North Carolina Retirement Systems

**Local Governmental Employees'
Retirement System
Baseline Contribution Rate Projections**
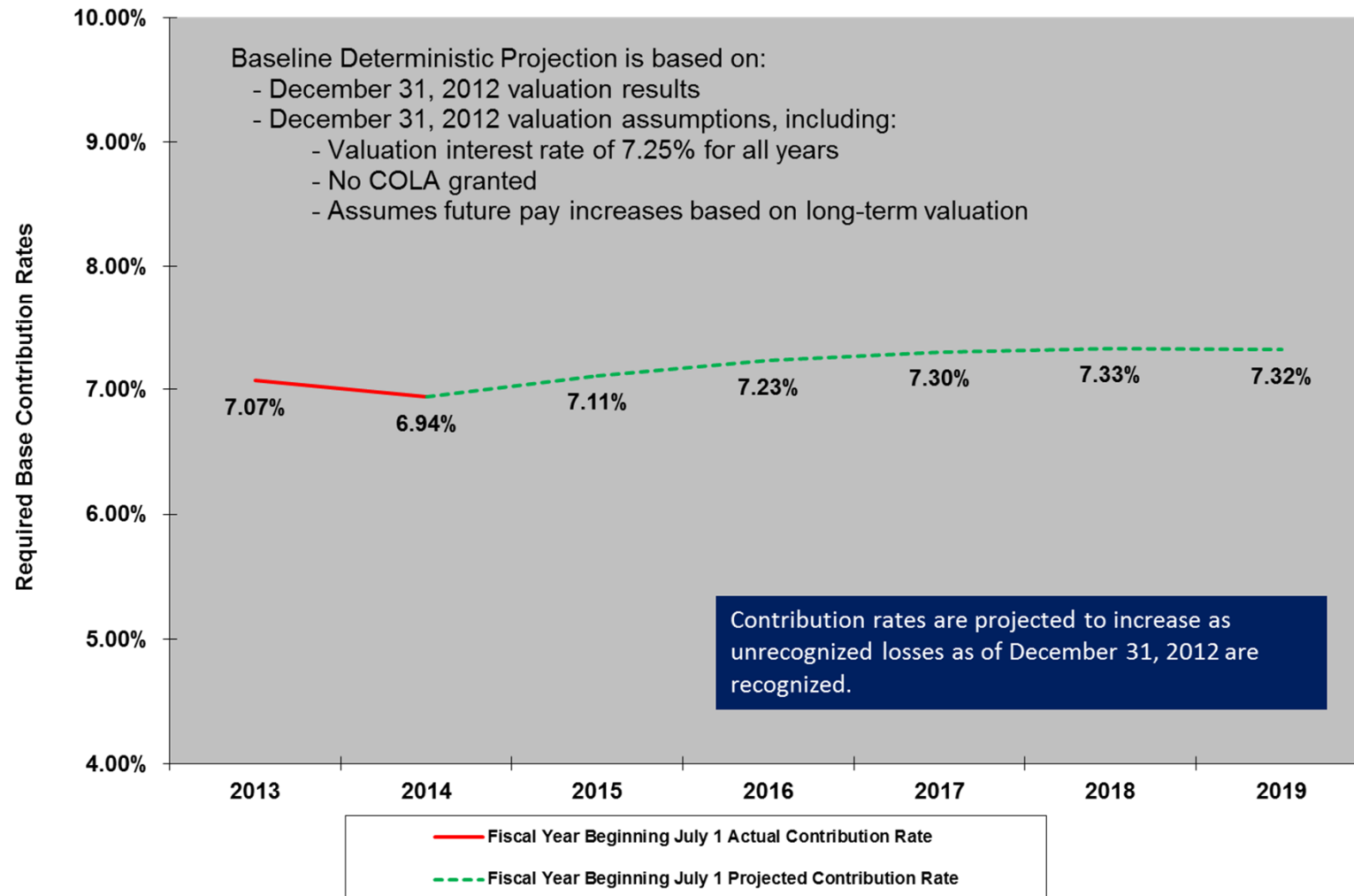
January 16, 2014
Board of Trustees Meeting
Larry Langer and Mike Ribble
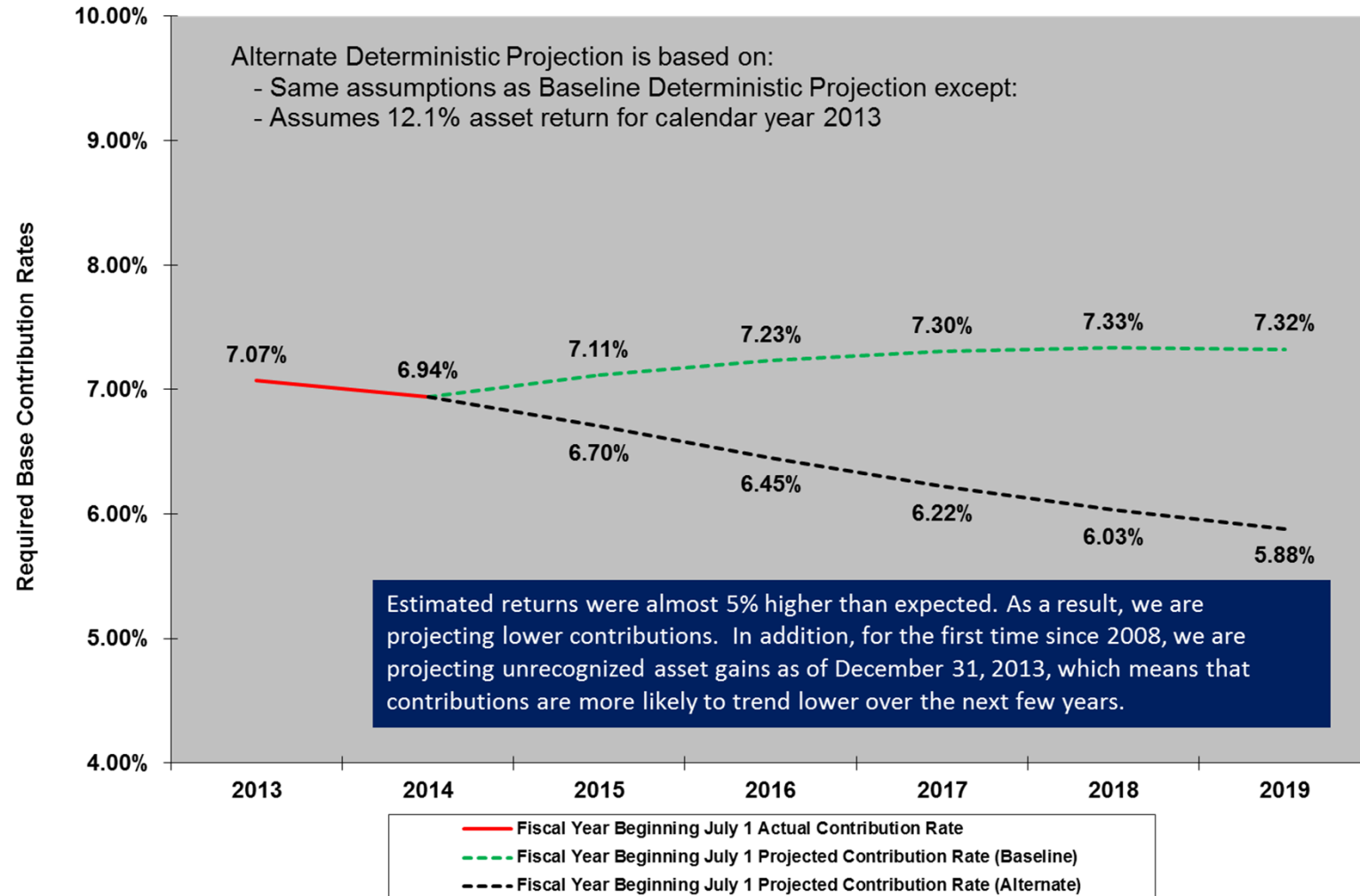
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Background

➢ Buck has routinely provided projections of contribution rates for the Local Governmental Employees' Retirement System (LGERS).

➢ These projections of the actuarial valuation are known as "deterministic" projections. Deterministic projections are based on one scenario in the future.

➢ We have prepared the following projections for LGERS:

   ➢ A baseline projection based on all assumptions being met, including the 7.25% expected market return for calendar year 2013.

   ➢ The baseline projection updated with the estimated market return for calendar year 2013 of 12.1%.

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LGERS Baseline Deterministic Projection

Baseline Deterministic Projection is based on:
- December 31, 2012 valuation results
- December 31, 2012 valuation assumptions, including:
  - Valuation interest rate of 7.25% for all years
  - No COLA granted
  - Assumes future pay increases based on long-term valuation

Contribution rates are projected to increase as unrecognized losses as of December 31, 2012 are recognized.

Required Base Contribution Rates

Year	2013	2014	2015	2016	2017	2018	2019
Rate	7.07%	6.94%	7.11%	7.23%	7.30%	7.33%	7.32%

Fiscal Year Beginning July 1 Actual Contribution Rate

Fiscal Year Beginning July 1 Projected Contribution Rate

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LGERS Alternate Deterministic Projection

Alternate Deterministic Projection is based on:
- Same assumptions as Baseline Deterministic Projection except:
- Assumes 12.1% asset return for calendar year 2013

Estimated returns were almost 5% higher than expected. As a result, we are projecting lower contributions. In addition, for the first time since 2008, we are projecting unrecognized asset gains as of December 31, 2013, which means that contributions are more likely to trend lower over the next few years.

Required Base Contribution Rates

7.07% 6.94% 7.11% 7.23% 7.30% 7.33% 7.32%

6.70% 6.45% 6.22% 6.03% 5.88%

2013 2014 2015 2016 2017 2018 2019

Fiscal Year Beginning July 1 Actual Contribution Rate
Fiscal Year Beginning July 1 Projected Contribution Rate (Baseline)
Fiscal Year Beginning July 1 Projected Contribution Rate (Alternate)

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Questions?

THANK YOU