



# NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

## Legislative Actuarial Note - Retirement

**Short Title:** Enhance Firefighter Benefits & Representation.  
**Bill Number:** House Bill 37 (First Edition)  
**Sponsor(s):** Rep. Howard, Rep. N. Jackson, Rep. Huneycutt, and Rep. Scott

### SUMMARY TABLE

#### ACTUARIAL IMPACT OF H.B. 37, V.1 (\$ in thousands)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
<b>State Impact</b>					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
<b>TOTAL STATE EXPENDITURES</b>	-	-	-	-	-

### ACTUARIAL IMPACT SUMMARY

Part I has a potential actuarial impact on a retirement system.

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

**Part I:** Increases the FRSWPF retirement benefit from \$175 per month to \$180 per month, effective January 1, 2026.

Gallagher, the actuary for the retirement systems, and Hartman & Associates, the actuary for the General Assembly, estimate that this section will have the following impact on the FRSWPF:

	<u>Gallagher</u>	<u>Hartman &amp; Associates</u>
Increase in accrued liability	\$14,740,680	\$14,800,000
Increase in normal cost	\$194,093	\$201,764

The Hartman & Associates estimates above are based on the December 31, 2022 valuation and assume a July 1, 2024 effective date, but should be roughly accurate for this bill.

Under the funding policy adopted by the Board of Trustees in April 2021, the Actuarially Determined Employer Contribution (ADEC) includes an adjustment for any benefit improvements

at least equal to the Benefit Improvement Funding Requirement (BIFR), which is calculated for the improvement in this section as follows using the Gallagher estimates above:

(1) Full Actuarial Cost of Proposed Improvement	\$14,934,773
(2) Accrued Liability as of Last Valuation	523,078,443
(3) Actuarial Value of Assets as of Last Valuation	541,506,390
(4) Underlying ADEC for FY 2024-25	1,843,962
(5) Policy Contribution without Increase for FY 2024-25	20,752,208
(6) Total Adjustment (2) - (3) + (4) - (5)	(37,336,193)
BIFR: (1) + (6), not less than \$0	0

While the increase in contribution required by the improvement is \$0, the use of surplus funding has an opportunity cost because the surplus could instead be used for other purposes.

### 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, 2023 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2023 unless otherwise noted, M = millions)	
	FRSWPF
Active Members	
Count	25,621
General Fund Compensation	Not applicable
Valuation Compensation (Total)	Not applicable
Average Age	41
Average Service	8.9
Inactive Members	
Count	18,872
Retired Members	
Count	15,263
Annual Benefits	\$31M
Average Age	69
New Retirees During 2024	634

Financial Statistics (as of 12/31/2023 unless otherwise noted, M = millions)	
	<u>FRSWPF</u>
Accrued Liability (AL)	\$523M
Actuarial Value of Assets (AVA)	\$542M
Market Value of Assets (MVA)	\$511M
Unfunded Accrued Liability (AL - AVA)	(\$18M)
Funded Status (AVA / AL)	104%
Required Employer Contribution for FY 2025-26	\$21M
Salary Increase Assumption	Not applicable
Assumed Rate of Investment Return: 6.50%	
Cost Method: Entry Age Normal	
Amortization: 12 year, closed, flat dollar	
Demographic assumptions based on 2015-2019 experience, Pub-2010 mortality, and projection of future mortality improvement with scale MP-2019	

Benefit Provisions	
	<u>FRSWPF</u>
Formula	\$175
Unreduced retirement age/service	55/20
Employee contribution	\$15/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.

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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Gallagher, "North Carolina Firefighters' and Rescue Squad Workers' Pension Fund; Report on the Actuarial Valuation Prepared as of December 31, 2023", October 16, 2024, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, "Increase Monthly Benefit for Members of the FRSW Pension Fund", May 15, 2024, original of which is on file in the General Assembly's Fiscal Research Division.

## **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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**ESTIMATE APPROVED BY**

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Fiscal Research Division  
February 10, 2025



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