

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2017**

**Legislative Retirement Note**

**BILL NUMBER:** House Bill 58 (Second Edition)  
**SHORT TITLE:** Charlotte Firefighters' Retirement System.  
**SPONSOR(S):** Representatives Dulin, Autry, Belk, and R. Moore

---

**FUNDS AFFECTED:** City of Charlotte funds

**SYSTEM OR PROGRAM AFFECTED:** Charlotte Firefighters' Retirement System (CFRS)

**BILL SUMMARY:** House Bill 58 (Second Edition) amends the definition of the final average salary used in calculating benefits under the CFRS. Under current law final average salary means the monthly average compensation received by a member during any two consecutive Plan Years of Membership Service which produces the highest average and is contained within the Members' last five years of Membership Service. Amends the definition to now define final average salary to be, effective with respect to Plan Years beginning on or after July 1, 2001, the higher of: (1) the monthly average compensation received during the two highest consecutive Plan Years of the Member's (defined as a uniformed employee of the Charlotte Fire Department) last five years of Membership Service, or (2) the monthly average compensation received during the 104 weeks preceding the end of the Member's Membership Service. The System has been administered according to the amended definition, so this change simply conforms the statute to past and future practice.

**EFFECTIVE DATE:** July 1, 2017

**ESTIMATED IMPACT ON STATE:**

There is no impact on the State as the CFRS is funded entirely by contributions from the City of Charlotte and the members of the CFRS.

The CFRS's actuary, Cavanaugh Macdonald, estimates that the changes will not have any impact on the cost of the CFRS to the City.

Hartman & Associates, the actuary for the General Assembly, does not have sufficient data to estimate the impact of the changes.

**ASSUMPTIONS AND METHODOLOGY:**

Significant membership and financial statistics, assumptions, and methods used by the CFRS actuary in preparing the July 1, 2015 valuation are shown in the following tables:

Membership Statistics (as of 7/1/2015 unless otherwise noted, M = millions)	
Active Members	
Count	1,029
Valuation Compensation	\$65.8M
Average Age	40
Average Service	13.3
Inactive Members	
Count	13
Retired Members	
Count	615
Annual Benefits	\$27.4M

Financial Statistics (as of 7/1/2015 unless otherwise noted, M = millions)	
Accrued Liability (AL)	\$504M
Actuarial Value of Assets (AVA)	\$468M
Market Value of Assets (MVA)	\$485M
Unfunded Accrued Liability (AL - AVA)	\$37M
Funded Status (AVA / AL)	93%
Required Employer Contribution for FY 2016-17 (as % of pay)	13.25%
Assumed Rate of Investment Return	7.75%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 11.25%
Mortality	RP-2000
Cost Method	Entry Age Normal
Amortization	49 year, open, level % of pay

Benefit Provisions	
Formula	2.6% x Service x 2 Year Avg Pay
Unreduced retirement age/service	Any/30; 50/25; 60/5
Employee contribution (as % of pay)	12.65%
Social Security	Members do not participate in Social Security

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:**

Cavanaugh Macdonald Consulting, LLC, "Proposed Amendment", October 18, 2016, copy of which is on file in the General Assembly's Fiscal Research Division.

Cavanaugh Macdonald Consulting, LLC, "Report of the Actuary on the Annual Valuation of the Charlotte Firefighters' Retirement System Prepared as of July 1, 2015", October 22, 2015, copy 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.

**PREPARED BY:** David Vanderweide

**APPROVED BY:**

Mark Trogdon, Director  
Fiscal Research Division

**DATE: March 3, 2017**



**Signed Copy Located in the NCGA Principal Clerk's Offices**