

Local Governmental Employees' Retirement System of North Carolina

Actuarially Determined Employer Contributions (ADEC) Projections for the Local System

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Trustees Meeting



Gallagher

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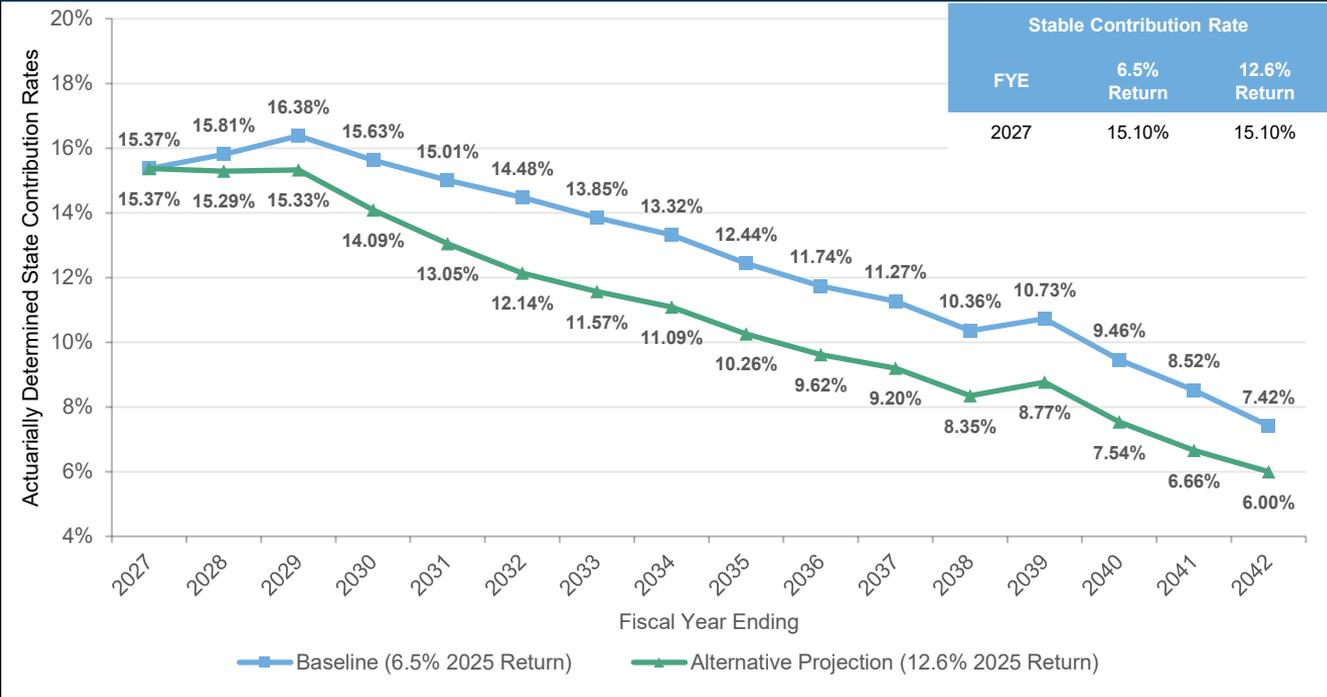
Projections

- Projections of contribution requirements and funded status into the future can be helpful planning tools for stakeholders. This presentation provides such projections. The projections of the actuarial valuation are known as deterministic projections. Deterministic projections are based on one scenario in the future. The baseline deterministic projection is based on December 31, 2024 valuation results and assumptions, with recommended assumption and method changes from the experience study presentation, which was presented to the Board of Trustees at the October 30, 2025, meeting.
- Key Projection Assumptions
 - Valuation interest rate of 6.50%
 - 6.50% investment return on market value of assets
 - For 12/31/2024 valuation results (determining FYE 2027 ADEC), actuarial assumptions and methods are as described in Appendix C of the December 31, 2024 valuation report. For projected results from 12/31/2025 onward (determining FYE 2028+ ADECs), proposed assumptions and methods are as described in the experience study presentation, which was presented to the Board of Trustees at the October 30, 2025 meeting.
 - Direct-rate smoothing of the change in the employer contribution rate due to changes in assumptions and methods over a 5-year period beginning with fiscal year ending June 30, 2028
 - All future demographic experience is assumed to be exactly realized in accordance with the recommended assumptions from the experience study presented on October 30, 2025
 - The contribution rate under the Employer Contribution Rate Stabilization Policy (ECRSP) is contributed until fiscal year ending 2027
 - The actuarially determined employer contribution rate is contributed for fiscal years ending 2028 and beyond
 - The employer contribution shall not be less than the employee contribution, which is currently 6%

Projections

- Key Projection Assumptions (continued)
 - 0% increase in both the active population of LGERS and its subgroups: General Employees, Firefighters, Law Enforcement Officers, and Rescue Squad Workers
 - To replace those assumed to leave active service, the age, gender and salary of future members assumed to be hired into LGERS are based on the demographic information of new LGERS hires over the past three (3) valuations
 - Demographic profiles of new entrants for each subgroup are based on new hires specific to that subgroup over the past three (3) valuations
 - 75% of new entrants are assumed to have rounded service of 0 when first valued, and 25% are assumed to have rounded service of 1 when first valued
 - No cost-of-living adjustments granted
 - Future pay increases based on long-term salary increase assumptions
- The ECRSP contribution rate is the Stable Contribution rate shown in the projections. See Appendix H of the December 31, 2024 valuation report for more detail on the ECRSP.
- In addition, we have provided one alternate deterministic projection. This alternate deterministic projection is based on the same assumptions as the baseline deterministic projection except that it assumes a 12.6% asset return for calendar year 2025.

Projected Contribution Rates – Non-LEO

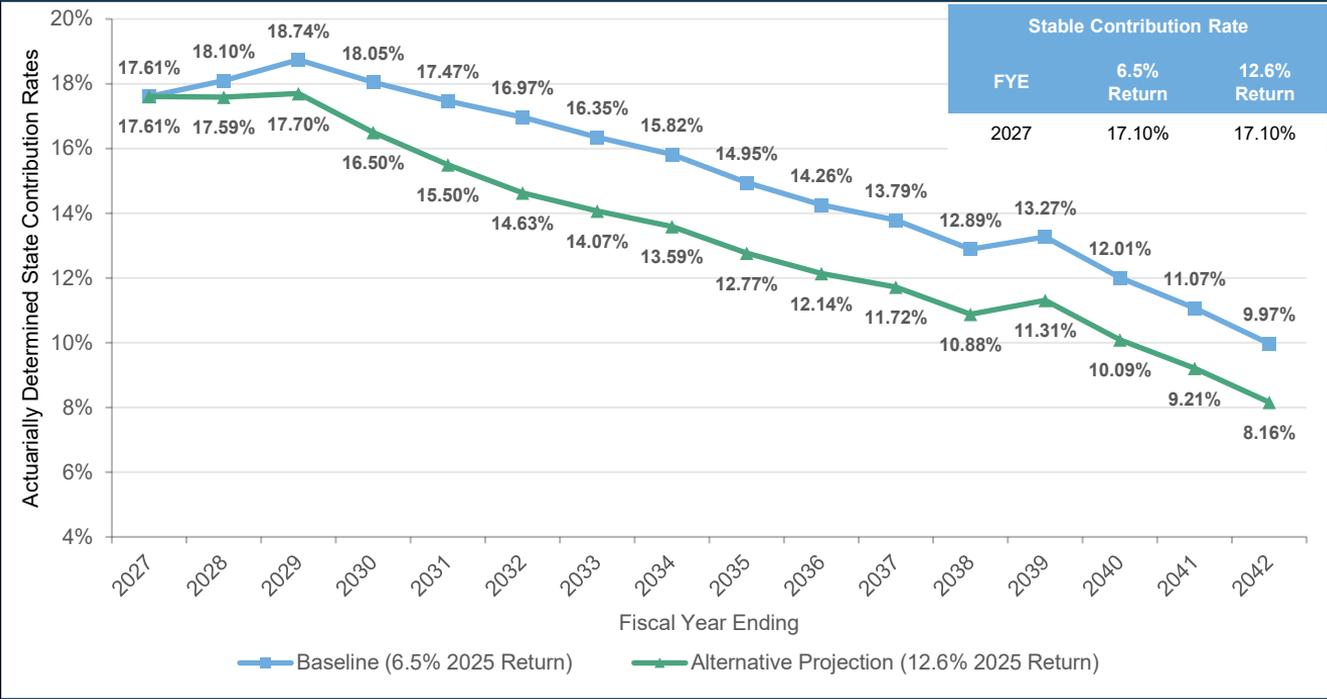


Alternate Projection utilizes estimated return of 12.6% for calendar year 2025 compared to Baseline Projection assumption of 6.5%.

The estimated return for the 2025 calendar year is 6.1% higher than expected, resulting in an estimated market value of assets \$2.1 billion higher than expected.

The unfunded actuarial accrued liability is projected to be lower than previously expected given this gain, resulting in lower employer contribution rates over the projection period.

Projected Contribution Rates – LEO

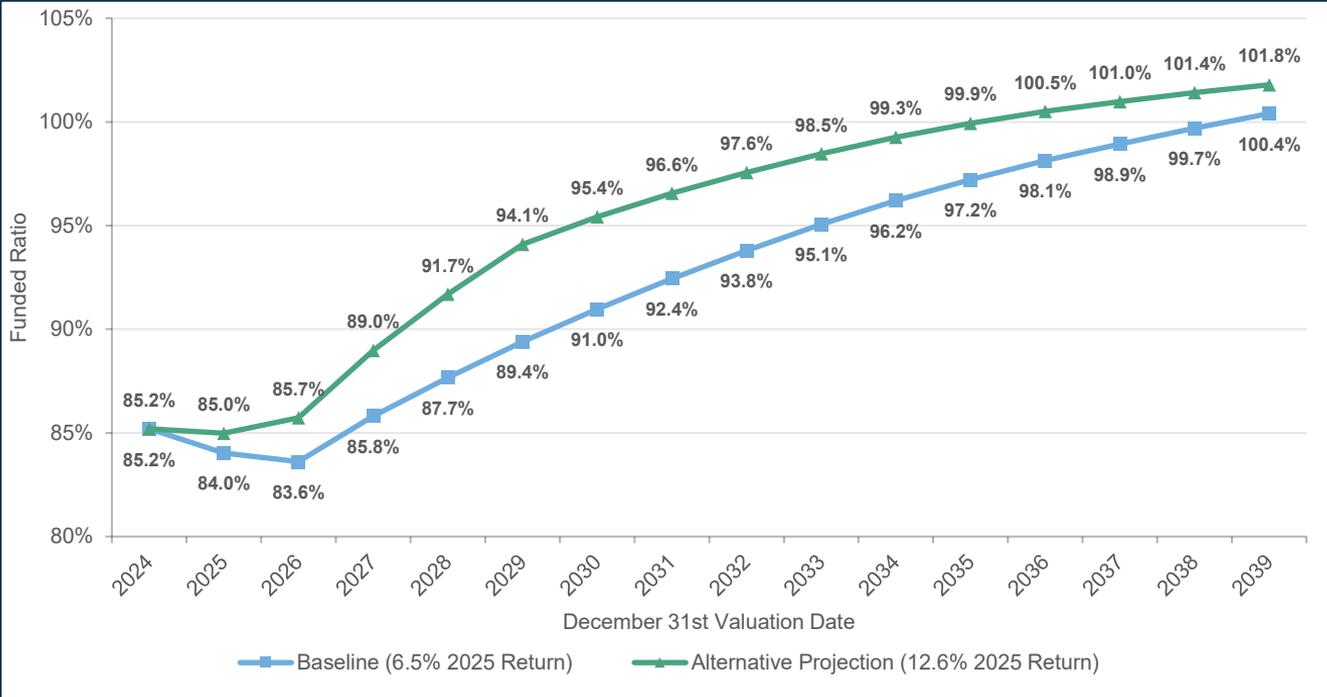


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Projected Funded Ratio



Given the greater than expected return for 2025, estimated market value of assets are \$2.1 billion higher than anticipated.

This asset gain will be phased into the funded status of the plan over a five-year period from December 31, 2025 to December 31, 2029, causing an increase in the funded status over the baseline projection for the entire projection.

Certification

Future actuarial results may differ significantly from current measurements due to such factors as the following: fund experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. Such changes in law may include additional costs resulting from future legislated benefit improvements or cost-of-living pension increases or supplements, which are not anticipated in the actuarial valuation. Because of limited scope, Gallagher performed no analysis of the potential range of such future differences, except for some limited analysis in financial projections or required disclosure information.

The purpose of this presentation is to provide the Board of Trustees (“Board”) of the Local Governmental Employees’ Retirement System of North Carolina estimated future projections based on the December 31, 2024 valuation results reflecting recommended assumption and method changes from the experience study presentation, which was presented to the Board of Trustees at their October 30, 2025, meeting. The presentation is intended for discussion during the January 29, 2026 Board meeting attended by the actuaries. This presentation is provided for informational purposes and should not be used as actual future funding contribution rates for the System.

Use of these presentation results for any other purpose or by anyone other than the Board, the State of North Carolina, or their respective staffs may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the presentation results for that purpose. Because of the risk of misinterpretation of actuarial results, Gallagher recommends requesting its advance review of any statement, document, or filing to be based on the results contained in this presentation. Gallagher will accept no liability for any such statement, document, or filing to be made without its prior review.

Unless otherwise noted, the data, assumptions, methods, plan provisions, and model associated with the development of these results are the same as those described in the December 31, 2024 valuation report prepared October 2025. Risks inherent in the measurements herein are also the same as those described in that report.

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.

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Appendix

Fiscal Year Contribution Projection

Alternate Projection (12.60% Return in 2025, 6.50% Return Thereafter)

Fiscal Year Ending	Employer Policy Contribution Rate		Year Ending	Employer Contribution (\$)	Member Contribution (\$)	Benefit Payments (\$)
	(Non-LEO)	(LEO)				
6/30/2027	15.10%	17.10%	12/31/2025	\$ 1,435,606,361	\$ 604,433,486	\$ 2,173,260,735
6/30/2028	15.29%	17.59%	12/31/2026	\$ 1,550,323,473	\$ 618,471,538	\$ 2,300,395,672
6/30/2029	15.33%	17.70%	12/31/2027	\$ 1,634,522,611	\$ 630,476,900	\$ 2,429,776,366
6/30/2030	14.09%	16.50%	12/31/2028	\$ 1,684,058,504	\$ 643,645,410	\$ 2,563,913,915
6/30/2031	13.05%	15.50%	12/31/2029	\$ 1,655,872,241	\$ 657,705,973	\$ 2,702,687,401
6/30/2032	12.14%	14.63%	12/31/2030	\$ 1,566,244,506	\$ 672,627,308	\$ 2,847,844,387
6/30/2033	11.57%	14.07%	12/31/2031	\$ 1,491,185,463	\$ 688,128,985	\$ 2,990,825,437
6/30/2034	11.09%	13.59%	12/31/2032	\$ 1,439,952,060	\$ 704,434,913	\$ 3,133,376,601
6/30/2035	10.26%	12.77%	12/31/2033	\$ 1,411,448,225	\$ 721,402,883	\$ 3,279,043,714
6/30/2036	9.62%	12.14%	12/31/2034	\$ 1,364,806,466	\$ 738,763,239	\$ 3,426,557,023
6/30/2037	9.20%	11.72%	12/31/2035	\$ 1,305,160,473	\$ 756,584,642	\$ 3,504,860,699
6/30/2038	8.35%	10.88%	12/31/2036	\$ 1,268,970,041	\$ 775,283,114	\$ 3,651,061,557
6/30/2039	8.77%	11.31%	12/31/2037	\$ 1,216,697,103	\$ 794,688,664	\$ 3,798,988,487
6/30/2040	7.54%	10.09%	12/31/2038	\$ 1,218,364,582	\$ 814,744,314	\$ 3,947,044,780
6/30/2041	6.66%	9.21%	12/31/2039	\$ 1,193,850,324	\$ 835,963,824	\$ 4,092,630,890
6/30/2042	6.00%	8.16%	12/31/2040	\$ 1,074,578,645	\$ 858,053,824	\$ 4,235,166,467

Asset and Liability Projection

Alternate Projection (12.60% Return in 2025, 6.50% Return Thereafter)

Valuation Year	Market Value of Assets (\$)	Actuarial Value of Assets (\$)	Accrued Liability (\$)	Unfunded Accrued Liability (\$)	Funded Ratio
12/31/2024	\$ 34,783,469,308	\$ 35,960,952,758	\$ 42,211,163,369	\$ 6,250,210,611	85.2%
12/31/2025	\$ 39,014,221,576	\$ 37,841,305,586	\$ 44,526,910,789	\$ 6,685,605,203	85.0%
12/31/2026	\$ 41,406,209,460	\$ 39,806,442,436	\$ 46,428,758,405	\$ 6,622,315,969	85.7%
12/31/2027	\$ 43,919,267,825	\$ 43,014,388,350	\$ 48,346,343,086	\$ 5,331,954,736	89.0%
12/31/2028	\$ 46,521,773,571	\$ 46,098,249,963	\$ 50,278,169,422	\$ 4,179,919,459	91.7%
12/31/2029	\$ 49,135,459,037	\$ 49,135,459,037	\$ 52,222,652,058	\$ 3,087,193,021	94.1%
12/31/2030	\$ 51,691,937,317	\$ 51,691,937,317	\$ 54,175,409,949	\$ 2,483,472,632	95.4%
12/31/2031	\$ 54,205,360,680	\$ 54,205,360,680	\$ 56,141,002,345	\$ 1,935,641,665	96.6%
12/31/2032	\$ 56,698,784,358	\$ 56,698,784,358	\$ 58,121,911,788	\$ 1,423,127,430	97.6%
12/31/2033	\$ 59,191,826,425	\$ 59,191,826,425	\$ 60,116,984,548	\$ 925,158,123	98.5%
12/31/2034	\$ 61,664,239,832	\$ 61,664,239,832	\$ 62,125,575,501	\$ 461,335,669	99.3%
12/31/2035	\$ 64,173,150,490	\$ 64,173,150,490	\$ 64,221,619,499	\$ 48,469,009	99.9%
12/31/2036	\$ 66,675,963,631	\$ 66,675,963,631	\$ 66,342,355,617	\$ (333,608,014)	100.5%
12/31/2037	\$ 69,154,624,541	\$ 69,154,624,541	\$ 68,489,007,477	\$ (665,617,064)	101.0%
12/31/2038	\$ 71,663,753,439	\$ 71,663,753,439	\$ 70,665,452,277	\$ (998,301,162)	101.4%
12/31/2039	\$ 74,182,050,258	\$ 74,182,050,258	\$ 72,877,616,617	\$ (1,304,433,641)	101.8%

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