

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 72 (First Edition)

**SHORT TITLE:** Increase Fire and Rescue Pensions.

**SPONSOR(S):** Representatives Howard, McLawhorn, Warren, and Williams

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**FUNDS AFFECTED:** General Fund

**SYSTEM OR PROGRAM AFFECTED:** Firemen and Rescue Squad Workers' Pension Fund

**EFFECTIVE DATE:** July 1, 2007

**BILL SUMMARY:** Increases the monthly benefit to retirees and future retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$165 to \$170.

**ESTIMATED IMPACT ON STATE:** Both the Fund's actuary, Buck Consultants and the General Assembly's actuary, Hartman & Associates, LLC, estimates the cost to be as follows:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-2011</u>	<u>2011-2012</u>
Benefit Increase	\$1,640,900	\$1,640,900	\$1,640,900	\$1,640,900	\$1,640,900

There are actuarial gains in the Fund in the amount of \$362,863 so an appropriation of \$1,278,037 is required.

**ASSUMPTIONS AND METHODOLOGY:** Firemen and Rescue Squad Workers' Pension Fund. The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2006 actuarial valuation of the fund. The data included 34,112 active members and 9,659 retired members in receipt of annual pensions totaling \$19.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1994 Group Annuity Mortality Tables for deaths before and after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the projected benefit method with entry age normal cost and open-end accrued liability and a frozen unfunded liquidation period of nine years. 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 – Buck Consultants  
General Assembly Actuary - Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**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:**

Lynn Muchmore, Director  
Fiscal Research Division

**DATE:** February 11, 2007



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