

Understanding Your Pension: Local Government Retirement System



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Understanding Your Pension: Today's Learning Goals:

- ✓What is a pension?
- ✓What is the strength of NC's?
- ✓LGERS scope and management
- ✓Pension system funding and COLA policy





Poll Question:

Are you a LGER or a TSER?

What is a pension?

pen·sion¹

/'penSH(ə)n/

noun

1.a regular payment made during a person's retirement from an investment fund to which that person and/or their employer has contributed during their working life.



Why a pension?

13 BC, Emperor Augustus established the first pension plan for his soldiers. Early Romans are credited with defining the fundamental purpose of pension; to attract, retain, and to motivate employees.



North Carolina's pension plan began its pension shortly after in 1941 and benefitted from learned lessons of literally of 2,000 years of pension management.



As a LGERS retiree, your pension is

- ✓ Protected by both the State Constitution and case law
- ✓ Guaranteed pension benefit for life (cannot be reduced)
- ✓ Guaranteed to produce benefit regardless of market returns: A safe harbor for you in volatile economic times



LGERS Pension Benefits



As of June 2023, 900 employers participate in LGERS, this includes:

- All 100 North Carolina counties
- 429 municipalities
- 366 “separate, juristic political subdivisions;” i.e., housing authorities, airport authorities, tourism development authorities, economic development commissions, etc.
- Participation by employers is voluntary but irrevocable

What's the status of LGERS?

- Value = \$31.64 billion
- Unfunded actuarial accrued liability (difference) = \$3.24 billion
- Funded percentage (ratio) = 90.7%
- Funded percentage of State System (TSERS) was similar at 90.0%



Overview: LGERS Governance

- LGERS provides retirement, both unreduced and early reduced, disability retirement, death and monthly survivorship benefits to current and former employees of participating employers
- Governed by provisions of General Statute 128, Article 3



Overview: LGERS Governance

- System is administered by the LGERS Board of Trustees, and chaired by the State Treasurer
- The board consist of a total of 13 members that meets quarterly.



The Governor appoints eight members representing local government:

- A mayor or member of a governing body in a city or town • A city manager • A county manager • A county commissioner • A law enforcement employee • A local government employee • A retired government employee • An active or retired member of the Rescue Squad Workers' Pension Fund

General Statute 128: Establishing LGERS

... A Retirement System is hereby established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits under the provisions of this Article for employees of those counties, cities and towns or other eligible employers participating in the said Retirement System ...

... This System shall have the power and privileges of a corporation and shall be known as the "North Carolina Local Governmental Employees' Retirement System ..."

... The Board of Trustees of the North Carolina Local Governmental Employees' Retirement System shall administer the Pension Fund.



LGERS Trustee Responsibilities:

- Make recommendations to the N.C. General Assembly re: benefit policy changes
- Set actuarial methods and assumptions
- Local BOT admits new entities into the Local System
- Local BOT sets employer contribution rate for Local System
- Local BOT grants COLAs or one-time supplements for Local System within parameters ... let's talk about these parameters!
- State Treasurer is sole fiduciary for NC Retirement Systems State and Local BOTs play no role in investment decision-making



Source: Office of the State Treasurer

LGERS Bonus and COLA Policy

The LGERS Board of Trustees can approve additional pension money such as a COLA or bonus, with restrictions within the statutes.

- Only allows a COLA to be paid based on record of investment gains and losses during the preceding three-year period.
- Such bonuses are tied to the Consumer Price Index and cannot, by law, exceed 4 percent.
- *The legislature does not appropriate local retiree bonus or COLA funds.*





North Carolina Compared to Other States

North Carolina has seven statewide public pension systems, and combined, is consistently one of the best funded in the United States. The systems provide pension and other benefits for more than 330,000 retirees and beneficiaries.



1. North Carolina Local Governmental Employees' Retirement System



2. North Carolina Teachers and State Employees' Retirement System



3. North Carolina Firefighters and Rescue Squad Worker Pension Fund



4. North Carolina Consolidated Judicial Retirement System



5. North Carolina Legislative Retirement System



6. North Carolina National Guard Pension Fund



7. North Carolina Register of Deeds Supplemental Pension Fund

Funded Ratio Ranking, by State | 2022

Rank	State	Funded Ratio	Unfunded Liability
1	District of Columbia	103.4%	-\$323,351,808
2	Washington	102.9%	-\$4,006,809,472
3	South Dakota	100.0%	\$0
4	Tennessee	99.5%	\$330,451,520
5	Nebraska	96.1%	\$665,939,840
6	New York	94.4%	\$37,288,583,680
7	Wisconsin	93.2%	\$10,018,704,512
8	Iowa	90.9%	\$4,339,720,704
9	North Carolina	88.8%	\$14,425,116,672
10	Delaware	88.8%	\$1,367,923,712
11	Maine	87.2%	\$2,678,935,552
12	West Virginia	86.2%	\$2,715,104,768
13	Utah	86.0%	\$6,244,379,112
14	Oregon	84.5%	\$15,312,052,224
15	Virginia	83.8%	\$20,445,987,136
16	Florida	83.3%	\$36,957,610,240
17	Idaho	83.1%	\$3,938,758,656
18	Arkansas	82.9%	\$7,327,147,776
19	Wyoming	82.6%	\$1,951,591,424
20	Ohio	82.1%	\$50,128,445,824
21	Missouri	81.6%	\$17,675,925,568
22	Maryland	81.3%	\$16,664,515,328
23	California	80.0%	\$274,801,209,642
24	Texas	78.9%	\$84,597,283,200
25	Minnesota	77.9%	\$22,457,894,528
26	Oklahoma	77.9%	\$10,430,485,248

Rank	State	Funded Ratio	Unfunded Liability
27	Kansas	76.4%	\$8,270,645,616
28	Michigan	75.5%	\$32,950,344,720
29	Nevada	75.1%	\$18,054,893,568
30	Rhode Island	72.7%	\$3,863,383,680
31	Montana	72.4%	\$4,344,711,168
32	Georgia	72.3%	\$39,809,781,248
33	Colorado	72.2%	\$26,397,374,336
34	Arizona	71.8%	\$26,996,553,952
35	Alaska	71.3%	\$6,763,752,448
36	Louisiana	71.1%	\$21,530,430,224
37	Indiana	70.0%	\$14,527,537,152
38	Hawaii	68.5%	\$11,190,476,800
39	Massachusetts	67.9%	\$35,140,395,008
40	Alabama	67.3%	\$21,070,035,072
41	New Mexico	66.3%	\$16,214,644,736
42	Pennsylvania	65.3%	\$63,830,526,208
43	New Hampshire	65.1%	\$5,736,130,560
44	Vermont	61.9%	\$3,355,864,768
45	North Dakota	60.1%	\$4,427,750,400
46	Mississippi	59.9%	\$20,583,639,040
47	South Carolina	57.8%	\$27,865,324,032
48	Connecticut	51.5%	\$41,852,312,448
49	New Jersey	50.1%	\$100,052,413,440
50	Illinois	50.0%	\$209,967,487,488
51	Kentucky	47.3%	\$42,259,716,736



ASSET ALLOCATION

39.3% Fixed Income and Cash

33.6% Public Equity

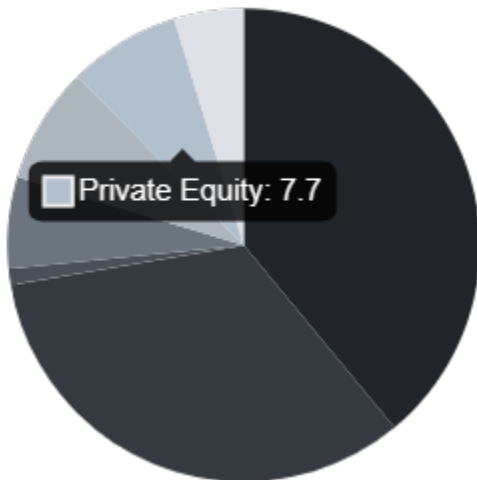
1.1% Limited Liability Public Equity

6.3% Other Fixed Income

8% Real Estate

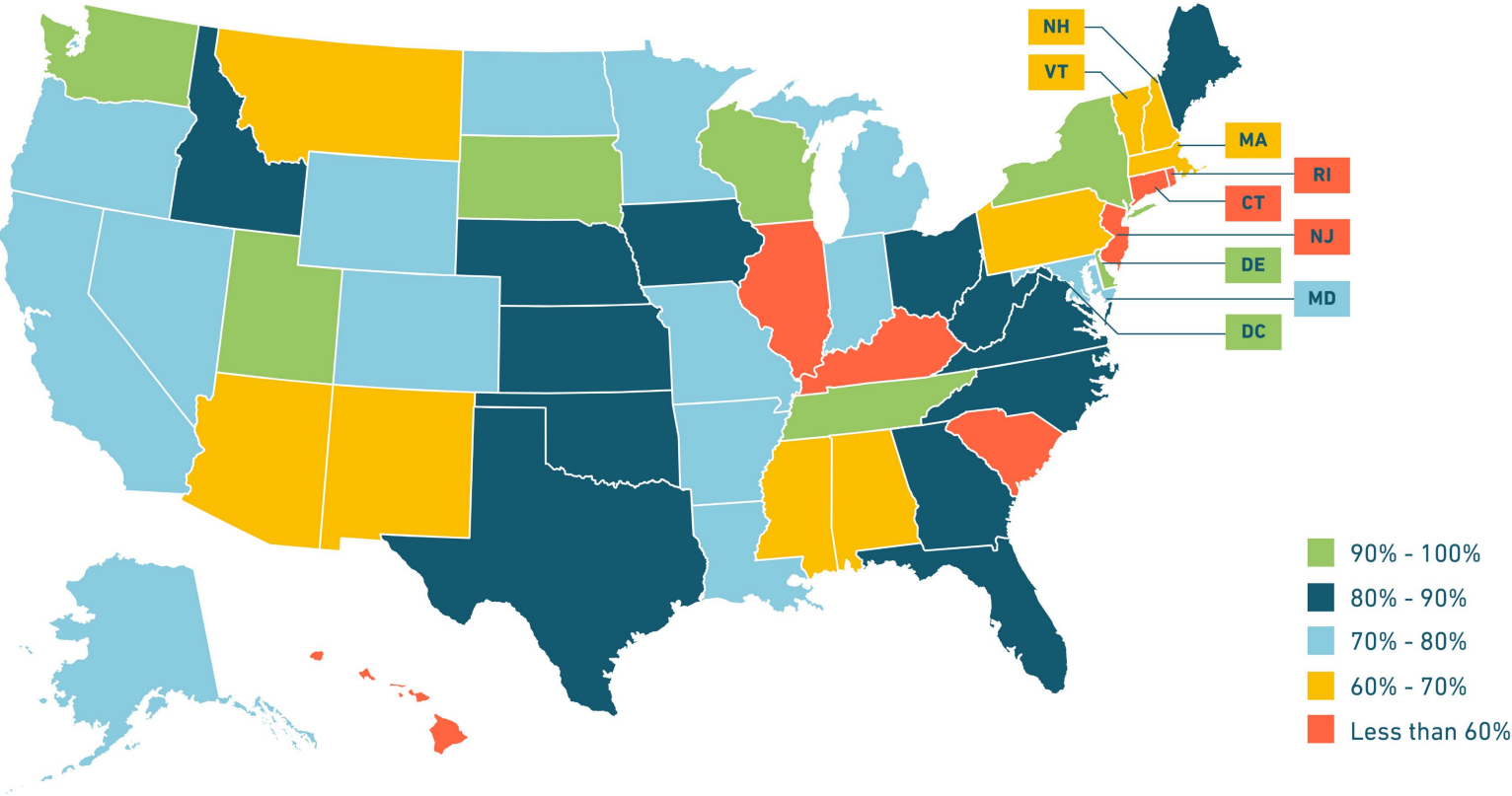
7.7% Private Equity

4.8% Inflation protection



Source: Global Pension Transparency Network

2022 ESTIMATED AGGREGATE STATE FUNDED RATIOS BASED ON
ESTIMATED ASSETS FOR STATE & LOCAL PENSION PLANS



Source: Equable Institute forecast based on investment returns as of June 30, 2022 and reported asset allocation levels for each plan. For plans with fiscal year end dates after June 2022 the change in funded ratio shown is based only on the part of their fiscal year complete as of the measurement date. See methodology section for complete details.



Resources to Learn More:

1. NC Retirement System

<https://www.myncretirement.com/retirees>

2. Center for Retirement Research

<https://crr.bc.edu/>

Books:

3. *U.S Pension Public Pension Handbook: A Comprehensive Guide for*

Trustees and Investment Staff, Von M. Hughes

4. *Keeper of the Public Purse*, Harlan Boyles & Charles Heatherly

(Includes a good history Of NC Treasury)





Thank you!