

# Local Governmental Employees' Retirement System of North Carolina

## Actuarially Determined Employer Contributions (ADEC) Projections for the Local System

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January 30, 2025, Board of  
Trustees Meeting



**Gallagher**

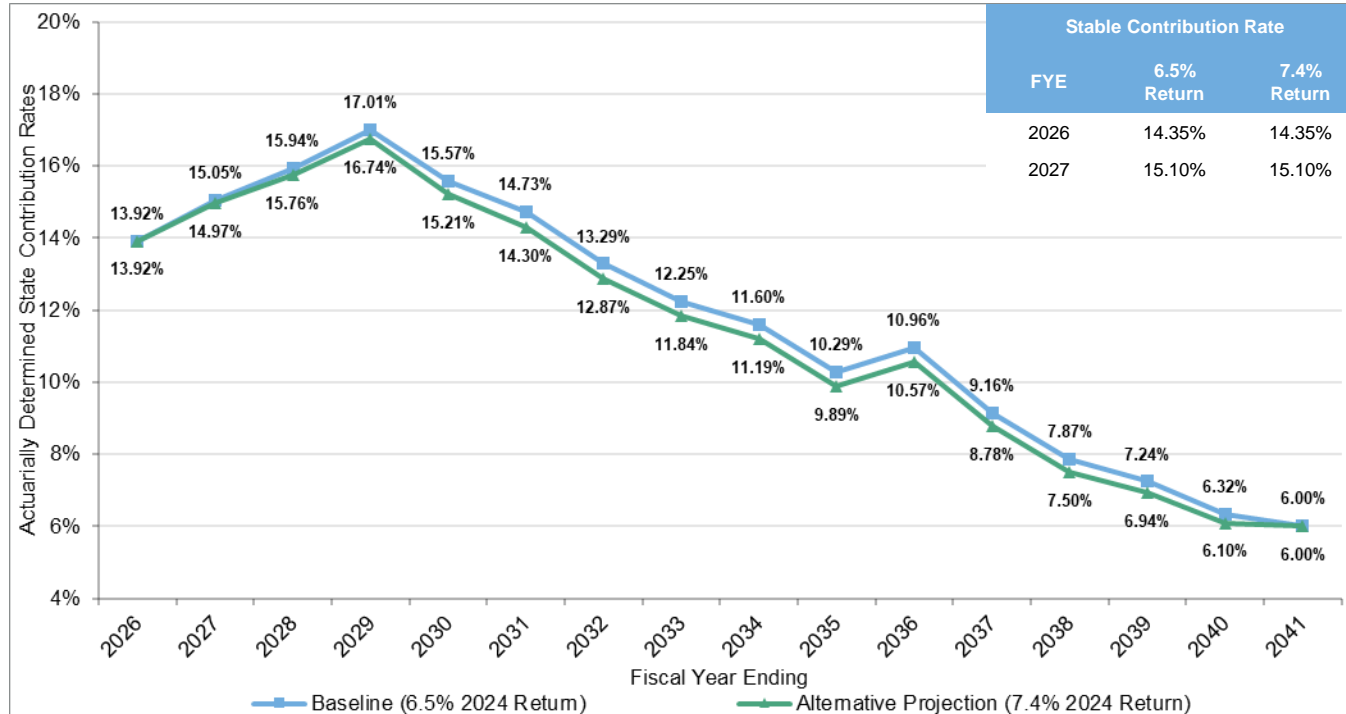
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# Projections

- Projections of contribution requirements and funded status into the future can be helpful planning tools for stakeholders. This presentation provides such projections. The projections of the actuarial valuation are known as deterministic projections. Deterministic projections are based on one scenario in the future. The baseline deterministic projection is based on December 31, 2023 valuation results and assumptions.
- Key Projection Assumptions
  - Valuation interest rate of 6.50%
  - Direct-rate smoothing of the change in the employer contribution rate due to changes in assumptions and methods over a 5-year period beginning July 1, 2022
  - 6.50% investment return on market value of assets
  - Actuarial assumptions and methods as described in Appendix C of the December 31, 2023 valuation report. All future demographic experience is assumed to be exactly realized
  - The contribution rate under the Employer Contribution Rate Stabilization Policy (ECRSP) is contributed until fiscal year ending 2027
  - The actuarially determined employer contribution rate is contributed for fiscal years ending 2028 and beyond
  - The employer contribution shall not be less than the employee contribution, which is currently 6%
  - 0% increase in both the active population of LGERS and its subgroups: General Employees, Firefighters, Law Enforcement Officers, and Rescue Squad Workers
  - To replace those assumed to leave active service, the age, gender and salary of future members assumed to be hired into LGERS are based on the demographic information of new LGERS hires over the past three (3) valuations
  - Demographic profiles of new entrants for each subgroup are based on new hires specific to that subgroup over the past three (3) valuations
  - 75% of new entrants are assumed to have rounded service of 0 when first valued, and 25% are assumed to have rounded service of 1 when first valued
  - No cost-of-living adjustments granted
  - Future pay increases based on long-term salary increase assumptions
- The ECRSP contribution rate is the Stable Contribution rate shown in the projections. See Appendix H of the December 31, 2023 valuation report for more detail on the ECRSP.
- In addition, we have provided one other alternate deterministic projection. This alternate deterministic projection is based on the same assumptions as the baseline deterministic projection except that it assumes a 7.4% asset return for calendar year 2024.

# Projected Contribution Rates – Non-LEO



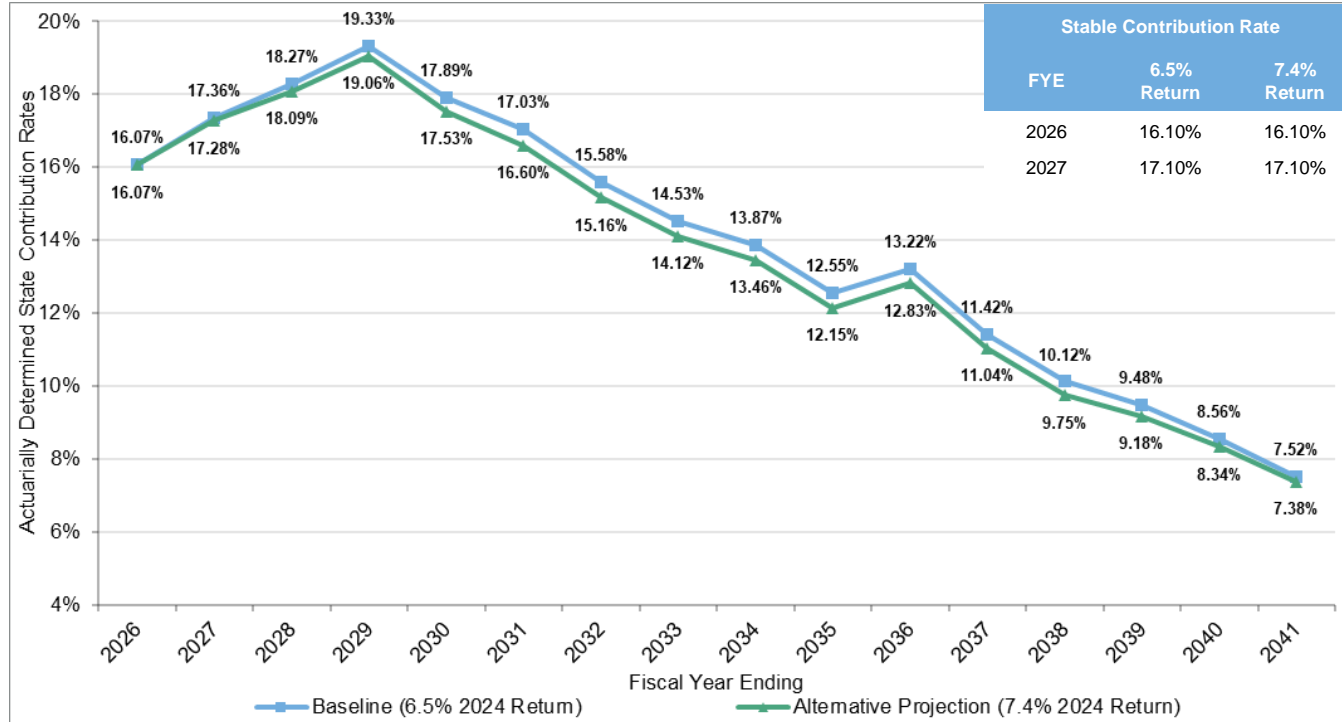
Stable Contribution Rate		
FYE	6.5% Return	7.4% Return
2026	14.35%	14.35%
2027	15.10%	15.10%

Alternate Projection utilizes estimated return of 7.4% for calendar year 2024 compared to Baseline Projection assumption of 6.5%.

The estimated return for the 2024 calendar year is 0.9% higher than expected, resulting in an estimated market value of assets \$0.3 billion higher than expected.

The unfunded actuarial accrued liability is projected to be lower than previously expected given this gain, resulting in lower employer contribution rates over the projection period.

# Projected Contribution Rates – LEO



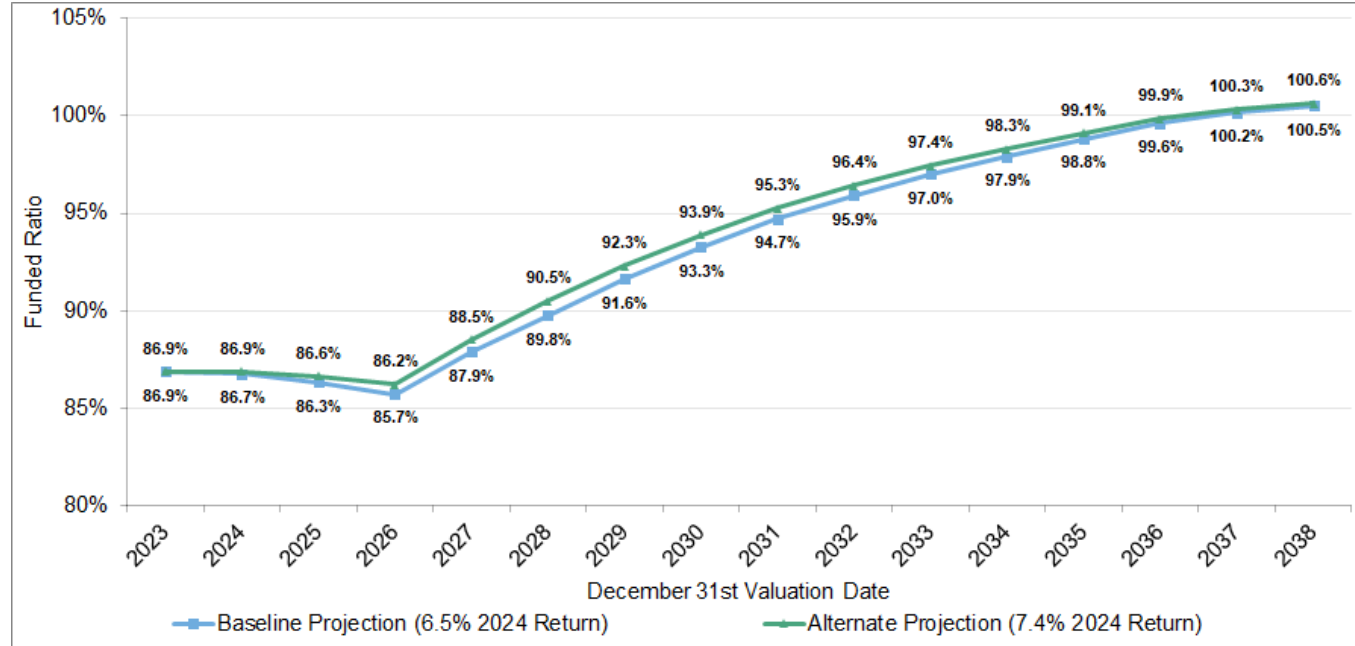
Stable Contribution Rate		
FYE	6.5% Return	7.4% Return
2026	16.10%	16.10%
2027	17.10%	17.10%

Alternate Projection utilizes estimated return of 7.4% for calendar year 2024 compared to Baseline Projection assumption of 6.5%.

The estimated return for the 2024 calendar year is 0.9% higher than expected, resulting in an estimated market value of assets \$0.3 billion higher than expected.

The unfunded actuarial accrued liability is projected to be lower than previously expected given this gain, resulting in lower employer contribution rates over the projection period.

# Projected Funded Ratio



Given the greater than expected return for 2024, estimated market value of assets are \$0.3 billion higher than anticipated.

This asset gain will be phased into the funded status of the plan over a five-year period from December 31, 2024 to December 31, 2028, causing a slight increase in the funded status over the baseline projection until the gain is fully recognized. Thereafter, the funded status of the plan continues to climb upward.

# Certification

Future actuarial results may differ significantly from current measurements due to such factors as the following: fund experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. Such changes in law may include additional costs resulting from future legislated benefit improvements or cost-of-living pension increases or supplements, which are not anticipated in the actuarial valuation. Because of limited scope, Gallagher performed no analysis of the potential range of such future differences, except for some limited analysis in financial projections or required disclosure information.

The purpose of this presentation is to provide the Board of Trustees ("Board") of the Local Governmental Employees' Retirement System of North Carolina estimated future projections based on the December 31, 2023 valuation results for discussion during the January 30, 2025 Board meeting attended by the actuaries. This presentation is provided for informational purposes and should not be used as actual future funding contribution rates for the System.

Use of these presentation results for any other purpose or by anyone other than the Board, the State of North Carolina, or their respective staffs may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the presentation results for that purpose. Because of the risk of misinterpretation of actuarial results, Gallagher recommends requesting its advance review of any statement, document, or filing to be based on the results contained in this presentation. Gallagher will accept no liability for any such statement, document, or filing to be made without its prior review.

Unless otherwise noted, the data, assumptions, methods, plan provisions, and model associated with the development of these results are the same as those described in the December 31, 2023 valuation report prepared October 2024. Risks inherent in the measurements herein are also the same as those described in that report.

This report was prepared under our supervision and in accordance with all applicable Actuarial Standards of Practice. We are Fellows of the Society of Actuaries, Enrolled Actuaries, Members of the American Academy of Actuaries, and Fellows of the Conference of Consulting Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. We are available to discuss this report with you at your convenience.

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# Appendix

# Fiscal Year Contribution Projection

Alternate Projection (7.40% Return in 2024, 6.50% Return Thereafter)

Fiscal Year Ending	Employer Policy Contribution Rate		Year Ending	Employer Contribution (\$)	Member Contribution (\$)	Benefit Payments (\$)
	(Non-LEO)	(LEO)				
6/30/2026	14.35%	16.10%	12/31/2024	1,237,605,000	551,046,000	(2,053,809,000)
6/30/2027	15.10%	17.10%	12/31/2025	1,325,876,000	557,949,000	(2,170,508,000)
6/30/2028	15.76%	18.09%	12/31/2026	1,418,881,000	565,879,000	(2,293,637,000)
6/30/2029	16.74%	19.06%	12/31/2027	1,512,581,000	574,655,000	(2,418,921,000)
6/30/2030	15.21%	17.53%	12/31/2028	1,620,450,000	584,409,000	(2,548,197,000)
6/30/2031	14.30%	16.60%	12/31/2029	1,621,757,000	594,813,000	(2,683,226,000)
6/30/2032	12.87%	15.16%	12/31/2030	1,528,429,000	605,906,000	(2,817,179,000)
6/30/2033	11.84%	14.12%	12/31/2031	1,437,456,000	617,760,000	(2,949,424,000)
6/30/2034	11.19%	13.46%	12/31/2032	1,337,601,000	630,504,000	(3,078,284,000)
6/30/2035	9.89%	12.15%	12/31/2033	1,275,955,000	644,068,000	(3,207,250,000)
6/30/2036	10.57%	12.83%	12/31/2034	1,196,543,000	658,092,000	(3,273,618,000)
6/30/2037	8.78%	11.04%	12/31/2035	1,187,970,000	672,598,000	(3,402,402,000)
6/30/2038	7.50%	9.75%	12/31/2036	1,151,260,000	687,884,000	(3,528,863,000)
6/30/2039	6.94%	9.18%	12/31/2037	997,872,000	703,945,000	(3,655,426,000)
6/30/2040	6.10%	8.34%	12/31/2038	910,760,000	720,640,000	(3,780,315,000)
6/30/2041	6.00%	7.38%	12/31/2039	847,090,000	738,561,000	(3,897,957,000)



# Asset and Liability Projection

Alternate Projection (7.40% Return in 2024, 6.50% Return Thereafter)

Valuation Year	Market Value of Assets (\$)	Actuarial Value of Assets (\$)	Accrued Liability (\$)	Unfunded Accrued Liability (\$)	Funded Ratio
12/31/2023	32,437,252,000	34,328,155,000	39,519,444,000	5,191,289,000	86.9%
12/31/2024	34,553,369,000	35,729,588,000	41,123,897,000	5,394,309,000	86.9%
12/31/2025	36,493,947,000	37,014,177,000	42,726,947,000	5,712,770,000	86.6%
12/31/2026	38,537,613,000	38,207,785,000	44,322,754,000	6,114,969,000	86.2%
12/31/2027	40,690,417,000	40,632,269,000	45,910,772,000	5,278,503,000	88.5%
12/31/2028	42,970,952,000	42,970,952,000	47,487,729,000	4,516,777,000	90.5%
12/31/2029	45,272,273,000	45,272,273,000	49,048,150,000	3,775,877,000	92.3%
12/31/2030	47,499,883,000	47,499,883,000	50,593,523,000	3,093,640,000	93.9%
12/31/2031	49,653,955,000	49,653,955,000	52,126,253,000	2,472,298,000	95.3%
12/31/2032	51,724,940,000	51,724,940,000	53,650,290,000	1,925,350,000	96.4%
12/31/2033	53,747,597,000	53,747,597,000	55,166,088,000	1,418,491,000	97.4%
12/31/2034	55,765,515,000	55,765,515,000	56,738,191,000	972,676,000	98.3%
12/31/2035	57,787,562,000	57,787,562,000	58,307,160,000	519,598,000	99.1%
12/31/2036	59,788,161,000	59,788,161,000	59,876,566,000	88,405,000	99.9%
12/31/2037	61,646,189,000	61,646,189,000	61,447,989,000	(198,200,000)	100.3%
12/31/2038	63,423,140,000	63,423,140,000	63,025,271,000	(397,869,000)	100.6%

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