



110 West Berry Street
Suite 1300
Fort Wayne, IN 46802

August 31, 2023

Mr. Thomas Causey
Executive Director
State of North Carolina
Department of State Treasurer
Retirement Systems Division
3200 Atlantic Avenue
Raleigh, NC 27604

Registers of Deeds' Supplemental Pension Fund
GASB 67 Disclosure for Fiscal Year Ending June 30, 2023
Based on Valuation Date of December 31, 2022

Dear Mr. Causey:

We have prepared the required accounting information for Governmental Accounting Standards Board (GASB) Statement No. 67 for the Registers of Deeds' Supplemental Pension Fund ("RODSPF") for fiscal year ending June 30, 2023 based on a valuation date of December 31, 2022.

GASB Statement No. 67

GASB Statement No. 67 set forth certain items of information to be disclosed in the financial statements of the Plan.

1. One such item is a distribution of the number of employees by type of membership, as follows:

Number of Active and Retired Participants as of 12/31/2022	
Retired members and survivors of deceased members currently receiving benefits	101
Terminated members and survivors of deceased members entitled to benefits but not yet receiving benefits	0
Active members ¹	<u>104</u>
Total membership	205

¹ As of the valuation date, there were 100 members serving as registers of deeds. Four former registers of deeds are active employees in the Local Governmental Employees' Retirement System (LGERS) and consequently ineligible to receive a benefit under the RODSPF until retirement from LGERS.

2. Following is the schedule of changes in Net Pension Liability.

Schedule of Changes in Net Pension Liability as of June 30, 2023		
Total Pension Liability		
Service Cost	\$	1,151,000
Interest		1,025,000
Changes in Benefit Terms		0
Differences between Expected and Actual Experience		(618,000)
Changes of Assumptions		0
Benefits Payments, including Refund of Member Contributions		(1,850,000)
Net Change in Total Pension Liability	\$	(292,000)
Total Pension Liability – Beginning of Year	\$	33,918,000
Total Pension Liability – End of Year	\$	33,626,000
Plan Fiduciary Net Position		
Employer Contributions	\$	892,000
Member Contributions		0
Net Investment Income		(537,000)
Benefit Payments, including Refund of Member Contributions		(1,850,000)
Administrative Expenses		(20,000)
Other		0
Net Change in Plan Fiduciary Net Pension	\$	(1,515,000)
Plan Fiduciary Net Position – Beginning of Year	\$	47,158,000
Plan Fiduciary Net Position – End of Year	\$	45,643,000

Net Pension Liability/(Asset)		
	June 30, 2023	June 30, 2022
Total Pension Liability	\$ 33,626,000	\$ 33,918,000
Plan Fiduciary Net Position	<u>45,643,000</u>	<u>47,158,000</u>
Net Pension Liability/(Asset)	\$ (12,017,000)	\$ (13,240,000)
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability/(Asset)	135.74%	139.04%

3. Following is the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity of the Net Pension Liability to Changes in Discount Rate			
	1% Decrease	Current	1% Increase
Discount Rate	2.00%	3.00%	4.00%
Net Pension Liability/(Asset)	\$(8,203,000)	\$(12,017,000)	\$(15,233,000)

4. The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate reflects actual contributions made through June 30, 2023 and assumes that System contributions will continue to follow the current funding policy. Investment earnings are based on actual returns through June 30, 2023, and on the assumed investment rate of return thereafter. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Please see Appendix A for additional detail.
5. Methods and assumptions used to calculate the actuarially determined contribution rate are as follows.

Valuation Date	12/31/2022
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar closed
Amortization Period	19 Years*
Asset Valuation Method	Asset returns in excess of or less than the expected return on market value of assets reflected over a five-year period (not greater than 120% of market value and not less than 80% of market value)
Actuarial Assumptions:	
Investment Rate of Return*	3.00%
Projected Salary Increases**	3.25% - 8.25%
*Includes Inflation of	2.50%
**Includes Inflation and Productivity of	3.25%
Cost-of-living Adjustments	N/A

- * If the actuarially determined employer contribution (ADEC) is based on 12-year amortization of the unfunded accrued liability, the ADEC is less than \$0, which is not a permissible result. Therefore, the accrued liability contribution has been set such that the total ADEC equals \$0.

The June 30, 2023, total pension liability was determined by an actuarial valuation as of December 31, 2022, based on the assumptions adopted by the Board of Trustees on January 28, 2021, which are based on the experience study prepared as of December 31, 2019, including a discount rate of 3.00%. The economic assumptions with respect to investment yield, salary increase, and inflation have been based upon a review of the existing portfolio structure as well as recent and anticipated experience.

The plan sponsor selected the assumptions used for the accounting results in this letter. We believe that these assumptions are reasonable and comply with the Actuarial Standards of Practice ("ASOPs") 27 and 35 and the requirements of GASB Statement No. 67. We prepared this letter in accordance with the requirement of this standard.

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 plan sponsor's selection of expected return on assets ("EROA"), the signing actuaries have used economic information and tools provided by the Financial Risk Management ("FRM") practice at Buck, A Gallagher Company (Buck). 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 EROA 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 actuary's analysis, including consistency with other assumptions used in the valuation and the percentiles generated by the spreadsheet described above, the actuary believes the EROA, in the actuary's professional judgment, is reasonable for the purpose of the measurement.

The June 30, 2023 total pension liability is based on the same plan provisions as used in the previous valuation. To the extent there have been changes to RODSPF provisions enacted by the legislature, they have been reviewed with staff of the Retirement Systems Division and were not considered material to the current valuation. To the extent the legislature enacts additional legislation that has a material impact on the valuation, revised GASB 67 disclosures may be required.

Full summaries of the plan provisions used in the previous valuation and for the June 30, 2023 total pension liability were provided in October 2022 in the "Report on the Annual Valuation of Registers of Deeds' Supplemental Pension Fund Prepared as of December 31, 2021."

The actuarial cost method used to develop the total pension liability is the Entry Age Normal Cost method, as required by GASB Statement No. 67.

The results of this letter are based upon participant data supplied by the Retirement Systems Division and unaudited financial data supplied by the Financial Operations Division. Buck reviewed the data for reasonableness and consistency with data for the prior valuation but performed no audit of the data. The results of this letter are dependent on the accuracy of the data.

The primary purpose of the letter is to provide information that the Office of the State Controller (OSC) requires for its Annual Comprehensive Financial Report. This letter may also be used in conjunction with other materials for purposes of the pension plan audit. Use of the letter for any other purposes or by anyone other than OSC and its auditors may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the letter for that purpose. Because of the risk of misinterpretation of actuarial results, you should ask us 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 by Buck.

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, Buck performed no analysis of the potential range of such future differences.

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. 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.

Where presented, references to "net pension liability" and "fiduciary net position as a percentage of the total pension liability" may be appropriate for evaluating the need and level of future contributions but makes no assessment regarding the funded status of the Fund if the Fund were to settle (i.e., purchase annuities to cover) any portion of its liabilities.

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.

Please let us know if you require additional information.

Sincerely,

Buck, A Gallagher Company



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



Elizabeth A. Wiley, FSA, EA, MAAA, FCA
Senior Consultant, Retirement Actuary

Appendix A

Table 1 – Projection of Fiduciary Net Positions

(\$ in Thousands)

Calendar Year	Beginning Fiduciary Position	Member Contributions	Employer Contributions	Benefit Payments	Administrative Expenses	Investment Earnings	Ending Fiduciary Position
2023	\$ 45,186	\$ -	\$ 446	\$ 1,877	\$ 32	1,618	\$ 45,341
2024	45,341	-	-	1,951	29	1,331	44,692
2025	44,692	-	-	2,017	27	1,310	43,958
2026	43,958	-	-	2,080	25	1,287	43,140
2027	43,140	-	-	2,126	22	1,262	42,254
2028	42,254	-	-	2,158	20	1,235	41,311
2029	41,311	-	-	2,180	18	1,207	40,320
2030	40,320	-	-	2,191	17	1,176	39,288
2031	39,288	-	-	2,226	15	1,145	38,192
2032	38,192	-	-	2,241	13	1,113	37,051
2033	37,051	-	-	2,251	10	1,077	35,867
2034	35,867	-	-	2,244	9	1,043	34,657
2035	34,657	-	-	2,219	7	1,007	33,438
2036	33,438	-	-	2,178	6	971	32,225
2037	32,225	-	-	2,129	5	935	31,026
2038	31,026	-	-	2,081	4	900	29,841
2039	29,841	-	-	2,013	4	864	28,688
2040	28,688	-	-	1,942	3	832	27,575
2041	27,575	-	-	1,868	3	800	26,504
2042	26,504	-	-	1,799	2	768	25,471
2043	25,471	-	-	1,724	2	739	24,484
2044	24,484	-	-	1,643	1	711	23,551
2045	23,551	-	-	1,559	1	683	22,674
2046	22,674	-	-	1,481	1	658	21,850
2047	21,850	-	-	1,399	1	635	21,085
2048	21,085	-	-	1,318	-	612	20,379
2049	20,379	-	-	1,237	-	593	19,735
2050	19,735	-	-	1,157	-	575	19,153
2051	19,153	-	-	1,079	-	559	18,633
2052	18,633	-	-	1,006	-	543	18,170
2053	18,170	-	-	933	-	531	17,768
2054	17,768	-	-	863	-	520	17,425
2055	17,425	-	-	796	-	511	17,140
2056	17,140	-	-	731	-	503	16,912
2057	16,912	-	-	670	-	498	16,740
2058	16,740	-	-	612	-	493	16,621
2059	16,621	-	-	557	-	490	16,554
2060	16,554	-	-	505	-	489	16,538
2061	16,538	-	-	457	-	490	16,571
2062	16,571	-	-	411	-	491	16,651
2063	16,651	-	-	368	-	493	16,776
2064	16,776	-	-	329	-	499	16,946
2065	16,946	-	-	292	-	504	17,158
2066	17,158	-	-	258	-	510	17,410
2067	17,410	-	-	227	-	520	17,703
2068	17,703	-	-	198	-	527	18,032
2069	18,032	-	-	172	-	538	18,398
2070	18,398	-	-	149	-	550	18,799
2071	18,799	-	-	128	-	562	19,233
2072	19,233	-	-	109	-	575	19,699

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Table 1 – Projection of Fiduciary Net Positions (continued)

(\$ in Thousands)

Calendar Year	Beginning Fiduciary Position	Member Contributions	Employer Contributions	Benefit Payments	Administrative Expenses	Investment Earnings	Ending Fiduciary Position
2073	\$ 19,699	\$ -	\$ -	\$ 92	\$ -	590	\$ 20,197
2074	20,197	-	-	78	-	605	20,724
2075	20,724	-	-	65	-	620	21,279
2076	21,279	-	-	54	-	638	21,863
2077	21,863	-	-	44	-	655	22,474
2078	22,474	-	-	36	-	673	23,111
2079	23,111	-	-	29	-	693	23,775
2080	23,775	-	-	24	-	713	24,464
2081	24,464	-	-	19	-	734	25,179
2082	25,179	-	-	15	-	756	25,920
2083	25,920	-	-	12	-	777	26,685
2084	26,685	-	-	9	-	801	27,477
2085	27,477	-	-	7	-	824	28,294
2086	28,294	-	-	5	-	849	29,138
2087	29,138	-	-	4	-	874	30,008
2088	30,008	-	-	3	-	900	30,905
2089	30,905	-	-	2	-	927	31,830
2090	31,830	-	-	2	-	955	32,783
2091	32,783	-	-	1	-	983	33,765
2092	33,765	-	-	1	-	1,013	34,777
2093	34,777	-	-	1	-	1,044	35,820
2094	35,820	-	-	-	-	1,074	36,894
2095	36,894	-	-	-	-	1,107	38,001
2096	38,001	-	-	-	-	1,139	39,140
2097	39,140	-	-	-	-	1,174	40,314
2098	40,314	-	-	-	-	1,210	41,524
2099	41,524	-	-	-	-	1,245	42,769
2100	42,769	-	-	-	-	1,284	44,053
2101	44,053	-	-	-	-	1,321	45,374
2102	45,374	-	-	-	-	1,361	46,735
2103	46,735	-	-	-	-	1,402	48,137
2104	48,137	-	-	-	-	1,444	49,581
2105	49,581	-	-	-	-	1,488	51,069
2106	51,069	-	-	-	-	1,532	52,601
2107	52,601	-	-	-	-	1,578	54,179
2108	54,179	-	-	-	-	1,625	55,804
2109	55,804	-	-	-	-	1,674	57,478
2110	57,478	-	-	-	-	1,725	59,203
2111	59,203	-	-	-	-	1,776	60,979
2112	60,979	-	-	-	-	1,829	62,808
2113	62,808	-	-	-	-	1,885	64,693
2114	64,693	-	-	-	-	1,940	66,633
2115	66,633	-	-	-	-	1,999	68,632
2116	68,632	-	-	-	-	2,059	70,691
2117	70,691	-	-	-	-	2,121	72,812
2118	72,812	-	-	-	-	2,184	74,996
2119	74,996	-	-	-	-	2,250	77,246
2120	77,246	-	-	-	-	2,318	79,564
2121	79,564	-	-	-	-	2,387	81,951
2122	81,951	-	-	-	-	2,458	84,409

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Table 2 – Actuarial Present Values of Projected Benefit Payments
(\$ in Thousands)

Calendar Year	Beginning Fiduciary Position	Benefit Payments	Funded Benefit Payments	Unfunded Benefit Payments	Present Value of Benefit Payments		
					Funded Payments at 3.00%	Unfunded Payments at 3.65%	Using Single Discount Rate of 3.00%
2023	\$ 45,186	\$ 1,877	\$ 1,877	\$ -	\$ 1,849	\$ -	\$ 1,849
2024	45,341	1,951	1,951	-	1,866	-	1,866
2025	44,692	2,017	2,017	-	1,873	-	1,873
2026	43,958	2,080	2,080	-	1,876	-	1,876
2027	43,140	2,126	2,126	-	1,861	-	1,861
2028	42,254	2,158	2,158	-	1,834	-	1,834
2029	41,311	2,180	2,180	-	1,799	-	1,799
2030	40,320	2,191	2,191	-	1,755	-	1,755
2031	39,288	2,226	2,226	-	1,731	-	1,731
2032	38,192	2,241	2,241	-	1,692	-	1,692
2033	37,051	2,251	2,251	-	1,650	-	1,650
2034	35,867	2,244	2,244	-	1,597	-	1,597
2035	34,657	2,219	2,219	-	1,534	-	1,534
2036	33,438	2,178	2,178	-	1,461	-	1,461
2037	32,225	2,129	2,129	-	1,387	-	1,387
2038	31,026	2,081	2,081	-	1,316	-	1,316
2039	29,841	2,013	2,013	-	1,236	-	1,236
2040	28,688	1,942	1,942	-	1,158	-	1,158
2041	27,575	1,868	1,868	-	1,081	-	1,081
2042	26,504	1,799	1,799	-	1,011	-	1,011
2043	25,471	1,724	1,724	-	941	-	941
2044	24,484	1,643	1,643	-	870	-	870
2045	23,551	1,559	1,559	-	802	-	802
2046	22,674	1,481	1,481	-	739	-	739
2047	21,850	1,399	1,399	-	678	-	678
2048	21,085	1,318	1,318	-	620	-	620
2049	20,379	1,237	1,237	-	565	-	565
2050	19,735	1,157	1,157	-	513	-	513
2051	19,153	1,079	1,079	-	465	-	465
2052	18,633	1,006	1,006	-	421	-	421
2053	18,170	933	933	-	379	-	379
2054	17,768	863	863	-	340	-	340
2055	17,425	796	796	-	305	-	305
2056	17,140	731	731	-	272	-	272
2057	16,912	670	670	-	242	-	242
2058	16,740	612	612	-	214	-	214
2059	16,621	557	557	-	189	-	189
2060	16,554	505	505	-	167	-	167
2061	16,538	457	457	-	146	-	146
2062	16,571	411	411	-	128	-	128
2063	16,651	368	368	-	111	-	111
2064	16,776	329	329	-	96	-	96
2065	16,946	292	292	-	83	-	83
2066	17,158	258	258	-	71	-	71
2067	17,410	227	227	-	61	-	61
2068	17,703	198	198	-	52	-	52
2069	18,032	172	172	-	44	-	44
2070	18,398	149	149	-	37	-	37
2071	18,799	128	128	-	31	-	31
2072	19,233	109	109	-	25	-	25

Appendix A

Table 2 – Actuarial Present Values of Projected Benefit Payments (continued)
(\$ in Thousands)

Calendar Year	Beginning Fiduciary Position	Benefit Payments	Funded Benefit Payments	Unfunded Benefit Payments	Present Value of Benefit Payments		
					Funded Payments at 3.00%	Unfunded Payments at 3.65%	Using Single Discount Rate of 3.00%
2073	\$ 19,699	\$ 92	\$ 92	\$ -	\$ 21	\$ -	\$ 21
2074	20,197	78	78	-	17	-	17
2075	20,724	65	65	-	14	-	14
2076	21,279	54	54	-	11	-	11
2077	21,863	44	44	-	9	-	9
2078	22,474	36	36	-	7	-	7
2079	23,111	29	29	-	5	-	5
2080	23,775	24	24	-	4	-	4
2081	24,464	19	19	-	3	-	3
2082	25,179	15	15	-	3	-	3
2083	25,920	12	12	-	2	-	2
2084	26,685	9	9	-	1	-	1
2085	27,477	7	7	-	1	-	1
2086	28,294	5	5	-	1	-	1
2087	29,138	4	4	-	1	-	1
2088	30,008	3	3	-	-	-	-
2089	30,905	2	2	-	-	-	-
2090	31,830	2	2	-	-	-	-
2091	32,783	1	1	-	-	-	-
2092	33,765	1	1	-	-	-	-
2093	34,777	1	1	-	-	-	-
2094	35,820	-	-	-	-	-	-
2095	36,894	-	-	-	-	-	-
2096	38,001	-	-	-	-	-	-
2097	39,140	-	-	-	-	-	-
2098	40,314	-	-	-	-	-	-
2099	41,524	-	-	-	-	-	-
2100	42,769	-	-	-	-	-	-
2101	44,053	-	-	-	-	-	-
2102	45,374	-	-	-	-	-	-
2103	46,735	-	-	-	-	-	-
2104	48,137	-	-	-	-	-	-
2105	49,581	-	-	-	-	-	-
2106	51,069	-	-	-	-	-	-
2107	52,601	-	-	-	-	-	-
2108	54,179	-	-	-	-	-	-
2109	55,804	-	-	-	-	-	-
2110	57,478	-	-	-	-	-	-
2111	59,203	-	-	-	-	-	-
2112	60,979	-	-	-	-	-	-
2113	62,808	-	-	-	-	-	-
2114	64,693	-	-	-	-	-	-
2115	66,633	-	-	-	-	-	-
2116	68,632	-	-	-	-	-	-
2117	70,691	-	-	-	-	-	-
2118	72,812	-	-	-	-	-	-
2119	74,996	-	-	-	-	-	-
2120	77,246	-	-	-	-	-	-
2121	79,564	-	-	-	-	-	-
2122	81,951	-	-	-	-	-	-