



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

**Legislative 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 revised required accounting information for Governmental Accounting Standards Board (GASB) Statement No. 67 for the Legislative Retirement System of North Carolina (LRS) 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	294
Terminated members and survivors of deceased members entitled to benefits but not yet receiving benefits	120
Active members	<u>170</u>
Total	584

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

Schedule of Changes in Net Pension Liability as of June 30, 2024		
Total Pension Liability		
Service Cost	\$	798,000
Interest		1,948,000
Changes in Benefit Terms		0
Differences Between Expected and Actual Experience		(57,000)
Changes of Assumptions		0
Benefits Payments, including Refund of Member Contributions		<u>(2,557,000)</u>
Net Change in Total Pension Liability		132,000
Total Pension Liability – Beginning of Year	\$	30,433,000
Total Pension Liability – End of Year	\$	30,565,000
Plan Fiduciary Net Position		
Employer Contributions	\$	748,000
Member Contributions		253,000
Net Investment Income		2,243,000
Benefit Payments, including Refund of Member Contributions		(2,557,000)
Administrative Expenses		(16,000)
Other		<u>0</u>
Net Change in Plan Fiduciary Net Pension		671,000
Plan Fiduciary Net Pension – Beginning of Year	\$	28,748,000
Plan Fiduciary Net Pension – End of Year	\$	29,419,000

Net Pension Liability/(Asset)	June 30, 2024	June 30, 2023
Total Pension Liability	\$ 30,565,000	\$ 30,433,000
Plan Fiduciary Net Pension	<u>29,419,000</u>	<u>28,748,000</u>
Net Pension Liability/(Asset)	\$ 1,146,000	\$ 1,685,000
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability/(Asset)	96.25%	94.46%

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)	\$	3,992,000	\$ 1,146,000	\$ (1,285,000)

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 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 based on the assumed investment rate of return thereafter. In addition, future administrative expenses are assumed to equal 1.00% of expected 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 these policies, 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%
*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 LRS 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 Legislative 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.

Mr. Thomas Causey
August 30, 2024

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.

Sincerely,

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	\$ 29,136	\$ 229	\$ 654	\$ 2,915	\$ 34	\$ 1,989	\$ 29,059
2025	29,059	204	548	2,635	30	1,828	28,974
2026	28,974	182	489	2,646	27	1,819	28,791
2027	28,791	165	495	2,634	24	1,808	28,601
2028	28,601	150	535	2,607	22	1,796	28,453
2029	28,453	134	513	2,620	20	1,786	28,246
2030	28,246	119	414	2,624	18	1,768	27,905
2031	27,905	106	289	2,622	16	1,742	27,404
2032	27,404	93	213	2,616	14	1,707	26,787
2033	26,787	82	186	2,603	12	1,666	26,106
2034	26,106	73	242	2,591	12	1,624	25,442
2035	25,442	65	334	2,559	12	1,584	24,854
2036	24,854	58	342	2,526	11	1,547	24,264
2037	24,264	52	392	2,480	11	1,512	23,729
2038	23,729	46	390	2,419	10	1,479	23,215
2039	23,215	42	360	2,359	10	1,445	22,693
2040	22,693	38	217	2,326	10	1,409	22,021
2041	22,021	34	90	2,257	9	1,363	21,242
2042	21,242	30	83	2,188	9	1,315	20,473
2043	20,473	27	68	2,125	9	1,265	19,699
2044	19,699	25	57	2,077	8	1,217	18,913
2045	18,913	22	49	2,030	8	1,166	18,112
2046	18,112	20	44	1,956	7	1,116	17,329
2047	17,329	18	39	1,882	7	1,068	16,565
2048	16,565	16	34	1,821	7	1,019	15,806
2049	15,806	14	25	1,763	6	973	15,049
2050	15,049	13	14	1,700	6	925	14,295
2051	14,295	11	8	1,641	5	877	13,545
2052	13,545	10	8	1,577	5	830	12,811
2053	12,811	9	11	1,524	5	784	12,086
2054	12,086	8	16	1,459	4	740	11,387
2055	11,387	7	16	1,385	4	697	10,718
2056	10,718	6	14	1,337	4	654	10,051
2057	10,051	5	12	1,278	4	613	9,399
2058	9,399	4	11	1,210	3	573	8,774
2059	8,774	4	9	1,144	3	534	8,174
2060	8,174	3	8	1,090	3	496	7,588
2061	7,588	2	8	1,026	3	460	7,029
2062	7,029	2	7	965	2	427	6,498
2063	6,498	2	10	906	2	393	5,995
2064	5,995	1	10	849	2	363	5,518
2065	5,518	1	9	795	2	333	5,064
2066	5,064	1	9	742	2	305	4,635
2067	4,635	1	8	692	2	280	4,230
2068	4,230	0	9	644	2	254	3,847
2069	3,847	0	8	598	1	231	3,487
2070	3,487	0	8	553	1	209	3,150
2071	3,150	0	7	511	1	188	2,833
2072	2,833	0	6	471	1	169	2,536
2073	2,536	0	5	431	1	152	2,261

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	\$ 2,261	\$ 0	\$ 4	\$ 393	\$ 1	\$ 134	\$ 2,005
2075	2,005	0	3	358	1	119	1,768
2076	1,768	0	3	324	1	104	1,550
2077	1,550	0	2	292	1	92	1,351
2078	1,351	0	1	262	1	80	1,169
2079	1,169	0	1	234	0	69	1,005
2080	1,005	0	1	206	1	58	857
2081	857	0	0	182	0	50	725
2082	725	0	0	159	0	42	608
2083	608	0	0	138	0	35	505
2084	505	0	0	119	0	30	416
2085	416	0	0	101	0	24	339
2086	339	0	0	85	0	20	274
2087	274	0	0	71	0	15	218
2088	218	0	0	59	0	13	172
2089	172	0	0	48	0	10	134
2090	134	0	0	39	0	8	103
2091	103	0	0	31	0	6	78
2092	78	0	0	24	0	4	58
2093	58	0	0	19	0	4	43
2094	43	0	0	14	0	2	31
2095	31	0	0	11	0	2	22
2096	22	0	0	8	0	2	16
2097	16	0	0	6	0	1	11
2098	11	0	0	4	0	0	7
2099	7	0	0	3	0	1	5
2100	5	0	0	2	0	1	4
2101	4	0	0	1	0	0	3
2102	3	0	0	1	0	0	2
2103	2	0	0	0	0	0	2
2104	2	0	0	0	0	0	1
2105	1	0	0	0	0	0	1
2106	1	0	0	0	0	0	1
2107	1	0	0	0	0	0	1
2108	1	0	0	0	0	0	1
2109	1	0	0	0	0	0	1
2110	1	0	0	0	0	1	2
2111	2	0	0	0	0	0	2
2112	2	0	0	0	0	0	2
2113	2	0	0	0	0	0	2
2114	2	0	0	0	0	0	2
2115	2	0	0	0	0	0	2
2116	2	0	0	0	0	0	2
2117	2	0	0	0	0	0	2
2118	2	0	0	0	0	1	3
2119	3	0	0	0	0	0	3
2120	3	0	0	0	0	0	3
2121	3	0	0	0	0	0	3
2122	3	0	0	0	0	0	3
2123	3	0	0	0	0	0	3

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	\$ 29,136	\$ 2,915	\$ 2,915	\$ 0	\$ 2,825	\$ 0	\$ 2,825
2025	29,059	2,635	2,635	0	2,397	0	2,397
2026	28,974	2,646	2,646	0	2,261	0	2,261
2027	28,791	2,634	2,634	0	2,113	0	2,113
2028	28,601	2,607	2,607	0	1,964	0	1,964
2029	28,453	2,620	2,620	0	1,853	0	1,853
2030	28,246	2,624	2,624	0	1,743	0	1,743
2031	27,905	2,622	2,622	0	1,635	0	1,635
2032	27,404	2,616	2,616	0	1,532	0	1,532
2033	26,787	2,603	2,603	0	1,431	0	1,431
2034	26,106	2,591	2,591	0	1,338	0	1,338
2035	25,442	2,559	2,559	0	1,240	0	1,240
2036	24,854	2,526	2,526	0	1,150	0	1,150
2037	24,264	2,480	2,480	0	1,060	0	1,060
2038	23,729	2,419	2,419	0	971	0	971
2039	23,215	2,359	2,359	0	889	0	889
2040	22,693	2,326	2,326	0	823	0	823
2041	22,021	2,257	2,257	0	750	0	750
2042	21,242	2,188	2,188	0	682	0	682
2043	20,473	2,125	2,125	0	622	0	622
2044	19,699	2,077	2,077	0	571	0	571
2045	18,913	2,030	2,030	0	524	0	524
2046	18,112	1,956	1,956	0	474	0	474
2047	17,329	1,882	1,882	0	428	0	428
2048	16,565	1,821	1,821	0	389	0	389
2049	15,806	1,763	1,763	0	354	0	354
2050	15,049	1,700	1,700	0	320	0	320
2051	14,295	1,641	1,641	0	290	0	290
2052	13,545	1,577	1,577	0	262	0	262
2053	12,811	1,524	1,524	0	238	0	238
2054	12,086	1,459	1,459	0	214	0	214
2055	11,387	1,385	1,385	0	191	0	191
2056	10,718	1,337	1,337	0	173	0	173
2057	10,051	1,278	1,278	0	155	0	155
2058	9,399	1,210	1,210	0	138	0	138
2059	8,774	1,144	1,144	0	122	0	122
2060	8,174	1,090	1,090	0	109	0	109
2061	7,588	1,026	1,026	0	97	0	97
2062	7,029	965	965	0	85	0	85
2063	6,498	906	906	0	75	0	75
2064	5,995	849	849	0	66	0	66
2065	5,518	795	795	0	58	0	58
2066	5,064	742	742	0	51	0	51
2067	4,635	692	692	0	45	0	45
2068	4,230	644	644	0	39	0	39
2069	3,847	598	598	0	34	0	34
2070	3,487	553	553	0	30	0	30
2071	3,150	511	511	0	26	0	26
2072	2,833	471	471	0	22	0	22
2073	2,536	431	431	0	19	0	19

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	\$ 2,261	\$ 393	\$ 393	\$ 0	\$ 16	\$ 0	\$ 16
2075	2,005	358	358	0	14	0	14
2076	1,768	324	324	0	12	0	12
2077	1,550	292	292	0	10	0	10
2078	1,351	262	262	0	8	0	8
2079	1,169	234	234	0	7	0	7
2080	1,005	206	206	0	6	0	6
2081	857	182	182	0	5	0	5
2082	725	159	159	0	4	0	4
2083	608	138	138	0	3	0	3
2084	505	119	119	0	3	0	3
2085	416	101	101	0	2	0	2
2086	339	85	85	0	2	0	2
2087	274	71	71	0	1	0	1
2088	218	59	59	0	1	0	1
2089	172	48	48	0	1	0	1
2090	134	39	39	0	1	0	1
2091	103	31	31	0	0	0	0
2092	78	24	24	0	0	0	0
2093	58	19	19	0	0	0	0
2094	43	14	14	0	0	0	0
2095	31	11	11	0	0	0	0
2096	22	8	8	0	0	0	0
2097	16	6	6	0	0	0	0
2098	11	4	4	0	0	0	0
2099	7	3	3	0	0	0	0
2100	5	2	2	0	0	0	0
2101	4	1	1	0	0	0	0
2102	3	1	1	0	0	0	0
2103	2	0	0	0	0	0	0
2104	2	0	0	0	0	0	0
2105	1	0	0	0	0	0	0
2106	1	0	0	0	0	0	0
2107	1	0	0	0	0	0	0
2108	1	0	0	0	0	0	0
2109	1	0	0	0	0	0	0
2110	1	0	0	0	0	0	0
2111	2	0	0	0	0	0	0
2112	2	0	0	0	0	0	0
2113	2	0	0	0	0	0	0
2114	2	0	0	0	0	0	0
2115	2	0	0	0	0	0	0
2116	2	0	0	0	0	0	0
2117	2	0	0	0	0	0	0
2118	2	0	0	0	0	0	0
2119	3	0	0	0	0	0	0
2120	3	0	0	0	0	0	0
2121	3	0	0	0	0	0	0
2122	3	0	0	0	0	0	0
2123	3	0	0	0	0	0	0