

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE ACTUARIAL NOTE**

**BILL NUMBER:** House Bill 1034 Proposed Committee Substitute

**SHORT TITLE:** Professional Firefighters' Retirement

**SPONSOR(S):** Representative Moore

**SYSTEM OR PROGRAM AFFECTED:** Local Governmental Employees' Retirement System

**FUNDS AFFECTED:** Local Government Funds

**BILL SUMMARY:** Defines a "Professional Firefighter" in the Local Governmental Employees' Retirement System and provides an accrual rate of 2.5% for each year of service as a professional firefighter and provides for unreduced retirement after 25 years of service regardless of age or at age 55 with five years of service as a professional firefighter.

**EFFECTIVE DATE:** July 1, 1999

**ESTIMATED IMPACT ON LOCAL GOVERNMENTS:**

Retirement System Actuary: Buck Consultants estimates the normal cost will increase from 4.80% of payroll to 11.99% for a net increase of 7.19% of the payroll of firefighters. Buck Consultants estimates an increase in the unfunded accrued liability of \$163,616,000 and the annual cost to pay the unfunded accrued liability over a 15 year liquidation period will be \$14,075,000 which is expressed as a percent of the total payroll of all employees within each employer.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$10,090,708	\$10,716,332	\$11,380,745	\$12,086,351	\$12,835,705
Accrued Liability	<u>\$14,075,000</u>	<u>\$14,947,650</u>	<u>\$15,874,404</u>	<u>\$16,858,617</u>	<u>\$17,903,852</u>
<b>Total Local Funds</b>	<b>\$24,165,708</b>	<b>\$25,663,982</b>	<b>\$27,255,149</b>	<b>\$28,944,968</b>	<b>\$30,739,557</b>

General Assembly Actuary: Hartman & Associates, LLC estimates the normal cost will increase from 4.80% of payroll to 10% for a net increase of 5.20% of the payroll of firefighters. They also estimates an increase in the unfunded accrued liability of \$169,790,000 and the annual cost to pay the unfunded accrued liability over a 15 year liquidation period will be \$15,409,733 which is expressed as 10.98% of the payroll for firefighters.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$ 7,297,870	\$ 7,750,338	\$ 8,230,859	\$ 8,741,172	\$ 9,283,124
Accrued Liability	<u>\$15,409,733</u>	<u>\$16,365,136</u>	<u>\$17,379,774</u>	<u>\$18,457,320</u>	<u>\$19,601,674</u>
<b>Total Local Funds</b>	<b>\$22,707,602</b>	<b>\$24,115,474</b>	<b>\$25,610,633</b>	<b>\$27,198,492</b>	<b>\$28,884,799</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, 1997 actuarial valuation of the fund. The data included 106,802 active members with an annual payroll of \$2.743 billion and 25,456 retired members in receipt of

annual pensions totaling \$261.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore

**The above cost estimates are based on 4,421 employees with an estimated salary base of \$140,343,648 projected at the average annual increase in compensation base of 6.2% for the Local System over the next five years.**

**SOURCES OF DATA:** Retirement System Actuary - Buck Consultant, Inc.  
General Assembly Actuary - Hartman & Associates, LLC

**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:** Tom Covington

**DATE:** Tuesday, April 27, 1999



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