

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1073 (Second Edition)

SHORT TITLE: Fire and Rescue Pension Withdrawal Change.

SPONSOR(S): Representative Lewis

FUNDS AFFECTED: General Fund

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

EFFECTIVE DATE: When it becomes law

BILL SUMMARY: The present law allows any person, firm, corporation or other entity that has made contributions on behalf of a member of the Firemen and Rescue Squad Workers' Pension Fund, to receive those contributions if the member elects to withdrawn from the Fund. This bill removes that language so that any firemen or rescue squad worker, with five or more years of service, will be eligible to receive all the contributions that he made plus any that were made on his behalf, regardless of who made the contributions.

ESTIMATED IMPACT ON STATE: Both, the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, LLC, say the impact of this change is immaterial.

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.

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APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: May 14, 2009



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