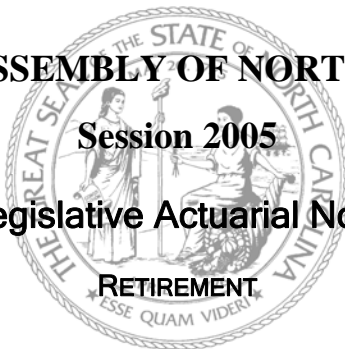


GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note



**BILL NUMBER:** House Bill 2574 (First Edition)

**SHORT TITLE:** Increase Fire and Rescue Pensions.

**SPONSOR(S):** Representatives Clary and Moore

**FUNDS AFFECTED:** General Fund

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

**EFFECTIVE DATE:** July 1, 2006

**BILL SUMMARY:** Increases the monthly benefit to retirees and future retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$163 to \$165.

**ESTIMATED IMPACT ON STATE:** Both the Fund's actuary, Buck Consultants and the General Assembly's actuary, Hartman & Associates, LLC, estimates the cost to be as follows:

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-2011</u>
<b>Benefit Increase</b>	<b>\$625,000</b>	<b>\$625,000</b>	<b>\$625,000</b>	<b>\$625,000</b>	<b>\$625,000</b>

There are actuarial gains in the Fund in the amount of \$111,000 so an appropriation of \$514,000 is required.

**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, 2005 actuarial valuation of the fund. The data included 33,520 active members and 9,495 retired members in receipt of annual pensions totaling \$18.6 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:** Lynn Muchmore, Director  
Fiscal Research Division

**DATE:** May 26, 2006



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