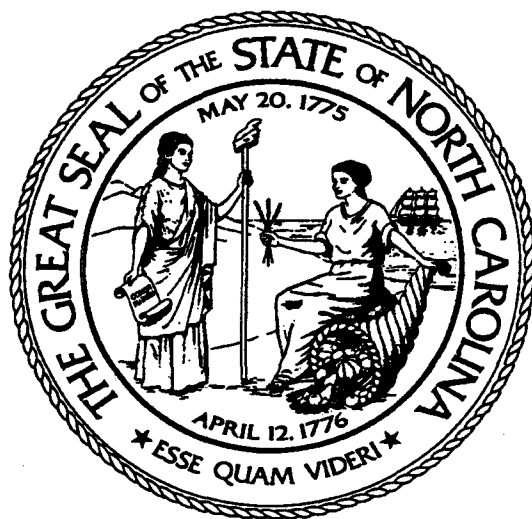


**FIREFIGHTER AND RESCUE WORKER  
PENSION FUND STUDY COMMISSION**



**REPORT TO THE  
1995 GENERAL ASSEMBLY  
OF NORTH CAROLINA**

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January 10, 1995

TO THE MEMBERS OF THE 1995 GENERAL ASSEMBLY:

Attached for your consideration is the report to the 1995 General Assembly on methods to fund the Firemen's and Rescue Squad Workers' Pension Fund. This report was prepared by the Firefighter and Rescue Worker Pension Fund Study Commission pursuant to Section 9.3 of Chapter 769 of the Laws of 1994.

Respectfully submitted,

  
\_\_\_\_\_  
Senator Robert L. Martin

  
\_\_\_\_\_  
Representative Linwood E. Mercer

Cochairs

Firefighter and Rescue Worker Pension Fund Study Commission



## INTRODUCTION

The Firefighter and Rescue Worker Pension Fund Study Commission was authorized by Section 9.3 of Chapter 769 of the 1994 Session Laws. The authorizing legislation is set for in Appendix A of this report. The Commission was chaired by Senator R.L. Martin and Representative Linwood E. Mercer. The membership of the Commission is listed in Appendix B of this report. A Commission notebook containing the Commission minutes and all information presented to the Commission is filed in the legislative library.

In 1959, the General Assembly created the North Carolina Firemen's Pension Fund as a means of saying "thank you" to the many dedicated individuals who provide a valuable service to the State. The General Assembly also levied a 1% tax on fire insurance premiums as a General Fund revenue source. An appropriation out of the General Fund was then made for the purpose of partially funding the Pension Fund. This appropriation, along with a monthly contribution of five dollars paid by each member, and the interest on the investments support the Fund.

In 1982, the law was changed to include rescue squad workers in the Pension Fund and the name was changed, accordingly. The purpose of the Firemen's and Rescue Squad Workers' Pension Fund is to administer and operate a retirement program for all firemen and rescue squad workers (both paid and volunteer) in North Carolina. Firemen must belong to a rated and certified fire department and rescue squad workers must belong to a certified rescue squad in order to be eligible for membership. Membership in the program is on a voluntary basis.

The basic benefit provided by the Fund is a monthly allowance paid to each member who completes at least 20 years of service, has paid the five dollar monthly contribution for the service, and is at least 55 years of age. In 1994, the General Assembly increased the monthly benefit from \$100.00 to \$110.00., at a cost of approximately 2.2 million dollars. There were several other legislative proposals to further increase the monthly benefit, which were not successful. As a result of the strong desire to improve this benefit, the General Assembly authorized this study commission to study alternative methods of funding the Firemens' and Rescue Squad Workers' Pension Fund.





## COMMISSION PROCEEDINGS

The Firefighter and Rescue Worker Pension Fund Study Commission met four times following the 1994 Legislative Session.

### October 26, 1994

At its initial meeting, the Commission members received a thorough briefing on the history and current operation of the Firemen's and Rescue Squad Workers' Pension Fund from Mr. Dennis Ducker, Deputy State Treasurer and Director, Retirement System Division, Department of State Treasurer. The Commission learned that as of June 30, 1994, there were 27,668 active members and 6,319 retired members participating in the Plan. There were total assets of \$101,564,152 in the Fund. The sources of funding in the 1993-94 fiscal year were: \$5,150,000 - General Fund appropriation; \$1,474,000 - member contributions; and \$8,468,000 - investment income.

The Commission also heard from Mr. Gordon Joyner, Secretary/Treasurer, North Carolina Association of Rescue and EMS, Inc. Mr. Joyner recommended that the Commission consider offering another open enrollment period to give all eligible persons an opportunity to join the Pension Fund. Mr. Joyner noted that during the last open enrollment period (October 1986 - March 1987), eligible firemen and rescue squad workers could elect to join the Fund, pay the contributions for prior service rendered and then begin making monthly contributions. Notice of this benefit was sent to the Chiefs of the various departments and there is some question as to whether the information ever in fact reached all individual firemen and rescue workers.

### November 21, 1994

At its second meeting, the Commission learned that there are no states in the southeast besides North Carolina and Georgia that provide any type of statewide benefits to firemen and rescue squad workers either paid or volunteer, other than the normal employee benefits for paid employees.

The Commission also heard from Ms. Clara Murphrey, the former supervisor of the Pension Fund in the Department of State Treasurer. Ms. Murphrey gave a brief outline of past open door enrollment periods. She stated that the Pension Fund had had five open door enrollments since the fund was created in 1959. At the last open enrollment, 6,000 people purchased prior service, paying \$5.00 per month plus 8% interest. Close to 2,000 of those 6,000 purchased 20 years of service at age 55 and started drawing a check instantly. This proved to be very costly to the State.

Mr. Jack Pruitt, Deputy Director of the Retirement System Division of the Department of State Treasurer, informed the Commission of the number of certified personnel in each eligible department and the number of members of the Pension Fund for each reporting unit. He stated that 61.2% of the eligible firemen participate in the Fund and 17% of the eligible rescue workers. Mr. Pruitt further noted that in 1993, the General Assembly enacted legislation that would allow anyone to become a member by purchasing their past service credit and by paying the amount equal to the full actuarial liability. This provision applies to people who are over age 35. Anyone under 35 can purchase their prior service and pay what they would have paid plus 8% interest. Since the new law went into effect, 64 firemen and 7 rescue workers have purchased prior service.

In response to a question from the previous meeting, Mr. Pruitt advised the Commission that when benefit payments began in 1961, the amount paid to a member at age 55 was \$36.00. If this amount were increased annually since that time by the amount of the Consumer Price Index, that amount would now be \$184.20. The monthly contribution has always been \$5.00. If this amount were increased annually since 1961 by the Consumer Price Index, it would now be \$25.58.

#### December 14, 1994

At its next meeting, the Commission continued to explore the issue of an open enrollment/service purchase period. Mr. Dennis Ducker, Deputy State Treasurer and Director of the Retirement System Division, stated that they had asked the System's actuary to prepare an estimated cost, taking into account the increase in the monthly pension which commenced on July 1, 1994. The actuary estimated the annual cost of this benefit to be \$460.00 for each member who elects to purchase prior service. If 6,000 members participate, the additional annual cost to the State would be \$2,760,000. If the State imposed a five year waiting period before pensions could commence, the cost would be reduced to \$2,580,000. However, Mr. Ducker cautioned that such a restriction might be in violation of age discrimination laws.

Mr. Ducker also indicated that the actuary was further asked to provide an estimate of the cost of providing an automatic cost of living increase in the amount of the monthly pension, both for members already retired and for members who will retire in the future. The estimate was based on a commencement date of July 1, 1995, with an increase on that date and each year thereafter equal to 3.5%. The estimated annual cost of this proposal is \$669.73 for each active member, or a total of \$18,447,000.

Next, the Commission heard from Mr. Dascheil Propes, Assistant Commissioner, Department of Insurance. Mr. Propes explained to the Commission which lines of business containing fire insurance were subject to the premium tax and indicated the total amount collected. Mr. Propes noted for the 1993 tax year, \$6,190,000 was collected; of that amount 75% or \$4,654,180 was deposited in the General Fund subject to appropriation to the Firemen's and Rescue Squad Workers' Pension Fund, and 25% or \$1,535,879 was deposited in the Volunteer Fire Department Fund. In contrast, Mr. Propes noted that the Georgia Firemen's Pension Fund had actual collections in 1993 of \$9,177,689.48. This is true because Georgia applies the tax to more lines of business and each line has its own tax rate. The Commission was advised that Georgia has a little over 12,000 active members and 2,000 retirees; while North Carolina has over 27,000 active members and 6,000 retirees. Inasmuch as the State of Georgia collects approximately twice as much money and has half as many members as North Carolina, there is no drain on the General Fund.

Finally, Mr. Gordon Joyner, Executive Secretary of the North Carolina Association of Rescue and EMS, Inc., requested an opportunity to speak. He informed the Commission that the meeting and drill requirements for EMS certification had been reduced from 36 to 24 hours. He also asked the Commission to consider reducing the service requirement for non-line of duty disability from 10 years to 5 years for volunteer members. Paid members are eligible after one year.

#### January 10, 1995

At its final meeting, the Commission again heard from Mr. Dennis Ducker, Deputy State Treasurer. In response to a question from the previous meeting, Mr.

Ducker explained how an extension of the Fund's amortization period for unfunded accrued liability would affect the cost of an open enrollment period. In the original estimate, the actuary assumed a liquidation period of seven years in calculating an additional annual cost of \$2,760,000. If the liquidation period were extended to ten years, the cost would be \$2,130,000; at 15 years it would be \$1,650,000; and at 20 years it would be \$1,440,000. Mr. Ducker also cautioned the Commission that it would not be good funding policy to re-amortize the Fund's liabilities under these circumstances.

Next, Co-Chair, Representative Linwood Mercer, presented a draft legislation to the Commission. The proposal included an increase in the members' monthly contribution and an increase in the monthly benefit to retirees. In addition, the bill contains language declaring the intent of the legislature to provide cost of living increases to members and retirees of this Fund at the same rate as increases are adopted for beneficiaries of the Teachers' and State Employees' Retirement System, to the extent funds are available.

The Commission voted to adopt the proposed legislation and directed that it be included in the final report to the General Assembly.



## FINDINGS AND RECOMMENDATIONS

1. Throughout its deliberations, the Commission heard a great deal of information about possible inequities which occurred during past open enrollment periods. The Commission found that there were serious questions about whether all eligible individuals received adequate notice of the opportunity to join the Fund and purchase past service credit. The Commission further found that this is an issue that still needs to be addressed, but declined to recommend legislation at this time.

2. The Commission found that member contributions to the Fund had not been increased since its inception, and that there was strong consensus among members to accept an increase in contributions to help fund improved benefit. The Commission also found that benefits paid from the Fund were inadequate and needed to be increased and to be reviewed on a regular basis rather than sporadically, as they have in the past.

Therefore, the Commission recommends the following legislation:

**A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY BENEFITS FROM THE NORTH CAROLINA FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND AND THE MONTHLY MEMBER CONTRIBUTION AND TO DECLARE THE INTENT OF THE LEGISLATURE TO PROVIDE COST OF LIVING INCREASES, AS FUNDS ARE AVAILABLE.**

A draft of the proposed legislation is set forth in Appendix C of this report.



## APPENDIX A

### SECTION 9.3, CHAPTER 769 OF THE 1994 SESSION LAWS

#### **STUDY ALTERNATIVE METHODS TO FUND FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUNDS.**

Sec. 9.3. (a) There is established the Firefighter and Rescue Worker Pension Fund Study Commission to be composed of 10 members: five members to be appointed by the Speaker of the House of Representatives and five members to be appointed by the President Pro Tempore of the Senate. The appointees shall serve until the termination of the Commission. The Speaker of the House of Representatives and the President Pro Tempore of the Senate shall each designate a cochair from their appointees. Either Cochair may call the first meeting of the Commission. Vacancies shall be filled in the same manner as the original appointments were made.

(b) The Commission shall study alternative methods to increase the funding for the Firemen's Pension Fund and the Rescue Squad Worker's Pension Fund and any other issues relevant to that topic.

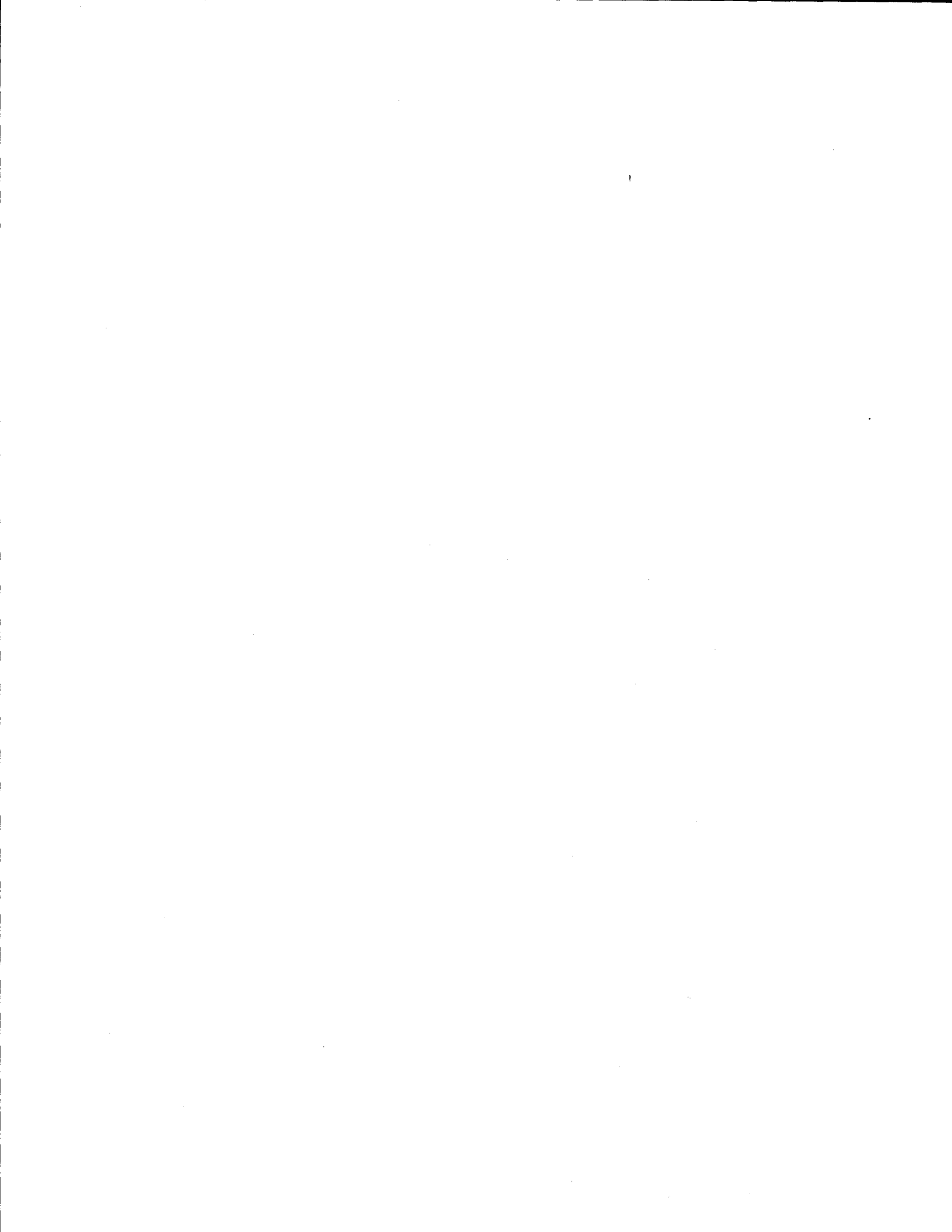
(c) With the prior approval of the Legislative Services Commission, the Legislative Administrative Officer shall assign professional and clerical staff to assist in the work of the Commission. Clerical staff shall be furnished to the Commission through the Offices of the House and Senate supervisors of Clerks. The expenses of employment of the clerical staff shall be borne by the Commission. With the prior approval of the Legislative Services Commission, the Commission may hold its meetings in the State Legislative Building or the Legislative Office Building.

(d) The Study Commission shall submit a final written report of its findings and recommendations, including legislation, on or before the convening of the 1995 Session of the General Assembly. All reports shall be filed with the Speaker of the House of Representatives and the President Pro Tempore of the Senate. Upon filing its final report, the Commission shall terminate.

(e) Members of the Commission shall be paid per diem, subsistence, and travel allowances as follows:

- (1) Commission members who are also members of the General Assembly, at the rate established in G.S. 120-3.1.
- (2) Commission members who are officials or employees of the State or local government agencies, at the rate established in G.S. 138-6.
- (3) All other Commission members at the rate established in G.S. 138-5.

(f) There is allocated from the funds appropriated to the General Assembly's Legislative Services Commission's studies reserve to the Firefighter and Rescue Worker Pension Fund Study Commission for its work the sum of twenty thousand dollars (\$20,000) for the 1994-95 fiscal year.





**FIREFIGHTER AND RESCUE WORKER PENSION FUND  
STUDY COMMISSION  
MEMBERSHIP  
1994 - 1995**

**President Pro Tempore's Appointments**

Sen. R.L. Martin, CoChair  
P.O. Box 387  
Bethel, NC 27812  
(919)825-4361

Sen. Robert C. Carpenter  
180 Georgia Road  
Franklin, NC 28734  
(704)524-5009

Mr. Jeff Cash  
c/o Cherryville Fire Department  
116 South Mountain Street  
Cherryville, NC 28021

Mr. Bobby Joyner  
Treas., N.C. State Firemen's Association  
613 North Walnut Street  
Farmville, NC 27828

The Honorable Robert D. Warren  
526 Federal Road  
Benson, NC 27504

**Staff:**

Ms. Karen Cochrane-Brown  
Research Division  
(919)733-2578

Mr. Stanley Moore  
Fiscal Research Division  
(919)733-4910

**Speaker's Appointments**

Rep. Linwood E. Mercer, CoChair  
100 N. Main  
Farmville, NC 27828  
(919)753-2026

Mr. David R. Anders  
780 Olivette Road  
Asheville, NC 28804

Rep. Bobby Harold Barbee, Sr.  
P.O. Box 700  
Locust, NC 28097  
(704)888-4423

Rep. Thomas K. Jenkins  
P.O. Box 626  
Franklin, NC 28734  
(704)369-2377

Rep. Hugh A. Lee  
Route 3, Box 445  
Rockingham, NC 28379  
(910)895-6348

**Clerk:**

Ms. Judy Robey  
606 Legislative Office Bldg  
O: (919)733-5784  
H: (919)787-5798

Ms. Virginia McCann  
1309 State Legislative Bldg.  
O: (919)733-5823  
H: (919)872-3620



# DRAFT FOR REVIEW ONLY

## Appendix C

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 1995

S or H

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95-RO-04  
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Short Title: Increase Fire/Rescue Squad Benefits. (Public)

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Sponsors:

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Referred to:

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1 A BILL TO BE ENTITLED  
2 AN ACT TO INCREASE THE MONTHLY BENEFITS FROM THE NORTH CAROLINA  
3 FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND AND THE  
4 MONTHLY MEMBER CONTRIBUTION AND TO DECLARE THE INTENT OF THE  
5 LEGISLATURE TO PROVIDE COST OF LIVING INCREASES, AS FUNDS ARE  
6 AVAILABLE.  
7 The General Assembly of North Carolina enacts:  
8 Section 1. G.S. 58-86-35 reads as rewritten:  
9 "§ 58-86-35. Firemen's application for membership in fund;  
10 monthly payments by members; payments credited to separate  
11 accounts of members.  
12 Those firemen who are eligible pursuant to G.S. 58-86-25 may  
13 make application for membership to the board. Each fireman upon  
14 becoming a member of the fund shall pay the director of the fund  
15 the sum of ~~five~~ ten dollars (~~\$5.00~~) (\$10.00) per month. The  
16 monthly payments shall be credited to the separate account of the

1 member and shall be kept by the custodian so it is available for  
2 payment on withdrawal from membership or retirement."

3           Sec. 2. G.S. 58-86-40 reads as rewritten:

4 "§ 58-86-40. Rescue squad worker's application for membership in  
5 funds; monthly payments by members; payments credited to separate  
6 accounts of members.

7 Those rescue squad workers eligible pursuant to G.S. 58-86-30  
8 may make application to the board for membership. All persons who  
9 subsequently become rescue squad workers may make application for  
10 membership. Each eligible rescue squad worker upon becoming a  
11 member shall pay the director of the fund the sum of five ten  
12 dollars (~~\$5.00~~) (\$10.00) per month. A rescue squad worker who, on  
13 the date of the establishment of the fund, has service as a  
14 rescue squad worker certified by the Department of State  
15 Treasurer, may make a lump sum payment of five dollars (\$5.00)  
16 per month for each month of service as an eligible rescue squad  
17 worker as defined by G.S. 58-86-30, on or before December 31,  
18 1983, for as many as 240 months together with interest at an  
19 annual rate of six percent (6%).

20 The monthly payments shall be credited to the separate account  
21 of the member and shall be kept by the custodian so it is  
22 available for payment on withdrawal from membership or  
23 retirement."

24           Sec. 3. G.S. 58-86-45 is amended by adding a new  
25 subsection to read:

26 (c) Effective July 1, 1995, any fireman or rescue squad worker  
27 who has not reached his thirty-fifth birthday who is eligible and  
28 who has not previously elected to become a member may make  
29 application through the board of trustees for membership in the  
30 fund at any time. The person shall make a lump sum payment of  
31 ten dollars (\$10.00) per month retroactively to the time he first  
32 became eligible to become a member, plus interest at an annual  
33 rate to be set by the board of trustees, for each year of his  
34 retroactive payments. Upon making this lump sum payment, the  
35 person shall be given credit for all prior service in the same  
36 manner as if he had made application for membership at the time  
37 he first became eligible. Any member who has not reached his  
38 thirty-fifth birthday who made application for membership  
39 subsequent to the time he was first eligible and did not receive  
40 credit for prior service may receive credit for such prior

1 service upon lump sum payment of ten dollars (\$10.00) per month  
2 retroactively to the time he first became eligible, plus interest  
3 at an annual rate to be set by the board of trustees, for each  
4 year of his retroactive payments. Upon making this lump sum  
5 payment, the date of membership shall be the same as if he had  
6 made application for membership at the time he was first  
7 eligible."

8       Sec. 4. G.S. 58-86-55 reads as rewritten:

9 **"§ 58-86-55. Monthly pensions upon retirement.**

10 Any member who has served 20 years as an "eligible fireman" or  
11 "eligible rescue squad worker" in the State of North Carolina, as  
12 provided in G.S. 58-86-25 and G.S. 58-86-30, and who has attained  
13 the age of 55 years is entitled to be paid a monthly pension from  
14 this fund. The monthly pension shall be in the amount of one  
15 hundred ~~ten~~ thirty-five dollars (~~\$110.00~~) (\$135.00) per month.  
16 Any retired fireman receiving a pension of one hundred ten  
17 dollars (\$110.00) per month shall, effective July 1, ~~1994~~, 1995,  
18 receive a pension of one hundred ~~ten~~ thirty-five dollars  
19 (~~\$110.00~~) (\$135.00) per month.

20 Members shall pay ~~five~~ ten dollars (~~\$5.00~~) (\$10.00) per month  
21 as required by G.S. 58-86-35 and G.S. 58-86-40 for a period of no  
22 longer than 20 years. No "eligible rescue squad member" shall  
23 receive a pension prior to July 1, 1983. No person shall be  
24 entitled to a pension hereunder until his official duties as a  
25 fireman or rescue squad worker for which he is paid compensation  
26 shall have been terminated and he shall have retired as such  
27 according to standards or rules fixed by the board of trustees.

28 Any member who is totally and permanently disabled while in the  
29 discharge of his official duties as a result of bodily injuries  
30 sustained or as a result of extreme exercise or extreme activity  
31 experienced in the course and scope of his official duties and  
32 who leaves the fire or rescue squad service because of this  
33 disability shall be entitled to be paid from the fund a monthly  
34 benefit in an amount of one hundred ~~ten~~ thirty-five dollars  
35 (~~\$110.00~~) (\$135.00) per month beginning the first month after his  
36 fifty-fifth birthday. All applications for disability are subject  
37 to the approval of the board who may appoint physicians to  
38 examine and evaluate the disabled member prior to approval of his  
39 application, and annually thereafter. Any disabled member shall

1 not be required to make the monthly payment of ~~five~~ ten dollars  
2 ~~(\$5.00)~~ (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.  
3 Effective July 1, 1995, Any any member who is totally and  
4 permanently disabled for any cause, other than line of duty, who  
5 leaves the fire or rescue squad service because of this  
6 disability and who has at least 10 years of service with the  
7 pension fund, may be permitted to continue making a monthly  
8 contribution of ~~five~~ ten dollars ~~(\$5.00)~~ (\$10.00) to the fund  
9 until he has paid into the fund the sum of ~~one two~~ two thousand two  
10 four hundred dollars ~~(\$1,200)~~ (\$2,400). Any member who began  
11 making contributions prior to July 1, 1995, in the amount of five  
12 dollars (\$5.00) per month, and thereafter leaves the fire or  
13 rescue squad service because of disability, may be permitted to  
14 continue making monthly contributions of ten dollars (\$10.00) per  
15 month after July 1, 1995, until the member has made contributions  
16 for a total of 240 months. The member shall upon attaining the  
17 age of 55 years be entitled to receive a pension as provided by  
18 this section. All applications for disability are subject to the  
19 approval of the board who may appoint physicians to examine and  
20 evaluate the disabled member prior to approval of his application  
21 annually thereafter.

22 Effective July 1, 1995, Any any member who, because his  
23 residence is annexed by a city under Part 2 or Part 3 of Article  
24 4 of Chapter 160A of the General Statutes, or whose department is  
25 closed because of an annexation by a city under Part 2 or Part 3  
26 of Article 4 of Chapter 160A of the General Statutes, and because  
27 of such annexation is unable to perform as a fireman of any  
28 status, and if the member has at least 10 years of service with  
29 the pension fund, may be permitted to continue making a monthly  
30 contribution of ~~five~~ ten dollars ~~(\$5.00)~~ (\$10.00) to the fund  
31 until he has paid into the fund the sum of ~~one two~~ two thousand two  
32 four hundred dollars ~~(\$1,200)~~ (\$2,400). Any member who began  
33 making contributions prior to July 1, 1995, in the amount of five  
34 dollars (\$5.00) per month, and thereafter, is unable to perform  
35 as a fireman of any status because of annexation, may be  
36 permitted to continue making a monthly contribution of ten  
37 dollars (\$10.00) per month after July 1, 1995, until the member  
38 has made contributions for a total of 240 months. The member  
39 upon attaining the age of 55 years and completion of such  
40 contributions shall be entitled to receive a pension as provided

1 by this section. Any application to make monthly contributions  
2 under this section shall be subject to a finding of eligibility  
3 by the Board of Trustees upon application of the member.

4 The pensions provided shall be in addition to all other  
5 pensions or benefits under any other statutes of the State of  
6 North Carolina or the United States, notwithstanding any  
7 exclusionary provisions of other pensions or retirement systems  
8 provided by law."

9       Sec. 5. The General Assembly finds that the firemen and  
10 rescue squad workers (both paid and volunteer) of North Carolina  
11 provide a valuable service to the State, which results in saving  
12 hundreds of lives and millions of dollars in property value each  
13 year.

14       Sec. 6. The General Assembly further finds that North  
15 Carolina is fortunate to have so many dedicated individuals who  
16 are willing to serve voluntarily, and that there is no way the  
17 State could afford to pay these volunteers for their service.

18       Sec. 7. The North Carolina Firemen's and Rescue Squad  
19 Workers' Pension Fund was created as a means of saying thank you  
20 to these individuals for their many faithful years of service to  
21 the people of the State.

22       Sec. 8. It is the intent of the General Assembly to  
23 provide cost-of-living increases to members and retirees of the  
24 Firemen's and Rescue Squad Workers' Pension Fund at a rate equal  
25 to any cost-of-living increases provided to beneficiaries of the  
26 Teachers' and State Employees' Retirement System, to the extent  
27 funds are available.

28       Sec. 9. This act becomes effective July 1, 1995.

29

