



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

**Registers of Deeds' Supplemental 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 Registers of Deeds' Supplemental Pension Fund ("RODSPF") 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	108
Terminated members and survivors of deceased members entitled to benefits but not yet receiving benefits	0
Active members	<u>100</u>
Total membership	208

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	\$	1,198,000
Interest		1,016,000
Changes in Benefit Terms		0
Differences between Expected and Actual Experience		380,000
Changes of Assumptions		0
Benefits Payments, including Refund of Member Contributions		<u>(1,932,000)</u>
Net Change in Total Pension Liability	\$	662,000
Total Pension Liability – Beginning of Year	\$	33,626,000
Total Pension Liability – End of Year	\$	34,288,000
Plan Fiduciary Net Position		
Employer Contributions	\$	860,000
Member Contributions		0
Net Investment Income		1,261,000
Benefit Payments, including Refund of Member Contributions		(1,932,000)
Administrative Expenses		(21,000)
Other		<u>0</u>
Net Change in Plan Fiduciary Net Pension	\$	168,000
Plan Fiduciary Net Position – Beginning of Year	\$	45,643,000
Plan Fiduciary Net Position – End of Year	\$	45,811,000

Net Pension Liability/(Asset)		
	June 30, 2024	June 30, 2023
Total Pension Liability	\$ 34,288,000	\$ 33,626,000
Plan Fiduciary Net Position	<u>45,811,000</u>	<u>45,643,000</u>
Net Pension Liability/(Asset)	\$ (11,523,000)	\$ (12,017,000)
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability/(Asset)	133.61%	135.74%

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)	\$(7,635,000)	\$(11,523,000)	\$(14,798,000)

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, 2024 and assumes that System contributions will continue to follow the current funding policy. Investment earnings are based on actual returns through June 30, 2024, 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	12/31/2023
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar closed
Amortization Period	17 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, 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 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. Based on recent economic conditions, returns on bond index funds are expected to exceed 3.00% over 20- and 30-year periods. As such, the investment rate of return of 3.00% includes a provision for adverse deviation. All actuarial assumptions, including the investment rate of return, will be reviewed in an experience study prepared as of December 31, 2024.

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 investment rate of return, 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 investment rate of return 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 investment rate of return, including a provision for adverse deviation, 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 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, 2024 total pension liability were provided in October 2023 in the "Report on the Annual Valuation of Registers of Deeds' Supplemental 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.

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	\$ 46,558	\$ -	\$ 430	\$ 1,974	\$ 33	474	\$ 45,455
2025	45,455	-	-	2,035	30	1,333	44,723
2026	44,723	-	-	2,092	28	1,310	43,913
2027	43,913	-	-	2,133	26	1,285	43,039
2028	43,039	-	-	2,164	23	1,259	42,111
2029	42,111	-	-	2,185	21	1,230	41,135
2030	41,135	-	-	2,196	19	1,201	40,121
2031	40,121	-	-	2,233	18	1,170	39,040
2032	39,040	-	-	2,253	15	1,137	37,909
2033	37,909	-	-	2,274	13	1,103	36,725
2034	36,725	-	-	2,281	11	1,068	35,501
2035	35,501	-	-	2,265	9	1,031	34,258
2036	34,258	-	-	2,232	8	995	33,013
2037	33,013	-	-	2,193	6	957	31,771
2038	31,771	-	-	2,152	5	920	30,534
2039	30,534	-	-	2,090	5	885	29,324
2040	29,324	-	-	2,023	4	850	28,147
2041	28,147	-	-	1,953	3	814	27,005
2042	27,005	-	-	1,883	3	782	25,901
2043	25,901	-	-	1,811	2	750	24,838
2044	24,838	-	-	1,733	2	720	23,823
2045	23,823	-	-	1,652	2	690	22,859
2046	22,859	-	-	1,578	1	662	21,942
2047	21,942	-	-	1,496	1	636	21,081
2048	21,081	-	-	1,415	1	612	20,277
2049	20,277	-	-	1,333	1	588	19,531
2050	19,531	-	-	1,253	-	568	18,846
2051	18,846	-	-	1,173	-	547	18,220
2052	18,220	-	-	1,099	-	530	17,651
2053	17,651	-	-	1,024	-	514	17,141
2054	17,141	-	-	951	-	500	16,690
2055	16,690	-	-	881	-	487	16,296
2056	16,296	-	-	814	-	477	15,959
2057	15,959	-	-	750	-	467	15,676
2058	15,676	-	-	689	-	460	15,447
2059	15,447	-	-	631	-	454	15,270
2060	15,270	-	-	576	-	449	15,143
2061	15,143	-	-	524	-	447	15,066
2062	15,066	-	-	475	-	446	15,037
2063	15,037	-	-	428	-	444	15,053
2064	15,053	-	-	385	-	445	15,113
2065	15,113	-	-	345	-	449	15,217
2066	15,217	-	-	307	-	452	15,362
2067	15,362	-	-	272	-	456	15,546
2068	15,546	-	-	241	-	463	15,768
2069	15,768	-	-	211	-	470	16,027
2070	16,027	-	-	185	-	478	16,320
2071	16,320	-	-	160	-	487	16,647
2072	16,647	-	-	139	-	498	17,006
2073	17,006	-	-	119	-	508	17,395

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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
2074	\$ 17,395	\$ -	\$ -	\$ 102	\$ -	520	\$ 17,813
2075	17,813	-	-	87	-	533	18,259
2076	18,259	-	-	74	-	547	18,732
2077	18,732	-	-	62	-	561	19,231
2078	19,231	-	-	52	-	576	19,755
2079	19,755	-	-	43	-	592	20,304
2080	20,304	-	-	36	-	609	20,877
2081	20,877	-	-	29	-	626	21,474
2082	21,474	-	-	24	-	644	22,094
2083	22,094	-	-	19	-	662	22,737
2084	22,737	-	-	15	-	682	23,404
2085	23,404	-	-	12	-	702	24,094
2086	24,094	-	-	9	-	722	24,807
2087	24,807	-	-	7	-	744	25,544
2088	25,544	-	-	5	-	766	26,305
2089	26,305	-	-	4	-	789	27,090
2090	27,090	-	-	3	-	813	27,900
2091	27,900	-	-	2	-	837	28,735
2092	28,735	-	-	1	-	861	29,595
2093	29,595	-	-	1	-	888	30,482
2094	30,482	-	-	1	-	915	31,396
2095	31,396	-	-	-	-	941	32,337
2096	32,337	-	-	-	-	970	33,307
2097	33,307	-	-	-	-	999	34,306
2098	34,306	-	-	-	-	1,029	35,335
2099	35,335	-	-	-	-	1,060	36,395
2100	36,395	-	-	-	-	1,092	37,487
2101	37,487	-	-	-	-	1,124	38,611
2102	38,611	-	-	-	-	1,159	39,770
2103	39,770	-	-	-	-	1,193	40,963
2104	40,963	-	-	-	-	1,229	42,192
2105	42,192	-	-	-	-	1,265	43,457
2106	43,457	-	-	-	-	1,304	44,761
2107	44,761	-	-	-	-	1,343	46,104
2108	46,104	-	-	-	-	1,383	47,487
2109	47,487	-	-	-	-	1,425	48,912
2110	48,912	-	-	-	-	1,467	50,379
2111	50,379	-	-	-	-	1,511	51,890
2112	51,890	-	-	-	-	1,557	53,447
2113	53,447	-	-	-	-	1,604	55,051
2114	55,051	-	-	-	-	1,651	56,702
2115	56,702	-	-	-	-	1,701	58,403
2116	58,403	-	-	-	-	1,752	60,155
2117	60,155	-	-	-	-	1,805	61,960
2118	61,960	-	-	-	-	1,859	63,819
2119	63,819	-	-	-	-	1,914	65,733
2120	65,733	-	-	-	-	1,972	67,705
2121	67,705	-	-	-	-	2,031	69,736
2122	69,736	-	-	-	-	2,092	71,828
2123	71,828	-	-	-	-	2,155	73,983

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 3.00%	Unfunded Payments at 3.93%	Using Single Discount Rate of 3.00%
2024	\$ 46,558	\$ 1,974	\$ 1,974	\$ -	\$ 1,945	\$ -	\$ 1,945
2025	45,455	2,035	2,035	-	1,947	-	1,947
2026	44,723	2,092	2,092	-	1,943	-	1,943
2027	43,913	2,133	2,133	-	1,923	-	1,923
2028	43,039	2,164	2,164	-	1,894	-	1,894
2029	42,111	2,185	2,185	-	1,857	-	1,857
2030	41,135	2,196	2,196	-	1,812	-	1,812
2031	40,121	2,233	2,233	-	1,789	-	1,789
2032	39,040	2,253	2,253	-	1,752	-	1,752
2033	37,909	2,274	2,274	-	1,717	-	1,717
2034	36,725	2,281	2,281	-	1,672	-	1,672
2035	35,501	2,265	2,265	-	1,612	-	1,612
2036	34,258	2,232	2,232	-	1,543	-	1,543
2037	33,013	2,193	2,193	-	1,471	-	1,471
2038	31,771	2,152	2,152	-	1,402	-	1,402
2039	30,534	2,090	2,090	-	1,322	-	1,322
2040	29,324	2,023	2,023	-	1,242	-	1,242
2041	28,147	1,953	1,953	-	1,164	-	1,164
2042	27,005	1,883	1,883	-	1,090	-	1,090
2043	25,901	1,811	1,811	-	1,018	-	1,018
2044	24,838	1,733	1,733	-	945	-	945
2045	23,823	1,652	1,652	-	875	-	875
2046	22,859	1,578	1,578	-	811	-	811
2047	21,942	1,496	1,496	-	747	-	747
2048	21,081	1,415	1,415	-	686	-	686
2049	20,277	1,333	1,333	-	627	-	627
2050	19,531	1,253	1,253	-	572	-	572
2051	18,846	1,173	1,173	-	520	-	520
2052	18,220	1,099	1,099	-	473	-	473
2053	17,651	1,024	1,024	-	428	-	428
2054	17,141	951	951	-	386	-	386
2055	16,690	881	881	-	347	-	347
2056	16,296	814	814	-	311	-	311
2057	15,959	750	750	-	279	-	279
2058	15,676	689	689	-	249	-	249
2059	15,447	631	631	-	221	-	221
2060	15,270	576	576	-	196	-	196
2061	15,143	524	524	-	173	-	173
2062	15,066	475	475	-	152	-	152
2063	15,037	428	428	-	133	-	133
2064	15,053	385	385	-	116	-	116
2065	15,113	345	345	-	101	-	101
2066	15,217	307	307	-	87	-	87
2067	15,362	272	272	-	75	-	75
2068	15,546	241	241	-	65	-	65
2069	15,768	211	211	-	55	-	55
2070	16,027	185	185	-	47	-	47
2071	16,320	160	160	-	39	-	39
2072	16,647	139	139	-	33	-	33
2073	17,006	119	119	-	28	-	28

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 3.93%	Using Single Discount Rate of 3.00%
2074	\$ 17,395	\$ 102	\$ 102	\$ -	\$ 23	\$ -	\$ 23
2075	17,813	87	87	-	19	-	19
2076	18,259	74	74	-	16	-	16
2077	18,732	62	62	-	13	-	13
2078	19,231	52	52	-	10	-	10
2079	19,755	43	43	-	8	-	8
2080	20,304	36	36	-	7	-	7
2081	20,877	29	29	-	5	-	5
2082	21,474	24	24	-	4	-	4
2083	22,094	19	19	-	3	-	3
2084	22,737	15	15	-	3	-	3
2085	23,404	12	12	-	2	-	2
2086	24,094	9	9	-	1	-	1
2087	24,807	7	7	-	1	-	1
2088	25,544	5	5	-	1	-	1
2089	26,305	4	4	-	1	-	1
2090	27,090	3	3	-	-	-	-
2091	27,900	2	2	-	-	-	-
2092	28,735	1	1	-	-	-	-
2093	29,595	1	1	-	-	-	-
2094	30,482	1	1	-	-	-	-
2095	31,396	-	-	-	-	-	-
2096	32,337	-	-	-	-	-	-
2097	33,307	-	-	-	-	-	-
2098	34,306	-	-	-	-	-	-
2099	35,335	-	-	-	-	-	-
2100	36,395	-	-	-	-	-	-
2101	37,487	-	-	-	-	-	-
2102	38,611	-	-	-	-	-	-
2103	39,770	-	-	-	-	-	-
2104	40,963	-	-	-	-	-	-
2105	42,192	-	-	-	-	-	-
2106	43,457	-	-	-	-	-	-
2107	44,761	-	-	-	-	-	-
2108	46,104	-	-	-	-	-	-
2109	47,487	-	-	-	-	-	-
2110	48,912	-	-	-	-	-	-
2111	50,379	-	-	-	-	-	-
2112	51,890	-	-	-	-	-	-
2113	53,447	-	-	-	-	-	-
2114	55,051	-	-	-	-	-	-
2115	56,702	-	-	-	-	-	-
2116	58,403	-	-	-	-	-	-
2117	60,155	-	-	-	-	-	-
2118	61,960	-	-	-	-	-	-
2119	63,819	-	-	-	-	-	-
2120	65,733	-	-	-	-	-	-
2121	67,705	-	-	-	-	-	-
2122	69,736	-	-	-	-	-	-
2123	71,828	-	-	-	-	-	-