

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 264

SHORT TITLE: Fire/Rescue Open Enrollment

SPONSOR(S): Representative David Redwine

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

FUNDS AFFECTED: General Fund

BILL SUMMARY: : Allows a open-door enrollment period from October 1, 1997 to March 31, 1998 for purposes of gaining retroactive membership service based on payment of \$10 per month of service plus interest.

EFFECTIVE DATE: October 1, 1997 to March 31, 1998

ESTIMATED IMPACT ON STATE:

SYSTEM ACTUARY

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
GENERAL FUND	\$3.5m-\$5.3m	\$3.5m-\$5.3m	\$3.5m-\$5.3m	\$3.5m-\$5.3m	\$3.5m-\$5.3m

GENERAL ASSEMBLY ACTUARY

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
GENERAL FUND	\$3.3m-\$4.9m	\$3.3m-\$4.9m	\$3.3m-\$4.9m	\$3.3m-\$4.9m	\$3.3m-\$4.9m

ASSUMPTIONS AND METHODOLOGY: The cost range is based on an estimate of a low of 4,000 participants and a high of 6,000 participates who would elect to become members and purchase prior service or current members who would purchase service rendered prior to joining.

The cost estimates of the System's Actuary are based on the membership data, actuarial assumptions and actuarial methods used to prepare the June 30, 1996 actuarial valuation of the fund. The data included 26,071 active members and 6,949 retired members in receipt of annual pensions totaling \$11.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (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 normal method with open-end unfunded 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

TECHNICAL CONSIDERATIONS: Based on the June 30, 1996 actuarial valuation, the Fund's actuary recommended an appropriation of \$10,529,354 in order to maintain the present level of benefits. The appropriation in past years has been \$11,735,187 and the Governor's continuation budget for 1997-98 reflects a recommended appropriation of \$11,735,187. The Governor's recommended appropriation is \$1,205,833 more than is needed to maintain the present level of benefits. Also, as a result of method of reporting a market related value of assets rather than book value, based on the actuary's valuation for year ending June 30, 1996, the Governor's recommended appropriation could also be reduced by \$737,062 for 1997-98. The \$1,205,833 plus \$737,062 equals a total of \$1,942,895 that the State's General Fund appropriation to the Firemen's and Rescue Squad Workers' Pension Fund could be reduced without having any negative impact on the actuarial soundness of the System, or the General Assembly could increase retirement benefits for members of the Fund.

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

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DATE: March 4, 1997



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