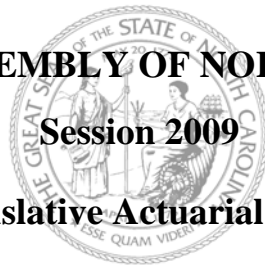


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 559 (First Edition)

SHORT TITLE: Increase Fire and Rescue Pension.

SPONSOR(S): Senator Foriest

FUNDS AFFECTED: General Fund

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

EFFECTIVE DATE: July 1, 2009

BILL SUMMARY:

- (1) Increases the monthly benefit for retirees and future retirees of the Firemen and Rescue Squad Workers' Pension Fund from \$170 to \$173.
- (2) Appropriates \$522,191 for 2009-10 from the General Fund to the Department of the State Treasurer to repay the Firemen's and Rescue Squad Workers' Pension Fund in full for funds not transferred to the Fund in 2001 with interest since 2001 at the valuation rate.
- (3) Appropriates \$317,000 for 2009-10 from the General Fund to the Department of the State Treasurer to provide the additional amount needed for the annual required contribution.

ESTIMATED IMPACT ON STATE: Both the Fund's actuary, Buck Consultants and the General Assembly's actuary, Hartman & Associates, LLC, estimates the cost to increase the benefit from \$170 per month to \$173 to be as follows:

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
\$3 Benefit Increase	\$1,062,609	\$1,062,609	\$1,062,609	\$1,062,609	\$1,062,609

The additional appropriations will be as follows:

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Repayment 2000-01	\$522,191	\$522,191	\$522,191	\$522,191	\$522,191
Required Contribution	\$317,863	\$317,863	\$317,863	\$317,863	\$317,863

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Total Recurring	\$1,380,472	\$1,380,472	\$1,380,472	\$1,380,472	\$1,380,472
Total Nonrecurring	\$522,191	\$522,191	\$522,191	\$522,191	\$522,191

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: Marilyn Chism, Director
Fiscal Research Division

DATE: March 15, 2009



Signed Copy Located in the NCGA Principal Clerk's Offices