

North Carolina Retirement Systems Actuarial Overview of State and Local Systems

Based on Actuarial Valuations as of December 31, 2023

TSERS and LGERS Boards of Trustees Meeting
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Gallagher

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**NORTH CAROLINA RETIREMENT SYSTEMS
OVERVIEW OF STATE SYSTEM**
(Dollar Amounts in Millions)



| Number of Members by Status as of December 31, 2023 | Teachers' and State Employees' | Consolidated Judicial | Legislative | North Carolina National Guard | Total |
|--|--------------------------------------|--------------------------|-------------|----------------------------------|---------|
| Active members | 303,068 * | 582 | 170 | 5,336 | 309,156 |
| Terminated employees entitled to future benefits | 226,099 | 70 | 120 | 2,500 | 228,789 |
| Retirees and beneficiaries currently in receipt | 252,036 | 850 | 294 | 4,825 | 258,005 |
| Total | 781,203 | 1,502 | 584 | 12,661 | 795,950 |

* Includes disabled members receiving benefits from DIPNC.

| Key Results of Actuarial Valuation as of December 31, 2023 | Teachers' and State Employees' | Consolidated Judicial | Legislative | North Carolina National Guard | Total |
|---|--------------------------------------|--------------------------|-------------|----------------------------------|------------|
| Market Value of Assets (MVA) | \$ 83,643 | \$ 700 | \$ 29 | \$ 178 | \$ 84,550 |
| Actuarial Value of Assets (AVA) | \$ 88,619 | \$ 742 | \$ 31 | \$ 188 | \$ 89,580 |
| Actuarial Accrued Liability (AAL) | \$ 99,810 | \$ 920 | \$ 30 | \$ 152 | \$ 100,912 |
| Unfunded AAL (UAAL) | \$ 11,191 | \$ 178 | \$ (1) | \$ (37) | \$ 11,332 |
| Funded Ratio (AVA/AAL) | 88.8% | 80.6% | 101.6% | 124.1% | |

| Preliminary Actuarially Determined Employer Contribution for Fiscal Year Ending June 30, 2026 | Teachers' and State Employees' | Consolidated Judicial | Legislative | North Carolina National Guard | Total |
|---|--------------------------------------|--------------------------|-------------|----------------------------------|-------------|
| Estimated Normal Cost | \$ 1,190.4 | \$ 13.1 | \$ 0.7 | \$ 1.1 | \$ 1,205.3 |
| Estimated Accrued Liability Contribution | \$ 1,738.2 | \$ 25.0 | \$ 0.0 | \$ (1.1) | \$ 1,762.1 |
| Estimated Deferred Increase under Direct Rate Smoothing | \$ (113.7) | \$ (0.6) | \$ 0.0 | \$ 0.0 | \$ (114.3) |
| Estimated Total Contribution | \$ 2,814.9 | \$ 37.5 | \$ 0.7 | \$ 0.0 | \$ 2,853.1 |
| Estimated Contribution under ECRSP/SCRSP | \$ 3,248.9 | \$ 37.5 | \$ 0.7 | \$ 1.1 | \$ 3,288.2 |
| Payroll Projected to Fiscal Year of Contribution | \$ 18,955.3 | \$ 99.5 | \$ 3.9 | N/A | \$ 19,058.7 |
| Normal Cost (% of Valuation Payroll) | 6.28% | 13.24% | 17.09% | N/A | N/A |
| Accrued Liability (% of Projected Payroll) | 9.17% | 25.10% | 0.56% | N/A | N/A |
| Deferred Increase under Direct Rate Smoothing | (0.60%) | (0.61%) | 0.61% | N/A | N/A |
| Total (% of Payroll) | 14.85% | 37.73% | 18.26% | N/A | N/A |
| Contribution Rate under the Employer Contribution Rate Stabilization Policy (ECRSP) (% of Payroll) | 17.14% | N/A | N/A | N/A | N/A |

NORTH CAROLINA RETIREMENT SYSTEMS
OVERVIEW OF LOCAL SYSTEM
(Dollar Amounts in Millions)



| Number of Members by Status G2as of December 31, 2023 | Local Governmental Employees' | Firefighters' and Rescue Squad Workers' | Registers of Deeds' Supplemental | Total |
|---|----------------------------------|--|-------------------------------------|---------|
| Active members | 141,269 | 44,394 * | 100 | 185,763 |
| Disabled employees entitled to future benefits | N/A | 99 | N/A | 99 |
| Terminated employees entitled to future benefits | 108,697 | 0 | 0 | 108,697 |
| Retirees and beneficiaries currently in receipt | 85,027 | 15,263 | 108 | 100,398 |
| Total | 334,993 | 59,756 | 208 | 394,957 |

* Includes active and lapsed members.

| Key Results of Actuarial Valuation as of December 31, 2023 | Local Governmental Employees' | Firefighters' and Rescue Squad Workers' | Registers of Deeds' Supplemental | Total |
|---|----------------------------------|--|-------------------------------------|-----------|
| Market Value of Assets (MVA) | \$ 32,437 | \$ 511 | \$ 47 | \$ 32,995 |
| Actuarial Value of Assets (AVA) | \$ 34,328 | \$ 542 | \$ 51 | \$ 34,921 |
| Actuarial Accrued Liability (AAL) | \$ 39,519 | \$ 523 | \$ 34 | \$ 40,076 |
| Unfunded AAL (UAAL) | \$ 5,191 * | \$ (18) | \$ (17) | \$ 5,155 |
| Funded Ratio (AVA/AAL) | 86.9% | 103.5% | 150.2% | |

* Includes the employer's initial unfunded prior service cost liability of about \$5.5 million.

| Preliminary Actuarially Determined Employer Contribution for Fiscal Year Ending June 30, 2026 | Local Governmental Employees' | Firefighters' and Rescue Squad Workers' | Registers of Deeds' Supplemental | Total |
|---|----------------------------------|--|-------------------------------------|------------|
| Estimated Normal Cost | \$ 634.1 | \$ 4.5 | \$ 1.3 | \$ 639.9 |
| Estimated Accrued Liability Contribution | \$ 769.2 | \$ (2.5) | \$ (1.3) | \$ 765.4 |
| Estimated Deferred Increase under Direct Rate Smoothing | \$ (58.9) | \$ (0.2) | \$ 0.0 | \$ (59.1) |
| Estimated Total Contribution | \$ 1,344.4 | \$ 1.8 | \$ 0.0 | \$ 1,346.2 |
| Estimated Contribution under ECRSP/SCRSP | \$ 1,378.6 | \$ 20.8 | N/A | \$ 1,399.4 |
| Payroll Projected to Fiscal Year of Contribution | \$ 9,414.7 | N/A | N/A | \$ 9,414.7 |
| Normal Cost (% of Valuation Payroll) | | | | |
| General Employees and Firefighters | 6.35% | N/A | N/A | N/A |
| Law Enforcement Officers | 8.65% | N/A | N/A | N/A |
| Accrued Liability (% of Projected Payroll) | 8.17% | N/A | N/A | N/A |
| Deferred Increase under Direct Rate Smoothing | | | | |
| General Employees and Firefighters | (0.60%) | N/A | N/A | N/A |
| Law Enforcement Officers | (0.75%) | N/A | N/A | N/A |
| Total Contribution (% of Payroll) | | | | |
| General Employees and Firefighters | 13.92% | N/A | N/A | N/A |
| Law Enforcement Officers | 16.07% | N/A | N/A | N/A |
| Contribution Rate under the Employer Contribution Rate Stabilization Policy (ECRSP) (% of Payroll) | | | | |
| General Employees and Firefighters | 14.35% | N/A | N/A | N/A |
| Law Enforcement Officers | 16.10% | N/A | N/A | N/A |

Certification

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. 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 summary is to provide a broad overview of the December 31, 2023 actuarial valuation results to the TSERS and LGERS Boards at the October 24, 2024 meeting attended by the actuaries. Use of this report for any other purposes may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of this presentation for that purpose. This summary should not be provided without a copy of each of the associated valuation reports. Because of the risk of misinterpretation of actuarial results, you should ask Gallagher Benefit Services, Inc. (hereinafter “Gallagher”) to review any statement you wish to make on the results contained in this presentation. Gallagher will not accept any liability for any such statement made without prior review.

This overview is considered part of each annual actuarial valuation report included in the summary above. Please see the individual actuarial valuation report for a full description of data, actuarial assumptions and methods, plan provisions, and other applicable disclosures.

This summary 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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