

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 872 (First Edition)  
**SHORT TITLE:** Deferred Retirement Option/Fire and Rescue.  
**SPONSOR(S):** Representative Holliman

---

**FUNDS AFFECTED:** General Fund

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

**EFFECTIVE DATE:** January 1, 2010

**BILL SUMMARY:** Permits a member of the Firemen's and Rescue Squad Workers' Pension Fund (Fund) who has (1) served as an eligible fireman or rescue squad worker for 20 years and (2) attained the age of 55 years to elect to continue in full-time employment and have a Deferred Retirement Option Plan account established in the member's name and managed by the Fund. Provides that the member's monthly pension is deferred and deposited in the member's Deferred Plan account until the member retires or separates from service with the fire department or rescue squad. Provides that upon retirement or separation from service the member may choose to receive payment from the account funds and the accumulated interest in either a lump sum or equal payments and the member's monthly pension is to be paid directly to the member.

#### **ESTIMATED IMPACT ON STATE:**

Retirement System Actuary: Buck Consultants estimates the cost to be as follows assuming a 4% rate:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
Normal Cost	\$335,926	\$335,926	\$335,926	\$335,926	\$335,926
Accrued Liability	\$1,187,270	\$1,187,270	\$1,187,270	\$1,187,270	\$1,187,270
<b>Total Cost</b>	<b>\$1,523,196</b>	<b>\$1,523,196</b>	<b>\$1,523,196</b>	<b>\$1,523,196</b>	<b>\$1,523,196</b>

General Assembly Actuary: Hartman & Associates, LLC, estimates the cost to be as follows assuming a 4% rate:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
Normal Cost	\$363,000	\$363,000	\$363,000	\$363,000	\$363,000
Accrued Liability	\$1,336,000	\$1,336,000	\$1,336,000	\$1,336,000	\$1,336,000
<b>Total Cost</b>	<b>\$1,699,000</b>	<b>\$1,699,000</b>	<b>\$1,699,000</b>	<b>\$1,699,000</b>	<b>\$1,699,000</b>

**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, 2008 actuarial valuation of the fund. The data included 36,160 active members, 10,509 retired members in receipt of annual pensions totaling \$21.4 million and actuarial value of assets equal to \$317 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age method with open-end unfunded 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:**  
Bob Weiss  
on behalf of Marilyn Chism, Director  
Fiscal Research Division



**DATE:** April 13, 2009

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