# GENERAL ASSEMBLY OF NORTH CAROLINA Session 2015 Legislative Retirement Note

BILL NUMBER:House Bill 70 (First Edition)SHORT TITLE:Charlotte Firefighters' Retirement.SPONSOR(S):Representatives Bishop and Bradford

#### FUNDS AFFECTED: City of Charlotte funds

SYSTEM OR PROGRAM AFFECTED: Charlotte Firefighters' Retirement System (CFRS)

#### **BILL SUMMARY:**

<u>Section 1</u>: Amends Chapter 926 of the 1947 Session Laws, as amended, to comply with the federal Internal Revenue Code with respect to credit for military service.

<u>Section 2</u>: Amends Chapter 926 of the 1947 Session Laws, as amended, to comply with the federal Internal Revenue Code with respect to eligible rollover distributions.

<u>Section 3</u>: Amends Chapter 830 of the 1991 Session Laws, as amended, to comply with the federal Internal Revenue Code with respect to the tax treatment of health insurance premiums for some retirees.

Section 4: Clarifies that the act only applies to the City of Charlotte.

#### **EFFECTIVE DATE:** July 1, 2015

#### **ESTIMATED IMPACT ON STATE:**

There is no impact on the State as the CFRS is funded entirely by contributions from the City of Charlotte and the members of the CFRS.

The CFRS's actuary, Cavanaugh Macdonald, estimates that the changes will not have any impact on the cost of the CFRS to the City.

Hartman & Associates, the actuary for the General Assembly, does not have sufficient data to estimate the impact of the changes.

## ASSUMPTIONS AND METHODOLOGY:

Significant membership and financial statistics, assumptions, and methods used by the CFRS actuary in preparing the July 1, 2013 valuation are shown in the following tables:

| Membership Statistics (as of $7/1/2013$ unless otherwise noted, M = millions) |         |
|---|---------|
|   |         |
| Active Members  |         |
| Count   | 1,026   |
| Valuation Compensation  | \$62.5M |
| Average Age   | 40      |
| Average Service   | 13.8    |
| Inactive Members  |         |
| Count   | 5       |
| Retired Members   |         |
| Count   | 546     |
| Annual Benefits   | \$23.0M |
| Average Age   | 70      |

| Financial Statistics (as of $7/1/2013$ unless otherwise noted, M = millions) |                      |
|--|----------------------|
|  |                      |
| Accrued Liability (AL)   | \$452M               |
| Actuarial Value of Assets (AVA)  | \$381M               |
| Market Value of Assets (MVA)   | \$407M               |
| Unfunded Accrued Liability (AL - AVA)  | \$70M                |
| Funded Status (AVA / AL)   | 84%                  |
| Annual Required Contribution (ARC) for FY 2014-15 (as % of                   | 16.87%               |
| pay)   |                      |
| Assumed Rate of Investment Return  | 7.75%                |
| Salary Increase Assumption (includes 3.50% inflation and                     | 4.25% - 11.25%       |
| productivity)  |                      |
| Cost Method  | Entry Age Normal     |
| Amortization   | 30 year, open, level |
|  | % of pay             |

| Benefit Provisions                  |   |  |
|-------------------------------------|---|--|
|                                     |   |  |
| Formula                             | 2.6% x Service                                |  |
|                                     | x 2 Year Avg Pay                              |  |
| Unreduced retirement age/service    | Any/30; 50/25;                                |  |
|                                     | 60/5  |  |
| Employee contribution (as % of pay) | 12.65%  |  |
| Social Security                     | Members do not participate in Social Security |  |

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:**

Cavanaugh Macdonald Consulting, LLC, "Proposed Amendment Number Four", November 18, 2014, original of which is on file in the General Assembly's Fiscal Research Division.

Cavanaugh Macdonald Consulting, LLC, "Proposed Amendment Number Five", November 18, 2014, original of which is on file in the General Assembly's Fiscal Research Division.

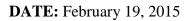
### **TECHNICAL CONSIDERATIONS:**

### 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.

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