



**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2017**

**Legislative Retirement Note**

**BILL NUMBER:** House Bill 340 (Second Edition)

**SHORT TITLE:** Special Separation Allowance Firefighters/RSW.

**SPONSOR(S):** Representatives Dollar, Malone, Saine, and Clampitt

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**FUNDS AFFECTED:** State General Fund, other State employer receipts; local government funds

**SYSTEM OR PROGRAM AFFECTED:** Special Separation Allowances for State and local government employees.

**BILL SUMMARY:** House Bill 340 (Second Edition) creates new Special Separation Allowances for State and local firefighters and rescue squad workers. These Allowances are similar, but not identical, to those in current law for law enforcement officers. The key features are as follows:

- The Allowances would be payable upon unreduced retirement with 30 years of service or at age 60 with 25 years of service.
- The Allowances would be payable until the retiree reaches age 62, unless he dies or is re-employed under certain conditions prior to reaching age 62.
- The Allowances would only be payable if the firefighter or rescue squad worker has completed at least five years of continuous service rendered on or after July 1, 2017 as a firefighter or rescue squad worker immediately prior to retirement. Thus, no one retiring prior to July 1, 2022 would be eligible for these Allowances.
- The amount of the Allowances would be  $0.85\% \times \text{creditable service} \times \text{the annual equivalent of the most recent base rate of compensation}$ .
- The Allowances would be paid by the State agency or local government that last employed the retiree.

**EFFECTIVE DATE:** The bill is effective when it becomes law.

**ESTIMATED IMPACT ON STATE:**

Conduent, the actuary for the Retirement Systems, and Hartman & Associates, the actuary for the General Assembly, estimate the following cash flow impact due to the additional separation allowances:

Year	Conduent		Hartman & Associates	
	State	Local	State	Local
FY 2017-18	\$0	\$0	\$0	\$0
FY 2018-19	\$0	\$0	\$0	\$0
FY 2019-20	\$0	\$0	\$0	\$0
FY 2020-21	\$0	\$0	\$0	\$0
FY 2021-22	\$0	\$0	\$0	\$0
FY 2022-23	\$6,000	\$718,000	\$3,947	\$1,267,177
FY 2023-24	\$30,000	\$2,742,000	\$17,821	\$3,485,790
FY 2024-25	\$54,000	\$5,117,000	\$42,860	\$5,726,585
FY 2025-26	\$70,000	\$7,060,000	\$45,700	\$7,776,730
FY 2026-27	\$61,000	\$8,939,000	\$45,869	\$9,797,940

Conduent further estimates that the present value of the additional payments to current State employees is \$1 million and to current local employees is \$298 million. The present values are calculated at a discount rate of 3.20%, which is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2015.

Both actuaries prepared their analysis on a version of the legislation without the phrase “or a County Fire Marshal's Office” on page 2, line 42, of the Second Edition. We do not have a way to estimate the actuarial impact of the addition of that phrase.

**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 for the Teachers’ and State Employees’ Retirement System (TSERS) and Local Governmental Employees’ Retirement System (LGERS) and the July 1, 2015 actuarial valuation for the Charlotte Firefighters’ Retirement System (CFRS). Significant membership statistics are shown in the following table:

Membership Statistics (as of 12/31/2015 unless otherwise noted, M = millions)		
	Count	Payroll
Active Local Firefighters in LGERS	6,900	\$336.9 M
Active Local Rescue Squad Workers	4,206	\$193.4 M
Active State Firefighters	119	\$4.8 M
Active State Rescue Squad Workers	17	\$0.9 M
Active Charlotte Firefighters (7/1/2015)	1,029	\$65.8 M

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, “Special Separation Allowance Firefighters/RSW – House Bill 340 – Proposed Committee Substitute H340-CSTV-3 [v.2]”, March 28, 2017, original of which is on file in the General Assembly’s Fiscal Research Division.

Hartman & Associates, LLC, “House Bill 340 Proposed Committee Substitute H340-CSTV-3 [v.2]: An Act to Create a Special Separation Allowance for State and Local Firefighters and Rescue Squad Workers”, March 27, 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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Fiscal Research Division

**DATE:** April 3, 2017



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