GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 1336 (First Edition)

SHORT TITLE: Amend Charlotte Firefighters' Retirement.

SPONSOR(S): Senator Graham

FUNDS AFFECTED: City of Charlotte

SYSTEM OR PROGRAM AFFECTED: Charlotte Firefighters' Retirement System

EFFECTIVE DATE: July 1, 2010

BILL SUMMARY: The present law provides a payment of any remaining contributions made by the member and the City of Charlotte plus 4% accrued interest to the designated beneficiary for the return of contributions after the death of a retiree. This benefit is payable only when the retiree chooses the basis benefit and no lifetime benefits are payable to the spouse after the death of the retired member. If a member selects a joint & survivorship option and both the retiree and beneficiary die before receiving the total contributions made by the member and the City of Charlotte plus 4% accrued interest, no remaining benefits are payable.

This bill will allow for the payment of any remaining contributions made by the member and the City of Charlotte plus 4% accrued interest to the designated beneficiary for the return of contributions after the death of a retiree and beneficiary (in the case of an optional form of payment).

ESTIMATED IMPACT ON CITY OF CHARLOTTE: Both, Cavanaugh Macdonald Consulting, the Charlotte Firefighters' Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost would be negligible due to the low probability of both deaths occurring before payments equaled the total amount of accumulated contributions and interest.

ASSUMPTIONS AND METHODOLOGY: Charlotte Firefighter's Retirement System
The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the July 1, 2009 actuarial valuation of the System. The data included 991 active members with an annual payroll of $56.9 million, 477 retired members and beneficiaries in receipt of annual pensions totaling $18.5 million, actuarial value of assets equal to $360 million, market value of assets equal to $272 million and an unfunded accrued liability of $16 million. Significant actuarial assumptions used include (a) an investment return rate of 7.75%, (b) salary increase rates of 4.75% to 7.75%, (c) inflation of

3.75%, (d) UP 1994 Male Tables Mortality Tables, (e) 100% of active members are assumed to be married with the male three years older than spouse and (f) rates of withdrawal and disability were selected by the Actuary and adopted by the Board of Trustees in 2004 The actuarial cost method used was the entry age normal cost method and the amortization period is thirty 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: Cavanaugh Macdonald Consulting
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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Official Fiscal Research Division Publication

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Signed Copy Located in the NCGA Principal Clerk's Offices