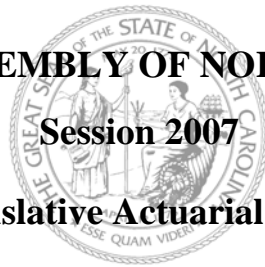


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 2007 (First Edition)
SHORT TITLE: Deferred Retirement Option/Fire and Rescue.
SPONSOR(S): Senator Nesbitt

FUNDS AFFECTED: General Fund

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

EFFECTIVE DATE: January 1, 2009

BILL SUMMARY: Enacts a new GS 58-86-95 to allow a fireman or rescue squad worker, with 20 years of service who is 55 or more, to elect to continue in full-time employment and defer retirement, with the retirement funds to be deposited in an interest-bearing account for the worker to be available upon separation from service.

ESTIMATED IMPACT ON STATE:

Retirement System Actuary: Buck Consultants estimates the cost to be as follows assuming a 4% rate:

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Normal Cost	\$321,871	\$321,871	\$321,871	\$321,871	\$321,871
Accrued Liability	<u>\$1,148,833</u>	<u>\$1,148,833</u>	<u>\$1,148,833</u>	<u>\$1,148,833</u>	<u>\$1,148,833</u>
Total Cost	\$1,470,704	\$1,470,704	\$1,470,704	\$1,470,704	\$1,470,704

General Assembly Actuary: Hartman & Associates estimates the cost to be as follows assuming a 4% rate:

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Normal Cost	\$362,000	\$362,000	\$362,000	\$362,000	\$362,000
Accrued Liability	<u>\$1,272,000</u>	<u>\$1,272,000</u>	<u>\$1,272,000</u>	<u>\$1,272,000</u>	<u>\$1,272,000</u>
Total Cost	\$1,634,000	\$1,634,000	\$1,634,000	\$1,634,000	\$1,634,000

ASSUMPTIONS AND METHODOLOGY: Firemen and Rescue Squad Workers' Pension Fund. 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, 2007 actuarial valuation of the fund. The data included 34,948 active members and 10,170 retired members in receipt of annual pensions totaling \$20.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1994 Group Annuity Mortality Tables for deaths before and after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the projected benefit method with entry age normal cost and open-end

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 – Buck Consultants
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.

PREPARED BY: Stanley Moore

APPROVED BY:
Lynn Muchmore, Director
Fiscal Research Division

DATE: June 16, 2008



Signed Copy Located in the NCGA Principal Clerk's Offices