



**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2015**

**Legislative Retirement Note**

**BILL NUMBER:** Senate Bill 99 (First Edition)

**SHORT TITLE:** Definition of Firefighter.

**SPONSOR(S):** Senators Meredith, Daniel, and Newton

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**FUNDS AFFECTED:** State General Fund

**SYSTEM OR PROGRAM AFFECTED:** Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and line-of-duty death benefits under Article 12A of Chapter 143.

**BILL SUMMARY:**

Senate Bill 99 (First Edition) defines the terms “firefighter” or “fireman” as they apply to the FRSWPF, line-of-duty death benefits, and Firefighter Relief Funds. The impact on the Relief Funds is outside the scope of this note. The definition of firefighter in the bill includes anyone who meets all of the following requirements:

- a. Is a volunteer, employee, contractor, or member of a rated and certified fire department.
- b. Performs work or training connected with fire protection, fire prevention, fire control, fire education, fire inspection, fire department support services, or performs the statutory duties and responsibilities of the fire chief as set forth in G.S. 160A-292.
- c. Performs work or training at the direction of the fire chief.
- d. Is included on the certified roster submitted to the North Carolina State Firemen's Association pursuant to G.S. 58-86-25.

It is unclear how this definition differs from the unwritten definition currently being applied in administering the affected statutes, but the list of roles in b. above may be broader than is implied in usage of the term “firefighter” by the general public.

Section 3 of the bill also removes the requirement that governing bodies (county boards of commissioners, city councils, sanitary district boards, and corporate boards of directors) certify the validity and accuracy of the rosters of firefighters.

**EFFECTIVE DATE:** July 1, 2015

**ESTIMATED IMPACT ON STATE:** Because it is unclear how this definition differs from the definition currently being applied, the actuaries were unable to estimate a total impact on the FRSWPF. However, they were able to estimate the impact per 1,000 additional participants.

Buck Consultants, the actuary for the FRSWPF, estimates that each 1,000 additional participants will increase the State's contribution by \$400,000 per year.

Hartman & Associates, the actuary for the General Assembly, estimates that each 1,000 additional participants will increase the State's contribution by \$165,000 to \$250,000 per year.

Hartman & Associates estimates the impact from the line-of-duty death benefit to be negligible because of the current low incidence rate and an expectation for an even lower incidence rate for any additional participants.

**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, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)	
	<u>FRSWPF</u>
Active Members	
Count	42,464
Valuation Compensation (Total)	Not applicable
Average Age	40
Average Service	11.5
Inactive Members	
Count	156
Retired Members	
Count	12,445
Annual Benefits	\$25M
Average Age	68
New Retirees During 2014	840

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)	
	<u>FRSWPF</u>
Accrued Liability (AL)	\$413M
Actuarial Value of Assets (AVA)	\$365M
Market Value of Assets (MVA)	\$371M
Unfunded Accrued Liability (AL - AVA)	\$48M
Funded Status (AVA / AL)	88%
Annual Required Contribution (ARC) for FY 2015-16	\$13.2M
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption	Not applicable
Cost Method	Entry Age Normal
Amortization	12 year, closed, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA	

Benefit Provisions	
	<u>FRSWPF</u>
Formula	\$170 per month
Unreduced retirement age/service	55/20
Employee contribution (as % of pay)	\$10 per month

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

**SOURCES OF DATA:**

Buck Consultants, "Definition of a Firefighter (Senate Bill 99)", March 20, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Senate Bill 99: An Act to Establish a Definition of Firefighter for Purposes of the FRSW Pension Fund, Firefighter Relief Fund, and Firefighters' Death Benefits", March 25, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

**TECHNICAL CONSIDERATIONS:**

**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:** David Vanderweide

**APPROVED BY:**

Mark Trogdon, Director  
Fiscal Research Division

**DATE:** April 1, 2015



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