



Disability Income Plan of North Carolina

Adoption of Proposed Assumptions as Set in December 31, 2014
Experience Reviews

Board of Trustees Meeting
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Proposed Assumptions

On January 21, 2016, Buck Consultants presented the “Investigation of Demographic and Economic Experience Five-Year Period from January 1, 2010 – December 31, 2014” for the following system:

- Disability Income Plan of North Carolina

Experience review resulted in proposed changes to the following:

- Demographic Assumptions
- Economic Assumptions
- Funding Methods

Key Takeaways – Disability Income Plan

Assumption	Recommendation	Impact on Costs
1. Mortality from active employment status	Decrease Rates and Update Mortality Improvement Projection Scale	Slight Increase
2. Service retirement	Decrease Rates	Slight Increase
3. Termination from active employment	Decrease Rates	Slight Increase
4. Rate of disability	Decrease Rates	Significant Decrease
5. Recovery or death from disabled status	Increase Rates	Significant Decrease
6. Leave conversions at retirement	Varies by Group	Slight Increase
7. Investment return	Decrease Rate	Significant Increase
8. Merit pay increases	Decrease Rates	Slight Increase
9. Inflation	No Change	N/A
10. Productivity growth	No Change	N/A
11. Amortization method	No Change	N/A
12. Actuarial cost method	No Change	N/A
13. Asset valuation method	5-year Smoothing	Slight Increase

Notes:

- The assumption for rate of disability from active employment was the source of the largest decrease in costs. Better access to healthcare, workplace safety and accommodation for modified work, and more rigor in disability determination/approvals are among the reasons for the decrease in rates.
- The assumption for termination of disability status (due to death or recovery) was the source of the second largest decrease in costs. In addition to the reasons listed in note 4, significantly more data points were included in the standard industry table and included an update to the methodology for recovery rates. Death from disabled status rates have decreased, mimicking the change from RP-2000 to RP-2014, but overall termination from disability rates have increased, particularly in the early stages of disabled status.
- The current investment return assumption of 5.75% is no longer reasonable under current market conditions. Propose change to 3.75%.

Overall, the net impact on liabilities was a decrease