



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

## Legislative Retirement Note

**Short Title:** Up Volunteer Firefighters' Retirement Benefit.  
**Bill Number:** House Bill 666 (First Edition)  
**Sponsor(s):** Representatives Pickett, Saine, and Clampitt

### SUMMARY TABLE

#### ACTUARIAL IMPACT OF H.B. 666, V. 1 (\$ in thousands)

	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
<b>State Impact</b>					
General Fund	82,624	(149)	(149)	(149)	(149)
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
<b>TOTAL STATE EXPENDITURES</b>	<b>82,624</b>	<b>(149)</b>	<b>(149)</b>	<b>(149)</b>	<b>(149)</b>

### ACTUARIAL IMPACT SUMMARY

Systems Affected: Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF)

House Bill 666 (First Edition) increases the monthly FRSWPF benefit from \$170 to \$200 and increases the monthly FRSWPF member contribution from \$10 to \$15, effective January 1, 2022. Cavanaugh Macdonald, the actuary for the retirement systems, and Hartman & Associates, the actuary for the General Assembly, estimate that this section will have the following impacts on the FRSWPF:

	Cavanaugh Macdonald	Hartman & Associates
Increase in Accrued Liability	\$82,772,553	\$94,900,000
Net Decrease in Employer Normal Cost due to Benefit Increase and Member Contribution Increase	\$148,752	\$6,000

The actuarial impact under the State Contribution Rate Stabilization Policy (SCRSP) adopted for the FRSWPF by the Local Governmental Employees' Retirement System Board of Trustees is as follows:

	FY 2021-22	FY 2022-23 and Later
Change in Accrued Liability Amortized over One Year	\$82,772,553	
Net Change in Employer Normal Cost	(\$148,752)	(\$148,752)
ADEC minus Minimum Contribution*	\$0	
Total	\$82,623,801	(\$148,752)

\* The ADEC is the Actuarially Determined Employer Contribution in the most recent actuarial valuation. This component only applies in the year the increase is granted and only if the member contribution is increased to the amount (to the nearest \$5) needed to make the member's share of the normal cost equal to 50%. The bill only increases the member contribution to \$15 per month, whereas the member contribution would need to rise to \$20 per month to make the member's share of the normal cost equal to 50% after reflecting the increase in the benefit to \$200.

## ASSUMPTIONS AND METHODOLOGY

The cost estimates of the actuaries are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2019 actuarial valuations, except where new assumptions based on the experience study completed in 2020 would have a material impact on the results. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2019 unless otherwise noted, M = millions)	
Membership includes both paid and volunteer firefighters and rescue squad workers	
Active Members	
Count	24,994
Average Age	39
Average Service	11.0
Inactive Members	
Count	15,361
Retired Members	
Count	14,765
Annual Benefits	\$30M
Average Age	69
New Retirees During 2020	500

Financial Statistics (as of 12/31/2019 unless otherwise noted, M = millions)	
Accrued Liability (AL)	\$483M
Actuarial Value of Assets (AVA)	\$446M
Market Value of Assets (MVA)	\$459M
Unfunded Accrued Liability (AL - AVA)	\$37M
Funded Status (AVA / AL)	92%
Required Employer Contribution for FY 2021-22	\$19M
Assumed Rate of Investment Return: 7.00%	

Cost Method: Entry Age Normal
Amortization: 12 year, closed, flat dollar
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015

Benefit Provisions	
Formula	\$170 per month
Unreduced retirement age/service	55/20
Employee contribution	\$10 per month

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.

The impact in FY 2021-22 was determined using the State Contribution Rate Stabilization Policy (SCRSP) adopted in January 2017 and the impact in FY 2022-23 and subsequent years was determined using the SCRSP adopted in April 2021.

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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Cavanaugh Macdonald Consulting, LLC, "Actuarial Impact of the Volunteer Firefighter Preservation Act - SB 62", March 3, 2021, original of which is on file in the General Assembly's Fiscal Research Division. (Senate Bill 62 contains similar changes in different amounts.)

Hartman & Associates, LLC, "House Bill 666: An Act Increasing the Members' Monthly Payments and Monthly Pension Under the Firefighters' and Rescue Squad Workers' Pension Fund", May 3, 2021, original of which is on file in the General Assembly's Fiscal Research Division.

Local Governmental Employees' Retirement System Board of Trustees, "Firefighters' & Rescue Squad Workers' Pension Fund State Contribution Rate Stabilization Policy (SCRSP)", adopted on January 26, 2017.

Local Governmental Employees' Retirement System Board of Trustees, "State Contribution Rate Stabilization Policy for the Firefighters' and Rescue Squad Workers' Pension Fund", adopted on April 29, 2021.

Local Governmental Employees' Retirement System Board of Trustees, "Decisions on the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF)", January 28, 2021.

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

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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**

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

## **ESTIMATE PREPARED BY**

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David Vanderweide

## **ESTIMATE APPROVED BY**

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Mark Trogdon, Director of Fiscal Research  
Fiscal Research Division  
May 3, 2021



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