

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE ACTUARIAL NOTE**

**BILL NUMBER:** HB 717

**SHORT TITLE:** Charlotte Firefighter's Retirement

**SPONSOR(S):** Representative Martha Alexander

**SYSTEM OR PROGRAM AFFECTED:** Charlotte Firemen's Retirement System

**FUNDS AFFECTED:** City of Charlotte Funds

**BILL SUMMARY:**

- (1) Sec. 6 Changes the requirement to be eligible to purchase prior military service from thirteen years of membership service to five years of membership service;
- (2) Sec. 10 Clarifies that any member with less than five years of service who terminates employment shall receive only contributions made by the member. No contributions made by the City of Charlotte or any interest, which had accrued to his account, will be paid to the member.
- (3) Sec. 11 Removes the old language relating to members vesting with ten years of service. Vesting was changed to five years in 1989;
- (4) Sec. 17 The benefit limit of 100% of final average compensation is replaced with the Internal Revenue Code Section 415 limits but not less than \$902.75 per month;
- (5) Sec. 19 The benefit for disability in the line-of-duty is increased maximum of 72% of salary to 78%;
- (6) Sec. 20 The benefit for disability retirement not in the line-of-duty is increased from 36% plus 1.8% per year of service over ten years to 39% plus 1.9% per year of service over ten years;
- (7) Sec. 23 Retiree shall receive a post retirement increase of 8.33% retroactive to July 1, 1998.

**EFFECTIVE DATE:** July 1, 1999

**ESTIMATED IMPACT ON CITY OF CHARLOTTE: SYSTEM ACTUARY** Towers Perrin says there are sufficient funds in the System without requiring additional contributions from the City of Charlotte. Towers Perrin is the actuary for the City of Charlotte.

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
<b>Local Funds</b>	<b>\$537,500</b>	<b>\$537,500</b>	<b>\$537,500</b>	<b>\$537,500</b>	<b>\$537,500</b>

**GENERAL ASSEMBLY ACTUARY:** Hartman & Associates does not have sufficient data on participates to estimate the financial impact of the changes.

**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 July 1, 1998 actuarial valuation of the fund. The data included 778 active members and 358 retired members in receipt of annual pensions totaling \$8.9million. Significant actuarial assumptions used include (a) an investment return rate of 8.25%, (b) the UP 1984 Mortality Table for deaths after retirement and (c) salary increases of 5% per year for active members, (d) rates of separation from active service based on experience. The actuarial cost method used was the entry age

normal cost method. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** System Actuary – Towers Perrin  
General Assembly Actuary - Hartman & Associates, LLC

**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:** Stanley Moore

**APPROVED BY:** Tom Covington

**DATE:** Tuesday, April 13, 1999



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