BUCK
A Gallagher Company

North Carolina National Guard Pension Fund

Principal Results of Actuarial Valuation as of December 31, 2022

October 26, 2023, Board of Trustees Meeting

Michael Ribble, FSA, EA, MAAA, FCA
Elizabeth Wiley, FSA, EA, MAAA, FCA

Valuation input

Member data

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

The table below provides a summary of the membership data used in this valuation compared to the prior valuation.

Number as of	12/31/2022	12/31/2021
Active members	5,614	5,620
Terminated members entitled to benefits but not yet receiving benefits	2,885	3,222
Retired members currently receiving benefits	4,681	4,766
Total	13,180	13,608

A detailed summary of the membership data used in this valuation is provided in Section 2 and Appendix A.

The total number of terminated members decreased by 10.5% from the previous valuation date.

The decrease of terminated members is primarily attributable to significant updates in the census data provided by the North Carolina National Guard and the recognition of reported North Carolina National Guard service.

Valuation results

Net actuarial gain or loss

Actuarial Value of Assets	Actuarial Accrued Liability	**Net Actuarial Gain or Loss**	Funded Ratio	Employer Contributions

The table below provides a reconciliation of the prior year's unfunded actuarial accrued liability to the current year's unfunded actuarial accrued liability.

(in millions)		
Unfunded actuarial accrued liability (UAAL) as of 12/31/2021	$	(23.4)
Normal cost and administrative expense during 2022		0.3
Reduction due to actual contributions during 2022		(11.0)
Interest on UAAL, normal cost, and contributions		(1.9)
Asset (gain) / loss		3.5
Actuarial accrued liability (gain) / loss		(6.7)
Impact of assumption changes		0.0
Impact of legislative changes		0.0
Unfunded actuarial accrued liability (UAAL) as of 12/31/2022	$	(39.2)

A detailed summary of the net actuarial gain or loss is provided in Section 4.

During 2022, a demographic experience gain decreased the UAAL by $6.7 million. Of this amount, $7.4 million was attributable to experience and data updates for terminated members not yet receiving benefits and an additional $0.4 million for other demographic experience.

This gain was offset by a loss of $1.1 million attributable to new retirements initiated by the N.C. National Guard during 2022 where the individuals were not previously expected to be retirement eligible based on census data files provided for purposes of the valuation.

In addition, an asset loss increased the UAAL by $3.5 million.

Valuation results

Employer contributions

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The table below provides a reconciliation of the actuarially determined employer contribution.

Fiscal year ending June 30, 2024 Preliminary ADEC (based on December 31, 2021 valuation)	$ 0
Impact of Legislative Changes	0
Fiscal year ending June 30, 2024 Final ADEC	$ 0
Anticipated Reduction in UAAL	380,259
Change Due to Investment (Gain)/Loss	459,316
Direct Rate Smoothing	154,185
Change Due to Demographic (Gain)/Loss*	(875,996)
Change Due to Contributions Greater than ADEC	(593,056)
Fiscal year ending June 30, 2025 Preliminary ADEC (based on December 31, 2022 valuation and no less than $0)	$ 0

* The majority of the demographic gain is attributed to vested termination experience gains due to data updates.

The change in rate due to investment loss is based on the actuarial value of assets return of 4.49%, which is less than the 6.50% assumed return.

A detailed summary of the actuarially determined employer contribution rates is provided in Section 5.

Valuation results

Employer contributions (SCRSP)

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The table below provides a summary of the employer contribution development for this valuation compared to the prior valuation.

Contributions for Fiscal Year Ending	6/30/2025	6/30/2024
Actuarially Determined Employer Contribution (ADEC)		
Normal Cost	$ 1,120,949	$ 1,222,673
Accrued Liability	(1,120,949)	(1,222,673)
Total Preliminary ADEC	$ 0	$ 0
Total Based on Direct Rate Smoothing	$ 0	$ 0
Additional Contribution Under State Contribution Rate Stabilization Policy (SCRSP)**	$ 0	$ 0
Total Contribution	$ 0	$ 0
Contributions for Fiscal Year Ending	**6/30/2025**	**6/30/2024**
Legislative Appropriation	Not Final	$ 0

**According to the SCRSP adopted on April 29, 2021, and effective July 1, 2022, through June 30, 2027, the recommended contribution is as follows:

- If the Funded Percentage (AVA/AAL) is greater than or equal to 100%, the underlying preliminary actuarially determined contribution rate (ADEC)
- If the Funded Percentage is less than 100%, the greater of :

  (1) The appropriation recommended by the Board for the current year; or

  (2) The underlying preliminary ADEC, plus $2,000,000.

Since the Funded Percentage for the December 31, 2022 valuation is greater than 100%, the recommended contribution is the ADEC for fiscal year ending June 30, 2025.

A detailed summary of the actuarially determined employer contribution rates is provided in Section 6.
The full State Contribution Rate Stabilization Policy (SCRSP) is provided in Appendix D.

Valuation results

State Contribution Rate Stabilization Policy

Benefit Enhancements	Additional Disclosures	Projections

Below is a summary of the SCRSP that the Board adopted on April 29, 2021

- Annual Appropriation Recommendation (before consideration of benefit improvements)
  - If the Funded Percentage is greater than or equal to 100%, the Board will recommend a contribution equal to the underlying ADEC
  - If the Funded Percentage is less than 100%, the Board recommendation will be the greater of (1) the appropriation recommended by the Board for the current fiscal year or (2) the underlying ADEC for the upcoming fiscal year plus $2 million
- Board considerations for benefit improvements:
  - Recommended benefit increase is no greater than the most recent June-over-June CPI-U increase
  - The Benefit Improvement Funding Requirement (BIFR) is included in the appropriation recommended by the Board for the upcoming fiscal year
  - See next slides for information regarding the BIFR
- Board considerations for Cost-of-Living Adjustments (COLAs):
  - If the Funded Percentage is greater than or equal to 90%, any recommendations of the Board regarding (1) whether a COLA should be granted, (2) the percentage increase in retirement benefits due to the COLA, and (3) the term of amortization will be the same as the Board's recommendations taking effect at the same time regarding TSERS. If it is not administratively feasible for RSD staff to implement the same adjustments for the NCNGPF as for TSERS, then the Board will recommend that some pension adjustment of similar value for retirees be implemented.
  - If the Funded Percentage is less than 90%, the Board may consider recommending a COLA for NCNGPF retirees under the conditions described above for benefit improvements.

Valuation results

State Contribution Rate Stabilization Policy

Benefit Enhancements	Additional Disclosures	Projections

Metrics the Board must consider to recommend a benefit increase to the General Assembly based on the results of the December 31, 2022 valuation:

- The most recent June-over-June increase in the CPI-U is 2.97%. Consequently, the maximum benefit improvement the Board could approve is an increase in the $105/$210 benefit to $108/$216 applicable to current and future retired participants, provided the BIFR is included in the appropriation recommendation for the upcoming fiscal year.
- The increase in the AAL and Normal Cost for certain proposed benefit improvements:

	$ Improvement		
	$1	$2	$3
Increase in AAL	$ 1,364,310	$ 2,728,620	$ 4,092,930
% Increase in AAL	0.95%	1.90%	2.86%
Increase in Normal Cost	$ 2,110	$ 4,220	$ 6,331

- Development of BIFR for a benefit improvement from $105/$210 to $108/$216

	$ Improvement		
	$1	$2	$3
(1) Full Actuarial Cost of Proposed Benefit Improvement	$ 1,366,420	$ 2,732,841	$ 4,099,261
(2) NCNGPF Actuarial Accrued Liability as of 12/31/2022	143,252,559	143,252,559	143,252,559
(3) NCNGPF Actuarial Value of Assets as of 12/31/2022	182,447,658	182,447,658	182,447,658
(4) Underlying ADEC for FYE 6/30/2025	0	0	0
(5) Policy Contribution Without Benefit Increase for FY 6/30/2025	0	0	0
(6) Total Adjustment (2) – (3) + (4) – (5), only if less than $0	(39,195,099)	(39,195,099)	(39,195,099)
BIFR: (1) + (6), not less than $0	$ 0	$ 0	$ 0

Certification

Future actuarial results may differ significantly from the current results presented in this report 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, Buck 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 a summary of the actuarial valuation results to the Board at the October 26, 2023 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 presentation should not be provided without a copy of the full valuation report. Because of the risk of misinterpretation of actuarial results, you should ask Buck, A Gallagher Company (Buck) to review any statement you wish to make on the results contained in this presentation. Buck will not accept any liability for any such statement made without prior review.

This presentation is considered part of the annual actuarial valuation report. Please see below for full description of data, actuarial assumptions and methods, plan provisions, and other applicable disclosures.

We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions about it.

Michael A. Ribble, FSA, EA, MAAA, FCA

Elizabeth A. Wiley, FSA, EA, MAAA, FCA

Appendix

Supplemental Information

Valuation input

Market value

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

The table below provides details of the Market Value of Assets for the current and prior year's valuations.

Asset data as of	12/31/2022	12/31/2021
Beginning of year market value of assets	$ 181,849,684	$ 164,416,547
Contributions	11,031,716	11,031,715
Benefit payments	(9,088,937)	(8,966,120)
Expenses	(112,894)	(94,271)
Investment income	(18,056,768)	15,461,813
Net increase / (decrease)	(16,226,883)	17,433,137
End of year market value of assets	$ 165,622,801	$ 181,849,684
Estimated net investment return	(9.88)%	9.35%

National Guard Pension Fund assets are held in trust and are invested for the exclusive benefit of plan members.

Over the long term, benefit payments and administrative expenses not covered by contributions are expected to be covered with investment income, illustrating the benefits of following actuarial pre-funding since inception.

Valuation results

Funded ratio

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The table below provides a summary of the results of this valuation compared to the prior valuation.

Valuation results as of	12/31/2022	12/31/2021
Assets		
Actuarial Value (AVA)	$ 182,447,658	$ 172,825,139
Market Value	$ 165,622,801	$ 181,849,684
Actuarial Accrued Liability (AAL)	$ 143,252,559	$ 149,382,457
Unfunded Accrued Liability (AAL-AVA)	$ (39,195,099)	$ (23,442,682)
Funded Ratio (AVA/AAL)	127.4%	115.7%

The funded ratio increased from 115.7% to 127.4% as of 12/31/2022.

The increase in funded ratio is primarily attributable to demographic experience indicated in the census data (see slide 3 for additional details). The additional SCRSP contributions also increased the funded ratio.

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A Gallagher Company

North Carolina National Guard Pension Fund

Report on the Actuarial Valuation
Prepared as of December 31, 2022

October 2023

110 West Berry Street
Suite 1300
Fort Wayne, IN 46802

October 13, 2023

Board of Trustees
Teachers' and State Employees'
Retirement System of North Carolina
3200 Atlantic Avenue
Raleigh, NC 27604

Members of the Board:

We submit herewith our report on the actuarial valuation of the North Carolina National Guard Pension Fund (referred to as “the Fund”) prepared as of December 31, 2022. The report has been prepared in accordance with Chapter 127A of the North Carolina General Statutes. Information contained in our report for plan years from December 31, 2017, to December 31, 2020, is based on valuations performed by the prior actuarial firm.

The primary purpose of the valuation report is to determine the required employer contribution rates, to describe the current financial condition of the Fund, and to analyze changes in such condition. Use of this report for any other purposes or by anyone other than North Carolina Retirement Systems Division (RSD) and Department of State Treasurer staff may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. The attached pages should not be provided without a copy of this cover letter. Because of the risk of misinterpretation of actuarial results, you should ask Buck, A Gallagher Company (Buck) to review any statement you wish to make on the results contained in this report. Buck will not accept any liability for any such statement made without prior review.

The results of this report are based upon participant data supplied by RSD and financial data supplied by the Financial Operations Division. Although we reviewed the data for reasonableness and consistency with data for the prior valuation, these elements have not been audited by Buck and we cannot certify as to the accuracy and completeness of the data supplied. The results of this report are dependent on the accuracy of the data. Sometimes assumptions are made by Buck to interpret membership data that is imperfect. The valuation does not include members with less than seven years of service. The liabilities have been adjusted to reflect the expected impact of these members. Furthermore, in order to be eligible to receive a benefit from the Fund, members are required to have twenty years of total military service, of which at least fifteen must be North Carolina National Guard service. Assumptions with respect to total military service and North Carolina National Guard service are detailed in Appendix C.

The valuation is also based on benefit and contribution provisions as presented in this report. If you have reason to believe that the plan provisions are incorrectly described, that important plan provisions relevant to this valuation are not described, or that conditions have changed since the calculations were made, you should contact the authors of this actuarial report prior to relying on this information.

The valuation is further based on the actuarial valuation assumptions, approved by the Board of Trustees, as presented in this report. We believe that these assumptions are reasonable and comply with the Actuarial Standards of Practice (“ASOPs”) 27 and 35. We prepared this valuation in accordance with the requirements of this standard and in accordance with all applicable ASOPs.

The assumptions used for the December 31, 2022, actuarial valuation are based on the experience study prepared as of December 31, 2019, and adopted by the Board of Trustees on January 28, 2021. All assumptions are discussed annually with the appropriate parties, and actuarial gain/loss experience is reviewed during each valuation, to see if any changes are needed. The economic assumptions with respect to investment yield and inflation have been based upon a review of the existing portfolio structure as well as recent and anticipated experience. All assumptions represent an estimate of future experience.

ASOPs 27 and 35 ask the actuary to disclose the information and analysis used to support the actuary's determination that the assumptions selected by the plan sponsor do not significantly conflict with what, in the actuary's professional judgment, are reasonable for the purpose of the measurement. In the case of the Board's selection of the investment return assumption, the signing actuaries have used economic information and tools provided by Buck's Financial Risk Management ("FRM") practice. A spreadsheet tool created by the FRM team converts averages, standard deviations, and correlations from Buck's Capital Markets Assumptions ("CMA") that are used for stochastic forecasting into approximate percentile ranges for the arithmetic and geometric average returns. It is intended to suggest possible reasonable ranges for the investment return assumption without attempting to predict or select a specific best estimate rate of return. It takes into account the duration (horizon) of investment and the target allocation of assets in the portfolio to various asset classes. Based on the actuaries' analysis, including consistency with other assumptions used in the valuation, the percentiles generated by the spreadsheet described above, and review of actuarial gain/loss experience, the actuaries believe the assumptions, in the actuaries' professional judgment, is reasonable for the purpose of the measurement.

Where presented, references to "funded ratio" and "unfunded accrued liability" typically are measured on an actuarial value of assets basis. It should be noted that the same measurements using market value of assets would result in different funded ratios and unfunded accrued liabilities. Moreover, the funded ratio presented is appropriate for evaluating the need and level of future contributions but makes no assessment regarding the funded status of the plan if the plan were to settle (i.e. purchase annuities) for a portion or all of its liabilities. In various places in the report the results also show funded ratios and unfunded liabilities based upon varying sets of assumptions as well as market values of assets as that is required for certain disclosure information required per accounting rules or statutes. Where this has been done it has been clearly indicated.

Actuarial Standard of Practice No. 56 ("ASOP 56") provides guidance to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models. In addition to the spreadsheet model discussed above, Buck uses third-party software in the performance of annual actuarial valuations and projections. The model is intended to calculate the liabilities associated with the provisions of the Plan using data and assumptions as of the measurement date under the accounting rules specified in this report. The output from the third-party vendor software is used as input to an internally developed model that applies applicable accounting rules to the liabilities derived and other inputs, such as Plan assets and contributions, to generate many of the exhibits found in this report. Buck has an extensive review process whereby the results of the liability calculations are checked using detailed sample output, changes from year to year are summarized by source, and significant deviations from expectations are investigated. Other accounting outputs and the internal model are similarly reviewed in detail and at a high level for accuracy, reasonability, and consistency with prior results. Buck also reviews the third-party model when significant changes are made to the software. The review is performed by experts within the company who are familiar with applicable accounting rules as well as the manner in which the model generates its output. If significant changes are made to the internal model, extra checking and review are completed. Significant changes to the internal model that are applicable to multiple clients are generally developed, checked and reviewed by multiple experts within the company who are familiar with the details of the required changes.

Future actuarial results may differ significantly from the current results presented in this report 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, Buck performed no analysis of the potential range of such future differences, except for some limited analysis in financial projections or required disclosure information.

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.

Respectfully submitted,

Michael A. Ribble

Michael A. Ribble, FSA, EA, MAAA, FCA
Principal, Retirement Actuary
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Elizabeth A. Wiley

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Table of Contents

Section 1: Principal Results

This report, prepared as of December 31, 2022, presents the results of the actuarial valuation of the Fund. For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below.

Table 1: Summary of Principal Results

Valuation results as of	12/31/2022	12/31/2021
Active Members		
Number	5,614	5,620
Retired Members Currently Receiving Benefits		
Number	4,681	4,766
Annual Pensions	$ 8,677,540	$ 8,891,999
Terminated Members Entitled to but Not Yet Receiving Benefits		
Number	2,885	3,222
Deferred Pensions	$ 5,182,555	$ 5,612,935
Assets		
Actuarial Value (AVA)	$ 182,447,658	$ 172,825,139
Market Value	$ 165,622,801	$ 181,849,684
Actuarial Accrued Liability (AAL)	$ 143,252,559	$ 149,382,457
Unfunded Accrued Liability (AAL-AVA)	$ (39,195,099)	$ (23,442,682)
Funded Ratio (AVA/AAL)*	127.4%	115.7%
Contributions for Fiscal Year Ending	**6/30/2025**	**6/30/2024**
Actuarially Determined Employer Contribution (ADEC)		
Normal Cost	$ 1,120,949	$ 1,122,673
Accrued Liability	(1,120,949)	(1,122,673)
Total Preliminary ADEC	0	0
Total Based on Direct Rate Smoothing	$ 0	$ 0
Additional Contribution Under State Contribution Rate Stabilization Policy (SCRSP)**	$ 0	$ 0
Total Contribution	$ 0	$ 0
Contributions for Fiscal Year Ending	**6/30/2025**	**6/30/2024**
Legislative Appropriation	Not Final	$ 0

* The Funded Ratio on a Market Value of Assets basis is 115.6% at December 31, 2022.

** The ADEC for fiscal year ending June 30, 2024 has been determined under the SCRSP. Since the plan has a funded ratio over 100% as of 12/31/2022, SCRSP recommends an appropriation equal to the ADEC. See Appendix D for a full description of the SCRSP.

Section 1: Principal Results (continued)

The following table shows a reconciliation of the change in the actuarially determined employer contribution that remained at $0 based on the December 31, 2021 and December 31, 2022 valuations.

Table 2: Reconciliation of Change in Actuarially Determined Employer Contribution (ADEC)

Fiscal year ending June 30, 2024 Preliminary ADEC (based on December 31, 2021 valuation)	$ 0
Impact of Legislative Changes	0
Fiscal year ending June 30, 2024 Final ADEC	$ 0
Anticipated Increase/(Decrease) in UAAL	380,259
Change Due to Investment (Gain)/Loss	459,316
Direct Rate Smoothing	154,185
Change Due to Demographic (Gain)/Loss*	(875,996)
Change Due to Contributions Greater than ADEC	(593,056)
Fiscal year ending June 30, 2025 Preliminary ADEC (based on December 31, 2022 valuation and no less than $0)	$ 0

* The majority of the demographic gain is attributed to vested termination experience gains due to data updates.

- Tables summarizing the membership of the Fund as of the valuation date are shown in Section 2.
- An allocation of investments by category and the development of the actuarial value of assets are shown in Section 3.
- Comments on the experience and actuarial gains/losses during the valuation year are provided in Section 4.
- Comments on the actuarially determined employer contribution are provided in Section 5.
- Comments on risks to the fund are provided in Section 6.
- Appendix A provides detailed tabulations of the membership of the Fund as of the valuation date.
- Appendix B gives a summary of the benefit provisions of the Fund.
- Appendix C outlines the full set of actuarial assumptions and methods employed.
- Appendix D contains a summary of the SCRSP policy.

Section 2: Membership Data

Data regarding the membership of the Fund for use as a basis for the valuation were furnished by the Retirement Systems Division. The following table summarizes the membership of the Fund as of December 31, 2022 upon which the valuation was based. Detailed tabulations of the data are given in Appendix A.

Table 3: Membership of the Fund as of December 31, 2022

	Member Count	Average Age	Average Service	Annual Pensions
Active Members	5,614	37.66	14.99	N/A
Retired Members Currently Receiving Benefits	4,681	73.02	N/A	$ 8,677,540
Terminated Members Entitled to Benefits but Not Yet Receiving Benefits	2,885	58.97	N/A	$ 5,182,555

Section 3: Asset Data

Assets are held in trust and are invested for the exclusive benefit of NGPF members. The tables below provide the details of the Market Value of Assets for the current and prior years' valuations.

Table 4: Market Value of Assets

Asset Data as of	12/31/2022	12/31/2021
Beginning of Year Market Value of Assets	$ 181,849,684	$ 164,416,547
State Contributions	11,031,716	11,031,715
Benefit Payments	(9,088,937)	(8,966,120)
Expenses	(112,894)	(94,271)
Investment Income	(18,056,768)	15,461,813
Net Increase/(Decrease)	(16,226,883)	17,433,137
End of Year Market Value of Assets	$ 165,622,801	$ 181,849,684
Estimated Net Investment Return on Market Value	(9.88%)	9.35%

The following table shows an allocation of investments by category as of December 31, 2022.

Table 5: Allocation of Investments by Category for the National Guard Pension Fund as of December 31, 2022

Cash and Receivables	15.2%
Fixed Income (LTIF)	22.0%
Public Equity	31.7%
Other*	31.1%
Total	100.0%

* Real Estate, Alternatives, Inflation, and Credit.

Section 3: Asset Data (continued)

Table 6: Development of Actuarial Value of Assets

Asset Data as of	12/31/2022
Beginning of Year Market Value of Assets	$ 181,849,684
Contributions	11,031,716
Benefit Payments and Administrative Expenses	(9,201,831)
Net Cash Flow	1,829,885
Expected Investment Return	11,878,765
Expected End of Year Market Value of Assets	195,558,334
End of Year Market Value of Assets	165,622,801
Excess of Market Value over Expected Market Value of Assets	(29,935,533)
80% of 2022 Asset Gain/(Loss)	(23,948,426)
60% of 2021 Asset Gain/(Loss)	2,827,007
40% of 2020 Asset Gain/(Loss)	2,359,220
20% of 2019 Asset Gain/(Loss)	1,937,342
Total Deferred Asset Gain/(Loss)	(16,824,857)
Preliminary End of Year Actuarial Value of Assets	182,447,658
Final End of Year Actuarial Value of Assets (not less than 80% and not greater than 120% of Market Value)	182,447,658
Estimated Net Investment Return on Actuarial Value	4.49%
Estimated Net Investment Return on Market Value	-9.88%

Commentary: The actuarial value of assets smooths investment gains/losses, resulting in less volatility in the employer contribution. The asset valuation method recognizes asset returns in excess of or less than the expected return on the market value of assets over a five-year period. Lower than expected market return in 2022 resulted in an actuarial value of asset return for calendar year 2022 of 4.49% and a recognized actuarial asset loss of $3.5 million during 2022.

Section 4: Liability Results

Table 7: Liability Summary

Valuation Results as of	12/31/2022	12/31/2021
(a) Present Value of Future Benefits		
(1) Active Members	$ 25,670,559	$ 26,027,975
(2) Terminated Members	43,712,925	46,532,377
(3) Members Currently Receiving Benefits	74,993,239	77,950,299
(4) Total	$ 144,376,723	$ 150,510,651
(b) Present Value of Future Normal Costs	$ 1,124,164	$ 1,128,194
(c) Actuarial Accrued Liability: (a4) - (b)	$ 143,252,559	$ 149,382,457
(d) Actuarial Value of Assets	$ 182,447,658	$ 172,825,139
(e) Unfunded Accrued Liability: (c) - (d)	$ (39,195,099)	$ (23,442,682)

The following table shows a detailed reconciliation of the change in unfunded accrued liability since the prior valuation.

Table 8: Reconciliation of Change in Unfunded Accrued Liability Since the Prior Valuation (in millions)

(in millions)	
Unfunded Actuarial Accrued Liability (UAAL) as of 12/31/2021	$ (23.4)
Normal Cost and Administrative Expense during 2022	0.3
Reduction due to Actual Contributions during 2022	(11.0)
Interest on UAAL, Normal Cost, and Contributions	(1.9)
Asset (Gain)/Loss	3.5
Actuarial Accrued Liability (Gain)/Loss	(6.7)
Impact of Assumption Changes	0.0
Impact of Legislative Changes	0.0
Unfunded Actuarial Accrued Liability (UAAL) as of 12/31/2022	$ (39.2)

Commentary: During 2022, demographic experience decreased the UAAL by $6.7 million. Of this amount, $7.4 million was attributable to experience and data updates for terminated members not yet receiving benefits. This gain was offset by a loss of $1.1 million attributable to new retirements initiated by the N.C. National Guard during 2022 where the individuals were not previously expected to be retirement eligible based on census data files provided for purposes of the valuation. The additional $0.4 million gain was due to other demographic experience. In addition, an asset loss increased the UAAL by $3.5 million.

Section 5: Actuarially Determined Employer Contribution

The normal cost contribution is the cost of benefits accruing in the current year under the actuarial funding method. The valuation indicates that the annual normal cost contribution payable by the State is equal to $43.81 multiplied by the number of active members with seven or more years of service. Based on 5,614 active members included in the valuation, the normal contribution is $245,949. In addition, there is $150,000 required for administrative expenses and $725,000 added to the normal cost to account for members with less than 7 years of service that are not included in the valuation.

The unfunded actuarial accrued liability is amortized within a 12-year period through an annual unfunded accrued liability contribution. According to the SCRSP adopted on April 29, 2021, and effective July 1, 2023 through June 30, 2027, the provision in the previous SCRSP regarding not including excess contributions resulting from General Assembly contributions in excess of the ADEC has been eliminated. The provision recommending that the appropriation be the greater of (1) or (2) below remains as long as the funded percentage is less than 100%:

(1) Appropriation recommended by Board for current year

(2) Underlying actuarially determined employer contribution rate (ADEC) plus $2,000,000

See Appendix D for a full description of the SCRSP.

Based on the present membership and the amortization schedule described above, the following table shows the total annual contributions payable by the State for the fiscal years ending June 30, 2025 and June 30, 2024. Since the plan has a funded ratio over 100% as of 12/31/2022, SCRSP recommends an appropriation equal to ADEC.

Table 9: Actuarially Determined Employer Contribution (ADEC)

Contribution	Annual Amount FY Ending 6/30/2025	Annual Amount FY Ending 6/30/2024
Normal Cost	$ 245,949	$ 247,673
Administrative Expenses	$ 150,000	$ 150,000
Load for New Entrants	$ 725,000	$ 725,000
Total	$ 1,120,949	$ 1,122,673
Accrued Liability	$ (1,120,949)	$ (1,122,673)
Total	$ 0	$ 0
Impact of Direct Rate Smoothing	$ 0	$ 0
Preliminary ADEC (not less than $0)	$ 0	$ 0

Section 5: Actuarially Determined Employer Contribution (continued)

Table 10: Amortization Schedule for Unfunded Actuarial Accrued Liability

Date Established	Original Balance	12/31/2022 Outstanding Balance	Annual Payment Effective July 1, 2024*
December 31, 2009	$ 40,483,684	$ 2,694,109	$ -
December 31, 2010	(2,911,753)	(561,639)	-
December 31, 2011	(2,233,724)	(694,117)	(300,119)
December 31, 2012	(515,855)	(217,015)	(69,099)
December 31, 2013	4,219,347	2,207,824	563,512
December 31, 2014	7,361,464	4,556,391	980,321
December 31, 2015	16,021,040	11,344,786	2,127,207
December 31, 2016	796,884	630,083	105,424
December 31, 2017	1,856,450	1,610,282	244,689
December 31, 2018	(9,816,470)	(9,232,311)	(1,291,545)
December 31, 2019	(10,786,025)	(10,865,144)	(1,414,550)
December 31, 2020	2,913,588	3,111,486	380,321
December 31, 2021	(33,769,285)	(35,964,289)	(4,408,029)
December 31, 2022	(7,815,545)	(7,815,545)	(1,020,192)
Total		$ (39,195,099)	$ (4,102,060)

* When calculating the preliminary ADEC, the Total Annual Payment of ($4,102,060) is constrained so that the resulting preliminary ADEC is no less than $0.

Section 6: Risk

Measuring pension obligations and actuarially determined contributions requires the use of assumptions regarding future economic and demographic experience. Whenever assumptions are made about future events, there is risk that actual experience will differ from expected. Actuarial valuations include the risk that actual future measurements will deviate from expected future measurements due to actual experience that is different than the actuarial assumptions. The primary areas of risk in this actuarial valuation are:

Investment Risk

The potential that investment returns will be different than expected.

Longevity and Other Demographic Risks

The potential that mortality or other demographic experience will be different than expected.

Interest Rate Risk

To the extent market rates of interest affect the expected return on assets, there is a risk of change to the discount rate which determines the present value of liabilities and actuarial valuation results.

Contribution Risk

The potential that actual contributions are different than the actuarially determined contributions.

Annual actuarial valuations are performed for RSD which re-measure the assets and liabilities and compute a new actuarially determined contribution. RSD also has experience studies performed every five years to analyze the discrepancies between actuarial assumptions and actual experience and determine if the actuarial assumptions need to be changed. Annual actuarial valuations and periodic experience studies are practical ways to monitor and reassess risk.

Appendix A: Detailed Tabulations of Member Data

Table A-1: The Number of Active Members Distributed by Age and Service as of December 31, 2022

	Years of Service										
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	Total
Under 25	0	0	8	0	0	0	0	0	0	0	8
25 to 29	0	0	771	138	0	0	0	0	0	0	909
30 to 34	0	0	392	843	186	0	0	0	0	0	1,421
35 to 39	0	0	148	414	587	99	0	0	0	0	1,248
40 to 44	0	0	59	147	279	395	46	0	0	0	926
45 to 49	0	0	14	70	115	134	131	17	0	0	481
50 to 54	0	0	3	37	82	90	69	109	14	0	404
55 to 59	0	0	0	2	31	49	27	41	50	3	203
60 to 64	0	0	0	0	3	4	2	1	2	2	14
65 to 69	0	0	0	0	0	0	0	0	0	0	0
70 & Up	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	1,395	1,651	1,283	771	275	168	66	5	5,614

Appendix A: Detailed Tabulations of Member Data (continued)

Table A-2: The Number of Active Members Distributed by Age as of December 31, 2022

Age	Number
24	8
25	79
26	157
27	210
28	221
29	242
30	268
31	220
32	295
33	297
34	341
35	301
36	267
37	235
38	212
39	233
40	222
41	206
42	185
43	187
44	126
45	116
46	97
47	83
48	90
49	95
50	73
51	83
52	91
53	86
54	71
55	56
56	52
57	42
58	30
59	23
60	10
61	2
62	2
Total	5,614

Appendix A: Detailed Tabulations of Member Data (continued)

Table A-3: The Number of Active Members Distributed by Service as of December 31, 2022

Service	Number
7	428
8	512
9	455
10	378
11	369
12	306
13	300
14	298
15	317
16	305
17	224
18	206
19	231
20	229
21	203
22	152
23	100
24	87
25	78
26	62
27	51
28	46
29	38
30	35
31	40
32	29
33	40
34	24
35	25
36	13
37	11
38	11
39	6
40	3
41	1
42	1
Total	5,614

Appendix A: Detailed Tabulations of Member Data (continued)

Table A-4: The Number and Deferred Annual Retirement Allowances of Terminated Vested Members Distributed by Age as of December 31, 2022

Age	Number	Allowances
31	1	$ 2,520
32	4	10,080
33	3	7,560
34	4	10,080
35	5	12,600
36	4	10,080
37	5	12,600
38	14	26,460
39	14	19,026
40	16	21,928
41	23	31,626
42	35	52,542
43	31	43,974
44	34	49,518
45	45	68,115
46	45	68,418
47	60	94,122
48	60	99,288
49	71	116,949
50	71	117,936
51	100	175,300
52	126	230,454
53	128	241,554
54	138	258,299
55	148	276,552
56	140	277,228
57	139	259,065
58	153	291,564
59	172	319,952
60	177	341,695
61	126	238,004
62	46	80,892
63	50	88,074
64	31	61,362
65	29	54,054

Appendix A: Detailed Tabulations of Member Data (continued)

Table A-4: The Number and Deferred Annual Retirement Allowances of Terminated Vested Members Distributed by Age as of December 31, 2022 (continued)

Age	Number	Allowances
66	17	$ 28,980
67	19	34,398
68	24	38,178
69	27	46,242
70	22	33,264
71	22	32,634
72	23	40,320
73	45	74,340
74	49	82,404
75	58	93,492
76	61	106,848
77	47	84,672
78	42	74,718
79	33	61,488
80	36	67,284
81	26	46,242
82	19	38,808
83	14	26,586
84	3	6,300
85	2	3,402
86	7	14,616
87	6	12,600
88	10	19,782
89	3	5,040
90	8	14,616
91	2	3,150
92	7	13,734
93	4	6,426
94	1	2,520
Total	2,885	$ 5,182,555

Appendix A: Detailed Tabulations of Member Data (continued)

Table A-5: The Number and Annual Retirement Allowances of Retired Members Distributed by Age as of December 31, 2022

Age	Number	Allowances
60	33	$ 60,252
61	123	223,590
62	191	357,463
63	181	333,270
64	169	300,864
65	160	293,580
66	172	310,212
67	149	283,219
68	158	291,949
69	157	284,363
70	205	365,926
71	248	452,116
72	268	485,341
73	270	497,460
74	300	544,572
75	292	522,725
76	278	498,168
77	185	350,406
78	180	335,751
79	160	297,864
80	139	268,116
81	98	176,832
82	68	131,544
83	67	138,852
84	81	158,772
85	66	131,781
86	61	125,676
87	49	100,800
88	48	96,138
89	31	66,150
90	24	48,006
91	20	42,210
92	10	21,168
93	15	29,232
94	13	26,460
95	3	5,166
96	5	12,600
99	4	8,946
Total	4,681	$ 8,677,540

Appendix B: Summary of Main Plan Provisions

Membership

All members of the North Carolina National Guard with seven years of service are eligible to be members of the Fund.

Benefits

Service Retirement Pension

Condition for Pension

A member who retires after he or she has attained age 60 and has credit for 20 years of military service, including at least 15 years of North Carolina National Guard duty, both reserve and active, and who has received an honorable discharge, is entitled to a monthly pension.

Amount of Pension

The amount of the pension is equal to $105 per month for 20 years of creditable service with an additional $10.50 per month for each additional year of such service, provided that the total pension shall not exceed $210 per month.

Deferred Early Retirement Pension

Condition for Pension

A member whose service is terminated after he or she has credit for 20 years of military service, including at least 15 years of North Carolina National Guard duty, both reserve and active, and who has received an honorable discharge, is eligible to receive a deferred retirement pension commencing at age 60.

Amount of Pension

The amount is the same as that for a service retirement.

Normal Form

Life Annuity.

Optional Form

None.

Contributions

The State makes annual contributions sufficient to meet the cost of the benefits under the Fund.

Changes Since Prior Valuation

None.

Appendix C: Actuarial Assumptions and Methods

The assumptions used for the December 31, 2022 valuation are based on the experience study prepared by the prior actuary as of December 31, 2019 and adopted on January 28, 2021 for use beginning with the December 31, 2020 annual actuarial valuation.

Interest Rate

6.50% per annum, compounded annually.

Active Members

Normal Cost is loaded $725,000 to account for active members with less than 7 years of service that are not included in the valuation.

Separations From Active Service

Assumed annual rates of separation from active service are as follows:

Annual Rates of Withdrawal				
	Service			
Age	< = 6	7 – 9	10 - 19	> = 20
< = 50	0.000	0.175	0.110	0.150
50 - 54	0.000	0.175	0.110	0.200
> = 55	0.000	0.175	0.110	0.250

Deaths Prior to Retirement

Representative values of the assumed pre-retirement mortality rates prior to any mortality improvements are as follows:

Annual Rates of Mortality		
Age	Males	Females
25	0.00028	0.00009
30	0.00036	0.00015
35	0.00047	0.00023
40	0.00066	0.00036
45	0.00098	0.00056
50	0.00149	0.00083
55	0.00219	0.00123
60	0.00319	0.00186

Appendix C: Actuarial Assumptions and Methods (continued)

Service Retirement

Assumed annual rates of retirement from active service are as follows:

Annual Rates of Retirement		
	Service	
Age	<=19	>=20
<=55	0.000	0.150
55-59	0.000	0.250
60-64	0.000	0.500
>=65	0.000	1.000

Deaths After Retirement

Representative values of the assumed post-retirement mortality rates prior to any mortality improvements are as follows:

Annual Rates of Mortality				
	Service Retirements		Contingent Annuitants	
Age	Males	Females	Males	Females
55	0.00455	0.00272	0.01147	0.00742
60	0.00649	0.00365	0.01450	0.00975
65	0.00963	0.00582	0.02086	0.01332
70	0.01610	0.01010	0.03221	0.01931
75	0.02818	0.01789	0.04971	0.02946
80	0.05037	0.03360	0.07802	0.04698
85	0.09064	0.06515	0.12468	0.07945
90	0.15479	0.12636	0.19956	0.13258

Deaths After Retirement (Healthy at Retirement)

Mortality rates are based on the Pub 2010 General Retirees Mortality Table (Benefits Weighted) adjusted 105.50% for males and as follows for females:

Age	Factor
< 76	95%
76	96%
77	97%
78	98%
79	99%
80	100%
81	101%
82	102%

Age	Factor
83	103%
84	104%
85	105%
86	106%
87	107%
88	108%
89	109%
>=90	110%

Appendix C: Actuarial Assumptions and Methods (continued)

Deaths After Retirement (Contingent Annuitants):

Mortality rates are based on the Pub-2010 Teachers Contingent Annuitant Below Median Mortality Table (Benefits Weighted) set forward 3 years for males and 1 year for females.

Mortality Projection

Post-retirement mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths Prior to Retirement

Mortality Rates are based on the Pub 2010 General Employees Mortality Table (Benefits Weighted).

Timing of Assumptions

All withdrawals, deaths and retirements are assumed to occur July 1 of each year. The timing of retirement changes from mid-year to beginning of year at and after the 100% retirement age.

Administrative Expenses

$150,000 added to Normal Cost.

Missing Gender Code

For members reported on the data without a gender code, we use the prior year's code where available or assign a code based on inspection.

Other Data Assumptions

- Members of the Army National Guard who were terminated vested participants in the prior valuation but were reported with less than 15 years of prior North Carolina National Guard duty were assumed to have terminated without a vested benefit.
- Inactive Army National Guard members who were reported this year with over 20 years of total service and more than 15 years of North Carolina National Guard duty (or National Guard duty information was omitted), but were not included as deferred vested members the previous year, are assumed to have terminated with a vested benefit.
- Where service showed an unexpected change from the prior year and an explanation for the change could not be reconciled, the creditable service reported for the current year was accepted.

Actuarial Cost Method

Entry age normal cost method. Entry age is established on an individual basis.

Normal Cost

Normal cost rate reflects the impact of new entrants during the year.

Appendix C: Actuarial Assumptions and Methods (continued)

Asset Valuation Method

Actuarial value, as developed in Section 3. Actuarial value of assets is based upon a smoothed market value method. Under this method, asset returns in excess of or less than the expected return on market value of assets will be reflected in the actuarial value of assets over a five-year period. The calculation of the Actuarial Value of Assets is based on the following formula:

$MV - 80\% \times G/(L)_1 - 60\% \times G/(L)_2 - 40\% \times G/(L)_3 - 20\% \times G/(L)_4$

MV = the market value of assets as of the valuation date

$G/(L)_i$ = the asset gain or (loss) for the i-th year preceding the valuation date

Changes in Assumption and Methods Since Prior Valuation:

None.

Appendix D: SCRSP Policy

Teachers' and State Employees' Retirement System Board of Trustees

State Contribution Rate Stabilization Policy for the North Carolina National Guard Pension Fund

This SCRSP policy was adopted by the TSERS Board of Trustees at its meeting on April 29, 2021.

I. Policy Purpose

This policy provides for continued operation of a State Contribution Rate Stabilization Policy (SCRSP) for the North Carolina National Guard Pension Fund (NCNGPF). On January 31, 2019, the Board of Trustees (Board) of the Teachers' and State Employees' Retirement System (TSERS), which administers the provisions of the NCNGPF as set forth in G.S. 127A-40, directed staff of the Retirement Systems Division of the Department of State Treasurer (RSD) to develop a proposed SCRSP for the NCNGPF, "which would include both a multi-year contribution pattern and conditions under which the Board would recommend benefit improvements." The SCRSP was adopted by the Board on April 25, 2019.

The 2019 version of the SCRSP provided that it would be "effective through the fiscal year ending June 30, 2022." Having adopted the Experience Study of the 2015-2019 calendar years on January 28, 2021, which will be effective for plan funding purposes for fiscal years ending 2023 and later, the Board wishes to institute an SCRSP effective for contributions during the five fiscal years ending 2023 through 2027.

II. Policy Objectives

This policy establishes how the Board will develop an annual appropriation amount to recommend to the General Assembly to fund the NCNGPF, and the conditions under which the Board will consider or recommend benefit improvements for the NCNGPF.

III. Definitions

Actuarial Measurement: The result of an analysis by the Board's consulting actuary, presented to the Board in a public report, based on actuarial assumptions and methods adopted by the Board for purposes of funding of the NCNGPF, without regard to any "direct rate smoothing" of changes in the Board's assumptions and methods.

Benefit Improvement Funding Requirement: An amount equal to (1) the Actuarial Measurement of the full increase in the NCNGPF actuarial accrued liability and normal cost expected from a proposed benefit increase, plus (2) the NCNGPF actuarial accrued liability according to the most recently accepted valuation report of the consulting actuary, less (3) the NCNGPF actuarial value of assets according to the most recently accepted valuation report of the consulting actuary, plus (4) the Underlying ADEC for the upcoming fiscal year, less (5) the Policy Contribution Without Benefit Increase for the upcoming fiscal year. However, the Benefit Improvement Funding Requirement will be no less than $0, and no greater than the amount in part (1) of the definition prior to adjustment for parts (2) through (5). The intention of parts (2) through (5) is to provide for a possible reduction in the Benefit Improvement Funding Requirement if there is a funding surplus (parts (2) and (3)) or if the Board's appropriation recommendation under this policy will exceed the Underlying ADEC (parts (4) and (5)).

Funded Percentage: The NCNGPF's actuarial value of assets, divided by its actuarial accrued liability, according to the most recently accepted valuation report of the consulting actuary.

Appendix D: SCRSP Policy (continued)

Policy Contribution Without Benefit Increase: The State appropriation to be recommended by the Board under this policy, prior to any increase for the cost of benefit improvements that the Board may recommend under Sections V or VI of this policy.

Underlying Actuarially Determined Employer Contribution (Underlying ADEC): The amount developed annually by the Board's consulting actuary, representing a funding requirement according to the Board's actuarial assumptions and methods before applying this policy.

IV. Annual Appropriation Recommendation

This policy calls for continuing the pattern of annual recommended appropriations under the formula used for the fiscal years ending 2020 through 2022, as long as the Funded Percentage is less than 100%. This may result in an appropriation recommendation exceeding the Underlying ADEC. Accordingly, for each year that this policy is in effect:

- **If the Funded Percentage is greater than or equal to 100%,** the Policy Contribution Without Benefit Increase recommended by the Board for an upcoming fiscal year will be equal to the Underlying ADEC.

- **If the Funded Percentage is less than 100%,** the Policy Contribution Without Benefit Increase recommended by the Board for an upcoming fiscal year will be the greater of (1) the appropriation recommended by the Board for the current fiscal year, or (2) the Underlying ADEC for the upcoming fiscal year plus $2 million*. In developing Parts (1) and (2) of this definition, this policy provides the following guidance:

    - In Part (1), the appropriation that was recommended for the current fiscal year should exclude any portion of the Board's recommendation specifically intended to cover a one-year payment of the costs of a benefit improvement, as described below under "Further Increase to Fund Benefit Improvement."

    - In Part (1), the appropriation that was recommended for the current fiscal year should be adjusted (increased) to include the cost of any benefit improvements enacted by the General Assembly, for which the General Assembly did not appropriate funding during the current fiscal year at least equal to the Benefit Improvement Funding Requirement. This increase should be equal to the Benefit Improvement Funding Requirement, reduced for any funding appropriated by the General Assembly during the current fiscal year toward the enacted benefit improvement.

    - In Part (1), the appropriation that was recommended for the current fiscal year should be adjusted (either increased or reduced) for the effect of any changes in actuarial assumptions or methods adopted by the Board that were not incorporated in the Board's recommendation for the current fiscal year. The adjustment should be equal to the Actuarial Measurement of the effect on the Underlying ADEC, except that it may include direct rate smoothing to the extent the Board adopted direct rate smoothing of the relevant assumption or method change for NCNGPF funding purposes.

* The amount of $2 million corresponds to more than one percent of the Actuarial Accrued Liability that is expected to exist during the period of this policy. Therefore, the appropriation amount recommended under this policy, if enacted, will improve the Funded Percentage by at least one percentage point in each year while the Funded Percentage remains less than 100%, relative to the Funded Percentage if only the Underlying ADEC had been contributed.

Appendix D: SCRSP Policy (continued)

- In Part (2), the Underlying ADEC for the upcoming fiscal year should exclude any portion attributable to a one-year payment of costs of a benefit improvement.

Further Increase to Fund Benefit Improvement: The appropriation recommended by the Board for the upcoming fiscal year will be further adjusted if the Board recommends to the General Assembly a benefit improvement as described in Sections V or VI of this policy. Such adjustment will be at least equal to the Benefit Improvement Funding Requirement. Under such a recommendation, the full actuarial cost of any benefit improvement would be funded within one year through the upcoming year's appropriation, rather than amortized over multiple years.

The Policy Contribution Without Benefit Increase, added to the Benefit Improvement Funding Requirement associated with any benefit improvement enacted by the General Assembly effective for a fiscal year, will be deemed by the Board to be the annual actuarially determined employer contribution (funding ADEC) for the NCNGPF.

V. Recommended Increases to Benefit at Retirement

As of April 2021, the NCNGPF provides a pension equal to $105 per month for members with 20 years of creditable service, plus $10.50 per month for each additional year of such service, provided that the total pension shall not exceed $210 per month. This section of the policy describes the conditions under which the Board may consider a recommendation of an improvement to the benefit formula, meaning the calculation of the initial pension benefit for members who have not yet retired.

Under this policy, the Board may consider a recommendation to the General Assembly that the benefit amounts be improved, provided that both of the following conditions are met:

1. The increase in the benefit amount is not greater than the most recent June-over-June one-year change in the Consumer Price Index for all Urban Consumers (CPI-U), U.S. City Average, all items, not seasonally adjusted, standard reference base, as published by the Bureau of Labor Statistics of the U.S. Department of Labor.

2. The Benefit Improvement Funding Requirement is included in the appropriation recommended by the Board for the upcoming fiscal year.

VI. Recommended Increases for Cost-of-Living Adjustments (COLAs)

This section of the policy describes the conditions under which the Board may consider a recommendation of a COLA, meaning an increase to existing retirees' pension amounts, whether that be a permanent, ongoing increase to each retiree's pension or a one-time supplemental payment.

- **If the Funded Percentage is greater than or equal to 90%,** any recommendations of the Board regarding (1) whether a COLA increase should be granted, (2) the percentage increase in retirement benefits due to the COLA, and (3) the term of amortization will be the same as the Board's recommendations taking effect at the same time regarding TSERS. If it is not administratively feasible for RSD staff to implement the same adjustment for the NCNGPF as for TSERS, then the Board will recommend that some pension adjustment of similar value for retirees be implemented.

Appendix D: SCRSP Policy (continued)

- **If the Funded Percentage is less than 90%,** the Board may consider recommending a COLA for NCNGPF retirees only under the conditions described in Section V above. That is, any COLA recommendation should not be greater than the inflationary increase described in Section V, and it should be accompanied by a recommended appropriation increase at least equal to the Benefit Improvement Funding Requirement.

VII. Policy Effective Date

This policy is effective through the fiscal year ending June 30, 2027. The Board may vote to extend it for any period of time.