



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

North Carolina National Guard Pension Fund
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 North Carolina National Guard Pension Fund (NCNGPF) 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	4,825
Terminated members and survivors of deceased members entitled to benefits but not yet receiving benefits	2,500
Active members	<u>5,336</u>
Total	12,661

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	\$	229,000
Interest		9,059,000
Changes in Benefit Terms		0
Differences Between Expected and Actual Experience		8,616,000
Changes of Assumptions		0
Benefits Payments, including Refund of Member Contributions		<u>(9,279,000)</u>
Net Change in Total Pension Liability	\$	8,625,000
Total Pension Liability – Beginning of Year	\$	143,712,000
Total Pension Liability – End of Year	\$	152,337,000
Plan Fiduciary Net Position		
Employer Contributions	\$	0
Member Contributions		0
Net Investment Income		13,810,000
Benefit Payments, including Refund of Member Contributions		(9,279,000)
Administrative Expenses		(328,000)
Other		<u>1,000</u>
Net Change in Plan Fiduciary Net Pension	\$	4,204,000
Plan Fiduciary Net Pension – Beginning of Year	\$	175,727,000
Plan Fiduciary Net Pension – End of Year	\$	179,931,000

Net Pension Liability/(Asset)		
	June 30, 2024	June 30, 2023
Total Pension Liability	\$ 152,337,000	\$ 143,712,000
Plan Fiduciary Net Pension	<u>179,931,000</u>	<u>175,727,000</u>
Net Pension Liability/(Asset)	\$ (27,594,000)	\$ (32,015,000)
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability/(Asset)	118.11%	122.28%

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)	\$ (10,984,000)	\$ (27,594,000)	\$ (41,180,000)

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. Investment earnings are based on actual returns through June 30, 2024, and on the assumed investment rate of return thereafter. Additional State Contribution Rate Stabilization Policy contributions are included in the projected contributions. Estimated contributions and benefit payments attributable to actives with less than seven years of service, who are not included in the valuation, are included in the projections and assumed to be generally consistent with active participants with seven to fourteen years of service. 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	N/A
*Includes Inflation of	2.50%
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 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 NCSGPF 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 North Carolina National Guard Pension Fund 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.

Mr. Thomas Causey
August 30, 2024

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	\$ 177,919	\$ 0	\$ 1,127	\$ 23,381	\$ 155	\$ 12,292	\$ 167,802
2025	167,802	0	1,128	10,200	133	10,612	169,209
2026	169,209	0	880	10,188	115	10,698	170,484
2027	170,484	0	582	10,218	99	10,770	171,519
2028	171,519	0	511	10,243	86	10,834	172,535
2029	172,535	0	447	10,264	74	10,898	173,542
2030	173,542	0	386	10,290	64	10,962	174,536
2031	174,536	0	329	10,296	55	11,024	175,538
2032	175,538	0	275	10,221	47	11,092	176,637
2033	176,637	0	232	10,075	40	11,164	177,918
2034	177,918	0	199	9,942	34	11,253	179,394
2035	179,394	0	172	9,791	29	11,353	181,099
2036	181,099	0	149	9,616	24	11,468	183,076
2037	183,076	0	129	9,409	20	11,603	185,379
2038	185,379	0	112	9,256	17	11,756	187,974
2039	187,974	0	96	9,087	14	11,929	190,898
2040	190,898	0	82	8,999	11	12,123	194,093
2041	194,093	0	70	8,919	9	12,332	197,567
2042	197,567	0	59	8,846	7	12,560	201,333
2043	201,333	0	49	8,789	6	12,808	205,395
2044	205,395	0	41	8,719	5	13,073	209,785
2045	209,785	0	34	8,608	4	13,362	214,569
2046	214,569	0	28	8,493	3	13,675	219,776
2047	219,776	0	23	8,399	2	14,018	225,416
2048	225,416	0	19	8,336	2	14,385	231,482
2049	231,482	0	15	8,286	1	14,782	237,992
2050	237,992	0	12	8,199	1	15,207	245,011
2051	245,011	0	10	8,096	1	15,667	252,591
2052	252,591	0	8	7,937	1	16,164	260,825
2053	260,825	0	6	7,803	0	16,705	269,733
2054	269,733	0	5	7,664	0	17,288	279,362
2055	279,362	0	4	7,532	0	17,917	289,751
2056	289,751	1	2	7,436	0	18,596	300,914
2057	300,914	1	1	7,322	0	19,326	312,920
2058	312,920	1	1	7,220	0	20,108	325,810
2059	325,810	0	1	7,065	0	20,952	339,698
2060	339,698	0	0	6,915	0	21,860	354,643
2061	354,643	0	0	6,745	0	22,836	370,734
2062	370,734	0	0	6,568	0	23,887	388,053
2063	388,053	0	0	6,388	0	25,019	406,684
2064	406,684	0	0	6,184	0	26,237	426,737
2065	426,737	0	0	5,963	0	27,547	448,321
2066	448,321	0	0	5,716	0	28,958	471,563
2067	471,563	0	0	5,459	0	30,477	496,581
2068	496,581	0	0	5,205	0	32,112	523,488
2069	523,488	0	0	4,956	0	33,868	552,400
2070	552,400	0	0	4,711	0	35,755	583,444
2071	583,444	0	0	4,471	0	37,781	616,754
2072	616,754	0	0	4,234	0	39,954	652,474
2073	652,474	0	0	4,003	0	42,283	690,754

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	\$ 690,754	\$ 0	\$ 0	\$ 3,775	\$ 0	\$ 44,778	\$ 731,757
2075	731,757	0	0	3,552	0	47,451	775,656
2076	775,656	0	0	3,333	0	50,310	822,633
2077	822,633	0	0	3,120	0	53,372	872,885
2078	872,885	0	0	2,911	0	56,645	926,619
2079	926,619	0	0	2,708	0	60,144	984,055
2080	984,055	0	0	2,510	0	63,883	1,045,428
2081	1,045,428	0	0	2,318	0	67,878	1,110,988
2082	1,110,988	0	0	2,133	0	72,146	1,181,001
2083	1,181,001	0	0	1,955	0	76,702	1,255,748
2084	1,255,748	0	0	1,785	0	81,566	1,335,529
2085	1,335,529	0	0	1,622	0	86,758	1,420,665
2086	1,420,665	0	0	1,466	0	92,296	1,511,495
2087	1,511,495	0	0	1,319	0	98,205	1,608,381
2088	1,608,381	0	0	1,181	0	104,507	1,711,707
2089	1,711,707	0	0	1,050	0	111,227	1,821,884
2090	1,821,884	0	0	929	0	118,393	1,939,348
2091	1,939,348	0	0	816	0	126,032	2,064,564
2092	2,064,564	0	0	712	0	134,174	2,198,026
2093	2,198,026	0	0	616	0	142,852	2,340,262
2094	2,340,262	0	0	529	0	152,100	2,491,833
2095	2,491,833	0	0	450	0	161,954	2,653,337
2096	2,653,337	0	0	380	0	172,456	2,825,413
2097	2,825,413	0	0	317	0	183,642	3,008,738
2098	3,008,738	0	0	261	0	195,559	3,204,036
2099	3,204,036	0	0	213	0	208,255	3,412,078
2100	3,412,078	0	0	171	0	221,780	3,633,687
2101	3,633,687	0	0	136	0	236,185	3,869,736
2102	3,869,736	0	0	106	0	251,529	4,121,159
2103	4,121,159	0	0	82	0	267,873	4,388,950
2104	4,388,950	0	0	62	0	285,280	4,674,168
2105	4,674,168	0	0	46	0	303,820	4,977,942
2106	4,977,942	0	0	33	0	323,566	5,301,475
2107	5,301,475	0	0	23	0	344,594	5,646,046
2108	5,646,046	0	0	16	0	366,993	6,013,023
2109	6,013,023	0	0	11	0	390,846	6,403,858
2110	6,403,858	0	0	7	0	416,250	6,820,101
2111	6,820,101	0	0	5	0	443,307	7,263,403
2112	7,263,403	0	0	3	0	472,121	7,735,521
2113	7,735,521	0	0	2	0	502,809	8,238,328
2114	8,238,328	0	0	1	0	535,492	8,773,819
2115	8,773,819	0	0	1	0	570,298	9,344,116
2116	9,344,116	0	0	0	0	607,368	9,951,484
2117	9,951,484	0	0	0	0	646,846	10,598,330
2118	10,598,330	0	0	0	0	688,891	11,287,221
2119	11,287,221	0	0	0	0	733,670	12,020,891
2120	12,020,891	0	0	0	0	781,358	12,802,249
2121	12,802,249	0	0	0	0	832,146	13,634,395
2122	13,634,395	0	0	0	0	886,235	14,520,630
2123	14,520,630	0	0	0	0	943,841	15,464,471

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	\$ 177,919	\$ 23,381	\$ 23,381	\$ 0	\$ 22,656	\$ 0	\$ 22,656
2025	167,802	10,200	10,200	0	9,281	0	9,281
2026	169,209	10,188	10,188	0	8,704	0	8,704
2027	170,484	10,218	10,218	0	8,197	0	8,197
2028	171,519	10,243	10,243	0	7,715	0	7,715
2029	172,535	10,264	10,264	0	7,259	0	7,259
2030	173,542	10,290	10,290	0	6,833	0	6,833
2031	174,536	10,296	10,296	0	6,420	0	6,420
2032	175,538	10,221	10,221	0	5,984	0	5,984
2033	176,637	10,075	10,075	0	5,539	0	5,539
2034	177,918	9,942	9,942	0	5,132	0	5,132
2035	179,394	9,791	9,791	0	4,746	0	4,746
2036	181,099	9,616	9,616	0	4,376	0	4,376
2037	183,076	9,409	9,409	0	4,021	0	4,021
2038	185,379	9,256	9,256	0	3,714	0	3,714
2039	187,974	9,087	9,087	0	3,424	0	3,424
2040	190,898	8,999	8,999	0	3,184	0	3,184
2041	194,093	8,919	8,919	0	2,963	0	2,963
2042	197,567	8,846	8,846	0	2,759	0	2,759
2043	201,333	8,789	8,789	0	2,574	0	2,574
2044	205,395	8,719	8,719	0	2,398	0	2,398
2045	209,785	8,608	8,608	0	2,223	0	2,223
2046	214,569	8,493	8,493	0	2,059	0	2,059
2047	219,776	8,399	8,399	0	1,912	0	1,912
2048	225,416	8,336	8,336	0	1,782	0	1,782
2049	231,482	8,286	8,286	0	1,663	0	1,663
2050	237,992	8,199	8,199	0	1,545	0	1,545
2051	245,011	8,096	8,096	0	1,433	0	1,433
2052	252,591	7,937	7,937	0	1,319	0	1,319
2053	260,825	7,803	7,803	0	1,217	0	1,217
2054	269,733	7,664	7,664	0	1,123	0	1,123
2055	279,362	7,532	7,532	0	1,036	0	1,036
2056	289,751	7,436	7,436	0	960	0	960
2057	300,914	7,322	7,322	0	888	0	888
2058	312,920	7,220	7,220	0	822	0	822
2059	325,810	7,065	7,065	0	755	0	755
2060	339,698	6,915	6,915	0	694	0	694
2061	354,643	6,745	6,745	0	636	0	636
2062	370,734	6,568	6,568	0	581	0	581
2063	388,053	6,388	6,388	0	531	0	531
2064	406,684	6,184	6,184	0	483	0	483
2065	426,737	5,963	5,963	0	437	0	437
2066	448,321	5,716	5,716	0	393	0	393
2067	471,563	5,459	5,459	0	353	0	353
2068	496,581	5,205	5,205	0	316	0	316
2069	523,488	4,956	4,956	0	282	0	282
2070	552,400	4,711	4,711	0	252	0	252
2071	583,444	4,471	4,471	0	225	0	225
2072	616,754	4,234	4,234	0	200	0	200
2073	652,474	4,003	4,003	0	177	0	177

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	\$ 690,754	\$ 3,775	\$ 3,775	\$ 0	\$ 157	\$ 0	\$ 157
2075	731,757	3,552	3,552	0	139	0	139
2076	775,656	3,333	3,333	0	122	0	122
2077	822,633	3,120	3,120	0	107	0	107
2078	872,885	2,911	2,911	0	94	0	94
2079	926,619	2,708	2,708	0	82	0	82
2080	984,055	2,510	2,510	0	72	0	72
2081	1,045,428	2,318	2,318	0	62	0	62
2082	1,110,988	2,133	2,133	0	54	0	54
2083	1,181,001	1,955	1,955	0	46	0	46
2084	1,255,748	1,785	1,785	0	40	0	40
2085	1,335,529	1,622	1,622	0	34	0	34
2086	1,420,665	1,466	1,466	0	29	0	29
2087	1,511,495	1,319	1,319	0	24	0	24
2088	1,608,381	1,181	1,181	0	20	0	20
2089	1,711,707	1,050	1,050	0	17	0	17
2090	1,821,884	929	929	0	14	0	14
2091	1,939,348	816	816	0	12	0	12
2092	2,064,564	712	712	0	10	0	10
2093	2,198,026	616	616	0	8	0	8
2094	2,340,262	529	529	0	6	0	6
2095	2,491,833	450	450	0	5	0	5
2096	2,653,337	380	380	0	4	0	4
2097	2,825,413	317	317	0	3	0	3
2098	3,008,738	261	261	0	2	0	2
2099	3,204,036	213	213	0	2	0	2
2100	3,412,078	171	171	0	1	0	1
2101	3,633,687	136	136	0	1	0	1
2102	3,869,736	106	106	0	1	0	1
2103	4,121,159	82	82	0	1	0	1
2104	4,388,950	62	62	0	0	0	0
2105	4,674,168	46	46	0	0	0	0
2106	4,977,942	33	33	0	0	0	0
2107	5,301,475	23	23	0	0	0	0
2108	5,646,046	16	16	0	0	0	0
2109	6,013,023	11	11	0	0	0	0
2110	6,403,858	7	7	0	0	0	0
2111	6,820,101	5	5	0	0	0	0
2112	7,263,403	3	3	0	0	0	0
2113	7,735,521	2	2	0	0	0	0
2114	8,238,328	1	1	0	0	0	0
2115	8,773,819	1	1	0	0	0	0
2116	9,344,116	0	0	0	0	0	0
2117	9,951,484	0	0	0	0	0	0
2118	10,598,330	0	0	0	0	0	0
2119	11,287,221	0	0	0	0	0	0
2120	12,020,891	0	0	0	0	0	0
2121	12,802,249	0	0	0	0	0	0
2122	13,634,395	0	0	0	0	0	0
2123	14,520,630	0	0	0	0	0	0