

January 26, 2017

North Carolina Local Governmental Employees' Retirement System

Employer Contribution Projections

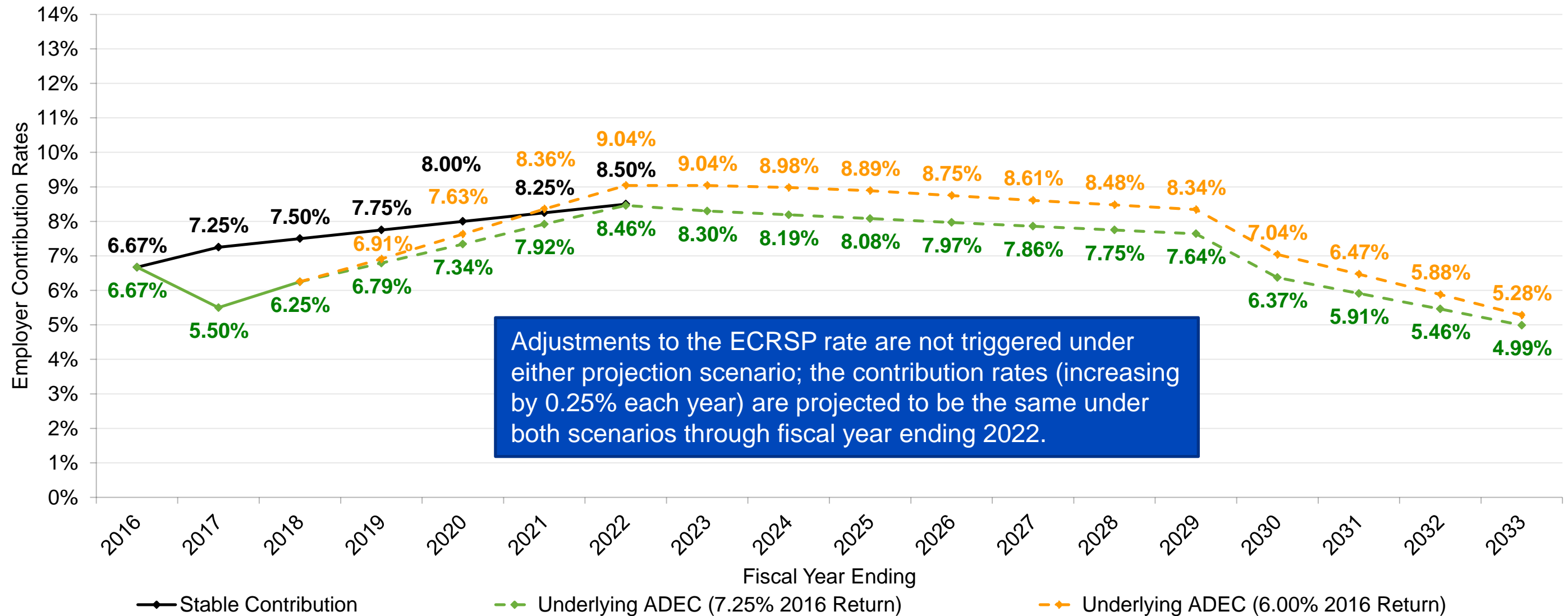
Projections: Employer Contribution Rate and Funded Status

- Projections of employer contribution rates and funded status into the future can be helpful planning tools for stakeholders.
- Projections of the actuarial valuation are known as deterministic projections. Deterministic projections are based on one scenario in the future.
- Baseline deterministic projection is based on:
 - December 31, 2015 valuation results
 - December 31, 2015 valuation assumptions and methods to project future valuation results, including
 - Valuation interest rate of 7.25% for all years
 - Investment return of 7.25% on market value of assets
 - The contribution rate under the Employer Contribution Rate Stabilization Policy is contributed until fiscal year ending 2022.
 - The actuarially determined employer contribution (ADEC) is contributed for fiscal years ending 2023 and beyond.
 - 0% increase in total active member population
 - No cost-of-living adjustments granted
 - Future pay increases based on long-term salary increase assumptions
- Alternate deterministic projection based on the same assumptions as the baseline deterministic projection, except
 - Assumes 6.00% asset return for calendar year 2016

Employer Contribution Rate Stabilization Policy (ECRSP)

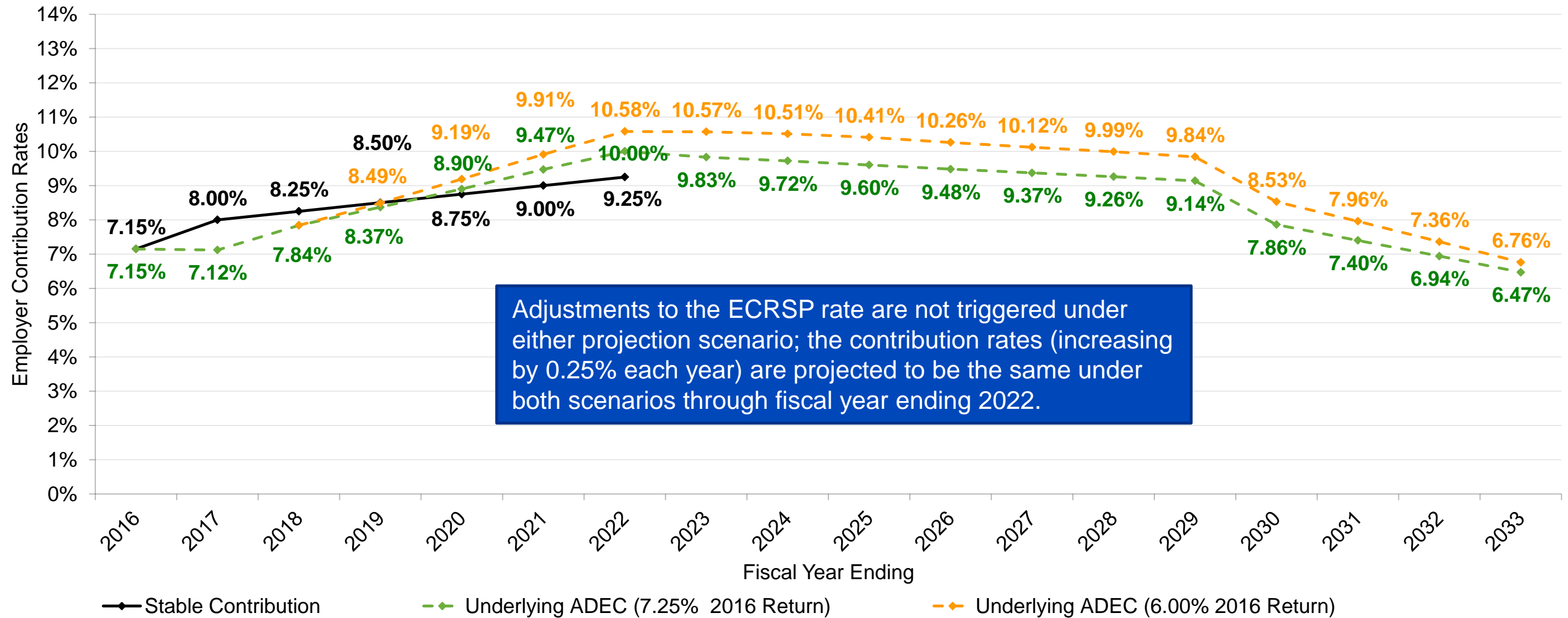
- The ECRSP was adopted by the Board of Trustees on January 21, 2016.
- The ECRSP sets recommended employer contributions for general employees and firefighters at 7.25% of payroll for fiscal year ending 2017 with 0.25% increases each fiscal year, with the following additional adjustments, if applicable:
 - If the underlying actuarially determined employer contribution rate (ADEC) for a given fiscal year is 50% higher than the scheduled employer contribution rate for that fiscal year, the scheduled employer contribution rate for the current and future fiscal years increases 0.50%;
 - If the underlying ADEC for a given fiscal year is 50% lower than the scheduled employer contribution rate for that fiscal year, the scheduled employer contribution rate for the current and future fiscal year decreases 0.50%;
 - If the General Assembly grants any additional COLA beyond the amount of COLA granted by the Board, increases the multiplier for active employees, or changes the benefit structure in a way that has a cost to the system, the schedule of contributions for the current and future fiscal years will be increased by the cost of the benefit enhancement. The cost of any COLA granted by the Board under the authority allowed by statute will not impact the scheduled contribution rates.
- Contribution rates for law enforcement officers will be 0.75% higher than contribution rates for general employees.

Projections: Employer Contribution Rates for General Employees



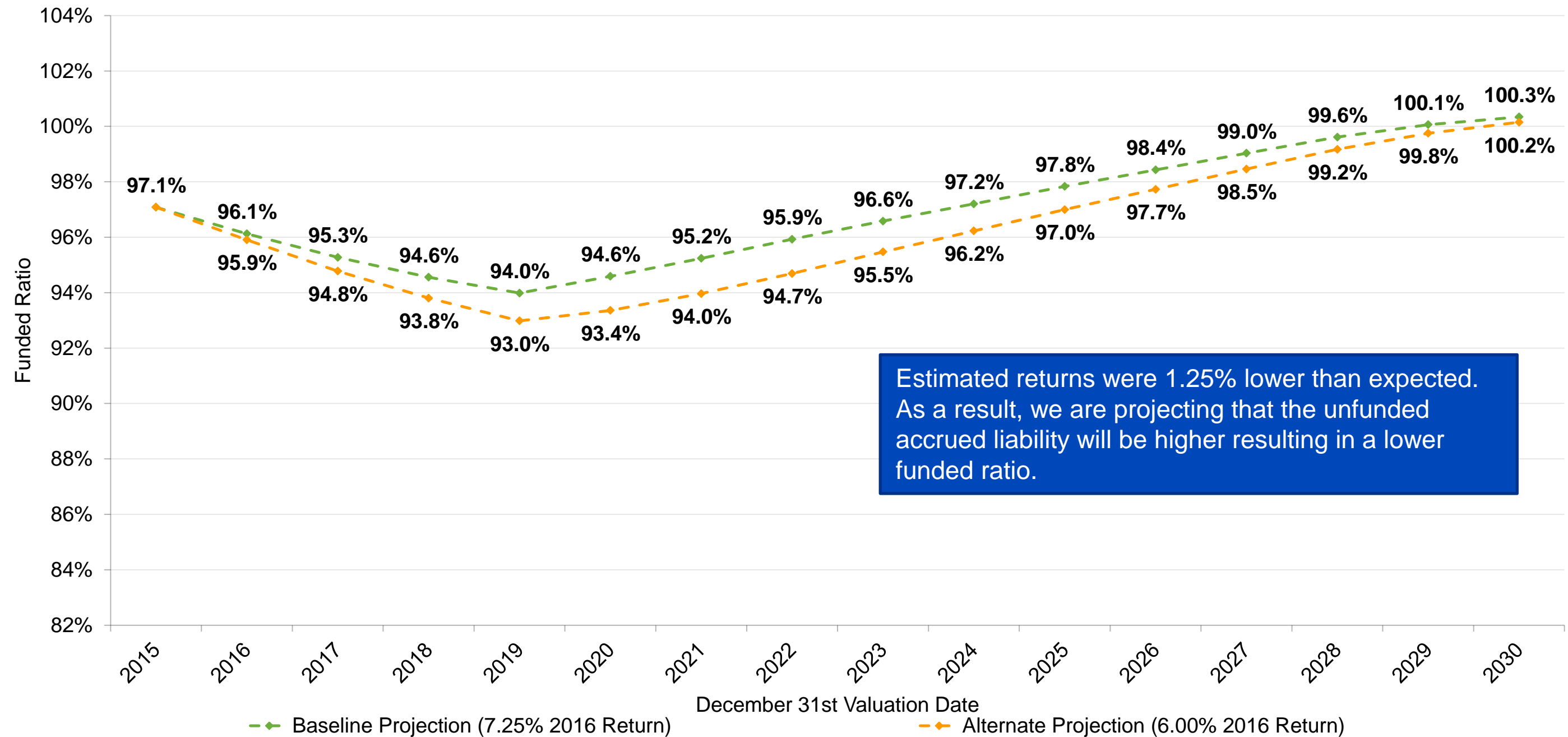
Estimated returns were 1.25% lower than expected. As a result, we are projecting that the unfunded accrued liability will be higher resulting in higher underlying ADEC.

Projections: Employer Contribution Rates for Law Enforcement Officers



Estimated returns were 1.25% lower than expected. As a result, we are projecting that the unfunded accrued liability will be higher resulting in higher underlying ADEC.

Projections: Funded Ratio



These results were prepared under the direction of Larry Langer and Michael Ribble who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. These results have been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions about them.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

Except where otherwise indicated, an analysis of the potential range of such future differences is beyond the scope of this report.

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Questions?

THANK YOU

