

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 32 (First Edition)

SHORT TITLE: Fire and Rescue Pension Election.

SPONSOR(S): Senator Hoyle

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: Firemen's and Rescue Squad Workers' Pension Fund

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Repeals the law that requires the Pension Fund to refund a member's contribution if the member becomes six months delinquent in making contributions, thereby forfeiting all service in the Fund. Further allows that a member may elect to terminate membership in the Fund and receive a refund of his contributions.

ESTIMATED IMPACT ON STATE: Both the Fund's actuary, Mellon, and the General Assembly's actuary, Hartman & Associates, LLC, agree that the passage of the bill is not expected to have a significant impact on the Fund.

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 June 30, 2004 actuarial valuation of the fund. The data included 32,811 active members and 9,194 retired members in receipt of annual pensions totaling \$17.8 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. 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: System Actuary - Mellon
General Assembly Actuary - 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.

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APPROVED BY: James D. Johnson, Director
Fiscal Research Division



DATE: February 17, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices