

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Proposed Comittee Substitute for Senate Bill 802

SHORT TITLE: Firefighter Classifications

SPONSOR(S): Senator Rand

FUNDS AFFECTED: General ( ) Highway ( ) Local (X)

BILL SUMMARY: Local Governmental Employees' Retirement System - Defines a "Professional Firefighter" and increases the accrual rate from 1.71% per year of service to 2.5% per year of service as a "Professional Firefighter" after 25 years of creditable service regardless of age.

EFFECTIVE DATE: Ratification

SYSTEM AFFECTED Local Governmental Employees' Retirement System.

\* \* \* \* \*

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

SYSTEM ACTUARY

	<u>FY</u> <u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	
	1995-96	1996-97	1997-98	1998-99	1999-2000
LOCAL FUNDS	\$17M	\$17M	\$17M	\$17M	\$17M

GENERAL ASSEMBLY ACTUARY

	<u>FY</u> <u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	
	1995-96	1996-97	1997-98	1998-99	1999-2000
LOCAL FUNDS	\$16.9M	\$16.9M	\$16.9M	\$16.9M	\$16.9M

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, 1993 actuarial valuation of the fund. The data included 94,762 active members with an annual payroll of \$2.142 billion and 20,195 retired members in receipt of annual pensions totaling \$160 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (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.

**SOURCES OF DATA:** System Actuary - Buck Consultant, Inc.  
General Assembly Actuary - Dilts, Umstead & Dunn

**FISCAL RESEARCH DIVISION:** 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. For the purposes of this bill, since it deals with about 4,000 firemen with an estimated annual payroll of \$113,640,000 reporting from several different local employers, the cost is based as a percentage of payroll on the firemen's estimated payroll only.

**733-4910**

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Tom Covington **TomC**

**DATE:** May 10, 1995



**Signed Copy Located in the NCGA Principal Clerk's Offices**