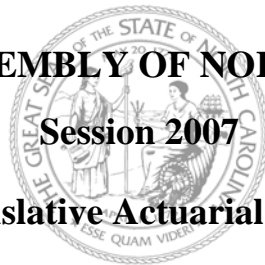


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 1409 (First Edition)
SHORT TITLE: Separation Allowance/Firefighters & EMS.
SPONSOR(S): Senator Hartsell

FUNDS AFFECTED: Local funds

SYSTEM OR PROGRAM AFFECTED: Creates a Special Separation Allowance for career firefighters and career rescue squad workers who retire from the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: October 1, 2007 to create the trust fund and July 1, 2008 to begin paying benefits to those retiring on or after that date.

BILL SUMMARY: The bill creates a separation allowance for career firefighters and career rescue squad workers. The bill defines career firefighters and workers as those employed in a full-time capacity by an employer who participates in the Local Governmental Employees' Retirement System. Upon retirement after completing 30 years of service, or after reaching the age of 55 with at least five years of credible service, each firefighter or rescue squad worker will receive an annual allowance equal to .575% of the annual equivalent of the base rate of compensation most recently applicable to him or her for each year of credible service. Receipt of the allowance does not affect the benefits payable from state, federal, or private retirement systems. The Board of Trustees of the Local Governmental Employees' Retirement System must create a special trust fund to become effective October 1, 2007. The trust fund is to collect funds paid by employers of the firefighters and rescue squad workers who are participating in the Local Government Employees' Retirement System.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

The Retirement System actuary, Buck Consultants, is not able to determine a cost as a percentage of salary of the firefighter and rescue squad workers without knowing the details, such as assumptions and methods to be used, do all employers contribute at the same rate, who will perform the administration of benefits and who will pay for the administrations of the benefits. The estimated amount of the separation allowance is shown on a pay-as-you-go basis since there are some questions as to how the fund is to be set up and the funding of future benefits.

Table with 6 columns: Separation Allow., 2007-08, 2008-09, 2009-10, 2010-2011, 2011-2012. Values range from \$0 to \$4.0M.

The General Assembly’s actuary, Hartman & Associates, did not attempt to model a fund and estimate the employer contribution rate due to lack of details for the establishment and funding of the special trust fund. The estimated amount of the separation allowance is shown on a pay-as-you-go basis since there are some questions as to how the fund is to be set up and the funding of future benefits.

	2007-08	2008-09	2009-10	2010-2011	2011-2012
Separation Allow.	\$0	\$0.7M	\$2.0M	\$3.5M	\$4.9M

ASSUMPTIONS AND METHODOLOGY: The actuaries used employee data supplied to them by the Retirement Systems Division as to the members of the Local Governmental Employees’ Retirement System who were believed to be what is proposed to be a “career firefighter” and “career rescue squad worker”. The actuaries used the actuarial assumptions used to prepare the December 31, 2005 actuarial valuation of the Local Governmental Employees' Retirement System in estimating the cost. The estimates are based on about 7,900 participates with annual payroll of \$355 million. The average age was 38 and average service of 10 years.

SOURCES OF DATA: Buck Consultants
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.

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DATE: April 27, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices