actuarial valuation of the fund. The data included 122,585 active members with an annual payroll of \$5.1 billion, 49,204 retired members in receipt of annual pensions totaling \$853.4 million and actuarial value of assets equal to \$18.6 billion. Significant actuarial assumptions used include (a) an

investment return rate of 7.25% which includes inflation of 3%, (b) projected salary increases between 4.25% to 8.55% which includes inflation of 3.5%, (c) RP-2000 Mortality tables for retirees are set forward two years for male general employees, firemen and law enforcement and unadjusted for female general employees, (d) RP-2000 Mortality tables for disabled retirees are set back six years for males and set forward one year for females, (e) RP-2000 Mortality tables for active employees are set forward two years for male general employees, firemen and law enforcement officers and unadjusted for female general employees, (f) rates of separation from active service based on System experience. The actuarial cost method used was the frozen entry age. 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: The above cost estimates are based on data of about 10,400 firemen or rescue squad workers.

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, Acting Director
Fiscal Research Division

DATE: May 25, 2012



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