



110 West Berry Street  
Suite 1300  
Fort Wayne, IN 46802

August 30, 2024

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

**Consolidated Judicial Retirement System  
GASB 67 Disclosure for Fiscal Year Ending June 30, 2024  
Based on Valuation Date of December 31, 2023**

Dear Mr. Causey:

We have prepared the required accounting information for Governmental Accounting Standards Board (GASB) Statement No. 67 for the Consolidated Judicial Retirement System of North Carolina (CJRS) for fiscal year ending June 30, 2024 based on a valuation date of December 31, 2023.

**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 12/31/2023	
Retired members and survivors of deceased members currently receiving benefits	850
Terminated members and survivors of deceased members entitled to benefits but not yet receiving benefits	70
Active members	<u>582</u>
Total	1,502



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

Schedule of Changes in Net Pension Liability as of June 30, 2024		
<b>Total Pension Liability</b>		
Service Cost	\$	16,220,000
Interest		56,527,000
Changes in Benefit Terms		0
Differences Between Expected and Actual Experience		31,620,000
Changes of Assumptions		0
Benefits Payments, including Refund of Member Contributions		<u>(60,931,000)</u>
Net Change in Total Pension Liability	\$	43,436,000
Total Pension Liability – Beginning of Year	\$	883,416,000
Total Pension Liability – End of Year	\$	926,852,000
<b>Plan Fiduciary Net Position</b>		
Employer Contributions	\$	35,574,000
Member Contributions		6,715,000
Net Investment Income		54,594,000
Benefit Payments, including Refund of Member Contributions		(60,931,000)
Administrative Expenses		(43,000)
Other		<u>100,000</u>
Net Change in Plan Fiduciary Net Pension	\$	36,009,000
Plan Fiduciary Net Pension – Beginning of Year	\$	682,362,000
Plan Fiduciary Net Pension – End of Year	\$	718,371,000

Net Pension Liability/(Asset)	June 30, 2024	June 30, 2023
Total Pension Liability	\$ 926,852,000	\$ 883,416,000
Plan Fiduciary Net Pension	<u>718,371,000</u>	<u>682,362,000</u>
Net Pension Liability/(Asset)	\$ 208,481,000	\$ 201,054,000
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability/(Asset)	77.51%	77.24%



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	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	\$ 307,902,000	\$ 208,481,000	\$ 123,944,000

4. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that System contributions will continue to follow the current funding policy, including "direct-rate smoothing" as adopted by the Board of Trustees on January 28, 2021. In addition, assumed contributions include contributions based on payroll from future employees of the System that are not associated with the accumulation of their plan benefits. Investment earnings are based on actual returns through June 30, 2024, and on the assumed investment rate of return thereafter. In addition, future administrative expenses are assumed to equal 0.05% of projected payroll but are limited to a flat dollar rate per active and in-pay member as of each valuation date. The flat dollar rate is \$30 in 2023 and increased by 2.5% each year 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	12/31/2023
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar closed
Amortization Period	12-year closed period
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*	6.50%
Projected Salary Increases**	3.25% - 4.75%
*Includes Inflation of	2.50%
**Includes Inflation and Productivity of	3.25%
Cost-of-living Adjustments	N/A



The June 30, 2024 total pension liability was determined by an actuarial valuation as of December 31, 2023, 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 6.50%. 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 Gallagher. A spreadsheet tool created by the FRM team converts averages, standard deviations, and correlations from Gallagher'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, 2024 total pension liability is based on the same plan provisions as used in the previous valuation. To the extent there have been changes to the CJRS 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 assumptions, methods and plan provisions used in the previous valuation and for the June 30, 2024 total pension liability were provided in October 2023 in the "Report on the Actuarial Valuation of the Consolidated Judicial Retirement System of North Carolina Prepared as of December 31, 2022."

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. Gallagher 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. Gallagher will not accept any liability for any such statement made without prior review by Gallagher.



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.

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. Gallagher 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. Gallagher 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. Gallagher 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.

Buck Global, LLC (Buck),  
Gallagher Benefit Services, Inc. (hereinafter "Gallagher")



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



Elizabeth A. Wiley, FSA, EA, MAAA, FCA  
Director, 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
2024	\$ 699,548	\$ 5,390	\$ 31,865	\$ 59,671	\$ 44	\$ 50,987	\$ 728,075
2025	728,075	5,192	32,446	61,622	44	46,556	750,603
2026	750,603	5,025	35,287	63,266	44	48,054	775,659
2027	775,659	4,804	39,050	65,338	45	49,729	803,859
2028	803,859	4,609	44,132	66,974	45	51,666	837,247
2029	837,247	4,384	44,807	68,883	46	53,789	871,298
2030	871,298	4,154	41,801	70,681	46	55,842	902,368
2031	902,368	3,924	40,128	72,281	46	57,749	931,842
2032	931,842	3,680	38,311	74,025	47	59,544	959,305
2033	959,305	3,447	36,904	75,510	47	61,229	985,328
2034	985,328	3,215	31,216	76,824	47	62,689	1,005,577
2035	1,005,577	2,982	25,118	78,119	47	63,761	1,019,272
2036	1,019,272	2,742	17,463	79,327	47	64,362	1,024,465
2037	1,024,465	2,532	6,684	80,132	47	64,320	1,017,822
2038	1,017,822	2,306	5,130	80,977	46	63,804	1,008,039
2039	1,008,039	2,081	4,628	81,701	46	63,122	996,123
2040	996,123	1,873	4,154	82,171	46	62,312	982,245
2041	982,245	1,656	3,665	82,681	45	61,370	966,210
2042	966,210	1,460	3,223	82,852	45	60,302	948,298
2043	948,298	1,262	2,775	82,992	44	59,112	928,411
2044	928,411	1,094	2,388	82,685	43	57,812	906,977
2045	906,977	946	2,051	82,049	43	56,423	884,305
2046	884,305	819	1,770	81,157	42	54,965	860,660
2047	860,660	687	1,483	80,189	41	53,446	836,046
2048	836,046	556	1,201	79,183	40	51,864	810,444
2049	810,444	454	971	77,739	39	50,237	784,328
2050	784,328	368	779	76,086	38	48,582	757,933
2051	757,933	290	615	74,251	37	46,918	731,468
2052	731,468	229	484	72,222	36	45,256	705,179
2053	705,179	163	344	70,233	35	43,604	679,022
2054	679,022	131	271	67,771	34	41,980	653,599
2055	653,599	93	190	65,370	33	40,401	628,880
2056	628,880	72	146	62,713	32	38,876	605,229
2057	605,229	53	103	60,081	31	37,423	582,696
2058	582,696	39	77	57,389	30	36,042	561,435
2059	561,435	26	50	54,703	29	34,746	541,525
2060	541,525	15	27	52,019	28	33,536	523,056
2061	523,056	7	14	49,348	27	32,421	506,123
2062	506,123	5	7	46,641	25	31,405	490,874
2063	490,874	4	6	43,963	24	30,500	477,397
2064	477,397	2	4	38,969	23	29,783	468,194
2065	468,194	1	2	36,329	22	29,270	461,116
2066	461,116	1	1	33,747	21	28,893	456,243
2067	456,243	1	1	31,242	19	28,655	453,639
2068	453,639	0	0	28,826	18	28,564	453,359
2069	453,359	0	0	26,489	17	28,621	455,474
2070	455,474	0	0	24,247	16	28,830	460,041
2071	460,041	0	0	22,105	15	29,195	467,116
2072	467,116	0	0	20,067	14	29,721	476,756
2073	476,756	0	0	18,136	13	30,409	489,016



## Appendix A

### 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
2074	\$ 489,016	\$ 0	\$ -	\$ 16,314	\$ 12	\$ 31,264	\$ 503,954
2075	503,954	0	0	14,603	11	32,289	521,629
2076	521,629	0	0	13,004	10	33,490	542,105
2077	542,105	0	0	11,515	9	34,869	565,450
2078	565,450	0	0	10,137	8	36,430	591,735
2079	591,735	0	0	8,868	7	38,178	621,038
2080	621,038	0	0	7,707	6	40,120	653,445
2081	653,445	0	0	6,651	6	42,261	689,049
2082	689,049	0	0	5,698	5	44,606	727,952
2083	727,952	0	0	4,844	4	47,161	770,265
2084	770,265	0	0	4,085	4	49,936	816,112
2085	816,112	0	0	3,415	3	52,938	865,632
2086	865,632	0	0	2,830	3	56,175	918,974
2087	918,974	0	0	2,324	2	59,658	976,306
2088	976,306	0	0	1,891	2	63,400	1,037,813
2089	1,037,813	0	0	1,524	2	67,409	1,103,696
2090	1,103,696	0	0	1,216	2	71,702	1,174,180
2091	1,174,180	0	0	962	1	76,291	1,249,508
2092	1,249,508	0	0	754	1	81,193	1,329,946
2093	1,329,946	0	0	587	1	86,428	1,415,786
2094	1,415,786	0	0	454	1	92,012	1,507,343
2095	1,507,343	0	0	349	1	97,967	1,604,960
2096	1,604,960	0	0	267	1	104,314	1,709,006
2097	1,709,006	0	0	204	1	111,079	1,819,880
2098	1,819,880	0	0	156	0	118,287	1,938,011
2099	1,938,011	0	0	119	0	125,967	2,063,859
2100	2,063,859	0	0	91	0	134,147	2,197,915
2101	2,197,915	0	0	69	0	142,862	2,340,708
2102	2,340,708	0	0	53	0	152,145	2,492,800
2103	2,492,800	0	0	40	0	162,031	2,654,791
2104	2,654,791	0	0	30	0	172,560	2,827,321
2105	2,827,321	0	0	22	0	183,775	3,011,074
2106	3,011,074	0	0	16	0	195,720	3,206,778
2107	3,206,778	0	0	11	0	208,439	3,415,206
2108	3,415,206	0	0	8	0	221,989	3,637,187
2109	3,637,187	0	0	5	0	236,416	3,873,598
2110	3,873,598	0	0	4	0	251,784	4,125,378
2111	4,125,378	0	0	2	0	268,150	4,393,526
2112	4,393,526	0	0	1	0	285,578	4,679,103
2113	4,679,103	0	0	1	0	304,142	4,983,244
2114	4,983,244	0	0	0	0	323,911	5,307,155
2115	5,307,155	0	0	0	0	344,964	5,652,119
2116	5,652,119	0	0	0	0	367,388	6,019,507
2117	6,019,507	0	0	0	0	391,268	6,410,775
2118	6,410,775	0	0	0	0	416,700	6,827,475
2119	6,827,475	0	0	0	0	443,786	7,271,261
2120	7,271,261	0	0	0	0	472,632	7,743,893
2121	7,743,893	0	0	0	0	503,353	8,247,246
2122	8,247,246	0	0	0	0	536,071	8,783,317
2123	8,783,317	0	0	0	0	570,916	9,354,233



## Appendix A

**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 6.50%	Unfunded Payments at 3.93%	Using Single Discount Rate of 6.50%
2024	\$ 699,548	\$ 59,671	\$ 59,671	\$ 0	\$ 57,821	\$ 0	\$ 57,821
2025	728,075	61,622	61,622	0	56,068	0	56,068
2026	750,603	63,266	63,266	0	54,050	0	54,050
2027	775,659	65,338	65,338	0	52,413	0	52,413
2028	803,859	66,974	66,974	0	50,447	0	50,447
2029	837,247	68,883	68,883	0	48,718	0	48,718
2030	871,298	70,681	70,681	0	46,939	0	46,939
2031	902,368	72,281	72,281	0	45,072	0	45,072
2032	931,842	74,025	74,025	0	43,342	0	43,342
2033	959,305	75,510	75,510	0	41,513	0	41,513
2034	985,328	76,824	76,824	0	39,658	0	39,658
2035	1,005,577	78,119	78,119	0	37,865	0	37,865
2036	1,019,272	79,327	79,327	0	36,104	0	36,104
2037	1,024,465	80,132	80,132	0	34,244	0	34,244
2038	1,017,822	80,977	80,977	0	32,493	0	32,493
2039	1,008,039	81,701	81,701	0	30,783	0	30,783
2040	996,123	82,171	82,171	0	29,070	0	29,070
2041	982,245	82,681	82,681	0	27,466	0	27,466
2042	966,210	82,852	82,852	0	25,843	0	25,843
2043	948,298	82,992	82,992	0	24,306	0	24,306
2044	928,411	82,685	82,685	0	22,738	0	22,738
2045	906,977	82,049	82,049	0	21,186	0	21,186
2046	884,305	81,157	81,157	0	19,677	0	19,677
2047	860,660	80,189	80,189	0	18,256	0	18,256
2048	836,046	79,183	79,183	0	16,926	0	16,926
2049	810,444	77,739	77,739	0	15,604	0	15,604
2050	784,328	76,086	76,086	0	14,340	0	14,340
2051	757,933	74,251	74,251	0	13,140	0	13,140
2052	731,468	72,222	72,222	0	12,001	0	12,001
2053	705,179	70,233	70,233	0	10,958	0	10,958
2054	679,022	67,771	67,771	0	9,928	0	9,928
2055	653,599	65,370	65,370	0	8,992	0	8,992
2056	628,880	62,713	62,713	0	8,100	0	8,100
2057	605,229	60,081	60,081	0	7,287	0	7,287
2058	582,696	57,389	57,389	0	6,535	0	6,535
2059	561,435	54,703	54,703	0	5,849	0	5,849
2060	541,525	52,019	52,019	0	5,223	0	5,223
2061	523,056	49,348	49,348	0	4,652	0	4,652
2062	506,123	46,641	46,641	0	4,129	0	4,129
2063	490,874	43,963	43,963	0	3,654	0	3,654
2064	477,397	38,969	38,969	0	3,041	0	3,041
2065	468,194	36,329	36,329	0	2,662	0	2,662
2066	461,116	33,747	33,747	0	2,322	0	2,322
2067	456,243	31,242	31,242	0	2,019	0	2,019
2068	453,639	28,826	28,826	0	1,749	0	1,749
2069	453,359	26,489	26,489	0	1,509	0	1,509
2070	455,474	24,247	24,247	0	1,297	0	1,297
2071	460,041	22,105	22,105	0	1,110	0	1,110
2072	467,116	20,067	20,067	0	946	0	946
2073	476,756	18,136	18,136	0	803	0	803



## 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 6.50%	Unfunded Payments at 3.93%	Using Single Discount Rate of 6.50%
2074	\$ 489,016	\$ 16,314	\$ 16,314	\$ 0	\$ 678	\$ 0	\$ 678
2075	503,954	14,603	14,603	0	570	0	570
2076	521,629	13,004	13,004	0	477	0	477
2077	542,105	11,515	11,515	0	396	0	396
2078	565,450	10,137	10,137	0	328	0	328
2079	591,735	8,868	8,868	0	269	0	269
2080	621,038	7,707	7,707	0	220	0	220
2081	653,445	6,651	6,651	0	178	0	178
2082	689,049	5,698	5,698	0	143	0	143
2083	727,952	4,844	4,844	0	114	0	114
2084	770,265	4,085	4,085	0	90	0	90
2085	816,112	3,415	3,415	0	71	0	71
2086	865,632	2,830	2,830	0	55	0	55
2087	918,974	2,324	2,324	0	43	0	43
2088	976,306	1,891	1,891	0	33	0	33
2089	1,037,813	1,524	1,524	0	25	0	25
2090	1,103,696	1,216	1,216	0	18	0	18
2091	1,174,180	962	962	0	14	0	14
2092	1,249,508	754	754	0	10	0	10
2093	1,329,946	587	587	0	7	0	7
2094	1,415,786	454	454	0	5	0	5
2095	1,507,343	349	349	0	4	0	4
2096	1,604,960	267	267	0	3	0	3
2097	1,709,006	204	204	0	2	0	2
2098	1,819,880	156	156	0	1	0	1
2099	1,938,011	119	119	0	1	0	1
2100	2,063,859	91	91	0	1	0	1
2101	2,197,915	69	69	0	1	0	1
2102	2,340,708	53	53	0	0	0	0
2103	2,492,800	40	40	0	0	0	0
2104	2,654,791	30	30	0	0	0	0
2105	2,827,321	22	22	0	0	0	0
2106	3,011,074	16	16	0	0	0	0
2107	3,206,778	11	11	0	0	0	0
2108	3,415,206	8	8	0	0	0	0
2109	3,637,187	5	5	0	0	0	0
2110	3,873,598	4	4	0	0	0	0
2111	4,125,378	2	2	0	0	0	0
2112	4,393,526	1	1	0	0	0	0
2113	4,679,103	1	1	0	0	0	0
2114	4,983,244	0	0	0	0	0	0
2115	5,307,155	0	0	0	0	0	0
2116	5,652,119	0	0	0	0	0	0
2117	6,019,507	0	0	0	0	0	0
2118	6,410,775	0	0	0	0	0	0
2119	6,827,475	0	0	0	0	0	0
2120	7,271,261	0	0	0	0	0	0
2121	7,743,893	0	0	0	0	0	0
2122	8,247,246	0	0	0	0	0	0
2123	8,783,317	0	0	0	0	0	0