



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: Senate Bill 99 (Third Edition)

SHORT TITLE: Fire, Rescue, & Safety Worker System Changes.

SPONSOR(S):

FUNDS AFFECTED: State General Fund; local government funds for LGERS

SYSTEM OR PROGRAM AFFECTED: Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), Local Governmental Employees' Retirement System (LGERS), and line-of-duty death benefits under Article 12A of Chapter 143.

BILL SUMMARY:

Senate Bill 99 (Third Edition) modifies statutes governing the programs above as well as the Local Firefighters' Relief Fund, Statewide Firefighters' Relief Fund, State Fire Protection Grant Fund, Volunteer Safety Workers Assistance, and the Rescue Squad Workers' Relief Fund. The impact on these other programs is outside the scope of this note. The following summarizes the sections of the bill that are within the scope of this note:

Section 2: Amends G.S. 58-86-10 to allow the Board of Trustees overseeing the FRSWPF to correct any benefit payment being received by a member or beneficiary that was being incorrectly paid due to the submission of fraudulent or incorrect information. The correction will, as far as practicable, adjust the benefit payment in such a manner that the actuarial equivalent of the benefit to which the member or beneficiary was correctly entitled shall be paid.

Sections 3 and 4: Require each eligible fire department and rescue or emergency medical services squad to annually report a certified roster of all members meeting the eligibility qualifications of the FRSWPF, and specify that such submission constitutes a certification of its accuracy under applicable accounting standards.

Section 8: Applies new definitions of the terms "firefighter" or "fireman" as they apply to the line-of-duty death benefits. The definition of firefighter in the bill includes anyone who meets all of the following requirements:

- a. Is a volunteer, employee, contractor, or member of a rated and certified fire department.
- b. Performs work or training connected with fire protection, fire prevention, fire control, fire education, fire inspection, fire investigation, rescue, Emergency Medical Services, special operations, or performs the statutory duties and responsibilities of the fire chief as set forth in G.S. 160A-292.
- c. Performs work or training at the direction of the fire chief.
- d. Is included on the certified roster submitted to the North Carolina State Firemen's Association pursuant to G.S. 58-86-25.

It is unclear how this definition differs from the unwritten definition currently being applied in administering the affected statutes, but the list of roles in b. above may be broader than is implied in usage of the term “firefighter” by the general public.

Section 9: Provides that the line-of-duty death benefit will be paid in a \$50,000 lump sum in all circumstances. Currently, the benefit is paid \$20,000 in the first year, and \$10,000 in each of the next three years to surviving spouses and dependents.

Section 10: Requires certain non-profit fire departments participating in LGERS to include a provision in their charter allowing the local government with which they have the largest contract to remove a majority of the members of the Board of Trustees or Directors of the fire department.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the Retirement System, estimates that this bill does not increase the liabilities or contributions of LGERS or FRSWPF, although they note that they are unable to quantify certain impacts within the actuarial framework. Buck Consultants did not comment on the impact on the line-of-duty death benefits.

Hartman & Associates, the actuary for the General Assembly, estimates that the bill will not have a material financial impact on any of the systems or programs that are within the scope of this note.

ASSUMPTIONS AND METHODOLOGY:

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, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)	
	<u>FRSWPF</u>
Active Members	
Count	42,464
Valuation Compensation (Total)	Not applicable
Average Age	40
Average Service	11.5
Inactive Members	
Count	156
Retired Members	
Count	12,445
Annual Benefits	\$25M
Average Age	68
New Retirees During 2014	840

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)	
	<u>FRSWPF</u>
Accrued Liability (AL)	\$413M
Actuarial Value of Assets (AVA)	\$365M
Market Value of Assets (MVA)	\$371M
Unfunded Accrued Liability (AL - AVA)	\$48M
Funded Status (AVA / AL)	88%
Annual Required Contribution (ARC) for FY 2015-16	\$13.2M
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption	Not applicable
Cost Method	Entry Age Normal
Amortization	12 year, closed, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA	

Benefit Provisions	
	<u>FRSWPF</u>
Formula	\$170 per month
Unreduced retirement age/service	55/20
Employee contribution (as % of pay)	\$10 per month

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, “Fire, Rescue, and Safety Workers System Changes (Senate Bill 99)”, May 6, 2015, original of which is on file in the General Assembly’s Fiscal Research Division.

Hartman & Associates, LLC, “Senate Bill 99 – Pensions & Retirement and Aging Committee Substitute: Fire, Rescue, & Safety Worker System Changes”, April 29, 2015, original of which is on file in the General Assembly’s Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

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 Trogon, Director



Fiscal Research Division

DATE: May 11, 2015

Signed Copy Located in the NCGA Principal Clerk's Offices