



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Legislative Retirement Note

**Short Title:** Parity for First Responders.  
**Bill Number:** House Bill 278 (First Edition)  
**Sponsor(s):** Representatives Saine, Hardister, Lewis, and Setzer

### SUMMARY TABLE

#### ACTUARIAL IMPACT OF H.B. 278, V. 1 (\$ in thousands)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
<b>State Impact</b>					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
<b>TOTAL STATE EXPENDITURES</b>	-	-	-	-	-
<b>Local Impact</b>					
Local Governments	-	-	-	-	-
<b>TOTAL LOCAL EXPENDITURES</b>	-	-	-	-	-

This table assumes that the benefits are provided on a pay-as-you-go basis. There is further information below on the increase in present value of benefits and actuarial accrued liability.

### ACTUARIAL IMPACT SUMMARY

Systems Affected: Special Separation Allowances for State and local government employees.

House Bill 278 (First Edition) creates new Special Separation Allowances for State and local firefighters and rescue squad workers. These Allowances are similar, but not identical, to those in current law for law enforcement officers. The key features are as follows:

- The Allowances would be payable upon unreduced retirement with 30 years of service or at age 60 with 25 years of service.
- The Allowances would be payable until the retiree reaches age 62, unless he dies or is re-employed under certain conditions prior to reaching age 62.
- The Allowances would only be payable if the firefighter or rescue squad worker has completed at least five years of continuous service rendered on or after July 1, 2019 as a firefighter or rescue squad worker immediately prior to retirement. Thus, no one retiring prior to July 1, 2024 would be eligible for these Allowances.

- The amount of the Allowances would be 0.85% x creditable service x the annual equivalent of the most recent base rate of compensation.
- The Allowances would be paid by the State agency or local government that last employed the retiree.

Cavanaugh Macdonald, the actuary for the retirement systems, and Hartman & Associates, the actuary for the General Assembly, estimate the following cash flow impact due to the additional separation allowances:

Year	Cavanaugh Macdonald		Hartman & Associates	
	State	Local	State	Local
FY 2019-20	\$ 0	\$ 0	\$ 0	\$ 0
FY 2020-21	0	0	0	0
FY 2021-22	0	0	0	0
FY 2022-23	0	0	0	0
FY 2023-24	0	0	0	0
FY 2024-25	6,000	689,000	13,126	1,575,247
FY 2025-26	22,000	2,654,000	31,042	4,283,859
FY 2026-27	35,000	5,197,000	41,573	6,775,871
FY 2027-28	43,000	7,859,000	44,851	9,309,196
FY 2028-29	43,000	10,505,000	54,398	11,733,723

Cavanaugh Macdonald further estimates that for the additional payments to current State employees, the present value of benefits is \$1 million and the actuarial accrued liability is \$0.6 million. For the additional payments to current local employees, the present value of benefits is \$381 million and the actuarial accrued liability is \$164 million. These estimates are calculated at a discount rate of 2.74%, which is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

While this note does not consider any impact on the costs of compensation and non-retirement benefits for the affected employees, municipalities already have authority under G.S. 160A-162 and G.S. 160A-163(a) to set compensation, provide retirement incentives, and/or supplement retirement benefits to facilitate an orderly transition of employees to retirement and maintain a skilled workforce at a reasonable cost. Counties have similar, but slightly more limited, authority under G.S. 153A-92 and G.S. 153A-93. Thus, it is unclear that the bill would have a further impact on the ability of local governments to maintain a skilled workforce at a reasonable cost.

## **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, 2017 actuarial valuations for the Teachers' and State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS) and the July 1, 2018 actuarial valuation for the Charlotte Firefighters' Retirement System (CFRS). Significant membership statistics are shown in the following table:

Membership Statistics (as of 12/31/2017 unless otherwise noted, M = millions)		
	Count	Payroll
Active Local Firefighters in LGERS	7,371	\$376.6M
Active Local Rescue Squad Workers	4,539	\$216.5M
Active State Firefighters	120	\$5.2M
Active State Rescue Squad Workers	29	\$1.5M
Active Charlotte Firefighters (7/1/2018)	1,058	\$71.8M

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

## **TECHNICAL CONSIDERATIONS**

---

N/A.

## **DATA SOURCES**

---

Cavanaugh Macdonald Consulting, LLC, "Parity for First Responders – Senate Bill 179 and House Bill 278", March 14, 2019, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 278/Senate Bill 179: An Act to Create a Special Separation Allowance for State and Local Firefighters and Rescue Squad Workers", April 18, 2019, original of which is on file in the General Assembly's Fiscal Research Division.

## **LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS**

---

This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State or local government retirement systems and does not address sections that have no projected actuarial impacts.

## **CONTACT INFORMATION**

---

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

## **ESTIMATE PREPARED BY**

---

David Vanderweide

**ESTIMATE APPROVED BY**

---

Mark Trogdon, Director of Fiscal Research  
Fiscal Research Division  
May 2, 2019



**Signed copy located in the NCGA Principal Clerk's Offices**