



110 West Berry Street
Suite 1300
Fort Wayne, IN 46802

August 29, 2025

Mr. Sam Watts
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, 2025
Based on Valuation Date of December 31, 2024**

Dear Mr. Watts:

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, 2025 based on a valuation date of December 31, 2024.

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 12/31/2024 ¹	
Retired members and survivors of deceased members currently receiving benefits	291
Terminated members and survivors of deceased members entitled to benefits but not yet receiving benefits	112
Active members	<u>170</u>
Total	573

¹ The membership data was collected as of the actuarial valuation date, December 31, 2024. Standard actuarial techniques were used to roll forward liabilities based on this data to the measurement date June 30, 2025.

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

Schedule of Changes in Net Pension Liability as of June 30, 2025		
Total Pension Liability		
Service Cost	\$	780,000
Interest		1,946,000
Changes in Benefit Terms		0
Differences Between Expected and Actual Experience		(307,000)
Changes of Assumptions		0
Benefits Payments, including Refund of Member Contributions		<u>(2,871,000)</u>
Net Change in Total Pension Liability		(452,000)
Total Pension Liability – Beginning of Year	\$	30,565,000
Total Pension Liability – End of Year	\$	30,113,000
Plan Fiduciary Net Position		
Employer Contributions	\$	698,000
Member Contributions		253,000
Net Investment Income		2,792,000
Benefit Payments, including Refund of Member Contributions		(2,871,000)
Administrative Expenses		(25,000)
Other		<u>(2,000)</u>
Net Change in Plan Fiduciary Net Pension		845,000
Plan Fiduciary Net Pension – Beginning of Year	\$	29,419,000
Plan Fiduciary Net Pension – End of Year	\$	30,264,000

Net Pension Liability/(Asset)	June 30, 2025	June 30, 2024
Total Pension Liability	\$ 30,113,000	\$ 30,565,000
Plan Fiduciary Net Pension	<u>30,264,000</u>	<u>29,419,000</u>
Net Pension Liability/(Asset)	\$ (151,000)	\$ 1,146,000
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability/(Asset)	100.50%	96.25%

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)	\$ 2,682,000	\$ (151,000)	\$ (2,570,000)

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, 2025, 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	12/31/2024
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

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The June 30, 2025 total pension liability was determined by an actuarial valuation as of December 31, 2024, 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 Standard of Practice ("ASOP") 27 and the requirements of GASB Statement No. 67. We prepared this letter in accordance with the requirement of this standard.

ASOP 27 asks 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, 2025 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, 2025 total pension liability were provided in October 2024 in the "Report on the Actuarial Valuation of the Legislative Retirement System of North Carolina Prepared as of December 31, 2023."

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.

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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 for Actuaries Issuing Statements of Actuarial Opinion in the United States 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,

Gallagher Benefit Services, Inc. ("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
2025	\$ 29,589	\$ 225	\$ 605	\$ 2,905	\$ 33	\$ 2,597	\$ 30,078
2026	30,078	202	521	2,582	30	1,894	30,083
2027	30,083	183	496	2,580	27	1,893	30,048
2028	30,048	166	512	2,563	24	1,891	30,030
2029	30,030	149	466	2,581	22	1,889	29,931
2030	29,931	132	336	2,595	19	1,877	29,662
2031	29,662	117	197	2,606	17	1,854	29,207
2032	29,207	103	107	2,611	15	1,822	28,613
2033	28,613	91	73	2,609	13	1,781	27,936
2034	27,936	81	118	2,604	13	1,739	27,257
2035	27,257	71	198	2,585	12	1,697	26,626
2036	26,626	63	196	2,558	12	1,657	25,972
2037	25,972	56	159	2,519	12	1,614	25,270
2038	25,270	50	148	2,463	11	1,569	24,563
2039	24,563	45	111	2,411	11	1,524	23,821
2040	23,821	40	42	2,384	10	1,475	22,984
2041	22,984	36	23	2,317	10	1,422	22,138
2042	22,138	32	42	2,250	10	1,369	21,321
2043	21,321	29	45	2,191	9	1,318	20,513
2044	20,513	26	42	2,144	9	1,266	19,694
2045	19,694	23	35	2,101	8	1,215	18,858
2046	18,858	21	34	2,026	8	1,162	18,041
2047	18,041	19	33	1,954	8	1,112	17,243
2048	17,243	17	33	1,894	7	1,061	16,453
2049	16,453	15	29	1,830	7	1,012	15,672
2050	15,672	13	24	1,768	6	964	14,899
2051	14,899	11	20	1,712	6	914	14,126
2052	14,126	10	16	1,647	6	866	13,365
2053	13,365	9	13	1,592	5	819	12,609
2054	12,609	8	12	1,523	5	772	11,873
2055	11,873	7	12	1,446	5	725	11,166
2056	11,166	6	12	1,398	4	681	10,463
2057	10,463	5	11	1,337	4	637	9,775
2058	9,775	4	11	1,264	4	596	9,118
2059	9,118	4	9	1,195	3	555	8,488
2060	8,488	3	9	1,138	3	515	7,874
2061	7,874	3	8	1,071	3	478	7,289
2062	7,289	2	12	1,005	3	442	6,737
2063	6,737	2	11	943	2	408	6,213
2064	6,213	2	10	882	2	377	5,718
2065	5,718	1	11	825	2	345	5,248
2066	5,248	1	10	770	2	316	4,803
2067	4,803	1	9	717	2	289	4,383
2068	4,383	1	7	667	2	264	3,986
2069	3,986	0	8	619	1	239	3,613
2070	3,613	0	7	572	1	217	3,264
2071	3,264	0	6	528	1	195	2,936
2072	2,936	0	5	486	1	176	2,630
2073	2,630	0	5	445	1	157	2,346
2074	2,346	0	4	406	1	139	2,082

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
2075	\$ 2,082	\$ 0	\$ 3	\$ 370	\$ 1	\$ 123	\$ 1,837
2076	1,837	0	2	335	1	109	1,612
2077	1,612	0	2	302	1	95	1,406
2078	1,406	0	1	271	1	83	1,218
2079	1,218	0	1	243	0	72	1,048
2080	1,048	0	1	214	1	60	894
2081	894	0	0	189	0	52	757
2082	757	0	0	166	0	45	636
2083	636	0	0	144	0	37	529
2084	529	0	0	124	0	31	436
2085	436	0	0	106	0	25	355
2086	355	0	0	89	0	20	286
2087	286	0	0	75	0	17	228
2088	228	0	0	62	0	13	179
2089	179	0	0	51	0	11	139
2090	139	0	0	41	0	8	106
2091	106	0	0	32	0	6	80
2092	80	0	0	26	0	5	59
2093	59	0	0	20	0	4	43
2094	43	0	0	15	0	3	31
2095	31	0	0	11	0	1	21
2096	21	0	0	8	0	2	15
2097	15	0	0	6	0	1	10
2098	10	0	0	4	0	0	6
2099	6	0	0	3	0	1	4
2100	4	0	0	2	0	1	3
2101	3	0	0	1	0	0	2
2102	2	0	0	1	0	0	1
2103	1	0	0	0	0	0	1
2104	1	0	0	0	0	0	1
2105	1	0	0	0	0	0	0
2106	0	0	0	0	0	0	0
2107	0	0	0	0	0	0	0
2108	0	0	0	0	0	0	0
2109	0	0	0	0	0	0	0
2110	0	0	0	0	0	0	0
2111	0	0	0	0	0	0	0
2112	0	0	0	0	0	0	0
2113	0	0	0	0	0	0	0
2114	0	0	0	0	0	1	1
2115	1	0	0	0	0	0	1
2116	1	0	0	0	0	0	1
2117	1	0	0	0	0	0	1
2118	1	0	0	0	0	0	1
2119	1	0	0	0	0	0	1
2120	1	0	0	0	0	0	1
2121	1	0	0	0	0	0	1
2122	1	0	0	0	0	0	1
2123	1	0	0	0	0	0	1
2124	1	0	0	0	0	0	1

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 5.20%	Using Single Discount Rate of 6.50%
2025	\$ 29,589	\$ 2,905	\$ 2,905	\$ 0	\$ 2,815	\$ 0	\$ 2,815
2026	30,078	2,582	2,582	0	2,349	0	2,349
2027	30,083	2,580	2,580	0	2,204	0	2,204
2028	30,048	2,563	2,563	0	2,056	0	2,056
2029	30,030	2,581	2,581	0	1,944	0	1,944
2030	29,931	2,595	2,595	0	1,835	0	1,835
2031	29,662	2,606	2,606	0	1,731	0	1,731
2032	29,207	2,611	2,611	0	1,628	0	1,628
2033	28,613	2,609	2,609	0	1,528	0	1,528
2034	27,936	2,604	2,604	0	1,432	0	1,432
2035	27,257	2,585	2,585	0	1,334	0	1,334
2036	26,626	2,558	2,558	0	1,240	0	1,240
2037	25,972	2,519	2,519	0	1,146	0	1,146
2038	25,270	2,463	2,463	0	1,053	0	1,053
2039	24,563	2,411	2,411	0	967	0	967
2040	23,821	2,384	2,384	0	898	0	898
2041	22,984	2,317	2,317	0	820	0	820
2042	22,138	2,250	2,250	0	747	0	747
2043	21,321	2,191	2,191	0	683	0	683
2044	20,513	2,144	2,144	0	628	0	628
2045	19,694	2,101	2,101	0	578	0	578
2046	18,858	2,026	2,026	0	523	0	523
2047	18,041	1,954	1,954	0	474	0	474
2048	17,243	1,894	1,894	0	431	0	431
2049	16,453	1,830	1,830	0	391	0	391
2050	15,672	1,768	1,768	0	355	0	355
2051	14,899	1,712	1,712	0	323	0	323
2052	14,126	1,647	1,647	0	291	0	291
2053	13,365	1,592	1,592	0	265	0	265
2054	12,609	1,523	1,523	0	238	0	238
2055	11,873	1,446	1,446	0	212	0	212
2056	11,166	1,398	1,398	0	192	0	192
2057	10,463	1,337	1,337	0	173	0	173
2058	9,775	1,264	1,264	0	153	0	153
2059	9,118	1,195	1,195	0	136	0	136
2060	8,488	1,138	1,138	0	122	0	122
2061	7,874	1,071	1,071	0	108	0	108
2062	7,289	1,005	1,005	0	95	0	95
2063	6,737	943	943	0	83	0	83
2064	6,213	882	882	0	73	0	73
2065	5,718	825	825	0	64	0	64
2066	5,248	770	770	0	56	0	56
2067	4,803	717	717	0	49	0	49
2068	4,383	667	667	0	43	0	43
2069	3,986	619	619	0	38	0	38
2070	3,613	572	572	0	33	0	33
2071	3,264	528	528	0	28	0	28
2072	2,936	486	486	0	24	0	24
2073	2,630	445	445	0	21	0	21
2074	2,346	406	406	0	18	0	18

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 5.20%	Using Single Discount Rate of 6.50%
2075	\$ 2,082	\$ 370	\$ 370	\$ 0	\$ 15	\$ 0	\$ 15
2076	1,837	335	335	0	13	0	13
2077	1,612	302	302	0	11	0	11
2078	1,406	271	271	0	9	0	9
2079	1,218	243	243	0	8	0	8
2080	1,048	214	214	0	6	0	6
2081	894	189	189	0	5	0	5
2082	757	166	166	0	4	0	4
2083	636	144	144	0	4	0	4
2084	529	124	124	0	3	0	3
2085	436	106	106	0	2	0	2
2086	355	89	89	0	2	0	2
2087	286	75	75	0	1	0	1
2088	228	62	62	0	1	0	1
2089	179	51	51	0	1	0	1
2090	139	41	41	0	1	0	1
2091	106	32	32	0	0	0	0
2092	80	26	26	0	0	0	0
2093	59	20	20	0	0	0	0
2094	43	15	15	0	0	0	0
2095	31	11	11	0	0	0	0
2096	21	8	8	0	0	0	0
2097	15	6	6	0	0	0	0
2098	10	4	4	0	0	0	0
2099	6	3	3	0	0	0	0
2100	4	2	2	0	0	0	0
2101	3	1	1	0	0	0	0
2102	2	1	1	0	0	0	0
2103	1	0	0	0	0	0	0
2104	1	0	0	0	0	0	0
2105	1	0	0	0	0	0	0
2106	0	0	0	0	0	0	0
2107	0	0	0	0	0	0	0
2108	0	0	0	0	0	0	0
2109	0	0	0	0	0	0	0
2110	0	0	0	0	0	0	0
2111	0	0	0	0	0	0	0
2112	0	0	0	0	0	0	0
2113	0	0	0	0	0	0	0
2114	0	0	0	0	0	0	0
2115	1	0	0	0	0	0	0
2116	1	0	0	0	0	0	0
2117	1	0	0	0	0	0	0
2118	1	0	0	0	0	0	0
2119	1	0	0	0	0	0	0
2120	1	0	0	0	0	0	0
2121	1	0	0	0	0	0	0
2122	1	0	0	0	0	0	0
2123	1	0	0	0	0	0	0
2124	1	0	0	0	0	0	0