

**REPORT ON THE ACTUARIAL VALUATION
OF THE REGISTERS OF DEEDS' SUPPLEMENTAL
PENSION FUND
PREPARED AS OF DECEMBER 31, 2008**



November 2, 2009

Mr. Michael L. Williamson
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Dear Mr. Williamson:

We submit herewith our Report on the Actuarial Valuation of the Registers of Deeds' Supplemental Pension Fund, prepared as of December 31, 2008. The report has been prepared in accordance with North Carolina General Statute 161-50.

The valuation has been prepared in accordance with the parameters of Statement Nos. 25 and 27 of the Governmental Accounting Standards Board. As provided in Section 161-50.2 of the General Statutes (as amended by Session Law 2007-245), contributions to support the Fund are equal to 1.50% of the monthly receipts collected pursuant to Article 1 of Chapter 161 of the General Statutes. The total annual required contribution (ARC) under GASB for the 2010-2011 fiscal year is \$0. However, since this Plan is a cost-sharing multiple employer plan, the amounts collected in accordance with the Statutes are suitable for use in the financial statements of the employers as the ARC under GASB 27.

The plan sponsor selected the assumptions used for the results in this report. I believe that these assumptions are reasonable and comply with the requirements of GASB Nos. 25 and 27. I prepared this report in accordance with the requirements of these standards.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and I am available to answer questions about it.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,



Richard A. Mackesey, FSA, EA, MAAA
Principal, Consulting Actuary

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**REPORT ON THE ACTUARIAL VALUATION OF THE
REGISTERS OF DEEDS' SUPPLEMENTAL
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PREPARED AS OF DECEMBER 31, 2008**

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. This report, prepared as of December 31, 2008, presents the results of an overall actuarial valuation of the system. For convenience of reference, the principal results of the valuation and a comparison with the results of the previous valuation are summarized below.

**TABLE I
SUMMARY OF PRINCIPAL RESULTS**

VALUATION DATE	12/31/2008	12/31/2007
Active members included in valuation		
Number	100	100
Reported compensation	\$ 6,023,750	\$ 5,868,775
Valuation compensation	\$ 6,163,989	\$ 6,005,153
Terminated vested participants		
Number	0	1
Beneficiaries		
Number	86	78
Annual allowances	\$ 1,503,183	\$ 1,357,220
Assets:		
Market related actuarial value	\$ 37,212,564	\$ 35,452,796
Market value	36,371,826	34,416,916
Unfunded accrued liability	\$ (18,847,361)	\$ (17,622,999)
Fiscal Year Ending	June 30, 2011	June 30, 2010
Annual required employer contribution:		
Normal	\$ 606,851	\$ 590,287
Accrued liability	(606,851)	(590,287)
Total	\$ 0	\$ 0
Liquidation period	N/A*	N/A*

- * If the annual required employer contribution (ARC) is based on 30 year amortization of the unfunded accrued liability, the ARC is less than \$0, which is not allowed under GASB 25/27. Therefore, the accrued liability contribution has been set such that the total employer ARC equals \$0.

2. Schedule C of this report outlines the full set of actuarial assumptions and methods employed. Schedule B of this report presents the development of the actuarial value of assets. Schedule D gives a summary of the benefit provisions of the system.

SECTION II - MEMBERSHIP DATA

Data regarding the membership of the system for use as a basis for the valuation were furnished by the System's office. The following tables summarize the membership of the system as of December 31, 2008 upon which the valuation was based.

TABLE II

**THE NUMBER AND REPORTED COMPENSATION OF ACTIVE MEMBERS
INCLUDED IN THE VALUATION AS OF DECEMBER 31, 2008**

GROUP	NUMBER	REPORTED COMPENSATION
Males	16	\$ 1,185,591
Females	<u>84</u>	<u>4,838,159</u>
Total	100	\$ 6,023,750

TABLE III

**THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF
BENEFICIARIES ON THE ROLL AS OF DECEMBER 31, 2008**

GROUP	NUMBER	ANNUAL RETIREMENT COMPENSATION
Males	18	\$ 303,150
Females	<u>68</u>	<u>1,200,033</u>
Total	86	\$ 1,503,183

SECTION III – COMMENTS ON VALUATION

1. Schedule A of this report contains the results of the valuation which show present and prospective assets and liabilities of the System as of December 31, 2008.
2. The balance sheet shows that the System has total prospective liabilities of \$21,653,944 of which \$11,967,502 is for the prospective benefits payable on account of present beneficiaries and terminated vested members, and \$9,686,442 is for the prospective benefits payable on account of present active members. Against these liabilities, the System has present assets of \$37,212,564 leaving a balance of \$(15,558,620) as the present value of contributions to be made in the future.
3. The employer's contributions consist of normal contributions and accrued liability contributions. The valuation indicates that employer normal contributions totaling \$606,851 are required to provide the benefits of the Fund for the average new member and include the amount required for administrative expenses.
4. Prospective employer normal contributions have a present value of \$3,288,741. When this amount is subtracted from \$(15,558,620) which is the present value of total contributions, the result is an unfunded actuarial accrued liability of \$(18,847,361).

SECTION IV – RATES OF CONTRIBUTION

As provided in Section 161-50.2 of the Statutes, contributions to support the Fund are equal to 1.50% of the monthly receipts collected pursuant to Article 1 of Chapter 161 of the General Statutes.

The following table shows the contribution payable, as determined on the basis of the present valuation.

TABLE IV
RECOMMENDED CONTRIBUTION

CONTRIBUTION	AMOUNT
Normal	\$ 606,851
Accrued liability	<u>(606,851)</u>
Total	\$ 0

SECTION V - ACCOUNTING INFORMATION

1. Statement Nos. 25 and 27 of the Governmental Accounting Standards Board (GASB) set forth certain items of information to be disclosed in the financial statements of the System and the employer. 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 DECEMBER 31, 2008**

GROUP	NUMBER
Retired participants and beneficiaries currently receiving benefits	86
Terminated participants and beneficiaries entitled to benefits but not yet receiving	0
Active participants	<u>100</u>
Total	186

2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2003	\$20,438,762	\$11,885,580	\$(8,553,182)	172.0%	\$5,177,803	(165.2)%
12/31/2004	24,262,625	12,240,374	(12,022,251)	198.2	5,549,180	(216.6)
12/31/2005	28,242,174	11,787,725	(16,454,449)	239.6	5,366,955	(306.6)
12/31/2006	32,371,059	17,375,253	(14,995,806)	186.3	5,558,147	(269.8)
12/31/2007	35,452,796	17,829,797	(17,622,999)	198.8	5,868,775	(300.3)
12/31/2008	37,212,564	18,365,203	(18,847,361)	202.6	6,023,750	(312.9)

3. The annual required contribution (ARC) of the employer, determined in accordance with the parameters of GASB 25/27 is shown below. If the accrued liability contribution is based on amortization of the unfunded accrued liability of \$(18,847,361) over a 30-year period from the valuation date, the total employer ARC would be less than \$0, which is not allowed under GASB 25/27. Therefore, the accrued liability contribution has been set such that the total ARC equals \$0.

**2010/2011 FISCAL YEAR
ANNUAL REQUIRED EMPLOYER CONTRIBUTION RATES (ARC)
BASED ON THE VALUATION AS OF DECEMBER 31, 2008**

ANNUAL REQUIRED CONTRIBUTION (ARC)	AMOUNT
Normal	\$ 606,851
Accrued liability	<u>(606,851)</u>
Total	\$ 0

Since the Registers of Deeds' Supplemental Pension Fund is a cost-sharing multiple employer plan, the amounts collected in accordance with the Statutes are suitable for use in the financial statements of the employers as the annual required contribution (ARC) even though they may differ in total from the amounts shown above.

4. Additional information as of December 31, 2008 follows.

Valuation date	12/31/2008
Actuarial cost method	Entry age
Amortization method	Level dollar open
Remaining amortization period	N/A**
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.50 – 14.65%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

** If the annual required employer contribution (ARC) is based on 30 year amortization of the unfunded accrued liability, the ARC is less than \$0, which is not allowed under GASB 25/27. Therefore, the accrued liability contribution has been set such that the total employer ARC equals \$0.

SCHEDULE A

RESULTS OF THE VALUATION AS OF DECEMBER 31, 2008

(1)	Actuarial liabilities		
	Present value of prospective benefits payable in respect of:		
	(a) Present beneficiaries and terminated vested members	\$	11,967,502
	(b) Present active members		<u>9,686,442</u>
	(c) Total actuarial liabilities	\$	21,653,944
(2)	Assets of the System		<u>37,212,564</u>
(3)	Present value of future contributions (1)(c) – (2)	\$	(15,558,620)
(4)	Present value of future normal contributions by employers		<u>3,288,741</u>
(5)	Present value of unfunded accrued liability contributions by employers (3) – (4)	\$	(18,847,361)

SCHEDULE B**DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS
FOR THE YEAR ENDING DECEMBER 31, 2008**

1.	Actuarial Value of Assets as of December 31, 2007	\$	35,452,796
2.	2008 Net Cash Flow		
	a. Contributions		798,298
	b. Disbursements		1,377,670
	c. Net Cash Flow: (a) - (b)		(579,372)
3.	Expected Investment Return: [(1) x .0725] + [(2)c x .03625]		2,549,325
4.	Expected Actuarial Value of Assets as of December 31, 2008: (1) + (2)c + (3)		37,422,749
5.	Market Value of Assets as of December 31, 2008		36,371,826
6.	Excess of Market Value over Expected Actuarial Value of Assets: (5) - (4)		(1,050,923)
7.	20% Adjustment towards Market Value: (6) x .20		(210,185)
8.	Actuarial Value of Assets as of December 31, 2008: (4) + (7)	\$	37,212,564
9.	Rate of Investment Return on Actuarial Value		6.65%
10.	Rate of Investment Return on Market Value		7.43%

SCHEDULE C**STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS**

INTEREST RATE: 7.25% per annum, compounded annually.

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal, early retirement, disability, death and service retirement are as follows:

MALES

Annual Rate of

Age	Withdrawal 0-4 Years of Service*	Withdrawal 5-9 Years of Service	Withdrawal 10 or More Years of Service	Early Retirement		Disability	Death	Service Retirement**
				<25 Yrs Svc	>25 Yrs Svc			
25	.1600	.0650	.0400			.0004	.0006	
30	.1450	.0550	.0350			.0010	.0008	
35	.1300	.0550	.0300			.0030	.0009	
40	.1200	.0550	.0250			.0050	.0010	
45	.1200	.0550	.0250			.0080	.0015	.2500
50	.1100	.0400	.0250	.0250	.0500	.0100	.0023	.2500
55	.0900	.0400	.0250	.0333	.0660	.0200	.0040	.2500
60	.0900					.0240	.0071	.0800
65	.0900						.0129	.3000

FEMALES

Annual Rate of

Death	Withdrawal 0-4 Years of Service*	Withdrawal 5-9 Years of Service	Withdrawal 10 or More Years of Service	Early Retirement		Disability	Death	Service Retirement**
				<25 Yrs Svc	>25 Yrs Svc			
25	.1600	.0800	.0350			.0005	.0003	
30	.1450	.0700	.0400			.0009	.0003	
35	.1300	.0700	.0350			.0015	.0005	
40	.1200	.0600	.0350			.0030	.0007	
45	.1200	.0600	.0300			.0040	.0009	.2500
50	.1100	.0550	.0300	.0250	.0500	.0080	.0013	.2500
55	.0900	.0550	.0300	.0333	.0660	.0100	.0021	.2500
60	.0900					.0130	.0039	.0800
65	.0900						.0076	.3000

* Higher rates of withdrawal are used during the first 3 years of membership in the System.

** An additional 15% are assumed to retire when first eligible for unreduced service retirement.

SALARY INCREASES: Representative values of the assumed annual rates of future salary increase are as follows:

<u>Age</u>	<u>Annual Rate of Salary Increase</u>
25	9.91%
30	6.55
35	5.60
40	5.00
45	4.95
50	4.60
55	4.50
60	4.50
65	4.50

DEATHS AFTER RETIREMENT: According to the 1994 Group Annuity Mortality Tables. These tables are set forward three years for males and set forward two years for females.

MORTALITY PROJECTION: All mortality rates are projected from December 31, 2005 using Scale AA.

ADMINISTRATIVE EXPENSES: Assumed to be 0.15% of the market value of assets at the beginning of each calendar year.

REPORTED COMPENSATION: Calendar year compensation as furnished by the System's office.

VALUATION COMPENSATION: Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

VALUATION METHOD: Entry age normal cost method.

ASSET VALUATION METHOD: Actuarial value, as developed in Schedule B. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value.

SCHEDULE D**SUMMARY OF MAIN BENEFIT PROVISIONS**

The Registers of Deeds' Supplemental Pension Fund was established October 1, 1987 for all county registers of deeds who are retired from the Local Governmental Employees' Retirement System or an equivalent locally sponsored plan.

BENEFITS**Service Retirement Allowance****Conditions for Allowance**

Retirement from the Local Governmental Employees' Retirement System or equivalent locally sponsored plan with 10 or more years of service as a register of deeds.

Amount of Allowance

Benefit payable for the life of the member only, equal to 75% of a registers of deeds equivalent annual salary immediately preceding retirement computed on the latest monthly base rate. Maximum benefit is \$1,500 per month.

Deferred Vested Retirement Allowance**Conditions for Allowance**

Separation from service after completing at least 10 years of service as a register of deeds.

Amount of Allowance

Service Retirement Allowance described above commencing upon retirement with the Local Governmental Retirement System.

CONTRIBUTIONS**Employer Contributions**

1.5% of the monthly receipts collected pursuant to Article 1 of Chapter 161 of the General Statutes.

Employee Contributions

None.