Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan

(Fiduciary Funds of the State of North Carolina)

Financial Report

December 31, 2013

Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan (together "Supplemental Retirement Plans of North Carolina")
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CliftonLarsonAllen LLP
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Independent Auditors' Report

Board of Trustees
Supplemental Retirement Plans of North Carolina
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Supplemental Retirement Income Plan of North Carolina (401(k) Plan) and the North Carolina Employee Deferred Compensation Plan (457(b) Plan), collectively referred to as the Supplemental Retirement Plans of North Carolina (the Plans), which comprise the statements of plan net position as of December 31, 2013, and the related statements of changes in plan net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plans as of December 31, 2013, and the respective changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2014 on our consideration of the Plans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
August 7, 2014

The Supplemental Retirement Plans of North Carolina (the "Plans") include the Supplemental Retirement Income Plan of North Carolina (the "401(k) Plan") and the North Carolina Public Employee Deferred Compensation Plan (the "457(b) Plan"). This discussion and analysis of the Supplemental Retirement Plans of North Carolina's financial performance provides an overview of the Plans' financial activities for the fiscal year that ended on December 31, 2013. It is intended to be a narrative supplement to the Plans' financial statements.

Using the Financial Report

This discussion and analysis is an introduction to the Plans' basic financial statements. This financial report for each Plan consists of two financial statements and the notes to the basic financial statements.

The Statements of Fiduciary Net Position reports the Plans' assets, liabilities, and resultant fiduciary net position where Assets - Liabilities = Fiduciary Net Position held in a variable annuity structure for the benefit of participants at the end of the Plans' fiscal year. It can be thought of as a snapshot of the financial position of the Plans at that specific point in time.

The Statements of Changes in Fiduciary Net Position reports the Plans' transactions that occurred during the fiscal year where Additions - Deductions = Net Change in Fiduciary Net Position held in a variable annuity structure for the benefit of participants. It can be thought of as a record of the activity that occurred over the fiscal year, and explains the changes that have occurred to the prior year's Plans' net position on the Statements of Fiduciary Net Position.

The notes to the financial statements are an integral part of the financial statements and include additional information not readily evident in the statements themselves.

Financial Highlights – 401k Plan

The following financial highlights occurred during the 401(k) Plan fiscal year that ended December 31, 2013:

- 401(k) Plan net position increased by approximately $1.2 billion during the 2013 fiscal year. There were approximately 243,000 and 231,000 participants in the 401(k) Plan at December 31, 2013 and 2012, respectively.

- Net investment income (net appreciation in the fair value of investments, plus interest) increased by approximately $487 million compared to the year that ended on December 31, 2012. The Plan experienced appreciation in the fair value of its investments of $1,082 million during 2013, compared to appreciation of $587 million during 2012, which accounted for the majority of the increase in net investment earnings. The increase is principally due to strong equity market performance in 2013. Interest decreased by approximately $8 million to $37 million in 2013.

- At the end of 2013, average total plan expenses were 52.0 basis points. This compares favorably to the median expense ratio of the Mercer Institutional Mutual Fund Universe of 62.7 basis points.

- The investment performance of the plans for the time period ended December 31, 2013 was very good with most funds outperforming their benchmark in both the 1 year and 3 year time period. For detailed information regarding investment performance please access the plan website at myncretirement.com.

Condensed Statements of Fiduciary Net Position (401(k) Plan), as of December 31:

(in thousands of dollars)	2013	2012
Investments		
Pooled separate account, at fair value	$ 5,446,576	$ 4,256,200
Stable value fund	1,871,872	1,830,137
Receivables		
Notes receivable from participants	273,171	261,927
Other	4,048	5,988
Liabilities	(1,040)	(1,017)
Fiduciary net position	$ 7,594,627	$ 6,353,235

Fiduciary Net Position increased approximately 20% in 2013 driven in large part by the return experienced in the financial markets. The Pooled Separate Account rose by approximately 28%. The Stable Value Fund, receivables and liabilities remained stable.

Condensed Statements of Changes in Fiduciary Net Position (401(k) Plan), for the years that ended December 31:

(in thousands of dollars)	2013	2012
Additions		
Contributions	$ 472,230	$ 442,233
Investment income	1,119,411	632,472
Miscellaneous income	1,765	1,482
Interest on notes receivable from participants	11,127	10,884
Total additions	1,604,533	1,087,071
Deductions		
Distributions to participants and beneficiaries	361,283	315,774
Administrative expenses	1,858	1,819
Total deductions	363,141	317,593
Net increase in fiduciary net position	$ 1,241,392	$ 769,478

Contributions to the Plan increased by approximately 7% due to the increase in participant enrollment. The number of participants in the 401(k) Plan increased from approximately 231,000 participants at December 31, 2012, to approximately 243,000 participants at December 31, 2013. Net investment income increased by approximately $487 million, due primarily to appreciation in the fair value of its investments of $1,082 million during 2013, as compared to appreciation of $587 million during 2012, an increase of approximately 84%.

Distributions to participants and beneficiaries increased by $46 million or 14% as a result of an increase in withdrawal amounts due to market gains this year. Approximately 50,000 participants withdrew funds in 2013 versus a total of approximately 41,000 participants in 2012.

We are not aware of any other currently known facts, decisions or conditions that are expected to have a significant impact on fiduciary net position or changes in fiduciary net position.

Financial Highlights – 457(b) Plan

The following financial highlights occurred during the 457(b) Plan fiscal year that ended on December 31, 2013:

- Plan net position increased by approximately $162 million during the 2013 fiscal year. There were approximately 48,400 and 41,200 participants in the 457(b) Plan at December 31, 2013 and 2012, respectively.

- Net investment income (net appreciation in the fair value of investments, plus interest) increased by approximately $65 million compared to the year that ended on December 31, 2012. The 457(b) Plan experienced appreciation in the fair value of its investments of $141 million during 2013, compared to appreciation of $75 million during 2012, which accounted for the majority of the increase in net investment earnings. The increase is principally due to strong equity market performance in 2013. Interest decreased by approximately $2 million.

- At the end of 2013, average total plan expenses were 52.0 basis points. This compares favorably to the median expense ratio of the Mercer Institutional Mutual Fund Universe of 62.7 basis points.

- The investment performance of the plans for the time period ended December 31, 2013 was very good with most funds outperformed their benchmark in both the 1 year and 3 year time period. For detailed information regarding investment performance please access the plan website at myncretirement.com.

Condensed Statements of Fiduciary Net Position (457(b) Plan), as of December 31:

(in thousands of dollars)	2013	2012
Investments		
Pooled separate account, at fair value	$ 684,730	$ 532,268
Stable value fund	392,226	384,368
Receivables		
Notes receivable from participants	16,627	14,589
Other	289	268
Liabilities	(311)	(263)
Fiduciary net position	$ 1,093,561	$ 931,230

Fiduciary Net Position increased approximately 17% in 2013. This is due in large part to the addition of new employers participating in the plan as well as strong financial returns. The Pooled Separate Account increased nearly 29%. The Stable Value Fund, receivables and liabilities remained stable.

Condensed Statements of Changes in Fiduciary Net Position (457(b) Plan), for the years ended December 31:

(in thousands of dollars)	2013	2012
Additions		
Contributions	$ 66,849	$ 62,645
Investment income	149,212	84,434
Miscellaneous income	222	217
Interest on notes receivable from participants	653	591
Total additions	216,936	147,887
Deductions		
Distributions to participants and beneficiaries	54,311	50,064
Administrative expenses	294	266
Total deductions	54,605	50,330
Net increase in fiduciary net position	$ 162,331	$ 97,557

Contributions to the 457(b) Plan increased by approximately 7% in 2013 compared to 2012. The increased contributions are due to a 5% increase in the number of employers offering the 457(b) Plan and a 17% increase in the number of participants enrolled in the 457(b) Plan (an increase from approximately 41,200 participants at December 31, 2012, to approximately 48,400 participants at December 31, 2013). Net investment income increased by approximately $65 million, due primarily to appreciation in the fair value of 457(b) Plan investments of $141 million during 2013, as compared to appreciation of $75 million during 2012 (an increase of approximately 89%).

Distributions to participants and beneficiaries increased by $4.2 million or approximately 8% as a result of an increase in retirements, and increased withdrawals due to market gains at year-end. Approximately 12,800 participants withdrew funds in 2013 versus a total of approximately 10,900 participants in 2012.

Other Highlights

In 2013, the Supplemental Retirement Board of Trustees secured additional wrap coverage with American General Life to enhance the diversification of wrap providers in the Stable Value Fund.

In September of 2013 enhancements to the Plan's investment offerings were made at the direction of the Supplemental Retirement Board of Trustees. The North Carolina Inflation Responsive Fund was added to further diversify the investment options in the Plans and to offer an additional means for offsetting the effects of inflation. Also in September, passive strategies in International Equity and Small / Mid Cap Equity were eliminated within GoalMaker in favor of active strategies. Active managers historically have outperformed passive managers in these less efficient areas of the market.

In March 2014, The Supplemental Retirement Board of Trustees named Mercer Investment Consultants to serve as the 401(k) Plan and the 457(b) Plan Investment Consultant and as a Project Manager in "unbundling" of the 401(k) Plan and the 457(b) Plan. This restructuring of the Plans will enhance clarity of fees for service, as well as roles and responsibilities. This action will take several months to plan and implement and is likely to be completed in late 2015.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Supplemental Retirement Plans of North Carolina. If you have any questions or concerns about this report or need additional financial information, contact Mary Buonfiglio, Deputy Director of Supplemental Retirement Plans, North Carolina Department of State Treasurer, 325 N. Salisbury Street, Raleigh, NC 27603.

Supplemental Retirement Plans of North Carolina
Statements of Fiduciary Net Position
December 31, 2013

(in thousands of dollars)

	401(k) Plan	457(b) Plan
Assets		
Investments (at fair value):		
Pooled Separate Account SA-NC, (Notes 3 and 4)	$ 5,446,576	$ 684,730
North Carolina Stable Value Fund (Notes 3 and 5)		
Unallocated insurance contracts		
Synthetic Guaranteed Investment Contracts	1,005,926	209,176
Insurance Company Separate Accounts	667,580	142,994
Wells Fargo Stable Return Fund	122,451	25,376
Wells Fargo Government Money Market Fund	75,915	14,680
Total stable value fund	1,871,872	392,226
Total investments	7,318,448	1,076,956
Receivables		
Contributions		
Participants	2,230	223
Employers	1,574	20
Notes receivable from participants	273,171	16,627
Other	244	46
Total receivables	277,219	16,916
Total assets	7,595,667	1,093,872
Liabilities		
Accounts payable	1,040	311
Total liabilities	1,040	311
Fiduciary net position	$ 7,594,627	$ 1,093,561

The accompanying notes are an integral part of these financial statements.

Supplemental Retirement Plans of North Carolina
Statements of Changes in Fiduciary Net Position
Year Ended December 31, 2013

(in thousands of dollars)

	401(k) Plan	457(b) Plan
Additions		
Investment income		
Net appreciation in fair value of investments	$ 1,082,146	$ 141,390
Interest	37,265	7,822
Total investment income	1,119,411	149,212
Other income		
Interest on notes receivable from participants	11,127	653
Miscellaneous income	1,765	222
Total other income	12,892	875
Contributions		
Plan participant contributions, including rollover contributions of $62,225 for the 401(k) plan and $11,870 for the 457(b) plan, respectively	305,336	66,744
Employer contributions	166,894	105
Total contributions	472,230	66,849
Total additions	1,604,533	216,936
Deductions		
Distributions to participants and beneficiaries	361,283	54,311
Administrative expenses	1,858	294
Total deductions	363,141	54,605
Change in fiduciary net position	1,241,392	162,331
Fiduciary net position		
Beginning of year	6,353,235	931,230
End of year	$ 7,594,627	$ 1,093,561

The accompanying notes are an integral part of these financial statements.

1. Plan Description

The following description of the Supplemental Retirement Plans of North Carolina ("Plans") is provided for general information purposes only. The Supplemental Retirement Plans of North Carolina (the "Plans") include the Supplemental Retirement Income Plan of North Carolina (the "401(k) Plan") and the North Carolina Public Employee Deferred Compensation Plan (the "457(b) Plan"). More complete information regarding the Plans' provisions may be found in the respective Plan documents.

General

The 401(k) Plan, established effective January 1, 1985, is a defined contribution multiple-employer governmental plan sponsored by the State of North Carolina ("Plan Sponsor"). As of December 31, 2013, the Plan has been adopted by 993 governmental employers in North Carolina consisting principally of state agencies, counties, school systems, cities, and towns.

The 457(b) Plan, established effective January 1, 1974, is a defined contribution multiple-employer governmental plan sponsored by the State of North Carolina ("Plan Sponsor"). As of December 31, 2013, the 457b Plan has been adopted by 301 governmental employers in North Carolina consisting principally of state agencies, counties, school systems, cities, and towns.

Plan Administration

The Supplemental Retirement Board of Trustees ("Board") has responsibility for the 401(k) Plan and the 457(b) Plan. The plan documents designate that the general administration of the Plans and the responsibility for carrying out the provisions of the Plans, as directed by the Board, shall be placed with the Retirement Systems Division of the Department of State Treasurer as Primary Administrator. The Board and Primary Administrator have entered into an agreement with Prudential Insurance Company of America, ("Contractor") to perform recordkeeping, administration and investment management services.

The Pooled Separate Account SA-NC offers nine equity funds and four fixed income funds. The actively managed separate account funds have multiple investment managers and the passively managed separate accounts each have a single investment manager.

The Board has engaged Galliard Capital Management, Inc. ("Galliard") to provide professional management of the Stable Value Fund. Under Galliard management, the Stable Value Fund is managed by seven investment managers.

Participation

The Plans cover all employees of governmental employers who have adopted the Plans. Those eligible include participants of the following:

- State of North Carolina Teachers' and State Employees' Retirement System of North Carolina ("TSERS")
- Consolidated Judicial Retirement System
- Legislative Retirement System
- North Carolina Local Governmental Employees' Retirement System ("LGERS")
- Optional Retirement Program

The 401k Plan had approximately 243,000 participants at December 31, 2013.

The 457b Plan had approximately 48,400 participants at December 31, 2013.

Contributions
401k Plan participants may elect to contribute between 1% and 80%, in whole percentages, of their compensation, as defined by the 401(k) Plan, subject to certain limitations under the Internal Revenue Code (“IRC”). 457(b) Plan participants may elect to contribute between 1% and 100%, in whole percentages, of their compensation, as defined by the 457(b) Plan, subject to certain limitations under the Internal Revenue Code (“IRC”). The Plans limit the amount of an individual’s annual contributions to the maximum allowed by the IRC ($17,500 for 2013). Federal and state income tax on amounts contributed by participants is deferred until benefits are paid to the participants. An employee may begin contributing to the Plans on the first enrollment date which is at least 60 days, or such shorter period as the governmental employer determines, after the date he or she files with the governmental employer a notice whereby the employee: 1) makes an election to contribute a percentage of their compensation or fixed dollar amount to the Plans and 2) authorizes the governmental employer to reduce their compensation by such percentage or amount. Participating employers may make contributions to the Plans. Employer contributions to the 401(k) Plan and the 457(b) Plan were approximately $167 million and $105 thousand, respectively, in 2013.

In-Plan Roth Conversion provisions were added to the Plans effective April 1, 2011. As of the effective date, the Plans will accept Roth contributions made on behalf of participants. All contribution sources and earnings thereon, except Roth contributions and Roth Rollover contributions, will be eligible for In-Plan Roth conversions in accordance with the standard In-Service Withdrawal and Termination distribution provisions of the Plans. Participants and spousal beneficiaries will be allowed to elect voluntary federal and state income tax withholding on In-Plan Roth Conversion amounts. Withholding will be deducted from eligible amounts in advance of the In-Plan Roth Conversion. In-Plan Roth Conversion amounts will remain invested among the same plan investment options in which they were invested prior to the conversion (“like to like”).

The 401(k) Plan allows participants age 50 or older to make catch-up contributions in accordance with and subject to the limitations of Section 414(v) of the IRC. The 401(k) Plan allows participants to contribute amounts being rolled over from other eligible retirement plans, as defined in the 401(k) Plan document. Participating governmental employers may elect to make discretionary contributions to the 401(k) Plan as determined by the General Assembly or the participating governmental employer. With respect to participants who are law enforcement officers, the governmental employer of the law enforcement officers shall contribute to the 401(k) Plan on behalf of each such law enforcement officer an amount equal to such percentage, as determined by the North Carolina General Assembly, of compensation received during the plan year (5% in 2013). Law enforcement officers, excluding sheriffs, shall also receive from the Department of State Treasurer a contribution, allocated on a per capita basis, of an amount equal to a division, as determined by the North Carolina General Assembly, of receipts collected under North Carolina General Statute 7A-304 on account of assessed cost of court.

The 457(b) Plan allows participants age 50 or older to make catch-up contributions in accordance with and subject to the limitations of Section 414(v) of the Internal Revenue Code (“IRC”). The 457(b) Plan allows participants to contribute amounts being rolled over from other eligible retirement plans, as defined in the 457(b) Plan Document. In addition, the 457(b) Plan allows participants within three years of reaching a normal retirement age to contribute up to twice the amount allowed by the IRC ($35,000 for 2013). The age 50 or older catch-up contributions cannot be used in conjunction with the three-year catch-up contributions.

On June 28, 2012, the North Carolina General Assembly ratified House Bill 153. House Bill 153 prohibits state and local law enforcement officers from receiving employer contributions made to the Plan on or after December 1, 2012 should the law enforcement officer be convicted of a felony related to employment on or after December 1, 2012.

Vesting
Participants are at all times 100% vested in their contributions, employer contributions and their allocated earnings thereon.

Payment of Benefits
On termination of employment due to retirement, disability or death, the participant, or sole beneficiary, shall receive the amount to the credit of the participant's account upon election of a payment option. Upon such election, a participant or sole beneficiary may elect to receive payments from their account in monthly, quarterly, semiannual or annual installments over a period not to exceed the participant's or sole beneficiary's, life expectancy. In addition, hardship distributions are permitted if certain criteria are met.

Participant Accounts
Individual accounts are maintained by the Contractor for each of the Plans' participants to reflect the participant and employer contributions, as well as the participant's share of the Plans' income and any related administrative expenses. Allocations of income and expenses are based on the proportion that each participant's account balance bears to the total of all participant account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Notes Receivable from Participants
Participants may borrow, on notice to the Contractor and on approval by the Primary Administrator under such rules as it shall adopt, up to 100% of their account subject to certain limitations.

A participant with an account balance equal to or less than $20,000 may borrow the lesser of i) 100% of the participant's account balance or ii) $10,000. A participant with an account balance of more than $20,000 may borrow the lesser of i) $50,000 (reduced by the excess, if any, of the participant's highest outstanding balance of loans from the Plans during the one-year period ending on the day before the date on which such loan is made) or ii) one-half (1/2) of the participant's vested account balance. The minimum loan shall be $1,000.

A participant may have only one loan outstanding at any time and must wait 15 days to initiate a new loan after paying off an existing loan. The interest rate charged on loans shall be reasonable as determined by the Primary Administrator. During 2013, the interest rate charged was equal to the prime rate, as shown in the *Wall Street Journal,* 15 business days prior to the start of each calendar quarter, plus 1%. At December 31, 2013, the interest rates on outstanding loans ranged from 4.25% to 9.25% for the 401(k) Plan and 4.25% to 10.25% for the 457(b) Plan. The term of the loan shall be arrived at by mutual agreement between the participant and the Primary Administrator. At December 31, 2013, the loans outstanding had initial repayment terms between one and five years for the 401(k) Plan and between one and fifteen years for the 457(b) Plan.

Under the Loan Policy of the Plans, members are permitted to continue repaying loans after they separate from service. Members electing to continue loan repayments after separating from service are subject to a one-time $100 loan administration fee.

Investment Elections
Upon enrollment in the Plans, a participant may direct contributions to any investment option offered by the Plans. At December 31, 2013, the Plans offered 13 investment options across three categories - Stable Value, bonds/fixed income, and stocks/equities. Participants may change their investment elections daily provided they do not violate market timing policies. The Plans are not governed by any law or regulation restricting its deposits or investments other than that of following the prudent person rule.

Transfer Benefit Option
Members of TSERS and LGERS are allowed to convert their 401(k) and 457(b) Plan balances into a monthly benefit   In 2013, the North Carolina General Assembly ratified House Bill 359. House Bill 359 allows members of TSERS and LGERS to transfer balances from other qualified plans into a monthly benefit from their TSERS and LGERS plans. Under such a transfer, the funds from the other qualified plans are first transferred into the 401(k) Plan or 457(b) Plan, and then transferred to TSERS or LGERS.

2. Summary of Significant Accounting Policies

Reporting Entity
The Plans are reported by the State of North Carolina as fiduciary funds. The financial statements of the Plans are intended to present the fiduciary net position and the changes in fiduciary net position of only that portion of the total fiduciary funds that are attributable to the Plans. They do not purport to, and do not, present fairly the financial position of the total fiduciary funds of the State of North Carolina as of December 31, 2013, and the changes in its financial position for the year then ended.

Basis of Accounting
The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements of the Governmental Accounting Standards Board (“GASB”), and on the accrual basis of accounting.

Investments
The Plans invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. The Plans invest in securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations and commercial mortgage-backed securities. The value, liquidity and related income of these and other securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both.

Due to the level of risks associated with certain investment securities, it is at least possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the statements of fiduciary net position. Assets are reported at fair value, contract value or amortized cost, depending upon the investment type.

Investments

The Plans' investments in the Pooled Separate Account SA-NC are stated at fair value. Units of the Pooled Separate Account SA-NC are reported at fair value, based on the net asset value of the units held by the Plan. Units of common/commingled funds are valued at the net asset value of shares held by the Plans. Investments in fixed income securities (U.S. treasuries and agency securities, asset-backed securities, collateralized mortgage obligations, commercial mortgage backed securities, domestic corporate bonds, foreign government bonds, foreign corporate bonds, state and local government bonds, and mortgage pass throughs) are valued on the basis of valuations furnished by independent pricing services. These services determine valuations for normal institutional-size trading units of such securities using models or matrix pricing, which incorporates yield and/or price with respect to bonds that are considered comparable in characteristics such as rating, interest rate, maturity date and quotations from bond dealers to determine current value. If these valuations are deemed to be either not reliable or not readily available, the fair value will be determined in good faith by the custodian. Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Contributions to the collective trust and pooled separate accounts are credited to participant accounts as units. The value of a unit changes each day based on the current fair value of the investment portfolio. Earnings of the pooled separate accounts, as well as market fluctuations, are reflected in unit values.

The Plans' investments in the Stable Value Fund are stated at contract value with the exception of the Government Money Market Fund, a fund of highly liquid assets used for liquidity and stated at amortized cost. Both contract value and amortized cost approximate fair value based on GASB standards. The Stable Value Fund investments excluding the Government Money Market Fund, consist of unallocated insurance contracts, which are nonparticipating investments. As such, GASB reporting standards provide they be reported at contract value. The Stable Value Fund ordinarily allows participants to withdraw their investment at contract value which represents their principal investment plus interest at a stated rate (known as the "crediting rate"), less withdrawals. As a result, participants are provided investment statements showing their activity in the Stable Value Fund at contract value rather than fair value. In addition to the contracts directly owned by the Plans, the Plans own units of participation in a Stable Return Fund that primarily invests in investment contracts, including traditional GICs and security-backed contracts issued by insurance companies and other financial institutions.

The crediting rate of security-backed contracts will track current market yields on a trailing basis. The rate reset allows the contract value to converge with the fair value of the underlying portfolio over time, assuming the portfolio continues to earn the current yield for a period of time equal to the current portfolio duration. The net crediting rate reflects fees paid to security-backed contract issuers.

To the extent that the underlying portfolio of a security-backed contract has unrealized and/or realized losses, a positive adjustment is made to the adjustment from fair value to contract value under contract value accounting. As a result, the future crediting rate may be lower over time than the then-current market rates. Similarly, if the underlying portfolio generates unrealized and/or realized gains, a negative adjustment is made to the adjustment from fair value to contract value, and the future crediting rate may be higher than the then-current market rates.

Contributions Receivable
Participant contributions receivable represent amounts withheld from participants but not remitted to the Contractor as of the Plans' year ends. Employer contributions receivable represent the matching portion the employer owes the Plans on participant contributions receivable.

Notes Receivable from Participants
Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the respective Plan documents.

Payment of Benefits
Benefits are recorded when paid.

Administrative Expenses and Investment Management Fees
All administrative costs of the Plans are deducted from participants' account balances. These costs include (a) benefit responsive investment contract fees, which are included in the cost of investments and in determining net proceeds on sales of investments, and (b) operational expenses required for administration of the Plans including Primary Administrator expenses, trustee, recordkeeping, maintenance, and investment management fees which are charged against the various fund's assets on a pro rata basis throughout the year. Loan initiation fees and trustee expenses are reported as administrative expenses. Loan initiation fees are deducted from the individual accounts under the Plan of the individual participants that are initiating loans. Custodian and investment management fees for commingled trusts are charged based on a percentage of net asset value and are paid from the assets of the respective funds. Certain other administrative expenses are paid by the Contractor.

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Standards to be Implemented
In June 2012, the GASB approved a pair of related statements that reflect substantial improvements to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, *Financial Reporting for Pension Plans*, addresses financial reporting for state and local government pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The new standards generally carry forward the existing financial statement requirements regarding defined contribution pensions, enhance note disclosures and provide for additional Required Supplementary Information. These new requirements for pension plans will become effective for the year ended December 31, 2014 and are not expected to have a material impact on the Plans' financial statements. The impact on the Plans' financial statements of GASB, Statement No. 69, *Government Combinations and Disposals of Government Operations,* and GASB No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* are currently being assessed. Statements No. 69 and 70 are effective for the year ended December 31, 2014. These standards are not expected to have a material impact on the Plans' financial statements.

3. Investments

The following table presents a summary of investments at December 31, 2013:

(in thousands of dollars)

	401(k) Plan	457(b) Plan
Pooled Separate Account SA - NC (Note 4)	$ 5,446,576	$ 684,730
Stable Value Fund (Note 5)		
North Carolina Stable Value Fund		
Unallocated Insurance Contracts		
Prudential Synthetic Guaranteed Investment Contracts	733,419	150,399
American General Insurance Company	272,507	58,777
Great-West Deferred Stable Asset Fund Annuity	428,297	91,536
MetLife Insurance Company Separate Account	239,283	51,458
Wells Fargo Stable Return Fund	122,451	25,376
Wells Fargo Government Money Market Fund	75,915	14,680
Total stable value fund	1,871,872	392,226
Total investments	$ 7,318,448	$ 1,076,956

4. Investment in Pooled Separate Account SA–NC

A portion of the Plans' investments are in the Pooled Separate Account SA–NC which was established, effective March 9, 2009, for the investment of assets of the Plans. Prudential Retirement Insurance and Annuity Company ("PRIAC") is owner of the Pooled Separate Account SA–NC, and, therefore, owns the underlying assets. The assets are managed by investment managers appointed by the Plan Sponsor and specified in the investment agreements. The Plans are the beneficial owners of the assets, which is accounted for in units of participation.

The Pooled Separate Account SA–NC is valued by multiplying the number of Pooled Separate Account SA-NC Accumulation Units by the Pooled Separate Account SA-NC Accumulation Unit Value for the Valuation Date. The number of accumulation units credited to the Plans for a deposit and transfer is equal to the deposit or transfer amount divided by accumulated unit value as of the valuation date on which the deposit is allocated to the Pooled Separate Account SA-NC. The number of accumulation units debited to the Plans for a transfer, distribution or termination disbursement amount is equal to the transfer, distribution or termination disbursement amount divided by the unit value as of the valuation date on which the transfer, distribution or termination disbursement amount is allocated to the Pooled Separate Account SA-NC. The accumulation unit value reflects charges such as management fees, commingled and separate account expenses, separate account fees and other separate account expenses. A valuation date occurs each day that PRIAC is open for business and a financial market exists for investment transactions. PRIAC processes all transactions on the valuation date at the value of Pooled Separate Account SA-NC investments as of the close of the financial market's business day.

The following table presents the assets, including the investments and the percentage of each Plan's interest in each of the funds. Investment income and expense are presented in total for each fund in the Pooled Separate Account SA-NC:

(in thousands of dollars)

NC Large CAP Index		
*Blackrock Equity Index Non-Lendable Collective Investment Fund, at fair value	$	1,166,194
401K plan interest in NC Large CAP Index		1,040,492
401K plan interest percentage		89%
457B plan interest in NC Large CAP Index		125,702
457B plan interest percentage		11%
Investment income:		
Net appreciation in fair value of investments - collective trust		311,402

NC Large CAP Value

Domestic common stock, at fair value	846,772
Cash and cash equivalents	13,083
Accrued interest income	1,177
Due from broker for securities sold	154
Accounts payable - fees	(18)
Total net assets	861,168
401K plan interest in NC Large Cap Value	757,695
401K plan interest percentage	88%
457B plan interest in NC Large Cap Value	103,473
457B plan interest percentage	12%
Investment income and (expenses):	
Net appreciation in fair value of investments	224,301
Dividends and interest	18,588
Management and administrative fees	(4,991)
Net investment income	237,898

NC Large CAP Growth

Domestic common stock, at fair value	823,236
Cash and cash equivalents	18,790
Accrued interest income	436
Due from broker for securities sold	3,648
Accounts payable - fees	(19)
Due to broker for securities purchased	(6,408)
Total net assets	839,683
401K plan interest in NC Large Cap Growth	732,730
401K plan interest percentage	87%
457B plan interest in NC Large Cap Growth	106,953
457B plan interest percentage	13%
Investment income and (expenses):	
Net appreciation in fair value of investments - domestic stock	235,457
Dividends and interest	7,054
Management and administrative fees	(4,668)
Net investment income	237,843

NC Fixed Income

PIMCO Core Plus Bond Fund - collective trust	266,179
Separate Account - JP Morgan Core Bond Fund	260,409
Total investments, at fair value	526,588
Cash and cash equivalents	3,031
Due from broker for securities sold	127
Accounts payable - fees	(5)
Total net assets	529,741
401K plan interest in NC Fixed Income	466,754
401K plan interest percentage	88%
457B plan interest in NC Fixed Income	62,987
457B plan interest percentage	12%
Investment income and (expenses):	
Net depreciation in fair value of investments - JP Morgan Core Bond Fund	(11,500)
Net depreciation in fair value of investments - PIMCO Core Plus Bond Fund	(7,401)
Interest	14,531
Management and administrative fees	(1,057)
Net investment loss	(5,427)

NC International

Domestic common stock, at fair value	47,685
Foreign stock	460,257
Total investments, at fair value	507,942
Cash and cash equivalents	11,082
Accrued interest income	1,011
Accounts payable - fees	(50)
Due to broker for securities purchased	(1,310)
Total net assets	518,675
401K plan interest in NC International	458,001
401K plan interest percentage	88%
457B plan interest in NC International	60,674
457B plan interest percentage	12%
Investment income and (expenses):	
Net appreciation in fair value of investments - domestic stock	3,616
Net appreciation in fair value of investments - foreign stock	53,501
Dividends and interest	13,963
Management and administrative fees	(4,922)
Net investment income	66,158

NC Small MID CAP Index

Blackrock Russell 2500 Collective Investment Fund, at fair value	207,587
401k plan interest in NC Small MID CAP Index	194,006
401k plan interest percentage	93%
457b plan interest in NC Small MID CAP Index	13,581
457b plan interest percentage	7%
Investment income:	
Net appreciation in fair value of investments - collective trust	103,669

NC Small MID CAP Value

Domestic common stock, at fair value	408,954
Cash and cash equivalents	9,353
Accrued interest income	548
Due from broker for securities sold	67
Accounts payable - fees	(8)
Due to broker for securities purchased	(239)
Total net assets	418,675
401k plan interest in NC Small MID CAP Value	346,023
401k plan interest percentage	83%
457b plan interest in NC Small MID CAP Value	72,652
457b plan interest percentage	17%
Investment income and (expenses):	
**Net appreciation in fair value of investments	90,189
Dividends and interest	5,178
Management and administrative fees	(2,674)
Net investment income	92,693

NC Global Equity

Domestic common stock, at fair value	406,505
Foreign stock	248,798
Total investments, at fair value	655,303
Cash and cash equivalents	8,950
Accrued interest income	543
Due from broker for securities sold	7,678
Accounts payable - fees	(34)
Due to broker for securities purchased	(7,378)
Total net assets	665,062
401K plan interest in NC Global Equity	627,486
401K plan interest percentage	94%
457B plan interest in NC Global Equity	37,576
457B plan interest percentage	6%
Investment income and (expenses):	
**Net appreciation in fair value of investments - domestic stock	64,576
Net depreciation in fair value of investments - foreign stock	24,081
Dividends and interest	5,883
Management and administrative fees	(3,287)
Net investment income	91,253

NC U.S. Debt Index

Blackrock U.S. Debt Index Non-Lendable Collective Investment Fund, at fair value	292,636
401k plan interest in NC U.S. Debt Index	268,339
401k plan interest percentage	92%
457b plan interest in NC U.S. Debt Index	24,297
457b plan interest percentage	8%
Investment income:	
Net depreciation in fair value of investments - collective trust	(5,598)

NC International Index

Blackrock MSCI ACWI ex-U.S. Index Non-Lendable Collective Investment Fund, at fair value	38,431
401k plan interest in NC International Index	30,235
401k plan interest percentage	79%
457b plan interest in NC International Index	8,196
457b plan interest percentage	21%
Investment income:	
Net appreciation in fair value of investments - collective trust	25,750

NC Inflation Responsive

Domestic common stock, at fair value	87,275
Fixed income bonds	192,734
Derivatives	(902)
Total investments, at fair value	279,107
Cash and cash equivalents	9,524
Accrued interest income	234
Due from broker for securities sold	350
Accounts payable - fees	(7)
Due to broker for securities purchased	(2,144)
Total net assets	287,064
401k plan interest in Inflation Responsive	269,465
401k plan interest percentage	94%
457b plan interest in Inflation Responsive	17,599
457b plan interest percentage	6%
Investment income/(loss) and (expenses):	
Net depreciation in fair value of investments	(1,346)
Dividends and interest	306
Management and administrative fees	(820)
Net investment expense	(1,860)

NC Small MID CAP Growth

Domestic common stock, at fair value	296,325
Cash and cash equivalents	11,148
Accrued interest income	154
Due from broker for securities sold	115
Accounts payable - fees	(8)
Due to broker for securities purchased	(1,344)
Total net assets	306,390
401k plan interest in NC Small CAP Growth	255,350
401k plan interest percentage	83%
457b plan interest in NC Small CAP Growth	51,040
457b plan interest percentage	17%
Investment income and (expenses):	
**Net appreciation in fair value of investments	68,589
Dividends and interest	1,273
Management and administrative fees	(1,859)
Net investment income	68,003

Total Pooled Separate Account SA - NC Asset	$ 6,131,306
Total 401k plan interest in Pooled Separate Account SA-NC	$ 5,446,576
Total 401k plan interest percentage in Pooled Separate Account SA-NC	89%
Total 457b plan interest in Pooled Separate Account SA-NC	$ 684,730
Total 457b plan interest percentage in Pooled Separate Account SA-NC	11%

* Represents individual investment greater than or equal to 5% of the fair value of the Plans' investments.

**Temporary transition accounts were set up in September 2013 and remained open for approximately 2 weeks in order to facilitate the GoalMaker reallocation of funds. At the conclusion of the reallocation, the accounts were closed. A total of $6.6 million of net appreciation from the transition accounts is allocated to the NC Small MID CAP Value, NC Small MID CAP Growth, and the NC Global separate accounts, as these were the target accounts for the reallocation.

Interest Rate Risk

The Plans have a formal investment policy that limits duration as a means of managing its exposure to fair value losses arising from increasing interest rates. The average duration of the NC Fixed Income portfolio is targeted to be within plus or minus 25% of a specified benchmark. There is no policy to limit duration for the debt securities in the NC Inflation Responsive portfolio. The maturities of the fixed income securities held in the NC Fixed Income Fund, which are subject to interest rate risk, as of December 31, 2013, are as follows:

(in thousands of dollars)

		Investment Maturities (in Years) at Fair Market Value			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Collateralized mortgage obligations	$ 85,246	$ 8,725	$ 1,902	$ 10,082	$ 64,537
Mortgage pass throughs	44,313	5,179	3,005	13,483	22,646
Domestic corporate bonds	44,160	2,274	14,676	19,967	7,243
U.S. treasury strips	40,816		6,896	28,447	5,473
Asset-backed securities	14,251	657	9,898	1,619	2,077
U.S. treasury securities	12,549		4,043	7,687	819
Foreign corporate bonds	10,666	1,282	3,657	4,253	1,474
U.S. agencies securities	5,898	1,598	1,733	1,695	872
Foreign government bonds	1,016		605	272	139
Commercial mortgage backed securities	883				883
State and local government bonds	611				611
Common/commingled fund:					
Fixed income core plus bond fund	266,179			266,179	
Total	$ 526,588	$ 19,715	$ 46,415	$ 353,684	$ 106,774

The maturities of the fixed income debt securities held in the NC Inflation Responsive Fund, which are subject to interest rate risk, as of December 31, 2013, are as follows:

(in thousands of dollars)

		Investment Maturities (in Years) at Fair Market Value			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Mortgage pass throughs	$ 3,459				$ 3,459
U.S. treasury securities	156,341	8,944	18,910	119,264	9,223
Foreign corporate bonds	1,504		1,504		
U.S. agencies securities	5,205				5,205
Foreign government bonds	26,225	11,432	11,268		3,525
Total	$ 192,734	$ 20,376	$ 31,682	$ 119,264	$ 21,412

Investments may also include various collateralized mortgage obligations, asset-backed securities, commingled funds and mortgage-backed securities that may be considered to be sensitive to changes in interest rates due to the existence of prepayment or conversion features.

Asset-Backed Securities
Asset-backed securities are securities that are primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to the security holders.

Collateralized Mortgage Obligation Securities
Collateralized Mortgage Obligations ("CMOs") generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments make the fair value sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Commingled Funds
The Plans own units in a commingled fixed income core plus bond fund as well as units in a short term collective investment trust. The weighted average maturity of the PIMCO Core Plus Bond Fund, which is a common/commingled fund and included in the NC Fixed Income Fund in the Pooled Separate Account SA-NC of the Plan, is approximately 7 years. As a result the fund is sensitive to changes in interest rates.

Credit Risk
Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations such as the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U. S. government, are not considered to have credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately to repay the principal. Credit quality is evaluated by one of the independent bond-rating agencies - for example, Moody's Investors Service ("Moody's"), Standard and Poor's ("S&P"), or Fitch Ratings ("Fitch"). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk. The Plans' investment policy for the NC Fixed Income portfolio requires that debt securities are intended to have an average quality rating of A- or better. The Plans' investment policy for the NC Fixed Income portfolio permits investments in issues rated below investment grade, but those securities should not exceed 20% of the fixed-income assets. The Plans' investment policy for the NC Inflation Responsive portfolio requires that debt securities are intended to have an average rating of at least A-.

The following table presents the rating of debt securities held in the NC Fixed Income Fund as of December 31, 2013:

(in thousands of dollars)

		Credit Rating - Moody's / S&P / Fitch						
Credit Rating	**Fair Value**	**Aaa / AAA**	**Aa / AA**	**A / A- / A+**	**Baa/BBB**	**Less than investment grade**	**Unrated**	**Exempt from credit quality (1)**
Collateralized mortgage obligations	$ 85,246	$ 8,755	$ 50,729	$ 3,199	$ 4,251	$ 4,050	$ 4,008	$ 10,254
Mortgage pass throughs	44,313		42,843					1,470
Domestic corporate bonds	44,160	272	5,314	17,331	21,138	105		
U.S. Treasury strips	40,816							40,816
Asset-backed securities	14,251	7,214	3,316	1,971	230	51	1,469	
U.S. treasury securities	12,549							12,549
Foreign corporate bonds	10,666	1,510	2,208	4,456	2,403	89		
U.S. agencies securities	5,898		5,898					
Foreign government bonds	1,016		606		410			
Commercial mortgage backed securities	883	447			354	82		
State and local government bonds	611		266	345				
Common/commingled fund:								
Fixed income core plus bond fund	266,179						266,179	
Total	$ 526,588	$ 18,198	$ 111,180	$27,302	$ 28,786	$ 4,377	$ 271,656	$ 65,089

The following table presents the rating of fixed-income debt securities held in the NC Inflation Responsive Fund as of December 31, 2013:

(in thousands of dollars)

		Credit Rating - Moody's / S&P / Fitch				
Credit Rating	**Fair Value**	**Aa / AA**	**Baa/BBB**	**Less than investment grade**	**Unrated**	**Exempt from credit quality (1)**
Mortgage pass throughs	$ 3,459	$ 3,459	$ -			
U.S. treasury securities	156,341					156,341
Foreign corporate bonds	1,504	1,504				
U.S. agencies securities	5,205	5,205				
Foreign government bonds	26,225	3,524	10,125	1,145	11,432	
Total	$ 192,734	$ 13,692	$ 10,125	$ 1,145	$ 11,432	$ 156,341

(1) Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality.

Commingled Funds

The Fixed Income Core Plus Bond Fund, which is a common/commingled fund and included in the NC Fixed Income Fund of the Pooled Separate Account SA-NC, contains more than 96% of the debt securities rated BBB or better (75% are rated AAA) at December 31, 2013.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, PRIAC will not be able to recover the value of its investments and other assets that are in possession of an outside third party. The Plan does not have a formal policy to limit custodial credit risk.

The following investments and other assets of the Pooled Separate Account SA-NC were uninsured and unregistered, with securities held by counterparty at December 31, 2013:

(in thousands of dollars)

Cash and cash equivalents	$	84,962
Domestic stock		2,916,751
Foreign stock		709,055
U.S. treasury securities		168,890
Collateralized mortgage obligations		85,246
Mortgage pass throughs		47,772
Domestic corporate bonds		44,160
U.S. Treasury strips		40,816
Foreign government bonds		27,241
Asset-backed securities		14,251
Foreign corporate bonds		12,170
U.S. agencies securities		11,103
Commercial mortgage backed securities		883
State and local government bonds		611
Total	$	4,163,911

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a Plan's investment in a single issuer. Money market funds and external investment pools are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U. S. Government are not considered to have credit risk. Included in the Pooled Separate Account SA-NC are investments in individual collective trust funds under the various index funds and fixed-income options. Such funds that equal 5% or more of the fair value of the Plan's investments, are identified with an asterisk in the presentation of the Pooled Separate Account SA-NC table within this footnote. This is consistent with the Plan's investment policy.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There is no formally adopted investment policy to limit foreign currency exposure.

Within the NC International Fund and the NC Global Equity Fund, the foreign stock investments expose the Plans to foreign currency risk. The following table presents in U.S. dollars the Pooled Separate Account SA-NC exposure to foreign currency as of December 31, 2013:

Currency (in thousands of dollars)	
Euro	$ 203,462
Japanese Yen	157,743
Pound Sterling	120,545
Swiss Franc	38,842
Hong Kong Dollar	30,173
Swedish Krona	25,265
South Korean Won	22,235
Canadian Dollar	17,130
Australian Dollar	16,237
Danish Krone	14,112
Singapore Dollar	10,556
South African Rand	10,160
Taiwan New Dollars	9,556
Turkish Lira	9,069
Indian Rupee	4,885
Norwegian Crone	4,609
Brazilian Real	3,970
Indonesian Rupiah	3,308
Mexican Pesos	2,884
Malaysian Ringgit	2,016
Thai Baht	1,388
Israeli New Shekel	910
	$ 709,055

Exposure to Derivatives

Derivative instruments are securities that derive value from another asset and are in the form of a contract between two or more parties. Common derivatives are futures contracts, forwards contracts, options and swaps. Within the NC Inflation Responsive fund, the Plans are exposed to commodities futures contracts, foreign currency forwards contracts, index options, equity options and interest rate swaps. This fund enters into derivative contracts as part of its investment strategy to provide participants with protection from rising inflation.

The Plans' investment policy for the NC Inflation Responsive fund allows the utilization of sophisticated investment techniques, including the use of derivatives and forward settling security transactions. The derivative exposure as of December 31, 2013 within the NC Inflation Responsive fund is comprised of allowable instruments based on the Plans' investment policy. The fair market value of derivatives in the NC Inflation Responsive fund at December 31, 2013 is $(274) thousand, $628 thousand of which relates to unrealized appreciation of foreign currencies and is included in cash and cash equivalents.

5. Stable Value Fund

The Stable Value Fund consists of four wrap contracts, a Stable Return Fund and a Government Money Market Fund. Galliard provides the professional management and oversight of the Stable

Value Fund. The four wrap contract issuers are Prudential, Great West, MetLife, and American General. The Great West Life and Payden & Rygel investments are separately managed portfolios of fixed income securities. The assets managed by Galliard, PIMCO, Jennison and Prudential are invested in commingled funds. Wrap contracts maintain a book value asset or fund balance for the underlying asset and report the yield credited on that book balance. The contracts are issued by insurance companies which guarantee the return of principal and a stated rate of interest. The contracts do not provide protection from default of the underlying fixed income investments which could result in a negative return on the fund. With a synthetic contract, the Plan owns the assets and negotiates a wrap contract for insurance protection separately. The contracts are described as follows:

Prudential Synthetic Guaranteed Investment Contracts ("GICs") - The Plans have three fully-benefit-responsive synthetic GICs with Prudential. All three contracts cover commingled fixed - income investments managed by Prudential. All of the underlying investments are owned by the Plans. At December 31, 2013, the Prudential wrapper contract covering commingled fixed income investments had no value. Wells Fargo Bank is the custodian for the underlying investments.

Because the synthetic GICs are fully benefit responsive and nonparticipating investments, contract value is the relevant measurement attribute for that portion of the net position attributable to the guaranteed investment contracts.

Contract value, as reported by Prudential, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

The interest crediting rate is reset at the beginning of each quarter to reflect the performance of the underlying portfolio wrapped by the contract. The compound crediting rate methodology uses a formula to smooth out the gains or losses on the fixed income investments that back the wrap contract. The formula components are the current contract value, the fair value of the underlying portfolio, the annualized weighted average yield to maturity of the underlying portfolio and the weighted average duration of the underlying portfolio. The change in these factors from quarter to quarter impacts future crediting rate. The crediting rates may not fall below zero with the exception of any credit defaults of the underlying fixed income holdings.

American General Synthetic GIC - The Plans have a fully-benefit-responsive synthetic GIC with American General. The contract covers a separately managed fixed income portfolio managed by Payden & Rygel. All of the underlying investments are owned by the Plans. At December 31, 2013, there was no value to the wrap contract. Wells Fargo Bank is the custodian for the underlying investments.

Because the synthetic GIC is fully benefit responsive and nonparticipating investments, contract value is the relevant measurement attribute for that portion of the net position attributable to the guaranteed investment contracts. Contract value, as reported by American General, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

The interest crediting rate is reset at the beginning of each quarter to reflect the performance of the underlying portfolio wrapped by the contract. The compound crediting rate methodology uses a formula to smooth out the gains or losses on the fixed income investments that back the wrap contract. The formula components are the current contract value, the fair value of the underlying portfolio, the annualized weighted average yield to maturity of the underlying portfolio and the weighted average duration of the underlying portfolio. The change in these factors from quarter to quarter impacts future crediting rate. The crediting rate may not fall below zero with the exception of any credit defaults of the underlying fixed income holdings.

Great-West Deferred Stable Asset Fund Annuity Contract - The contract is fully benefit responsive and comprised of a GIC issued by a life insurance company (issuer). The GIC is backed by assets invested in an insurance separate account, a portfolio owned by the life insurance company but invested outside the insurance company's general investment account. The assets of the separate account are held exclusively for the benefit of the Plans and stated in the financial statements at contract value, which was $428 million and $92 million for the 401k Plan and the 457b Plan, respectively, at December 31, 2013. The fair value of the assets in the separate account was reported by Great-West to be $433 million and $92 million for the 401k Plan and the 457b Plan, respectively. The Bank of New York is the custodian for the underlying investments.

Because the guaranteed contracts are fully benefit responsive, contract value is the relevant measurement attribute for that portion of the net position attributable to the GIC. Contract value, as reported by Great-West, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

The interest crediting rate is reset at the beginning of each quarter to reflect the performance of the underlying portfolio wrapped by the contract. The compound crediting rate methodology uses a formula to smooth out the gains or losses on the fixed-income investments that back the wrap contract. The formula components are the current contract value, the fair value of the underlying portfolio, the annualized weighted average yield to maturity of the underlying portfolio and the weighted average duration of the underlying portfolio. The change in these factors from quarter to quarter impacts the future crediting rate. The crediting rate may not fall below zero with the exception of any credit defaults of the underlying fixed-income holdings.

MetLife Insurance Company Separate Account - The contract is fully benefit responsive and comprised of a GIC issued by a life insurance company. The GIC is backed by assets invested in a separate account, a portfolio owned by the life insurance company but invested outside the insurance company's general investment account. The assets of the separate account are held for the benefit of the Plans and certain other plans and stated in the financial statements at contract value, which was $239 million and $51 million for the 401(k) Plan and the 457(b) Plan, respectively, at December 31, 2013. The fair value of the Plan's portion of the assets in the separate account was reported by MetLife to be $242 million and $52 million for the 401(k) Plan and the 457(b) Plan, respectively. State Street Bank is the custodian for the underlying investments. At December 31, 2013, the wrap contract had a value of $201 thousand and $42 thousand for the 401k Plan and the 457(b) Plan, respectively.

Because the guaranteed contracts are fully benefit responsive, contract value is the relevant measurement attribute for that portion of the net position attributable to the guaranteed investment contracts. Contract value, as reported by MetLife represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer all or a portion of their investment at contract value.

The interest crediting rate is reset at the beginning of each quarter to reflect the performance of the underlying portfolio wrapped by the contract. The compound crediting rate methodology uses a formula to smooth out the gains or losses on the fixed income investments that back the wrap contract. The formula components are the current contract value, the fair value of the underlying portfolio, the annualized weighted average yield to maturity of the underlying portfolio and the weighted average duration of the underlying portfolio. The change in these factors from quarter to quarter impacts the future crediting rate. The crediting rate may not fall below zero with the exception of any credit defaults of the underlying fixed income holdings.

***Wells Fargo Stable Return Fund* -** A pooled stable value fund is a collective trust fund that holds unallocated, non participating and benefit responsive investment contracts issued by financial companies including GICs, Insurance Separate Account GICs, and Security Backed Investment Contracts. GICs are guaranteed insurance contracts backed by the general account of the insurance company while Insurance Separate Account GICs are backed by a segregated pool of assets. Security Backed Investment Contracts are comprised of two components: investment contracts issued by a financial institution and underlying portfolios of fixed income securities (i.e. bonds) whose market prices fluctuate. The investment contracts held in the collective trust fund are designed to allow participants to transact at book value without reference to the price fluctuations of the underlying fixed income securities. The Stable Value Fund holds units of the Wells Fargo Stable Return Fund. Terms of the underlying fund incorporate terms of the crediting rates and valuation at contract value. The Plans' investments in this fund are included in the disclosures of risk. At December 31, 2013, the fair value of the 401(k) Plan's portion of the assets in the Stable Return Fund was $123 million and the fair value of the 457(b) Plan's portion of the assets in the Stable Return Fund was $26 million.

***Wells Fargo Government Money Market Fund* -** This segment of the portfolio is invested in a collective short-term investment fund managed by Wells Fargo where the underlying securities are held at amortized cost (net asset value). The amortized cost accounting used in the fund very closely approximates the fair market value of the investments. The Plans' investments in this fund are included in the disclosures of risk. At December 31, 2013, the fair value of the 401(k) Plan's portion of the assets in the Wells Fargo Government Money Market Fund was $76 million and the fair value of the 457(b) Plan's portion of the assets in the Wells Fargo Government Money Market Fund was $15 million.

Crediting Interest Rate for Fully Benefit Responsive Contracts
The crediting interest rate is based on a formula agreed upon with the issuer. Such interest rates are reviewed on a quarterly basis for resetting.

Average Yields at December 31, 2013	401(k) Plan Earnings	401(k) Plan Crediting Rate	457(b) Plan Earnings	457(b) Plan Crediting Rate
Prudential Synthetic GIC - Fund B	1.24%	2.02%	1.24%	2.10%
Prudential Synthetic GIC - Fund M	2.07%	2.02%	2.07%	2.10%
Prudential Synthetic GIC - Fund N	1.50%	2.02%	1.50%	2.10%
American General Synthetic GIC - Payden and Rygel	0.83%	1.32%	0.83%	1.33%
Great-West Group Deferred Stable Asset Fund Annuity	2.45%	2.85%	2.36%	2.48%
MetLife Insurance Company Separate Account	2.33%	2.39%	2.33%	2.41%

Fair value of fully benefit responsive contracts

The fair values for which the Plans do not directly own the underlying assets are previously disclosed in the Great West Deferred Stable Asset Fund Annuity Contract, MetLife Insurance Company Separate Account and Wells Fargo Stable Return Fund sections of this note. The fair values of the fully benefit responsive contracts for which the Plans own the underlying assets at December 31, 2013 are as follows:

(in thousands of dollars)

	401(k) Plan Total Contract Value	401(k) Plan Underlying Investments Fair Value	457(b) Plan Total Contract Value	457(b) Plan Underlying Investments Fair Value
Prudential Synthetic GIC - Fund B	$ 219,279	$ 223,212	$ 46,827	$ 47,793
Prudential Synthetic GIC - Fund M	258,274	262,905	51,991	53,064
Prudential Synthetic GIC - Fund N	255,866	260,454	51,581	52,645
Total Prudential	733,419	746,571	150,399	153,502
American General GIC - Payden and Rygel	272,507	275,668	58,777	59,460
Total Synthetic GIC Components	$ 1,005,926	$ 1,022,239	$ 209,176	$ 212,962

Interest Rate Risk

The Plans have a formal investment policy that limits duration as a means of managing its exposure to fair value losses arising from increasing interest rates. The fixed income securities underlying the GICs owned by the Plans are subject to interest rate risk. The maturities of the securities underlying the GICs owned by the 401(k) Plan as of December 31, 2013 are as follows:

(in thousands of dollars)

		Investment Maturities (in Years) at Fair Market Value			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More Than 10**
Domestic corporate bonds	$ 77,094	$ 10,257	$ 65,477	$ 1,360	$ -
U.S. treasury securities	70,732	-	70,732	-	-
Foreign corporate bonds	45,015	3,384	41,099	532	-
Asset-backed securities	25,975	-	25,975	-	-
Foreign government bonds	22,347	2,287	20,060	-	-
Mortgage pass throughs	13,783	-	5,747	1,537	6,499
U.S. agencies securities	7,885	-	6,067	1,818	-
Collaterallized mortgage obligations	6,670	-	-	5,857	813
State and local government bonds	4,979	-	4,979	-	-
Common/commingled fund:					
Intermediate collective trust fund M	262,905	-	262,905	-	-
Intermediate collective trust fund N	260,454	-	-	260,454	-
Short-core fixed income collective trust fund	223,212	-	223,212	-	-
Stable return collective trust fund	123,431	-	123,431	-	-
Government money market collective trust fund	75,915	75,915	-	-	-
Total	$1,220,397	$ 91,843	$849,684	$271,558	$ 7,312

The maturities of the securities underlying the GICs owned by the 457(b) Plan as of December 31, 2013 are as follows:

(in thousands of dollars)

		Investment Maturities (in Years) at Fair Market Value			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More Than 10**
Domestic corporate bonds	$ 15,919	$ 2,019	$ 13,604	$ 296	$ -
U.S. treasury securities	15,062	-	15,062	-	-
Foreign corporate bonds	8,832	762	7,958	112	-
Asset-backed securities	6,109	-	6,109	-	-
Foreign government bonds	5,011	515	4,496	-	-
Mortgage pass throughs	3,032	-	1,190	341	1,501
U.S. agencies securities	2,442	-	2,092	350	-
Collaterallized mortgage obligations	1,492	-	-	1,328	164
State and local government bonds	1,118	-	1,118	-	-
Common/commingled fund:					
Intermediate collective trust fund M	53,064	-	53,064	-	-
Intermediate collective trust fund N	52,645	-	-	52,645	-
Short-core fixed income collective trust fund	47,793	-	47,793	-	-
Stable return collective trust fund	25,579	-	25,579	-	-
Government money market collective trust fund	14,680	14,680	-	-	-
Total	$ 252,778	$ 17,976	$ 178,065	$ 55,072	$ 1,665

Investments may also include various collateralized mortgage obligations and asset backed securities that may be considered to be sensitive to changes in interest rates due to the existence of prepayment or conversion features.

Asset-Backed Securities

Asset-backed securities are securities that are primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to the security holders.

Collateralized Mortgage Obligation Securities

CMOs generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Commingled Funds

The Stable Value Fund owns units in various commingled funds, each with an investment objective relative to maturity and liquidity. This includes units in the Government Money Market Fund, the Stable Return Fund, the Intermediate collective trust funds for two of the Prudential Synthetic GICs and the short core high quality fixed income collective trust fund for the third Prudential GIC. The interest rate risk in each of the funds is dependent upon the weighted average maturity of each of the funds. The weighted average maturities of the intermediate collective trust fund M, the intermediate trust fund N, and the short core fixed income collective trust fund are approximately 4.7, 6.5, and 2.4 years, respectively. As a result, the funds are sensitive to changes in interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations such as the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed-income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies – for example, Moody's Investors Service ("Moody's"), Standard and Poor's ("S&P"), or Fitch Ratings ("Fitch"). The lower the rating, the greater the chance,(in the rating agency's opinion), that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk. The Plan's investment policy for the Stable Value Fund requires that debt securities, at the time of purchase, shall have a minimum S&P or Fitch rating of BBB- or a Moody's rating of Baa3. Further, the investment policy requires the average credit quality of the underlying fixed- income investments in the Stable Value Fund will be S&P AA or Moody's Aa2.

The following table presents the debt securities ratings of the GICs owned by the 401(k) Plan as of December 31, 2013:

(in thousands of dollars)

		Credit Rating - Moody's/S&P						
Investment Type	**Fair Value**	**Aaa/AAA**	**Aa/AA**	**A**	**Baa/BBB**	**Less than Investment Grade**	**Unrated**	**Exempt from Credit Quality (1)**
Domestic corporate bonds	$ 77,094	$ -	$ 1,405	$ 20,201	$ 55,488	$ -	$ -	$ -
U.S. treasury securities	70,732	-	-	-	-	-	-	70,732
Foreign corporate bonds	45,015	1,658	12,644	22,722	7,991	-	-	-
Asset-backed securities	25,975	25,255	-	-	720	-	-	-
Foreign government bonds	22,347	17,335	787	1,794	2,431	-	-	-
Mortgage pass throughs	13,783	-	13,783	-	-	-	-	-
U.S. agencies securities	7,885	-	4,809	-	-	-	-	3,076
Collateralized mortgage obligations	6,670	-	4,055	-	-	-	-	2,615
State and local government bonds	4,979	-	2,856	2,123	-	-	-	-
Common/commingled fund:	-							
Intermediate collective trust fund M	262,905	-	-	-	-	-	262,905	-
Intermediate collective trust fund N	260,454	-	-	-	-	-	260,454	-
Short-core fixed income collective trust fund	223,212	-	-	-	-	-	223,212	-
Stable return collective trust fund	123,431	-	-	-	-	-	123,431	-
Government money market collective trust fund	75,915	-	-	-	-	-	75,915	-
	$ 1,220,397	$ 44,248	$ 40,339	$ 46,840	$ 66,630	$ -	$ 945,917	$ 76,423

The following table presents the debt securities ratings of the GICs owned by the 457(b) Plan as of December 31, 2013:

(in thousands of dollars)

		Credit Rating - Moody's/S&P						
Investment Type	**Fair Value**	**Aaa/AAA**	**Aa/AA**	**A**	**Baa/BBB**	**Less than Investment Grade**	**Unrated**	**Exempt from Credit Quality (1)**
Domestic corporate bonds	$ 15,919	$ -	$ 306	$ 4,159	$ 11,454	$ -	$ -	$ -
U.S. treasury securities	15,062	-	-	-	-	-	-	15,062
Foreign corporate bonds	8,832	383	2,691	4,173	1,585	-	-	-
Asset-backed securities	6,109	5,903	-	-	206	-	-	-
Foreign government bonds	5,011	3,703	213	551	544	-	-	-
Mortgage pass throughs	3,032	-	3,032	-	-	-	-	-
U.S. agencies securities	2,442	-	1,818	-	-	-	-	624
Collateralized mortgage obligations	1,492	-	975	-	-	-	-	517
State and local government bonds	1,118	-	665	453	-	-	-	-
Common/commingled fund:								
Intermediate collective trust fund M	53,064	-	-	-	-	-	53,064	-
Intermediate collective trust fund N	52,645	-	-	-	-	-	52,645	-
Short-core fixed income collective trust fund	47,793	-	-	-	-	-	47,793	-
Stable return collective trust fund	25,579	-	-	-	-	-	25,579	-
Government money market collective trust fund	14,680	-	-	-	-	-	14,680	-
	$ 252,778	$ 9,989	$ 9,700	$ 9,336	$ 13,789	$ -	$ 193,761	$ 16,203

(1) Obligations of the United States Government or obligations explicitly guaranteed by the United States Government including mortgage pass throughs are not considered to have credit risk and do not require disclosure of credit quality.

Commingled Funds

The Intermediate collective trust fund M is comprised entirely of securities rated BBB or better (76% are rated AAA) at December 31, 2013. The Intermediate collective trust fund N is comprised entirely of securities rated BBB or better (74% are rated AAA) at December 31, 2013. The Short-core fixed-income collective trust fund is comprised entirely of securities rated A or better (84% are rated AAA) at December 31, 2013. The Government money market collective trust fund consists of US Government obligations or repurchase agreements collateralized by US Government obligations.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments and other assets that are in possession of an outside third party. The Plan does not have a formal policy to limit custodial credit risk.

The following 401(k) Plan investments of the Stable Value Fund were uninsured and unregistered, with securities held by a counterparty at December 31, 2013:

(in thousands of dollars)

Stable Value Fund	**Fair Value**
Cash and cash equivalents	$ 1,188
Domestic corporate bonds	77,094
U.S. treasury securities	70,732
Foreign corporate bond	45,015
Asset-backed securities	25,975
Foreign government bonds	22,347
Mortgage pass throughs	13,783
U.S. agencies securities	7,885
Collateralized mortgage obligations	6,670
State and local government	4,979
Total	$ 275,668

The following 457(b) Plan investments of the Stable Value Fund were uninsured and unregistered, with securities held by a counterparty at December 31, 2013:

(in thousands of dollars)

Stable Value Fund	**Fair Value**
Cash and cash equivalents	$ 443
Domestic corporate bonds	15,919
U.S. treasury securities	15,062
Foreign corporate bond	8,832
Asset-backed securities	6,109
Foreign government bonds	5,011
Mortgage pass throughs	3,032
U.S. agencies securities	2,442
Collateralized mortgage obligations	1,492
State and local government	1,118
Total	$ 59,460

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan’s investment in a single issuer or category of issuer with similar risk. Money market funds and external investment pools are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. The North Carolina Stable Value Fund did not have any investment in any one issuer equal to 5% or more of the fair value of the Stable Value Fund's investments.

6. Related Party Transactions

The Plans contract Galliard, a subsidiary of Wells Fargo, to act as a fiduciary investment advisor for the Stable Value Fund. Galliard has the discretion over the benefit responsive contracts and the underlying investment managers. Galliard also has the authority to invest in securities subject to guidelines agreed upon by the Board. As an advisor, Galliard is primarily responsible for ensuring that negotiated investment contracts are adhered to by the insurance companies, bank or other eligible providers who have entered into such contracts. Not less than quarterly, Galliard reports the financial condition of the investment contracts and whether the contracts are being administered according to their respective terms. The fees for wrap coverage, investment management and advisory services are deducted from participants' account balances.

Prudential Retirement Insurance and Annuity Company, which is a subsidiary of Prudential Financial, Inc., provide administrative services related to the North Carolina Stable Value Fund and the Pooled Separate Account SA-NC. Prudential is also the provider of record keeping and participant services. The fees to Prudential are deducted from the participants' account balances.

7. Tax Status

The 401(k) Plan received a favorable determination letter from the Internal Revenue Service ("IRS") on September 1, 2011. The determination letter stated that following review, the 401k Plan was in compliance with all applicable sections of the IRC. Since that time, the 401k Plan document has been modified, with the last revision made March 6, 2013.

The 457(b) Plan received a favorable determination letter from the IRS on July 6, 1993. The determination letter stated that following review, the 457b Plan was in compliance with all applicable sections of the IRC. Since that time, the 457b Plan document has been modified from time to time, with the last revision made December 21, 2011.

The Plans are subject to rules and regulations promulgated by the IRS. Failure to comply with the rules and regulations of the IRS could result in penalties to the Plans and for the sponsor. The Plans' sponsor has analyzed the tax positions taken by the Plans, and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

8. Plan Termination

Although the General Assembly of North Carolina has not expressed any intent to do so, it has the right to terminate the Plans under the provisions of each of the Plans' documents. In the event of a plan termination, assets of that plan would be distributed to participants as soon as administratively possible.

9. Subsequent Events

The Plans evaluated subsequent events through August 7, 2014, the date the financial statements were available to be issued, and noted that the Supplemental Board of Trustees approved Mercer Investment Consulting, Inc. as the investment consultant to the Plans. In addition to providing investment consulting services, Mercer Investment Consulting, Inc, will assist the Board and staff with restructuring the service provider relations to the Plans. The restructuring project started in April, 2014.

In addition to the event identified above, events or transactions occurring after December 31, 2013, but prior to August 7, 2014 that provided additional evidence about conditions that existed at December 31, 2013, have been recognized in the financial statements for the year ended December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2013.