

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 70 (First Edition)
SHORT TITLE: Charlotte Firefighters' Retirement.
SPONSOR(S): Representatives Bishop and Bradford

FUNDS AFFECTED: City of Charlotte funds

SYSTEM OR PROGRAM AFFECTED: Charlotte Firefighters' Retirement System (CFRS)

BILL SUMMARY:

Section 1: Amends Chapter 926 of the 1947 Session Laws, as amended, to comply with the federal Internal Revenue Code with respect to credit for military service.

Section 2: Amends Chapter 926 of the 1947 Session Laws, as amended, to comply with the federal Internal Revenue Code with respect to eligible rollover distributions.

Section 3: Amends Chapter 830 of the 1991 Session Laws, as amended, to comply with the federal Internal Revenue Code with respect to the tax treatment of health insurance premiums for some retirees.

Section 4: Clarifies that the act only applies to the City of Charlotte.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE:

There is no impact on the State as the CFRS is funded entirely by contributions from the City of Charlotte and the members of the CFRS.

The CFRS's actuary, Cavanaugh Macdonald, estimates that the changes will not have any impact on the cost of the CFRS to the City.

Hartman & Associates, the actuary for the General Assembly, does not have sufficient data to estimate the impact of the changes.

ASSUMPTIONS AND METHODOLOGY:

Significant membership and financial statistics, assumptions, and methods used by the CFRS actuary in preparing the July 1, 2013 valuation are shown in the following tables:

Membership Statistics (as of 7/1/2013 unless otherwise noted, M = millions)	
Active Members	
Count	1,026
Valuation Compensation	\$62.5M
Average Age	40
Average Service	13.8
Inactive Members	
Count	5
Retired Members	
Count	546
Annual Benefits	\$23.0M
Average Age	70

Financial Statistics (as of 7/1/2013 unless otherwise noted, M = millions)	
Accrued Liability (AL)	\$452M
Actuarial Value of Assets (AVA)	\$381M
Market Value of Assets (MVA)	\$407M
Unfunded Accrued Liability (AL - AVA)	\$70M
Funded Status (AVA / AL)	84%
Annual Required Contribution (ARC) for FY 2014-15 (as % of pay)	16.87%
Assumed Rate of Investment Return	7.75%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 11.25%
Cost Method	Entry Age Normal
Amortization	30 year, open, level % of pay

Benefit Provisions	
Formula	2.6% x Service x 2 Year Avg Pay
Unreduced retirement age/service	Any/30; 50/25; 60/5
Employee contribution (as % of pay)	12.65%
Social Security	Members do not participate in Social Security

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Cavanaugh Macdonald Consulting, LLC, "Proposed Amendment Number Four", November 18, 2014, original of which is on file in the General Assembly's Fiscal Research Division.

Cavanaugh Macdonald Consulting, LLC, "Proposed Amendment Number Five", November 18, 2014, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

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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APPROVED BY:

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Fiscal Research Division



DATE: February 19, 2015

Signed Copy Located in the NCGA Principal Clerk's Offices