



REQUIRED SUPPLEMENTARY INFORMATION

PENSIONS — GASB STATEMENT 73

Required supplementary information for pensions that are not administered through a trust provides information on the sources of changes in the total pension liability and information about the components of the pension liability.

The Required Supplementary Information for pensions not administered through a trust includes the following schedules:

Schedule of Changes in the Total Pension Liability and Related Ratios: Single-Employer, Defined Benefit Pension Plan

Notes to Required Supplementary Information: Schedule of the Total Pension Liability

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY AND RELATED RATIOS
SINGLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN

Last Seven Fiscal Years

(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Special Separation Allowance					
Total pension liability					
Service Cost	\$ 14,136	\$ 11,074	\$ 9,303	\$ 7,842	\$ 7,090
Interest	6,924	5,764	6,217	6,519	6,721
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	9,854	14,160	29,972	11,825	894
Changes of assumptions	(31,526)	47,935	10,736	3,091	5,051
Benefit payments, including refunds of member contributions	(19,608)	(18,662)	(17,820)	(16,922)	(16,031)
Net change in total pension liability	<u>(20,220)</u>	<u>60,271</u>	<u>38,408</u>	<u>12,355</u>	<u>3,725</u>
Total pension liability - beginning	<u>330,416</u>	<u>270,145</u>	<u>231,737</u>	<u>219,382</u>	<u>215,657</u>
Total pension liability - ending	<u>\$ 310,196</u>	<u>\$ 330,416</u>	<u>\$ 270,145</u>	<u>\$ 231,737</u>	<u>\$ 219,382</u>
Covered-employee payroll	\$ 294,886	\$ 305,971	\$ 286,465	\$ 265,387	\$ 258,472
Total pension liability as a percentage of covered-employee payroll	105.19%	107.99%	94.30%	87.32%	84.88%

<u>2018</u>	<u>2017</u>
\$ 5,779	\$ 6,112
5,328	7,314
18,621	-
8,582	3,927
(5,675)	(1,216)
<u>(15,631)</u>	<u>(14,895)</u>
17,004	1,242
<u>198,653</u>	<u>197,411</u>
<u>\$ 215,657</u>	<u>\$ 198,653</u>
\$ 243,663	\$ 161,416
88.51%	123.07%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY

For the Fiscal Year Ended June 30, 2023

The Special Separation Allowance (SSA) is a single-employer, defined benefit pension plan in which there are no accumulated assets in a trust fund to pay the benefits to the retired law enforcement officers (LEOs). These benefits are funded on a pay-as-you-go basis from budget appropriated annually of each affected state agency.

Changes in assumptions since the prior measurement date. The discount rate increased from 2.16% at June 30, 2022 to 3.54% at June 30, 2023 due to a change in the Municipal Bond Index Rate.



REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFIT PLANS

Required supplementary information for other postemployment benefit plans provides information on the sources of changes in net OPEB liabilities, information about the components of net OPEB liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Other Postemployment Benefit plans includes the following schedules:

Schedule of Changes in the Net OPEB Liability and Related Ratios: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Schedule of Employer Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Schedule of Investment Returns: All Defined Benefit OPEB Plans

Notes to Required Supplementary Information: Schedule of Employer Contributions

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Seven Fiscal Years

(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Retiree Health Benefit					
Total OPEB liability					
Service Cost	\$ 1,279,519	\$ 2,131,391	\$ 1,974,212	\$ 1,824,174	\$ 1,539,092
Interest	965,755	758,427	690,162	1,203,196	1,192,810
Changes of benefit terms	-	(96,837)	-	224,085	(72,358)
Differences between expected and actual experience	152,230	106,923	194,899	30,157	(156,655)
Changes of assumptions	2,016,085	(8,798,881)	1,939,421	(5,489,969)	1,824,892
Benefit payments, including refunds of member contributions	(1,120,623)	(1,044,121)	(1,100,633)	(1,084,668)	(1,030,956)
Net change in total OPEB liability	<u>3,292,966</u>	<u>(6,943,098)</u>	<u>3,698,061</u>	<u>(3,293,025)</u>	<u>3,296,825</u>
Total OPEB liability - beginning	26,557,121	33,500,219	29,802,158	33,095,183	29,798,358
Total OPEB liability - ending (a)	<u>\$ 29,850,087</u>	<u>\$ 26,557,121</u>	<u>\$ 33,500,219</u>	<u>\$ 29,802,158</u>	<u>\$ 33,095,183</u>
Plan fiduciary net position					
Contributions-employer	\$ 1,366,928	\$ 1,197,278	\$ 1,214,750	\$ 1,162,967	\$ 1,104,902
Contributions-other	35,006	180,506	187,000	475,200	-
Net investment income	111,228	(107,846)	222,377	52,286	71,780
Benefit payments, including refunds of member contributions	(1,120,623)	(1,044,121)	(1,100,633)	(1,084,668)	(1,030,956)
Administrative expense	(147)	(174)	(175)	(162)	(215)
Net change in plan fiduciary net position	<u>392,392</u>	<u>225,643</u>	<u>523,319</u>	<u>605,623</u>	<u>145,511</u>
Plan fiduciary net position - beginning	2,810,269	2,584,626	2,061,307	1,455,684	1,310,173
Plan fiduciary net position - ending (b)	<u>\$ 3,202,661</u>	<u>\$ 2,810,269</u>	<u>\$ 2,584,626</u>	<u>\$ 2,061,307</u>	<u>\$ 1,455,684</u>
RHBF net OPEB liability - ending (a) - (b)	<u>\$ 26,647,426</u>	<u>\$ 23,746,852</u>	<u>\$ 30,915,593</u>	<u>\$ 27,740,851</u>	<u>\$ 31,639,499</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.73%	10.58%	7.72%	6.92%	4.40%
Covered payroll	\$ 19,839,303	\$ 19,034,634	\$ 18,184,883	\$ 17,974,758	\$ 17,622,035
Net OPEB liability as a percentage of covered payroll	134.32%	124.76%	170.01%	154.33%	179.55%
Disability Income					
Total OPEB liability					
Service Cost	\$ 23,657	\$ 22,246	\$ 23,010	\$ 22,708	\$ 22,567
Interest	9,641	9,528	10,969	11,424	13,800
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(22,097)	1,735	15,758	5,137	4,106
Changes of assumptions	1,473	(552)	(2,935)	2	(4,980)
Benefit payments, including refunds of member contributions	(37,470)	(40,381)	(47,453)	(55,210)	(61,946)
Net change in total OPEB liability	<u>(24,796)</u>	<u>(7,424)</u>	<u>(651)</u>	<u>(15,939)</u>	<u>(26,453)</u>
Total OPEB liability - beginning	307,964	315,388	316,039	331,978	358,431
Total OPEB liability - ending (a)	<u>\$ 283,168</u>	<u>\$ 307,964</u>	<u>\$ 315,388</u>	<u>\$ 316,039</u>	<u>\$ 331,978</u>
Plan fiduciary net position					
Contributions-employer	\$ 19,677	\$ 17,019	\$ 16,226	\$ 17,848	\$ 24,468
Net investment income	(2,853)	(29,145)	(1,292)	28,322	24,725
Benefit payments, including refunds of member contributions	(37,470)	(40,381)	(47,453)	(55,210)	(61,946)
Administrative expense	(968)	(999)	(879)	(835)	(926)
Other	(30)	-	(113)	(20)	-
Net change in plan fiduciary net position	<u>(21,644)</u>	<u>(53,506)</u>	<u>(33,511)</u>	<u>(9,895)</u>	<u>(13,679)</u>
Plan fiduciary net position - beginning	278,216	331,722	365,233	375,128	388,807
Plan fiduciary net position - ending (b)	<u>\$ 256,572</u>	<u>\$ 278,216</u>	<u>\$ 331,722</u>	<u>\$ 365,233</u>	<u>\$ 375,128</u>
DIPNC net OPEB liability (asset) - ending (a) - (b)	<u>\$ 26,596</u>	<u>\$ 29,748</u>	<u>\$ (16,334)</u>	<u>\$ (49,194)</u>	<u>\$ (43,150)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	90.61%	90.34%	105.18%	115.57%	113.00%
Covered payroll	\$ 19,677,265	\$ 18,909,461	\$ 18,028,883	\$ 17,848,000	\$ 17,477,148
Net OPEB liability (asset) as a percentage of covered payroll	0.14%	0.16%	(0.09%)	(0.28%)	(0.25%)

<u>2018</u>	<u>2017</u>
\$ 1,753,384	\$ 2,650,984
1,261,878	1,332,874
-	-
(80,951)	(2,821,033)
(6,141,972)	(10,835,144)
(977,176)	(922,021)
<u>(4,184,837)</u>	<u>(10,594,340)</u>
33,983,195	44,577,535
<u>\$ 29,798,358</u>	<u>\$ 33,983,195</u>
\$ 1,018,693	\$ 950,813
-	-
72,384	94,132
(977,176)	(922,021)
(298)	(490)
<u>113,603</u>	<u>122,434</u>
1,196,570	1,074,136
<u>\$ 1,310,173</u>	<u>\$ 1,196,570</u>
<u>\$ 28,488,185</u>	<u>\$ 32,786,625</u>
4.40%	3.52%
\$ 16,837,901	\$ 16,365,112
169.19%	200.34%
\$ 25,919	\$ 25,441
14,654	14,111
(44,158)	(403)
48,787	22,345
6,692	-
(69,949)	(71,728)
<u>(18,055)</u>	<u>(10,234)</u>
376,486	386,720
<u>\$ 358,431</u>	<u>\$ 376,486</u>
\$ 23,385	\$ 61,654
(1,481)	(122)
(69,949)	(71,728)
(777)	(1,050)
23	32
<u>(48,799)</u>	<u>(11,214)</u>
437,606	448,820
<u>\$ 388,807</u>	<u>\$ 437,606</u>
<u>\$ (30,376)</u>	<u>\$ (61,120)</u>
108.47%	116.23%
\$ 16,703,858	\$ 16,224,737
(0.18%)	(0.38%)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Retiree Health Benefit	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 2,240,057	\$ 2,084,130	\$ 3,049,625	\$ 2,823,873	\$ 2,971,069
Contributions in relation to the actuarially determined contribution (1)	1,366,928	1,197,278	1,214,750	1,162,967	1,104,902
Contribution deficiency	<u>\$ 873,129</u>	<u>\$ 886,852</u>	<u>\$ 1,834,875</u>	<u>\$ 1,660,906</u>	<u>\$ 1,866,167</u>
Covered payroll	\$ 19,839,303	\$ 19,034,634	\$ 18,184,883	\$ 17,974,758	\$ 17,622,035
Contributions as a percentage of covered payroll	6.89%	6.29%	6.68%	6.47%	6.27%
Disability Income					
Actuarially determined contribution	\$ 19,677	\$ 17,019	\$ 16,226	\$ 17,848	\$ 22,720
Contributions in relation to the actuarially determined contribution (1)	19,677	17,019	16,226	17,848	24,468
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,748)</u>
Covered payroll	\$ 19,677,265	\$ 18,909,461	\$ 18,028,883	\$ 17,848,000	\$ 17,477,148
Contributions as a percentage of covered payroll	0.10%	0.09%	0.09%	0.10%	0.14%

(1) Contributions in relation to the actuarially determined contribution are the same as the contractually required contribution (CRC). The CRC was the same as the actuarially determined contribution except in years where there is a deficiency (excess).

Note: Changes in benefit terms, methods and assumptions are presented in Notes to the Required Supplementary Information (RSI) schedules following the OPEB RSI tables.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 2,613,258	\$ 2,728,064	\$ 2,516,706	\$ 2,211,436	\$ 2,226,586
1,018,693	950,813	880,847	854,383	815,157
<u>\$ 1,594,565</u>	<u>\$ 1,777,251</u>	<u>\$ 1,635,859</u>	<u>\$ 1,357,053</u>	<u>\$ 1,411,429</u>
\$ 16,837,901	\$ 16,365,112	\$ 15,729,411	\$ 15,562,532	\$ 15,095,500
6.05%	5.81%	5.60%	5.49%	5.40%

\$ 23,385	\$ 24,337	\$ 63,963	\$ 63,267	\$ 65,878
23,385	61,654	63,963	63,267	65,878
<u>\$ -</u>	<u>\$ (37,317)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 16,703,858	\$ 16,224,737	\$ 15,600,732	\$ 15,430,976	\$ 14,972,273
0.14%	0.38%	0.41%	0.41%	0.44%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
ALL DEFINED BENEFIT OPEB PLANS
Last Seven Fiscal Years

Annual money-weighted rate of return, net of investment expense	2023	2022	2021	2020	2019
Retiree Health Benefit	3.89%	(4.13)%	10.96%	3.80%	5.73%
Disability Income	(1.21)%	(9.99)%	(0.41)%	8.68%	7.74%

<u>2018</u>	<u>2017</u>
6.58%	9.31%
(0.42)%	(0.06%)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2023

Changes of benefit terms. Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

Method and assumptions used in calculations of actuarially determined contributions. An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 14 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of assumptions. Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65%, from 3.54% as of June 30, 2022. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates was included. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 and the terms of the third party administrator contract effective January 1, 2025 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2023 for DIPNC, the discount rate was updated to 3%, from 3.08% as of June 30, 2022. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with a change in the degree to which the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2023

RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.