

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2017

Legislative Retirement Note

BILL NUMBER: House Bill 76 (First Edition)

SHORT TITLE: Increase Fire & Rescue Pension Benefit.

SPONSOR(S): Representatives K. Hall, Clampitt, Hardister, and Strickland

FUNDS AFFECTED: State General Fund

SYSTEM OR PROGRAM AFFECTED: Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF)

BILL SUMMARY: Amends G.S. 58-86-55 to increase the monthly pension amount paid to members of the FRSWPF from \$170 to \$175.

EFFECTIVE DATE: July 1, 2017

ESTIMATED IMPACT ON STATE:

Conduent, the actuary for the FRSWPF, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will increase the normal cost in FY 2017-18 and subsequent years and the accrued liability contribution in only FY 2017-18 as follows:

	Conduent	Hartman & Associates
Normal Cost (recurring)	\$ 205,940	\$ 220,312
Accrued Liability Contribution (nonrecurring)	\$ 14,745,428	\$ 14,039,970
Total Cost	\$ 14,951,368	\$ 14,260,282

The contributions above are paid entirely from the General Fund.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2015 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2015 unless otherwise noted, M = millions)	
	FRSWPF
Active Members	
Count	25,526
Valuation Compensation (Total)	Not applicable
Average Age	39
Average Service	10.7

Inactive Members	
Count	17,295
Retired Members	
Count	13,463
Annual Benefits	\$27M
Average Age	68
New Retirees During 2016	800

Financial Statistics (as of 12/31/2015 unless otherwise noted, M = millions)	
	<u>FRSWPF</u>
Accrued Liability (AL)	\$441M
Actuarial Value of Assets (AVA)	\$393M
Market Value of Assets (MVA)	\$373M
Unfunded Accrued Liability (AL - AVA)	\$47M
Funded Status (AVA / AL)	89%
Required Employer Contribution for FY 2017-18	\$18.0M
Salary Increase Assumption	Not applicable
Assumed Rate of Investment Return	7.25%
Cost Method	Entry Age Normal
Amortization: 1 year for benefit enhancements, 12 years for all other purposes, closed, flat dollar	
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
	<u>FRSWPF</u>
Formula	\$170 per month
Unreduced retirement age/service	55/20
Employee contribution	\$10 per month

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:

Conduent, "Actuarial Impact of \$5 Benefit Increase for the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund", February 24, 2017, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Increase Pension for Members of the FRSW Pension Fund", March 3, 2017, 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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DATE: March 6, 2017



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