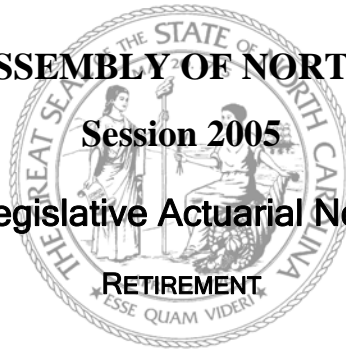


GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note



BILL NUMBER: House Bill 2223 (First Edition)

SHORT TITLE: Charlotte Firefighters Retirement Changes.

SPONSOR(S): Representative Alexander

FUNDS AFFECTED: City of Charlotte Funds

SYSTEM OR PROGRAM AFFECTED: Charlotte Firemen's Retirement System

BILL SUMMARY: The bill changes the definition of "Compensation" to include any funds deferred that is not included in the gross income of the member. The bill also requires that in the event of a mandatory distribution of funds greater than \$1,000 that is made without the members consent or is requested by the member before the member reaches the later of age 62 or normal retirement age, the administrator of the System is to pay the funds in a direct rollover to an IRA designated by the administrator, if the member has not designated an eligible retirement plan to receive the direct rollover.

EFFECTIVE DATE: July 1, 2006

ESTIMATED IMPACT ON CITY OF CHARLOTTE: Both the System's actuary, Cavanaugh Macdonald Consulting, and the General Assembly's actuary, Hartman & Associates, agree that the cost would have no material impact and would not require an increase in the employer contribution rate.

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 July 1, 2005 actuarial valuation of the system. The data included 935 active members with a payroll of \$47.2 million, 443 retired members in receipt of annual pensions totaling \$15.4 million and market value of assets of \$286 million. Significant actuarial assumptions used include (a) an investment return rate of 7.75%, (b) the UP 1984 Mortality Table for deaths after retirement, (c) salary increases ranging from 4.75% to 7.75% per year for active members and (d) rates of separation from active service based on experience. The actuarial cost method used was the entry age normal cost method. 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 – Cavanaugh Macdonald Consulting, LLC
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: 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: May 26, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices