

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Senate Bill 1287

SHORT TITLE: Fire/Rescue Open Enrollment

SPONSOR(S): Senator Warren

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, 2000 to March 31, 2001 for purposes of gaining retroactive membership service based on payment of \$10 per month of service plus interest.

EFFECTIVE DATE: October 1, 2000 to March 31, 2001

ESTIMATED IMPACT ON STATE: Buck Consultants estimates the cost to be \$1,439 per person who elects to purchase prior service. The below estimates are based on 4000 to 6000 new members.

	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04	<u>FY</u> 2004-05	
Benefit Increase	\$5.8m - \$8.8m	\$5.8m - \$8.8m	\$5.8m - \$8.8m	\$5.8m - \$8.8m		\$5.8m -

GENERAL ASSEMBLY ACTUARY Hartman & Associates estimates the cost based on 4000 to 6000 new members based on 4 year liquidation period.

	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04	<u>FY</u> 2004-05	
Benefit Increase	\$5.2m - \$7.8m	\$5.2m - \$7.8m	\$5.2m - \$7.8m	\$5.2m - \$7.8m	\$5.2m - \$7.8m	

ASSUMPTIONS AND METHODOLOGY: The cost range is based on an estimate of a low of 4,000 new participants and a high of 6,000 new participants 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 employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 1999 actuarial valuation of the fund. The data included 28,008 active members and 7,551 retired members in receipt of annual pensions totaling \$13.2 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. 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 – Hartman & Associates, LLC

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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