



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Department of State Treasurer Should Strengthen Its Oversight of the Firefighters' and Rescue Squad Workers' Pension Fund

Summary

As directed by the North Carolina General Assembly's Joint Legislative Program Evaluation Oversight Committee, this evaluation examines the Firefighters' and Rescue Squad Workers' Pension Fund. The Pension Fund provides \$170 per month to firefighters and rescue workers after they reach age 55 and have provided 20 years of service, during which time they are required to have paid \$10 per month into the fund (for a total of \$2,400). In Fiscal Year 2012–13, the State contributed \$15.4 million to the fund. The Department of State Treasurer administers the Pension Fund.

The Pension Fund is adequately funded, but the State's annual required contribution now exceeds the amount of property insurance premium tax proceeds going to the General Fund. The State pays its contribution to the Pension Fund out of the General Fund. The 2013 Appropriations Act reduced the amount of insurance premium tax proceeds going to the General Fund by up to 10%. To continue to meet 100% of the State's annual required contribution, the General Assembly will have to draw more heavily on General Fund sources other than the property insurance premium tax.

Legislative inquiries, starting in 2012, revealed problems with the Department of State Treasurer's administration of the Pension Fund.

- The department's appropriation requests for the Pension Fund have been overstated due to an overly-conservative actuarial assumption that all current members, regardless of how long it has been since they made their last contribution, will contribute in the future and thus potentially qualify for benefits.
- From 2005 to 2012, the department applied \$10 monthly contributions retroactively without collecting any additional costs to compensate for lost investment earnings. Failure to enforce the timely payment of member contributions has cost the Pension Fund at least \$508,361.
- The department minimally enforced the prohibition against paying pension benefits to members still working as firefighters or rescue workers.

Because the Department of State Treasurer is taking steps to address these issues, the Program Evaluation Division recommends that the General Assembly require the department to report annually on its progress to the House State Personnel Committee and the Senate Pensions & Retirement and Aging Committee.