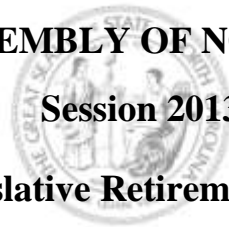


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2013

Legislative Retirement Note

RETIREMENT

BILL NUMBER: Senate Bill 346 (First Edition)

SHORT TITLE: Career Fire and Rescue Retirement.

SPONSOR(S): Senator Hartsell

FUNDS AFFECTED: Local funds from cities, towns and counties

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: July 1, 2013

BILL SUMMARY:

Presently firefighters and rescue squad workers can retire on an unreduced retirement benefit after meeting one of the following conditions:

- (1) Age 65 with 5 years of service;
- (2) Age 60 with 25 years of service;
- (3) Any age with 30 years of service.

Reduced retirement benefits are available at age 50 with 20 years or age 60 with 5 years.

Law enforcement officers can retire on an unreduced retirement benefit after meeting one of the following conditions:

- (1) Age 55 with 5 years of service;
- (2) Any age with 30 years of service.

Reduced retirement benefits are available at age 50 with 15 years

**This bill will allow firefighter and rescue squad workers to have the same basis age and service requirement as law enforcement officers.**

ESTIMATED IMPACT ON LOCAL GOVERNMENTS EMPLOYERS:

Buck Consultants estimates the normal cost to increase by 0.71% of payroll and the accrued liability cost to increase by 0.57% of payroll for all firefighters and rescue squad workers in the Local Governmental Employees' Retirement System. This estimate is based on annual payroll of \$498 million and estimated number of firefighters and rescue squad workers of 10,595 with an average age of 38 and average service of 10 years. The estimated annual cost is as follows:

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Normal Cost	\$3,535,800	\$3,633,035	\$3,732,943	\$3,835,599	\$3,941,078
Accrued Liability Cost	<u>\$2,838,600</u>	<u>\$2,916,662</u>	<u>\$2,996,870</u>	<u>\$3,079,284</u>	<u>\$3,163,964</u>
<b>Total Annual Cost</b>	<b>\$6,374,400</b>	<b>\$6,549,696</b>	<b>\$6,729,813</b>	<b>\$6,914,882</b>	<b>\$7,105,042</b>

Hartman & Associates estimates the normal cost to increase by 0.91% of payroll and the accrued liability cost to increase by 0.71% of payroll for all firefighters and rescue squad workers in the Local Governmental Employees' Retirement System. This estimate is based on annual payroll of \$469.3 million and estimated number of firefighters and rescue squad workers of 10,673. The estimated annual cost is as follows:

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Normal Cost	\$4,270,630	\$4,388,072	\$4,508,744	\$4,632,735	\$4,760,135
Accrued Liability Cost	\$3,332,030	\$3,423,661	\$3,517,811	\$3,614,551	\$3,713,951
<b>Total Annual Cost</b>	<b>\$7,602,660</b>	<b>\$7,811,733</b>	<b>\$8,026,556</b>	<b>\$8,247,286</b>	<b>\$8,474,086</b>

**ASSUMPTIONS AND METHODOLOGY:**

**Local Governmental Employees' 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 December 31, 2011 actuarial valuation of the fund. The data included 121,638 active members with an annual payroll of \$5.1 billion, 51,700 retired members in receipt of annual pensions totaling \$909 million and actuarial value of assets equal to \$19.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25% which includes inflation of 3%, (b) projected salary increases between 4.25% to 8.55% which includes inflation of 3.5%, (c) RP-2000 Mortality tables for retirees are set forward two years for male general employees, firemen and law enforcement and unadjusted for female general employees, (d) RP-2000 Mortality tables for disabled retirees are set back six years for males and set forward one year for females, (e) RP-2000 Mortality tables for active employees are set forward two years for male general employees, firemen and law enforcement officers and unadjusted for female general employees, (f) rates of separation from active service based on System experience. The actuarial cost method used was the frozen entry age. Gains and losses are reflected in the normal rate. 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:** Buck Consultants  
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:** Mark Trogon, Director  
Fiscal Research Division



**DATE:** April 9, 2013

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