# North Carolina Department of State Treasurer

Raleigh, NC

# Financial Statement Audit Report

For the Year Ended June 30, 2024

State Auditor
Dave Boliek

A Constitutional Office of the
State of North Carolina

OFFICE OF THE STATE AUDITOR
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NORTH CAROLINA

# Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
The Honorable Bradford B. Briner, State Treasurer
Department of State Treasurer

The North Carolina Department of State Treasurer manages a wide variety of public funds, from the State Health Plan to North Carolina's unclaimed property fund. In overseeing such large amounts of public dollars, it's important the Department of State Treasurer properly manages its own financial statements.

Through financial audits of North Carolina entities and organizations, the North Carolina Office of the State Auditor assesses whether the records prepared by these entities and organizations are materially correct. Our audit of the North Carolina Department of State Treasurer's financial records show no material errors for the year ended June 30, 2024. The audited statements make for a clean opinion and can be relied upon by management.

I'd like to thank North Carolina Department of State Treasurer personnel for working with our team as we conducted this financial statement audit.

Respectfully submitted,

Dave Boliek
State Auditor

# An Overview of How to Use this Report

This report provides audited financial information on the Department of State Treasurer (Department) and is designed to provide the information at a summarized level in the beginning and in more detail further into the report. This report is made up of various components as listed in the Table of Contents.

The Department of State Treasurer reports financial activities in three major governmental funds, 17 fiduciary funds, and one component unit. The governmental funds are used to report most of the activity of the Department including external investment pool operations, banking activity, and the State's debt service activity. The Department provides administrative services for bond issuance and bond payments, such as payment of debt services, issuing debt, recording initial bond issuance premiums and discounts as well as payments to debt escrow agents. The fiduciary funds include Pension and Other Employee Benefit Trust Funds and Custodial Funds. The component unit is the North Carolina State Health Plan.

The financial information in the report is presented at a summarized, departmental, and component unit level initially. Where some numbers need further explanation, additional detail is provided in supplementary schedules or "Notes to the Financial Statements" which are referenced next to the line item caption.

**Required Information:** (Information required to be reported per the Governmental Accounting Standards Board and Government Auditing Standards)

The **Independent Auditor's Report** presents the auditor's opinions on the financial statements, which is whether the basic financial statements, as presented, are materially correct.

The **Management's Discussion and Analysis** presents a discussion of the reasons for significant financial changes between years. The Management's Discussion and Analysis is prepared by the Department and has not been subjected to the same auditing procedures performed on the financial statements.

**"A" Exhibits** present the Balance Sheet as of June 30, 2024, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2024 for the Department's **governmental funds**.

**"B" Exhibits** present the Statement of Fiduciary Net Position as of June 30, 2024, and the Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2024 for the Department's **fiduciary funds**.

**"C" Exhibits** present the Statement of Net Position as of June 30, 2024, the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2024, and the Statement of Cash Flows for the fiscal year ended June 30, 2024 for the **component unit**, the State Health Plan.

**Notes to the Financial Statements** are designed to give the reader additional information concerning the Department and the component unit, and further support for the financial statements.

**Required Supplementary Information:** (These exhibits have not been subjected to the same auditing procedures performed on the financial statements.)

**"D" Exhibits** present the Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Budgetary Basis-Non-GAAP) comparisons for the **general fund** and **escheats fund** for the fiscal year ended June 30, 2024, and related notes.

**"E" Exhibits** present the pension information on the Schedule of the Changes in the Net Pension Liability and Related Ratios for the last ten fiscal years, the Schedule of Employer and Nonemployer Contributions for the last ten fiscal years, and the Schedule of Investment Returns for the last ten fiscal years, and the related notes for each of the **defined benefit pension plans**.

**"F" Exhibits** present the Schedule of the Proportionate Net Pension Liability for the last ten fiscal years and Schedule of Component Unit Contributions for the last ten fiscal years for the **component unit**.

**"G" Exhibits** present the Schedule of the Changes in the Net Other Postemployment Benefits (OPEB) Liability or Asset and Related Ratios for the last eight fiscal years, the Schedule of Employer Contributions for the last ten fiscal years, the Schedule of Investment Returns for the last eight years, and related notes for each of the **defined benefit OPEB plans**.

**"H" Exhibits** present the Schedule of the Component Unit Net OPEB Liability or Asset and the Schedule of the Component Unit Contributions for the **component unit**.

**Supplementary Information:** (These exhibits have not been subjected to the same auditing procedures performed on the financial statements.)

**"I" Exhibits** present the Schedules of Allocated Net Position for the **State Treasurer Investment Programs** as of June 30, 2024.

**"J" Exhibit** presents the Schedules of Deductions by Investment Portfolio for the **External Investment Pool** for the fiscal year ended June 30, 2024.

**"K" Exhibit** presents the Schedule of Paid Medical Claims by Type for the **State Health Plan** for the fiscal year ended June 30, 2024.

**Required Information:**

The **Independent Auditor's Report on Internal Control and Compliance -** this report is not an opinion on internal control or compliance but rather a report on the matters related to internal control and compliance that were noted as a part of the audit of the financial statements.

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# Independent Auditor's Report

**North Carolina Office of the State Auditor**
Dave Boliek, State Auditor

# Independent Auditor's Report

The Honorable Bradford B. Briner, State Treasurer
Management of the North Carolina Department of State Treasurer
Raleigh, North Carolina

## Report on the Audit of the Financial Statements

*Opinions*

We have audited the financial statements of each major governmental fund, the discretely presented component unit, and the aggregate remaining fund information of the North Carolina Department of State Treasurer (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of each major governmental fund, the discretely presented component unit, and the aggregate remaining fund information for the Department as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following:

- The Supplemental Retirement Income Plan of North Carolina, which represents 9.90 percent and 13.59 percent, respectively, of the assets and revenues of the aggregate remaining fund information as of June 30, 2024.

- The North Carolina Public Employee Deferred Compensation Plan, which represents 1.32 percent and 1.74 percent, respectively, of the assets and revenues of the aggregate remaining fund information as of June 30, 2024.

- The North Carolina Department of State Treasurer Investment Programs, which represents 88.47 percent and 84.66 percent, respectively, of the assets and revenues of the aggregate remaining fund information as of June 30, 2024.

The financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts are based solely on the reports of the other auditors.

*Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in

*Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Emphasis of Matter*

As discussed in Note 1 to the financial statements, the financial statements of the North Carolina Department of State Treasurer are intended to present the financial position, changes in financial position, and cash flows that are only attributable to the transactions of the North Carolina Department of State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2024, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

*Responsibilities of Management for the Financial Statements*

The Department's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAGAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2025 on our consideration of the Department's 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 Department's internal control over financial reporting and compliance.

Dave Boliek
State Auditor

Raleigh, North Carolina

June 27, 2025

# Management's Discussion and Analysis

## Introduction

The Management's Discussion and Analysis section of the North Carolina Department of State Treasurer's (Department) financial report is provided as an overview of the financial performance of the governmental funds, fiduciary funds, and component unit for the fiscal year ended June 30, 2024. This discussion and analysis should be read in conjunction with the financial statements and related notes which follow this section.

## Overview of the Financial Statements

The Department's financial statements are comprised of the governmental funds (General Fund, Special Revenue, and Debt Proceeds and Interest Fund), the fiduciary funds (Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, Retiree Health Benefit Fund, and others) and the Component Unit (North Carolina State Health Plan). The governmental funds' basic financial statements consist of the Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balance whereas the fiduciary funds' financial statements consist of the Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows are presented for the component unit of the State of North Carolina.

Governmental Funds:

- The Balance Sheet presents the governmental funds' assets and liabilities that are considered relevant to an assessment of near-term liquidity. The differences between assets (plus deferred outflows) and liabilities (plus deferred inflows) are reported as fund balances.

- The Statement of Revenues, Expenditures, and Changes in Fund Balance reports the resource flows (revenues and expenditures) of the governmental funds.

Fiduciary Funds:

- The Statement of Fiduciary Net Position shows the amount of assets and liabilities held for the benefit of parties outside of the Department.

- The Statement of Changes in Fiduciary Net Position reflects the additions and deductions of funds held to and from parties outside of the Department.

Discretely Presented Component Unit:

- A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. A description of the component unit can be found in Note 1 in the notes to the financial statements.

Notes to the financial statements are designed to give the reader additional information concerning the Department and further support the statements noted above.

Required Supplementary Information (RSI) follows the basic financial statements and notes to the financial statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes the General Fund and Escheats Fund budgetary comparison schedules reconciling the statutory to the generally accepted accounting principles fund balances at fiscal year-end, and pension and other postemployment benefit (OPEB) related disclosures pursuant to GASB Statements 67, 68, 74, and 75 for the Department, which include the governmental funds and fiduciary funds.

Other supplementary information includes the Schedule of Allocated Net Position for the External Investment Pool, Bond Index Fund, and Equity Index Account, a Schedule of Deductions by Investment Portfolio for the External Investment Pool, and a Schedule of Paid Medical Claims by Type for the State Health Plan.

**Governmental Funds**

**Condensed Balance Sheet**

The following condensed balance sheet shows the governmental funds' financial position at June 30, 2024 and 2023 (Dollars in thousands).

| | 2024 | 2023 | Change |
|---|---|---|---|
| Assets | $ 1,753,169 | $ 1,490,397 | $ 262,772 |
| Deferred Outflows of Resources | 53,072 | 53,072 | 0 |
| Total Assets and Deferred Outflows of Resources | $ 1,806,241 | $ 1,543,469 | $ 262,772 |
| Liabilities | $ 219,285 | $ 129,612 | $ 89,673 |
| Deferred Inflows of Resources | 0 | 0 | 0 |
| Fund Balances | | | |
| Nonspendable | 122 | 74 | 48 |
| Restricted | 1,580,496 | 1,406,452 | 174,044 |
| Committed | 7,249 | 7,690 | (441) |
| Unassigned | (911) | (359) | (552) |
| Total Fund Balances | 1,586,956 | 1,413,857 | 173,099 |
| Total Liabilities, Deferred Inflows and Fund Balances | $ 1,806,241 | $ 1,543,469 | $ 262,772 |

**Analysis of Governmental Funds Condensed Balance Sheet**

Total assets increased by $262.8 million compared to fiscal year 2023.

The increase in assets was primarily due to increases of approximately $174.0 million in cash and cash equivalents and securities lending collateral of $88.9 million, offset by a decrease in investments of $2.7 million.

The increase in cash and cash equivalents is primarily due to Escheats Fund cash and cash equivalents increasing by $174.2 million, due largely to an increase in holder awareness. Increased reporting from holders led to an increase in restricted funds.

The increase in securities lending collateral and corresponding obligations under securities lending is a function of demand in the market.

Overall, there was a $2.7 million decrease in investments largely driven by a $3.6 million decrease in the Debt Proceeds and Interest Fund. That decrease was primarily due to continued spend down of the Connect Bond proceeds and no new debt issues during fiscal year 2024.

The deferred outflows of resources amount represents the Escheats Fund's forward funded state aid. Each year's balance represents amounts owed per North Carolina General Statute 116B. This general statute requires the Department to distribute a portion of the income derived from the investments or deposits of the Escheats Fund to the State Education Assistance Authority (SEAA), North Carolina Community College System, and the Department of Military Veterans Affairs. The SEAA uses these funds to provide grants, loans, and scholarships for North Carolina students attending public universities. Additionally, the SEAA uses the funds distributed in the previous fiscal year to provide grants, loans, and scholarships in fiscal year 2024. Annually, the Department is directed by the Office of the State Controller to record this amount at fiscal year-end.

Total liabilities increased by $89.7 million compared to fiscal year 2023. The increase was primarily due to the $88.9 million increase in obligations under securities lending as discussed above.

Total fund balance increased $173.1 million compared to fiscal year 2023. This increase was primarily due to an increase in restricted fund balance of $174.0 million, consisting of an increase in Escheats Fund restricted fund balance of $176.0 million offset by a decrease in Debt Proceeds and Interest Fund restricted fund balance of $2.4 million. The increase in the restricted fund balances was attributable to the overall current year activity. See further details on the Statement of Revenues, Expenditures, and Changes in Fund Balance below.

### Condensed Statement of Revenues, Expenditures, and Changes in Fund Balance

The following condensed statement shows the governmental funds' resource flows for the fiscal year ended June 30, 2024 and 2023 (Dollars in thousands).

| | 2024 | 2023 | Change |
|---|---|---|---|
| **Revenues:** | | | |
| Funds Escheated | $ 221,195 | $ 197,345 | $ 23,850 |
| Fees | 6,361 | 6,906 | (545) |
| Services | 10,118 | 10,043 | 75 |
| Administrative Cost Reimbursements | 9,379 | 8,843 | 536 |
| Investment Earnings | 62,334 | 31,569 | 30,765 |
| Revenues from Other State Agencies and Funds | 606,056 | 638,601 | (32,545) |
| Loan Collection of Principal | 93 | 296 | (203) |
| Other | 13,429 | 8,763 | 4,666 |
| Total Revenues | 928,965 | 902,366 | 26,599 |
| **Expenditures:** | | | |
| State Aid | 98,124 | 68,021 | 30,103 |
| Contracted Services | 5,767 | 4,685 | 1,082 |
| Personal Services | 19,948 | 18,751 | 1,197 |
| Employee Benefits | 8,132 | 7,518 | 614 |
| Debt Service | 618,381 | 646,539 | (28,158) |
| Other Fixed Charges | 2,580 | 2,881 | (301) |
| Capital Outlay | 994 | 945 | 49 |
| Other | 4,891 | 4,831 | 60 |
| Expenditures to Other State Agencies and Funds | 19,818 | 31,729 | (11,911) |
| Total Expenditures | 778,635 | 785,900 | (7,265) |
| Excess Revenues Under Expenditures | 150,330 | 116,466 | 33,864 |
| **Other Financing Sources (Uses)** | | | |
| State Appropriations | 22,769 | 37,647 | (14,878) |
| Transfers In | 11,133 | 7,021 | 4,112 |
| Transfers Out | (11,133) | (7,021) | (4,112) |
| Total Other Financing Sources | 22,769 | 37,647 | (14,878) |
| Net Change in Fund Balance | 173,099 | 154,113 | 18,986 |
| Fund Balance - July 1 | 1,413,857 | 1,259,744 | 154,113 |
| Fund Balance - June 30 | $ 1,586,956 | $ 1,413,857 | $ 173,099 |

### Analysis of Governmental Funds Condensed Statements of Revenues, Expenditures, and Changes in Fund Balances

The $26.6 million increase in revenues was primarily due to a $23.9 million increase in Funds Escheated and a $30.8 million increase in investment earnings, offset by a $32.5 million decrease of revenues from other state agencies.

The $32.5 million decrease in revenues from other state agencies in the general fund is due to the reduced receipt of funds from the Office of State Budget and Management (OSBM) from the

State Construction and Infrastructure Fund (SCIF) to pay debt service due to decreased debt payments.

The funds escheated line item in the Escheats Fund represents the net of cash escheated from holders, cash claims paid out, and accounting entries at year end for accruals necessary to be in accordance with generally accepted accounting principles.

The $23.9 million increase in funds escheated is primarily due to a $25.5 million net increase of escheated claims into the fund as compared to claims paid out as a result of increased reporting from holders.

The $30.8 million increase in investment earnings was largely due to Escheats Fund investment gains of $26.0 million in the current fiscal year resulting from improved market conditions and favorable interest rates on short-term investment funds.

Total expenditures decreased by $7.3 million compared to fiscal year 2023. This decrease was primarily due to decreases in debt service interest and fee costs of $28.2 million and expenditures to other state agencies of $11.9 million resulting from decreased requests from other agencies for their capital improvement projects. These were offset by an increase in state aid of $30.1 million resulting from a $10 million decrease in appropriations and a $40 million increase in interest earnings, which led to an increased amount appropriated for scholarships.

Total other financing sources (uses) decreased by $14.9 million in state appropriations compared to fiscal year 2023. This was primarily due to a legislative change that resulted in banking being supported directly by Short-Term Investment Fund (STIF) earnings receipts and no longer from General Fund appropriations.

**Budget Variations**

Data for the General Fund budget variances is presented in Exhibit D-1: Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) of this report.

*Variances – Original and Final Budget:*

The final budgeted revenues increased by $3.7 million from the original budget.

The increase was primarily due to the increase in the final budget for revenues from other state agencies of $7.4 million and an increase of $2.9 million in contributions, offset by a decrease in services of $8.3 million.

The final budgeted expenditures increased by $123.0 million from the original budget due primarily to $120.8 million increase in debt services and other minimal changes in line items.

The final budgeted other financing sources (uses) increased $119.3 million from the original budget, primarily due to an increase of $118.6 million in transfers in during the current year. Debt service is funded through the SCIF and thus the increase in debt service also caused an increase in transfers in.

The final budget reflects all budget revisions made throughout the fiscal year to adjust for known facts as well as supplemental adjustments approved by the General Assembly. Consequently, when the original budget is compared to the final budget, it is expected that significant variances can occur.

*Variances – Final Budget and Actual Results:*

Actual total revenue was $60.1 million below final budgeted revenue amounts. This occurred due to less revenues than budgeted for revenues from other state agencies, contributions, loan collection of principal, administrative cost reimbursements, and reimbursement of expenditures from investment pool. These lower than final budget items were offset by unbudgeted fees. See a description of the budget process below for details regarding final budget and actual variances.

Actual total expenditures were $438.2 million less than final budgeted expenditures. Final budgeted expenditures were unrealized primarily because $431.3 million less was spent on debt service, including principal retirement, and interest and fees.

*Budget Process*

The proposed original budget for the debt service budget codes (both principal and interest payments) are submitted during the Worksheet I budget process at the beginning of each biennium. However, these budget codes have not been adjusted by the Department to reflect anticipated activity for the upcoming biennium based on approved debt activity, as debt payments are primarily tracked through a separate appropriated budget code. The practice has been to adjust the special debt service budget codes primarily used for accounting, to match actual or projected activity using budget revisions if needed at fiscal year-end (changes in the final budget). Thus, in these accounts, there could be a mismatch between original and final budgets given the changes over time to debt service requirements. If the actual amounts do not exceed the final budget for debt payments, it has not been the Department's practice to work with the OSBM to adjust the final down to the actual amount, as payments vary each year depending upon actual payments needed. As with the above, the actual amount of proceeds from refunded debt and premium on this debt was unknown at the beginning of each year. If such amount in the accounting budget codes does not exceed the final budget, no change to the final budget via budget revision is done. If the final budget is too high, then the budget is simply overstated based on expected activity. This applies as well to the investment income in debt related budget codes. If there are no earnings, it has not been Department's practice to adjust or decrease the final budget to reduce it to zero.

The budget codes used for new debt issuance activities are used to track amounts for accounting purposes. The amount and timing of new debt issuances is not known; therefore, original budgets are not set up at the beginning of a biennium. For the pay to refunded debt escrow agent account, there would need to be budget revisions to the final budget to match actual activity in a particular budget code. While no further adjustment may be made to another budget code not used for a debt issuance in that year, there could be mismatches between the original, final, and actual amounts.

The Department and OSBM work together to manage debt service payments. There is no formal budget process for debt service budget codes. The SCIF budget code is used for this purpose.

Actual deficiency of revenues over expenditures was $377.9 million less than the final budget because of the $431.3 million for debt services as discussed above.

Actual total other financing sources (uses) were $378.9 million below budgeted amounts due to less than expected transfers in, offset by higher than expected state appropriations. See the discussion above about debt service variances related to transfers in.

**Fiduciary Funds**

**Condensed Statement of Fiduciary Net Position**

The following condensed statement of fiduciary net position shows the fiduciary funds' financial position at June 30, 2024 and 2023 (Dollars in thousands).

| | 2024 | 2023 | Change |
|---|---|---|---|
| **Assets** | | | |
| Cash and Cash Equivalents | $ 1,698,843 | $ 1,619,651 | $ 79,192 |
| Investments | 141,700,523 | 131,540,556 | 10,159,967 |
| Securities Lending Collateral | 1,504,751 | 1,035,315 | 469,436 |
| Other Assets | 736,190 | 716,100 | 20,090 |
| Total Assets | 145,640,307 | 134,911,622 | 10,728,685 |
| **Liabilities** | | | |
| Accounts Payable and Accrued Liabilities | 10,093 | 7,613 | 2,480 |
| Obligations Under Securities Lending | 1,504,751 | 1,035,315 | 469,436 |
| Funds Held For Others | 6,241 | 6,103 | 138 |
| Total Liabilities | 1,521,085 | 1,049,031 | 472,054 |
| **Net Position** | | | |
| Restricted for: | | | |
| Pension Benefits | 135,848,429 | 126,338,985 | 9,509,444 |
| Postemployment Benefits | 3,942,734 | 3,459,233 | 483,501 |
| Pool Participants | 1,196,654 | 1,228,167 | (31,513) |
| Individuals, Organizations, and Other Governments | 779,784 | 721,661 | 58,123 |
| Other Employment Benefits | 2,351,621 | 2,114,545 | 237,076 |
| Total Net Position | $ 144,119,222 | $ 133,862,591 | $ 10,256,631 |

**Analysis of Fiduciary Funds Condensed Statement of Net Position**

Total assets increased by $10.7 billion compared to fiscal year 2023. The increase was primarily due to an increase in investments of $10.2 billion due to improved market conditions and positive investment returns in the equity markets, along with a $469.4 million increase in securities lending collateral. The increase in securities lending collateral and corresponding obligations under securities lending is due to a function of increased demand in the market.

The North Carolina pension fund is appropriately diversified and invested with a conservative strategy. The pension fund investments are allocated according to the Investment Policy Statement ("IPS"), which was reviewed and modified during fiscal year 2023-2024 and became effective July 1, 2024.

Overall net position increased by $10.3 billion as of fiscal year end 2024 with most of the increase in restricted pension benefits attributable to the overall current year activity. See further details on the following Condensed Statements of Changes in Fiduciary Net Position.

**Condensed Statements of Changes in Fiduciary Net Position**

The following condensed statement shows the fiduciary funds' resource flows for the fiscal year ended June 30, 2024 and 2023 (Dollars in thousands).

| | 2024 | 2023 | Change |
|---|---|---|---|
| **Additions** | | | |
| Contributions | $ 8,642,352 | $ 8,061,188 | $ 581,164 |
| Net Investment Income | 11,832,864 | 3,480,917 | 8,351,947 |
| Other Additions | 46,306 | 220,472 | (174,166) |
| Total Additions | 20,521,522 | 11,762,577 | 8,758,945 |
| **Deductions** | | | |
| Claims and Benefits | 8,634,304 | 8,406,523 | 227,781 |
| Medical Insurance Premiums | 1,222,657 | 1,120,623 | 102,034 |
| Other Deductions | 407,930 | 366,033 | 41,897 |
| Total Deductions | 10,264,891 | 9,893,179 | 371,712 |
| Change in Net Position | 10,256,631 | 1,869,398 | 8,387,233 |
| Net Position - July 1 | 133,862,591 | 131,993,193 | 1,869,398 |
| Net Position - June 30 | $ 144,119,222 | $ 133,862,591 | $ 10,256,631 |

Total additions increased $8.8 billion from the prior year mostly due to the increase of $8.4 billion in net investment gain. The increase in earnings is a result of higher returns on the underlying investments and a decrease in investment expenses, largely a result of decreases in paid incentive fees.

Deductions increased over fiscal year 2023, rising $371.7 million in fiscal year 2024. This was driven by an increase in claims, benefits, and medical insurance premiums.

## Component Unit - State Health Plan

### Condensed Statement of Net Position

The following condensed statement of net position shows the State Health Plan's (SHP) financial position at June 30, 2024 and 2023 (Dollars in thousands).

| | 2024 | 2023 | Change |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | $ 921,563 | $ 931,023 | $ (9,460) |
| Total Assets | 921,563 | 931,023 | (9,460) |
| **Deferred Outflows of Resources** | | | |
| Deferred Outflows Related to Pensions | 2,058 | 2,018 | 40 |
| Deferred Outflows Related to OPEB | 1,748 | 1,800 | (52) |
| Total Deferred Outflows of Resources | 3,806 | 3,818 | (12) |
| **Liabilities** | | | |
| Current Liabilities | 554,572 | 544,421 | 10,151 |
| Long-Term Liabilities: | | | |
| Compensated Absences | 553 | 496 | 57 |
| Net OPEB Liability | 4,718 | 4,117 | 601 |
| Net Pension Liability | 3,426 | 3,217 | 209 |
| Total Liabilities | 563,269 | 552,251 | 11,018 |
| **Deferred Inflows of Resources** | | | |
| Deferred Inflows Related to Pensions | 110 | 128 | (18) |
| Deferred Inflows Related to OPEB | 1,724 | 2,687 | (963) |
| Total Deferred Inflows of Resources | 1,834 | 2,815 | (981) |
| **Net Position** | | | |
| Unrestricted | 360,266 | 379,775 | (19,509) |
| Total Net Position | $ 360,266 | $ 379,775 | $ (19,509) |

Total assets decreased by $9.5 million compared to fiscal year 2023. The was primarily the result of a $106.3 million decrease in cash and cash equivalents as a result of increased pharmacy costs, offset by increases of $44.6 million in securities lending collateral resulting from market demand and $50.4 million in rebates receivable due to increased pharmacy costs.

Liabilities totaled $563.3 million, an increase of $11.0 million over fiscal year 2023, primarily due to the change in current liabilities. Current liabilities totaled $554.6 million which was an increase of $10.1 million from fiscal year 2023. This was primarily due to increases in unearned revenue of $12.5 million and obligations under securities lending of $44.6 million, offset by a decrease in medical claims payable of $46.2 million. The changes to unearned revenue and medical claims payable are due to year-over-year fluctuations in service provider reporting at year end.

Overall net position decreased by $19.5 million as of fiscal year end 2024 with substantially all of the increase in unrestricted net position attributable to the overall current year activity. See further details on the following Statements of Revenues, Expenses, and Changes in Net Position below.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

The following condensed statement shows the State Health Plan's resource flows for the fiscal year ended June 30, 2024 and 2023 (Dollars in thousands).

| | 2024 | 2023 | Change |
|---|---|---|---|
| **Operating Revenues** | | | |
| Insurance Premiums | $ 4,083,514 | $ 3,986,763 | $ 96,751 |
| Medical Insurance Rebate | 7 | 6 | 1 |
| Total Operating Revenues | 4,083,521 | 3,986,769 | 96,752 |
| **Operating Expenses** | | | |
| Contracted Services | 130,086 | 120,871 | 9,215 |
| Affordable Care Act | 1,832 | 1,807 | 25 |
| Claims | 3,990,700 | 3,961,616 | 29,084 |
| Insurance | 15,458 | 15,237 | 221 |
| Other Expenses | 6,494 | 5,862 | 632 |
| Total Operating Expenses | 4,144,570 | 4,105,393 | 39,177 |
| Operating Loss | (61,049) | (118,624) | 57,575 |
| **Nonoperating Revenues (Expenses)** | | | |
| Pharmacy Subsidies and Rebates | 10,598 | 8,250 | 2,348 |
| Investment Earnings | 30,936 | 19,438 | 11,498 |
| Noncapital Contributions | 6 | 31 | (25) |
| Grants, Aid and Subsidies | | (34,500) | 34,500 |
| Net Nonoperating Revenue (Expenses) | 41,540 | (6,781) | 48,321 |
| Increase (Decrease) in Net Position | (19,509) | (125,405) | 105,896 |
| Net Position - July 1 | 379,775 | 505,180 | (125,405) |
| Net Position - June 30 | $ 360,266 | $ 379,775 | $ (19,509) |

Operating revenues increased by $96.8 million which is primarily attributable to the increase in insurance premiums due to increased premium contributions received from employing units.

Total operating expenses increased $39.2 million due to increases in claims of $29.1 million and contracted services of $9.2 million. Claims increased by $29.1 million as a result of increased pharmacy costs and medical claims reported. Contracted services increased primarily due to the significant work involved in transitioning from Blue Cross/Blue Shield to Aetna as the plan administrator of the plan.

Net nonoperating revenues increased by $48.3 million, primarily because SHP did not send funds to RHBF as the transfer is based on availability of qualified reserves in Public Employee Health Benefit Fund (PEHBF) as allowed per statue. General Statute 135-48.5(a)(2) allows for a transfer of funds from the PEHBF to the RHBF. The SHP transferred $34.5 million in 2023.

Investment earnings increased by $11.5 million driven by the STIF program crediting interest rate steadily increasing monthly in fiscal year 2024 compared to the prior year rates.

**Current Information**

**Unfunded Liability Solvency Reserve**

As a result of Session Law 2018-30, for fiscal years ended June 30, 2023, or earlier, the Teachers' and State Employees' Retirement System ("TSERS") and Retiree Health Benefit Fund ("RHBF") received annually a share of the balance, if any, of the Unfunded Liability Solvency Reserve ("Solvency Reserve") from the State's General Fund. The purpose of the Solvency Reserve is to accumulate funds during each fiscal year to be used in the following fiscal year to reduce unfunded benefit liabilities of those two funds. During each fiscal year, the Solvency Reserve receives any funds specifically designated by the North Carolina General Assembly for this purpose. To the extent that the Savings Reserve balance has reached its statutory maximum, the Solvency Reserve will also receive amounts with respect to the revenue growth transfer and debt refinancing savings that otherwise would have gone to the Savings Reserve. For fiscal years ended June 30, 2023, or earlier, TSERS and RHBF received an annual share of the Solvency Reserve's balance, if any, in proportion to each plan's unfunded liability. Distributions from the Solvency Reserve may not be used to supplant other funding for the plans, nor can they be used as funding for enhanced plan benefits. During the last fiscal year, $10.6 million was transferred into the Solvency Reserve. Of that amount, $217 thousand was transferred to TSERS and $10.4 million was transferred to RHBF. Another $51 million transferred in prior years was distributed to agencies to increase retirement contributions. In accordance with Section 39.28 of Session Law 2023-134, effective for the fiscal year beginning July 1, 2023, the Solvency Reserve's distributions are issued only to RHBF and not to TSERS.

**Governmental Funds**

**Achieving a Better Life Experience (ABLE) Program Trust**

Session Law 2015-203 established the North Carolina Achieving a Better Life Experience ("ABLE") Program Trust in response to the passage of federal legislation, known as the ABLE Act, which authorizes the creation of tax-advantaged, state-administered savings programs offering economic advantages to individuals with qualified disabilities. Contributions to an ABLE account are generally limited to the amount of the federal gift tax exclusion plus earned income up to a maximum of the prior year's federal poverty limit for one person. Distributions from an ABLE account for qualified disability expenses ("QDEs"), such as educational needs and medical costs not covered by Medicaid, are not included in gross income for federal or state tax purposes. In general, contributions (up to the federal maximum), account balances (up to $100,000 for Supplemental Security Income), earnings on account balances, and distributions for QDEs are not counted as income or resources for federal or state means-tested programs, such as SSI and Medicaid. As of June 30, 2024, the ABLE Program had 2,328 funded accounts with $28.4 million in assets. As a part of the SECURE 2.0 Act passed in December 2022, the ABLE Age Adjustment Act was passed, raising the age of disability onset from 26 to 46, which will increase eligible population for the program.

**North Carolina's AAA Rating**

In 2024, S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, the top three rating agencies, all affirmed the "triple-A" bond rating for the State. A "triple-A" bond rating means that North Carolina has followed well-defined financial management policies and has demonstrated strong debt management practices. The rating agencies recognized the State's historically conservative budgeting, financial management, and debt issuance practices. The State did not issue any new general obligation bonds or special indebtedness bonds supported by the State's General Fund during the fiscal year ended June 30, 2024.

In February 2024, the State of North Carolina Debt Affordability Advisory Committee (the "Committee" or "DAAC") presented its annual Debt Affordability Study to the Governor and the General Assembly. For the eighth time, the primary recommendation of this year's report suggested that significant additional money be put toward North Carolina's pension and OPEB obligations that represent retired employees' health benefits. At the time of the report, the State had unfunded pension liabilities of $16.7 billion and OPEB obligations totaling $26.7 billion for a total of $43.4 billion.

The Committee recommended that the targeted debt limit ratio be limited to 4 percent of general tax revenues, allowing for debt capacity in the General Fund, after placing $100 million per year in trust for the purpose of funding the pension and other post-employment benefits ("OPEB") liabilities. The result is General Fund debt capacity of approximately $8.5 billion in the current fiscal year, or just over $1.6 billion a year for the next 10 years.

The North Carolina General Assembly's 2020 short session legislation was signed into law that allocated approximately (formula based) $32 million per year to the State's Retiree Health Benefit Fund, effective beginning July 1, 2020. As a result, the General Assembly funded an additional $36 million, $39 million, and $93 million in fiscal years 2021, 2022, and 2023, respectively. The 2023 Appropriations Act modified the allocation of the Unfunded Liability Solvency Reserve to be solely the RHBF. During fiscal year 2024, the RHBF was augmented by other sources besides General Assembly appropriations, totaling $10.4 million. New state employees and teachers with start dates on or after January 1, 2021, are not eligible to receive the retiree medical benefit.

North Carolina's debt is considered manageable at current levels when compared with its peer group composed of the fifteen other states rated "AAA" by all three rating agencies. The calculation of the State's General Fund debt capacity is based on the Debt Affordability Advisory Committee's recommendation that debt service should be targeted at no more than 4.0 percent of General Fund tax revenues and should not exceed 4.75 percent.

In 2018, the Build NC Bond Act of 2018 was passed by the General Assembly and signed by the Governor. The legislation authorizes the issuance of up to $300 million per year of special indebtedness for transportation projects to be repaid from appropriations from the Highway Trust Fund (not to exceed $3 billion in total over the following ten years, subsequently extended to thirteen years per Session Law 2024-15). The proceeds of the Build NC Bond program are expected to be used to accelerate Regional and Divisional transportation projects authorized pursuant to the State's Strategic Transportation Investments Act, build a debt service reserve fund, and pay the costs incurred in connection with the issuance of the bonds. The 2024 Debt Affordability Study found that, after incorporating the Build NC Bonds projected to be issued over the next ten years into the debt capacity model, the Highway Fund and Highway Trust Fund debt capacity is approximately $744.7 million in the current fiscal year, or just over $104.7 million a year for the next 10 years. The calculation of the State's Highway Fund and Highway Trust Fund debt capacity is based on the Committee's recommendation that debt service should be targeted at no more than 6 percent of those funds' state tax revenues. The issuance of Build NC Bonds is subject to certain cash triggers, must not cause the DAAC recommendations to be exceeded, and is also subject to provisions contained in Article 9 of Chapter 142 of the General Statutes. The maturity of the bonds is limited to 15 years and the issuance is contingent upon the State Treasurer's recommendation.

The State has financed a number of highway projects across North Carolina with Grant Anticipation Revenue Vehicle ("GARVEE") bonds. GARVEE bonds are authorized under the 2005 GARVEE Act, which specifically provides for the issuance of revenue bonds payable from federal revenues consisting primarily of Federal Transportation funds with the proceeds to finance federal aid highway projects. No new GARVEE Bonds were issued during the fiscal year ended June 30, 2024.

**The Role of the Local Government Commission**

The Local Government Commission ("LGC") has an ongoing program of providing fiscal and debt management assistance to local governments and other units in the State. Prior to approval, sale, and delivery of all North Carolina local government general obligation bonds and most other debt instruments, counseling and assistance is given to local units to determine the size of the issue, the most expedient form of financing, and the feasibility of servicing the debt. The LGC approved the issuance of approximately $10.2 billion in bonds and notes of local government units to finance capital needs during the fiscal year ended June 30, 2024.

The LGC has the authority to assume financial control of a unit of local government's finances if the unit is in danger of defaulting on debt or persists in willfully or negligently failing or refusing to comply with the provisions of the Local Government Budget and Fiscal Control Act (Chapter 159, Article 3) after notice and warning from the LGC. At the beginning of the 2024 fiscal year, the LGC was in control of the finances of three municipalities and one sanitary district: Eureka, Spencer Mountain, Spring Lake, and Cliffside Sanitary District.

The staff of the LGC (employees of the State and Local Government Finance Division or "SLGFD") annually examine the audited financial statements of over 1,100 local governments and public authorities across North Carolina to detect signs of fiscal distress. Staff provides illustrative financial statements for units of local government to guide them in preparation of their annual statements as well as more in-depth guidance on newly issued accounting standards.

A dedicated team of LGC staff (the "Coach Team") continue to work with local governments facing fiscal or financial management challenges. In fiscal year 2024, the team continued its review of draft budgets of units on the Unit Assistance List ("UAL"), which has proven to be helpful in addressing flaws in the budgets before they are adopted.

The LGC was given additional authority by the North Carolina General Assembly during the 2023 fiscal year to aid in enforcement of the requirements of the Local Government Budget and Fiscal Control. Session Law 2023-59 gives the LGC the authority to withhold (temporarily) a portion of sales tax proceeds from municipalities and counties that have failed to submit an annual audit report within one year of fiscal year end. The new legislation provides for an appeals process based on guidelines to be issued by the LGC. This legislation was implemented for the first time during fiscal year 2024.

The Division continues to introduce technology solutions in an effort to streamline and simplify its operations and business processes. Data is being better utilized to identify trends in local government finance, to make better decisions on unit assistance, and to help guide resource allocation and policy decisions. Work continues on the LOGOS (Local Government Operating System), an online system which will ultimately serve as a single platform for all reporting and associated interactions between SLGFD and units of local government.

North Carolina Session Law 2023-59 was enacted on June 27, 2023 and amended G.S. 159-34 to, in part, authorize the Secretary of the LGC to direct the withholding of a portion of a county's or municipality's sales tax distribution if it fails to file a copy of its annual audit report with the Secretary within 12 months of its fiscal year end. The law was implemented in fiscal year 2024 for fiscal year 2023 audits.

North Carolina Session Law 2024-53 was enacted on October 25, 2024, and appropriated $100.5 million to the Department of State Treasurer to be used by the Department to provide cashflow loans to local governments in the counties designated under the major disaster declaration as a result of Hurricane Helene.

**Banking Operations**

As the State's banker, the Department manages the deposits and disbursements for the State. Deposits are kept at banks in communities across the State. At the end of the 2024 fiscal year, total deposits of $317.6 million were held in 25 banks across the State. During the fiscal year ended June 30, 2024, more than 2.7 million warrants were processed, representing approximately $23.8 billion in payments. In addition, Banking Operations initiated approximately 28,462 wires in the amount of $208.7 billion on behalf of the State. Banking Operations also monitors the Collateralization of Public Deposits program, which requires that public funds have securities pledged against them to ensure that public funds on deposit across the State, that belong to the State and local governments, are made whole in the event of a bank failure. As of June 30, 2024, Banking Operations oversaw $13.9 billion in pledged securities and collateral for $11.9 billion in deposits not otherwise covered by the Federal Deposit Insurance Corporation insurance.

**Escheats Fund**

The Department of State Treasurer oversees and maintains the State's unclaimed property. Under State law, unclaimed property is escheated, or turned over, to the Department for safekeeping. The Unclaimed Property Division ("UPD") is responsible for recovering and returning such property to its rightful owners. The administration of the UPD and the Escheat Fund is governed principally by Chapter 116B of the North Carolina General Statutes.

For the 2023–2024 fiscal year, a total of $89.5 million was appropriated from the Escheats Fund to the Board of Governors of the University of North Carolina, the State Board of Community Colleges, and the Department of Military and Veterans Affairs. Because the interest income generated from the Escheats Fund was less than the total amount appropriated in the applicable session laws, the difference was taken from the Escheats Fund principal. This funding provided more than $78 million in educational assistance to those in the university system, and $10.9 million to the Veterans Scholarship Program in the 2023–2024 fiscal year. As of June 30, 2024, the Escheats Fund carried an investment balance of $1.5 billion and a fund balance of $1.4 billion. As the custodian of these funds, North Carolina remains liable to the rightful owners for the full amount of unclaimed property reported to the Department.

## Fiduciary Funds

### North Carolina Retirement Systems

*The North Carolina Pensions*

The State reports nine retirement plans as pension trust funds, seven defined benefit public employee retirement plans administered by the State, as well as two defined contribution plans, one of which is administered by the State and the other is overseen and administered by a third party under the auspices of the State. Although the assets of the plans directly administered by the State are commingled for investment purposes, each plan's assets may be used only for payment of benefits to the members of that plan and for the administrative costs in accordance with the terms of each plan. Eight of the pension plans held in trust do not issue separate financial statements, and none of the plans are reported as part of other entities. The financial statements and other required disclosures for the plans are presented in Notes 12, 14, and 16 and in the Required Supplementary Information (RSI) section of the State's 2024 *Annual Comprehensive Financial Report* (ACFR).

The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Additionally, the securities lending balance represents assets occurring from securities lending transactions.

The State administers two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina as pension and other employee benefit trust funds. Although the assets of the administered plans are commingled for investment purposes, each plan's assets may be used only for payment of benefits to members of that plan and for related administrative costs. The plans in this note do not issue separate financial statements. These plans are not reported as part other entities.

## Future Outlook

### Governmental Funds

The Department will continue to accomplish its mission to preserve, protect, and sustain the State's pension and healthcare plans, maximize investment returns, and properly account for and report on all funds that are deposited, invested, and disbursed through the North Carolina Department of State Treasurer. With the Local Government Commission and Debt Affordability study, it will continue to assure the financially sound issuance of debt for state and local governments and maintain the State's "AAA" bond rating.

### Escheats Fund

*Venture Capital Multiplier Fund ("VCMF")*

Pursuant to General Statutes 147-69.2A and 147-69.2(b)(12)(c), the State Treasurer shall invest 10 percent of the Escheats Fund through the VCMF. The VCMF is administered by a third-party professional investment management firm selected, following a public procurement process, by designees from the Governor's Office, the Department of State Treasurer, the North Carolina Speaker of the House of Representatives, and the President Pro Tempore of the North Carolina Senate. In late 2016, Hatteras Venture Partners was selected to act as the third-party investment manager for the VCMF. To date, $60 million has been committed to the VCMF with approximately $55 million of that amount being invested. The Department expects that the remaining $5 million will be called over the next few years.

**Component Unit**

**The State Health Plan for Teachers and State Employees (the "State Health Plan,", the "Plan," or "SHP")**

*2024 Benefit Plan Options*

In 2024, active members and non-Medicare retirees can choose between two self-insured plans: the Enhanced PPO Plan ("80/20 Plan") or the Base PPO Plan ("70/30 Plan"). Effective January 1, 2024, GLP-1 prescriptions for treatment of obesity were restricted to members who had a prescription at that time. Effective April 1, 2024, all GLP-1 prescriptions for treatment of obesity were removed from coverage by the Plan.

Effective January 1, 2025, Humana has increased the premiums for both the "base" and "enhanced" MA-PDP plans as a result of the Inflation Reduction Act (2022).

*2024 Employee Premiums*

Under the Treasurer's leadership, the Board of Trustees of the State Health Plan approved employee and retiree premium rates to remain at their current levels effective January 1, 2024. This decision was made after the expected savings from the Pharmacy Benefit Manager ("PBM") contract effective January 1, 2023. The General Assembly passed legislation in September 2023 regarding contributions to be paid by employers and the Retiree Health Benefit Fund for fiscal year 2024 and 2025. The fiscal year 2025 rates passed by the General Assembly resulted in no percentage increase in 2025 contributions for active employees paid by employers. Similarly, contributions for self-insured retirees increased by only 0.01 percent, while contributions for fully insured retirees increased by 19.0 percent. The contributions for the High Deductible Health Plan, which is available to nonpermanent full-time employees to comply with the Affordable Care Act ("ACA"), will also increase at the same percentage as active rates in 2025. MA-PDP dependent rates will increase to $37 per member per month, and MA-PDP enhanced plan rates will decrease for members to $67 per member per month, but will increase for dependents to $100 per member per month.

*Recently Enacted Legislation*

State law establishes the maximum allowable premium allowed to be charged to employers. North Carolina Session Law 2023-134 appropriated the maximum allowable premium charged to employers and recommended an amount for the RHBF for the fiscal year ending 2025 in the amounts of $8,095 per employee and $5,405 per retiree. The moderate increase in the fiscal year rates will help moderate the volatility employing units have experienced in recent years. Because the Plan sets rates on a calendar year basis instead of a fiscal year, there was a significant increase in the rates charged to employing units for their active employees in 2024, but contributions stayed relatively flat for 2025. Retiree premiums decreased in 2024 but will slightly increase in 2025. The legislation regarding the retiree premium only provided a "recommended" amount. For 2025, the retiree premiums followed the recommended amount for self-insured retirees but had significant increases for members electing fully insured coverage.

North Carolina Session Law 2020-48 allowed for a transfer of funds from the PEHBF to the RHBF. The State Health Plan did not transfer funds to the RHBF in fiscal year 2024. Session Law 2023-134 adjusted how funds are distributed from the Unfunded Liability Solvency Reserve Fund to be solely transferred to the RHBF instead of being shared with TSERS.

*Major Contracts*

In December 2022, the SHP Board of Trustees approved a contract with Aetna to provide Third Party Administrator ("TPA") Services beginning January 1, 2025. The TPA contract, which was previously held by Blue Cross Blue Shield of North Carolina, is SHP's largest and one of its most important contracts. Implementation with Aetna began in January 2023, after the contract was awarded and continued through December 2024 with services starting January 1, 2025. The contract with Aetna is guaranteed for three years through 2027 with two additional optional years after the initial period.

The State Health Plan's PBM services began a new contract effective January 1, 2023, with CVS Caremark. CVS Caremark has been the PBM provider to the State Health Plan since 2017. The current contract is expected to provide significant savings for the Plan over the previous contract with greater guaranteed discounts on prescription costs and increased guaranteed rebates. The current contract is guaranteed through December 31, 2025, with two additional optional years after the initial period.

As noted above, in March 2020, the SHP Board of Trustees approved a contract with Humana to provide fully insured Medicare Advantage with Prescription Drug coverage to retirees effective January 2021. The contract provides eligible Medicare subscribers a $0 premium as well as significant reductions in dependent premiums. The SHP has extended the current contract through 2025 using the final optional year available under the current contract. The premium for 2025 has increased due to changing federal regulations around reimbursement to insurers.

Another major contract is with Benefitfocus, which is SHP's vendor for eligibility and enrollment services. A new contract was entered into with Benefitfocus in September 2020 for the 2021–2023 calendar years. The SHP has extended the current contract through 2025 using the final optional year under the current contract.

# Financial Statements

***North Carolina Department of State Treasurer***
***Balance Sheet***
***Governmental Funds***
***As of June 30, 2024*** ***Exhibit A-1***

*(Dollars in Thousands)*

| | General Fund | Escheats Fund | Debt Proceeds and Interest Fund | Other Governmental Funds[1] | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents (Note 2) | $ 6,646 | $ 1,154,306 | $ 0 | $ 580 | $ 1,161,532 |
| Investments | | 330,084 | 143,903 | 3,443 | 477,430 |
| Securities Lending Collateral | 168 | 107,525 | | 30 | 107,723 |
| Receivables: | | | | | |
| Accounts Receivable | 24 | | | | 24 |
| Intergovernmental Receivables | 226 | | | | 226 |
| Interest Receivable | 6 | 4,243 | 1,638 | 81 | 5,968 |
| Contributions Receivable | 94 | | | | 94 |
| Inventories | 122 | | | | 122 |
| Due from Other Funds | 39 | | | | 39 |
| Due from Component Unit | 11 | | | | 11 |
| Total Assets | 7,336 | 1,596,158 | 145,541 | 4,134 | 1,753,169 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Forward Funded State Aid | | 53,072 | | | 53,072 |
| Total Assets and Deferred Outflows of Resources | $ 7,336 | $ 1,649,230 | $ 145,541 | $ 4,134 | $ 1,806,241 |
| **LIABILITIES** | | | | | |
| Accounts Payable | $ 1,289 | $ 273 | $ 0 | $ 0 | $ 1,562 |
| Obligations under Securities Lending | 168 | 107,525 | | 30 | 107,723 |
| Escheats Claims Payable | | 110,000 | | | 110,000 |
| Total Liabilities | 1,457 | 217,798 | 0 | 30 | 219,285 |
| **DEFERRED INFLOWS OF RESOURCES** | 0 | 0 | 0 | 0 | 0 |
| **FUND BALANCES** (Note 6) | | | | | |
| Nonspendable | 122 | | | | 122 |
| Restricted | | 1,431,432 | 145,541 | 3,523 | 1,580,496 |
| Committed | 6,668 | | | 581 | 7,249 |
| Unassigned | (911) | | | | (911) |
| Total Fund Balances | 5,879 | 1,431,432 | 145,541 | 4,104 | 1,586,956 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 7,336 | $ 1,649,230 | $ 145,541 | $ 4,134 | $ 1,806,241 |

The accompanying notes to the financial statements are an integral part of this statement.

[1] Other Governmental Funds is made up of Public Improvement Bonds and Other Special Revenue Funds. Other Special Revenue Funds is made up of four nonmajor governmental funds. These nonmajor governmental funds account for activities related to Combined Motor Vehicle Registration, Fire Safety Loans, Assurance of Land Titles, and Education Facilities Finance.

## North Carolina Department of State Treasurer
## Statement of Revenues, Expenditures, and Changes in Fund Balance
## Governmental Funds
## For the Fiscal Year Ended June 30, 2024 — Exhibit A-2

*(Dollars in Thousands)*

| | General Fund | Escheats Fund | Debt Proceeds and Interest Fund | Other Governmental Funds[1] | Total |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Funds Escheated | $ 0 | $ 221,195 | $ 0 | $ 0 | $ 221,195 |
| Fees | 6,360 | | | 1 | 6,361 |
| Services | 10,118 | | | | 10,118 |
| Administrative Cost Reimbursements | 9,379 | | | | 9,379 |
| Contributions | 564 | | | | 564 |
| Investment Earnings | 91 | 52,017 | 9,761 | 465 | 62,334 |
| Interest Earnings on Loans | 7 | | | | 7 |
| Revenues from Other State Agencies (Note 7) | 606,056 | | | | 606,056 |
| Loan Collection of Principal | 93 | | | | 93 |
| Reimbursement of Expenditures from Investment Pool | 12,842 | | | | 12,842 |
| Miscellaneous Revenue | 16 | | | | 16 |
| Total Revenues | 645,526 | 273,212 | 9,761 | 466 | 928,965 |
| **EXPENDITURES** | | | | | |
| State Aid | 20,052 | 78,072 | | | 98,124 |
| Contracted Services | 1,819 | 3,894 | 49 | 5 | 5,767 |
| Personal Services | 18,492 | 1,456 | | | 19,948 |
| Employee Benefits | 7,458 | 674 | | | 8,132 |
| Supplies and Materials | 4 | 41 | | | 45 |
| Travel | 50 | 5 | | | 55 |
| Communication | 95 | 25 | | | 120 |
| Utilities | 275 | | | | 275 |
| Data Processing Services | 873 | 56 | | | 929 |
| Other Services | 77 | 127 | | | 204 |
| Claims and Benefits | 3,200 | | | | 3,200 |
| Debt Service: | | | | | |
| Principal Retirement | 490,893 | 233 | | | 491,126 |
| Interest and Fees | 127,128 | 103 | 20 | | 127,251 |
| Debt Issuance Costs | 4 | | | | 4 |
| Other Fixed Charges | 2,575 | 5 | | | 2,580 |
| Capital Outlay | 994 | | | | 994 |
| Insurance | 36 | 13 | | | 49 |
| Other Expenditures | 2 | 12 | | | 14 |
| Expenditures to Other State Agencies (Note 7) | 6,360 | 11,471 | 1,987 | | 19,818 |
| Total Expenditures | 680,387 | 96,187 | 2,056 | 5 | 778,635 |
| Excess Revenues Over (Under) Expenditures | (34,861) | 177,025 | 7,705 | 461 | 150,330 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| State Appropriations | 22,769 | | | | 22,769 |
| Transfers In (Note 8) | 11,133 | | | | 11,133 |
| Transfers Out (Note 8) | | (988) | (10,145) | | (11,133) |
| Total Other Financing Sources (Uses) | 33,902 | (988) | (10,145) | 0 | 22,769 |
| Net Change in Fund Balances | (959) | 176,037 | (2,440) | 461 | 173,099 |
| Fund Balances - July 1 | 6,838 | 1,255,395 | 147,981 | 3,643 | 1,413,857 |
| Fund Balances - June 30 | $ 5,879 | $ 1,431,432 | $ 145,541 | $ 4,104 | $ 1,586,956 |

The accompanying notes to the financial statements are an integral part of this statement.

[1] Other Governmental Funds is made up of Public Improvement Bonds and Other Special Revenue Funds. Other Special Revenue Funds is made up of four nonmajor governmental funds. These nonmajor governmental funds account for activities related to Combined Motor Vehicle Registration, Fire Safety Loans, Assurance of Land Titles, and Education Facilities Finance.

## *North Carolina Department of State Treasurer*
## *Statement of Fiduciary Net Position*
## *Fiduciary Funds*
## *As of June 30, 2024* *Exhibit B-1*

*(Dollars in Thousands)*

| | | Custodial Funds | | |
|---|---|---|---|---|
| | Pension and Other Employee Benefit Trust Funds(1) | External Investment Pools and Investment Account(2) | Other Custodial Funds(3) | Total |
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $ 1,628,630 | $ 13,843 | $ 56,370 | $ 1,698,843 |
| Investments: | | | | |
| Collective Investment Funds | 51,802 | | | 51,802 |
| Synthetic Guaranteed Investment Contracts | 2,376,223 | | | 2,376,223 |
| State Treasurer Investment Pool | 123,747,145 | 1,900,718 | | 125,647,863 |
| Non-State Treasurer Pooled Investments | 13,624,635 | | | 13,624,635 |
| Securities Lending Collateral | 1,445,613 | 59,138 | | 1,504,751 |
| Receivables: | | | | |
| Accounts Receivable, Net (Note 4) | 27,263 | | | 27,263 |
| Interest Receivable | 7,034 | 5,934 | 209 | 13,177 |
| Contributions Receivable | 255,843 | | | 255,843 |
| Due from Other Funds | 123,984 | | | 123,984 |
| Due from Component Units | 39,829 | | | 39,829 |
| Notes Receivable | 276,094 | | | 276,094 |
| Total Assets | 143,604,095 | 1,979,633 | 56,579 | 145,640,307 |
| **LIABILITIES** | | | | |
| Accounts Payable and Accrued Liabilities: | | | | |
| Accounts Payable | 1,632 | 636 | | 2,268 |
| Benefits Payable | 7,825 | | | 7,825 |
| Obligations Under Securities Lending | 1,445,613 | 59,138 | | 1,504,751 |
| Funds Held for Others | 6,241 | | | 6,241 |
| Total Liabilities | 1,461,311 | 59,774 | 0 | 1,521,085 |
| **NET POSITION** | | | | |
| Restricted for: | | | | |
| Pension Benefits | 135,848,429 | | | 135,848,429 |
| Postemployment Benefits | 3,942,734 | | | 3,942,734 |
| Pool Participants | | 1,196,654 | | 1,196,654 |
| Individuals, Organizations, and Other Governments | | 723,205 | 56,579 | 779,784 |
| Other Employment Benefits | 2,351,621 | | | 2,351,621 |
| Total Net Position | $ 142,142,784 | $ 1,919,859 | $ 56,579 | $ 144,119,222 |

The accompanying notes to the financial statements are an integral part of this statement.

(1) Consists of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Firefighters' and Rescue Squad Workers' Pension Fund, N.C. National Guard Pension Fund, Local Governmental Employees' Retirement System, 401(k) Supplemental Retirement Income Plan, 457 Deferred Compensation Plan, Death Benefit Plan of N.C., Retiree Health Benefit Fund, Disability Income Plan of N.C., and Registers of Deeds' Supplemental Pension Fund.

(2) Consists of the Equity Index Investment Account, Bond Index External Investment Pool, and external portion of the State Treasurer Investment Pool.

(3) Consists of Departmental Funds, the Swain County Settlement Fund, and internal portion of the State Treasurer Investment Pool.

***North Carolina Department of State Treasurer***
***Statement of Changes in Fiduciary Net Position***
***Fiduciary Funds***
***For the Fiscal Year Ended June 30, 2024*** ***Exhibit B-2***

*(Dollars in Thousands)*

| | Pension and Other Employee Benefit Trust Funds[1] | Custodial Funds: External Investment Pools and Investment Account[2] | Custodial Funds: Other Custodial Funds[3] | Total |
|---|---|---|---|---|
| **ADDITIONS** | | | | |
| Contributions: | | | | |
| Employer | $ 6,311,764 | $ 0 | $ 0 | $ 6,311,764 |
| Members | 2,270,141 | | | 2,270,141 |
| Other Contributions | 60,447 | | | 60,447 |
| Total Contributions | 8,642,352 | 0 | 0 | 8,642,352 |
| Investment Income: | | | | |
| Investment Income | 12,098,650 | 166,215 | 2,270 | 12,267,135 |
| Less Investment Expenses | (432,488) | (1,783) | | (434,271) |
| Net Investment Income | 11,666,162 | 164,432 | 2,270 | 11,832,864 |
| Pool Share Transactions: | | | | |
| Reinvestment of Dividends | | 164,432 | 1 | 164,433 |
| Net Share Purchases (Redemptions) | | (140,361) | (2) | (140,363) |
| Net Pool Share Transactions | 0 | 24,071 | (1) | 24,070 |
| Other Additions: | | | | |
| Fees and Fines | 2,418 | | 270 | 2,688 |
| Interest Earnings on Loans | 15,829 | | | 15,829 |
| Miscellaneous | 3,719 | | | 3,719 |
| Total Other Additions | 21,966 | 0 | 270 | 22,236 |
| Total Additions | 20,330,480 | 188,503 | 2,539 | 20,521,522 |
| **DEDUCTIONS** | | | | |
| Claims and Benefits | 8,634,304 | | | 8,634,304 |
| Medical Insurance Premiums | 1,222,657 | | | 1,222,657 |
| Refund of Contributions | 203,774 | | | 203,774 |
| Distributions Paid and Payable | | 164,432 | 1 | 164,433 |
| Administrative Expenses | 38,845 | | | 38,845 |
| Other Deductions | 878 | | | 878 |
| Total Deductions | 10,100,458 | 164,432 | 1 | 10,264,891 |
| Change in Net Position | 10,230,022 | 24,071 | 2,538 | 10,256,631 |
| Net Position - July 1 | 131,912,762 | 1,895,788 | 54,041 | 133,862,591 |
| Net Position - June 30 | $ 142,142,784 | $ 1,919,859 | $ 56,579 | $ 144,119,222 |

The accompanying notes to the financial statements are an integral part of this statement.

(1) Consists of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Firefighters' and Rescue Squad Workers' Pension Fund, Local Governmental Employees' Retirement System, 401(k) Supplemental Retirement Income Plan, 457 Deferred Compensation Plan, Death Benefit Plan of N.C., Retiree Health Benefit Fund, Disability Income Plan of N.C., and Registers of Deeds' Supplemental Pension Fund.

(2) Consists of the Equity Index Investment Account, Bond Index External Investment Pool, and external portion of the State Treasurer Investment Pool.

(3) Consists of Departmental Funds, the Swain County Settlement Fund, and internal portion of the State Treasurer Investment Pool.

## North Carolina Department of State Treasurer
## Statement of Net Position
## Component Unit - State Health Plan
## As of June 30, 2024 — Exhibit C-1

*(Dollars in Thousands)*

| | | |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents (Note 2) | $ | 636,061 |
| Securities Lending Collateral | | 57,605 |
| Receivables: | | |
| Rebates Receivable | | 212,045 |
| Accounts Receivable | | 8,817 |
| Intergovernmental Receivables | | 3,664 |
| Interest Receivable | | 2,839 |
| Premiums Receivable | | 168 |
| Other Receivables | | 364 |
| Total Current Assets | | 921,563 |
| Total Assets | | 921,563 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Outflows Related to Pensions (Note 10) | | 2,058 |
| Deferred Outflows Related to Other Postemployment Benefits (Note 13) | | 1,748 |
| Total Deferred Outflows of Resources | | 3,806 |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts Payable | | 23,795 |
| Intergovernmental Payables | | 1,832 |
| Obligations Under Securities Lending | | 57,605 |
| Medical Claims Payable | | 368,878 |
| Compensated Absences (Note 5) | | 52 |
| Unearned Revenue | | 102,410 |
| Total Current Liabilities | | 554,572 |
| Noncurrent Liabilities: | | |
| Compensated Absences (Note 5) | | 553 |
| Net Pension Liability (Note 5) | | 3,426 |
| Net Other Postemployment Benefits Liability (Note 5) | | 4,718 |
| Total Noncurrent Liabilities | | 8,697 |
| Total Liabilities | | 563,269 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Inflows Related to Pensions (Note 10) | | 110 |
| Deferred Inflows Related to Other Postemployment Benefits (Note 13) | | 1,724 |
| Total Deferred Inflows of Resources | | 1,834 |
| **NET POSITION** | | |
| Unrestricted | $ | 360,266 |

The accompanying notes to the financial statements are an integral part of this statement.

## *North Carolina Department of State Treasurer*
## *Statement of Revenues, Expenses, and Changes in Net Position*
## *Component Unit - State Health Plan*
## *For the Fiscal Year Ended June 30, 2024* — *Exhibit C-2*

*(Dollars in Thousands)*

| | | |
|---|---|---|
| **REVENUES** | | |
| Operating Revenues: | | |
| Insurance Premiums | $ | 4,083,514 |
| Miscellaneous | | 7 |
| Total Operating Revenues | | 4,083,521 |
| **EXPENSES** | | |
| Operating Expenses: | | |
| Personal Services | | 3,989 |
| Employee Benefits | | 1,460 |
| Supplies and Materials | | 68 |
| Contracted Services | | 130,086 |
| Travel | | 16 |
| Communication | | 22 |
| Data Processing Services | | 65 |
| Affordable Care Act Expenses | | 1,832 |
| Other Services | | 864 |
| Claims | | 3,990,700 |
| Insurance | | 15,458 |
| Other Fixed Charges | | 10 |
| Total Operating Expenses | | 4,144,570 |
| Operating Loss | | (61,049) |
| **NONOPERATING REVENUES** | | |
| Pharmacy Subsidies | | 10,598 |
| Investment Earnings | | 30,936 |
| Noncapital Contributions | | 6 |
| Total Nonoperating Revenues | | 41,540 |
| Decrease in Net Position | | (19,509) |
| Net Position - July 1 | | 379,775 |
| Net Position - June 30 | $ | 360,266 |

The accompanying notes to the financial statements are an integral part of this statement.

**_North Carolina Department of State Treasurer_**
**_Statement of Cash Flows_**
**_Component Unit - State Health Plan_**
**_For the Fiscal Year Ended June 30, 2024_** **_Exhibit C-3_**

*(Dollars in Thousands)*

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from Customers | $ | 4,046,054 |
| Payments to Suppliers | | (149,265) |
| Payments to Employees | | (5,523) |
| Payments for Claims | | (4,037,121) |
| Net Cash Used by Operating Activities | | (145,855) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Grant Receipts | | 9,060 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment Earnings | | 30,497 |
| Net Decrease in Cash and Cash Equivalents | | (106,298) |
| Cash and Cash Equivalents at July 1 | | 742,359 |
| Cash and Cash Equivalents at June 30 | $ | 636,061 |
| **RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES** | | |
| Operating Loss | $ | (61,049) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Change in Assets and Deferred Outflows of Resources: | | |
| Receivables | | (50,253) |
| Deferred Outflows Related to Pensions | | (40) |
| Deferred Outflows Related to Other Postemployment Benefits | | 51 |
| Change in Liabilities and Deferred Inflows of Resources: | | |
| Accounts Payable and Accrued Liabilities | | (843) |
| Compensated Absences | | 73 |
| Unearned Revenue | | 12,527 |
| Medical Claims Payable | | (46,155) |
| Net Pension Liability | | 208 |
| Net OPEB Liability | | 607 |
| Deferred Inflows Related to Other Postemployment Benefits | | (963) |
| Deferred Inflows Related to Pensions | | (18) |
| Net Cash Used by Operating Activities | $ | (145,855) |
| **NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES** | | |
| Increase in Receivables Related to Nonoperating Income | $ | 1,978 |
| Changes in Securities Lending Collateral | | 44,607 |
| Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions | | (6) |

The accompanying notes to the financial statements are an integral part of this statement.

# Notes to the Financial Statements

## Note 1 - Significant Accounting Policies

**A. Organization** - The North Carolina Department of State Treasurer (Department) is a part of the State of North Carolina and is not a separate legal or reporting entity. The Department serves the people of North Carolina through a variety of functions related to the financial health of the State and its citizenry. The State Treasurer serves as the State's banker and chief investment officer. The Department administers the public employee retirement systems, as well as the 401(k) and 457 plans for public employees. The Department provides financial assistance and expertise to local government units by assisting them in the sale of local government debt obligations and in maintaining good budgeting, accounting, reporting, and other fiscal procedures. The Department oversees the State Health Plan, which provides health care coverage to teachers, state employees, retirees, current and former lawmakers, state university and community college personnel, and their dependents. It also administers NC Cash, the unclaimed property database. The Department issues conduit debt for qualified entities through the North Carolina Capital Facilities Finance Agency.

**B. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The Department is a part of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report.*

The accompanying financial statements present all funds belonging to or under the stewardship of the Department, in addition to the State's component unit under the stewardship of the Department. The Department's accounts and transactions are included in the State's *Annual Comprehensive Financial Report* as part of the State's governmental funds, fiduciary funds, and component units.

**Fiduciary Component Units** - The State's defined benefit pension plans, deferred compensation plans, and other employee benefit plans are reported as fiduciary component units in the fiduciary fund financial statements. These plans operate under the stewardship of the Department. See notes 9 (Pension Plans), 11 (Deferred Compensation Plan) and 12 (Other Postemployment Benefit Plans) for detailed descriptions of the plans.

**Discretely Presented Component Unit** - The State Health Plan is a legally separate entity under the stewardship of the Department and is reported as a discretely presented component unit based on the nature and significance of its relationship to the State.

The State Health Plan is a legally separate organization established to provide medical and pharmacy benefits to employees and retirees of the State, most of the State's component units, and local boards of education. The State Health Plan is governed by a ten-member board of trustees including the State Treasurer, an ex officio member who serves as chair and votes only in the event of a tie; the Director of the Office of State Budget and Management, a non-voting, ex officio member; two members appointed by the Governor; two members appointed by the State Treasurer; and four members appointed by the General Assembly. Health benefit programs and premium rates are recommended by the State Treasurer and approved by the board of trustees.

The State Health Plan does not issue separate financial statements. The statement of net position, statement of changes in net position, and the statement of cash flows of the State Health Plan are included in these statements but shown separately as it is considered to be a legally separate entity.

C. **Basis of Presentation** - The Department's records are maintained on a cash basis throughout the year, but adjustments are made at the end of the fiscal year to convert to GAAP for government entities. The financial statements are prepared according to GAAP as follows:

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 84, *Fiduciary Activities,* require the presentation of both government-wide and fund level financial statements. See below for a description of each fund. The financial statements presented are governmental funds of the Department, the State's component unit under the stewardship of the Department, and the fiduciary fund financial statements under the stewardship of the Department. Because the Department is not a separate entity, government-wide financial statements are not prepared.

The financial statements are presented as of and for the fiscal year ended June 30, 2024, except for the North Carolina Deferred Compensation Plan and the 401(k) Supplemental Retirement Income Plan whose statements are as of and for the year ended December 31, 2023.

The fund financial statements provide information about the Department's funds, including the State's fiduciary funds. Separate statements for each governmental and fiduciary fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Department's financial statements consist of the following major governmental funds:

**General Fund** - This is the Department's primary operating fund. It accounts for all financial resources of the Department, except those required to be accounted for in another fund.

**Escheats Fund** - General Statute 116B established the escheats fund, a special revenue fund which accounts for all funds received by the Department as escheated or abandoned property and which were transferred to the State under a 1971 state law.

**Debt Proceeds and Interest Fund** - This fund accounts for funds received from debt transactions and any interest earned on those debt transactions prior to being expended.

Additionally, the Department's financial statements consist of the following fiduciary fund types:

**Pension and Other Employee Benefits Trust Funds** - These funds account for resources held in trust for the members and beneficiaries of the defined benefit pension plans, defined contribution pension plans, Internal Revenue Code Section 457 plan, death benefit plan, disability income plan, and retiree health benefit fund.

**Custodial Funds** - These funds account for the external portion of the Investment Pool sponsored by the Department, the Equity Index Investment Account, the External Bond Index Investment Pool, and individual investment accounts held by the Department. Resources are also held in trust for other departmental trust funds in which the principal and income benefit individuals, private organizations, or other governments.

**D. Measurement Focus and Basis of Accounting**

**Governmental Funds** - Governmental fund financial statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except for compensated absences, workers' compensation, and financing agreements, which are recognized as expenditures when payment is due. Pension and other postemployment benefits (OPEB) contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period.

Since capital asset and long-term liability accounts relating to the governmental funds are reported only at the statewide level, these amounts are not included in the Department's governmental fund financial statements.

**Fiduciary Funds** - Fiduciary fund financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. These balances do not belong to the Department and are not considered to be assets or liabilities of the Department.

**Component Unit** - The State Health Plan financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the Department receives (or gives) value without directly giving (or receiving) equal value in exchange, includes investment earnings (or losses), state appropriations, and escheated property. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

**E. Cash and Cash Equivalents** - This classification includes undeposited receipts and deposits held by the State Treasurer in the Short-term Investment Fund (STIF), a portfolio within the North Carolina Department of State Treasurer External Investment Pool (External Investment Pool); and demand and time deposits with private financial institutions, excluding certificates of deposit. The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

F. **Investments** - This classification includes deposits held by the State Treasurer in certain investment portfolios as well as investments held separately by a fiscal agent for the Escheats Fund. Investments are generally reported at fair value, with significant exceptions for repurchase agreements and certain money market mutual funds reported at cost. Fully benefit responsive synthetic guaranteed investment contracts and unallocated insurance contracts that are nonparticipating interest-earning investment contracts are reported at contract value.

The net increase (decrease) in the fair value of investments is recognized as a component of investment income. Additional information regarding investments is provided in Note 2.

G. **Securities Lending** - Cash received as collateral on securities lending transactions is used to purchase investments. These investments are reported as assets in the accompanying financial statements and are generally measured at fair value with the exception of repurchase agreements, which are reported at cost. A corresponding liability is also reported for the amount owed to the broker at the termination of the lending agreement.

H. **Receivables** - Receivables consist of amounts that have arisen in the ordinary course of business.

Accounts receivable for the fiduciary funds primarily consist of amounts due from plan members in connection with overpayments of benefits, and are recorded net of estimated uncollectible amounts. Accounts receivable is reported net on the face of the fiduciary funds' financial statements.

Intergovernmental receivables include amounts due from the federal government and county and local governments with no provision for doubtful accounts.

Contributions receivable include amounts due to the fiduciary funds from both employers and employees related to June payrolls. Contributions receivable are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Notes receivable for the fiduciary funds include amounts due from Supplemental Retirement Plans participants in connection with loans from their individual accounts. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the respective Plan. Accordingly, no allowance for doubtful accounts has been recorded.

Rebates receivable for the State Health Plan include the drug manufacturer rebates earned from drug sales that occurred during the year. The State Health Plan contracts with a pharmacy benefit manager to collect the drug manufacturer rebates. Rebates are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

**I. Inventories** - Inventories, consisting of postage and general office supplies and materials, are valued at cost using the first-in, first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.

**J. Payables**

**Escheats Claims Payable** - For the governmental funds, escheats claims payable represent the amount of escheated property the Department expects to return to owners in the subsequent year. The Department's policy to estimate the escheats claims payable each year is based on payment trends for the past two to three years, anticipated changes in staffing, program outreach or other operational changes that would impact the number of claims presented for payment, and how quickly the Department can pay those claims.

**Funds Held for Others** - For fiduciary funds, funds held for others represent the amount of pension payments the Department expects to pay to eligible recipients.

**Medical Claims Payable** - The State Health Plan annually estimates medical and pharmacy claims payable representing medical services incurred by eligible participants in the current fiscal year but were not yet submitted for reimbursement by the provider and therefore still considered a payable to providers as of June 30. This liability is also known as Incurred But Not Reported (IBNR).

**K. Long-Term Liabilities** - Long-term liabilities for the State Health Plan are reported on the face of the State Health Plan's financial statements and disclosed in Note 5.

Noncurrent long-term liabilities include net pension liability, net OPEB liability, and compensated absences that will not be paid within the next fiscal year.

**Net Pension Liability** - The net pension liability represents the State Health Plan's proportionate share of the collective net pension liability reported in the State of North Carolina's 2023 *Annual Comprehensive Financial Report.* This liability represents the State Health Plan's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the State Health Plan's policies for recognizing liabilities, expenses, and deferred outflows of resources and deferred inflows of resources related to pensions.

**Net OPEB Liability** - The net OPEB liability represents the State Health Plan's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2023 *Annual Comprehensive Financial Report.* This liability represents the State Health Plan's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina. See Note 13 for further information regarding the State Health Plan's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

**Compensated Absences** - Employees of the State Health Plan are permitted to accumulate earned but unused vacation pay benefits. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out basis.

The State Health Plan's policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. In addition, accumulated vacation leave in excess of 30 days at calendar year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30. When determining the vacation pay liability due within one year, leave is considered taken on a last-in, first-out basis.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the 30-day limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the State Health Plan has no obligation to pay sick leave upon employee termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

L. **Deferred Outflows/Inflows of Resources** - In addition to assets, the balance sheet and statement of net position report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The Department and State Health Plan have the following items that qualify for reporting in this category: forward funded state aid (i.e., state aid transmitted to the State Education Assistance Authority that cannot be spent until a future period, but all other eligibility requirements, if any, have been met), and deferred outflows for pensions and other postemployment benefits (i.e., difference between actual and expected experience, net difference between projected and actual earnings on plan investments, change in proportion, differences between employer's contributions and proportional share of contributions, and contributions subsequent to the measurement date).

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The State Health Plan has the following items that qualify for reporting in this category: deferred inflows related to other postemployment benefits and deferred inflows for pensions. These represent the difference between actual and expected experiences, changes of assumptions, net difference between projected and actual earnings on pension plan investments, change in proportion, and differences between employer's contributions and proportionate share of contributions.

M. **Fund Balance/Net Position**

**Fund Balance** - Fund balance for the governmental funds is reported in the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent.

*Nonspendable Fund Balance* - These amounts cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* - These amounts have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions.

*Committed Fund Balance* - These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the North Carolina General Assembly, the State's highest level of decision-making authority. The North Carolina General Assembly establishes commitments through the passage of legislation that becomes State law. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.

*Unassigned Fund Balance* - This is the residual classification for the General Fund. Other governmental funds cannot report positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Expenditures are considered to be made from the most restrictive resource (i.e., restricted, committed, and unassigned in that order) when more than one fund balance classification is available for use.

**Net Position** - Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions. Constraints placed on net position use by enabling legislation are not reported as net position restrictions since such constraints are not legally enforceable. Legal enforceability means that the State Health Plan can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation. Situations where the State's internal governing body (General Assembly) places restrictions on existing resources or earmarks existing revenue sources are considered to be constraints that are internally imposed. Such internally dedicated net position is presented as unrestricted.

Restricted and unrestricted resources are tracked separately. When both restricted and unrestricted funds are available for expenditure, the decision for funding is determined by management on a case-by-case basis.

Net position for the fiduciary funds represents the total amount restricted to pay retirement allowances and other postemployment benefits to retired teachers and State employees of the State of North Carolina.

Net position for the State Health Plan is classified as follows:

*Unrestricted* - This represents the funds received through premiums, fees, charges, rebates, refunds or any other receipts that will be used for the payment of hospital and medical benefits. It also includes the net position of accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

**N. Revenues and Expenditures from/to Other State Agencies** - Revenues and expenditures from/to other state agencies for the governmental funds represent amounts that the Department obtains from or transfers to other agencies, institutions, or entities within the State of North Carolina. These transfers are not considered other financing sources or uses per GAAP, nor are they considered interfund transfers. These revenues and expenditures represent nonexchange transactions and are eliminated at the statewide reporting level in the State's *Annual Comprehensive Financial Report*. Additional information regarding revenues and expenditures from/to other state agencies is disclosed in Note 7.

**O. Revenues and Expenses** - The State Health Plan distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the State Health Plan's principal ongoing operations. Operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. These revenues include insurance premiums. Nonoperating revenues, such as grants, aids and subsidies, pharmacy subsidies and rebates and investment earnings, result from nonexchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

## Note 2 - Deposits and Investments

**A. Deposits and Investments with State Treasurer** - Unless specifically exempt, the Department is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. Certain local governmental units that are not part of the State's reporting entity are also allowed to invest money with the State Treasurer. Expenditures for the primary government and certain component units are made by wire transfers, ACH transactions, and warrants issued by the agencies and drawn on the State Treasurer. The State Treasurer processes these transactions each day. General Statute 147-69.1, authorizes the State Treasurer to invest all deposits in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; time deposits with specified financial institutions; prime quality commercial paper with specified ratings; specified bills of exchange or time drafts; asset-backed securities with specified ratings; and corporate bonds and notes with specified ratings.

At June 30, 2024, the governmental funds' Balance Sheet reported cash and cash equivalents of $1.2 billion. The fiduciary funds' Statement of Fiduciary Net Position reported cash and cash equivalents of $1.7 billion. The State Health Plan's Statement of Net Position reported cash and cash equivalents of $636.1 million for the same date. These amounts represent the equity position in the State Treasurer's Short-Term Investment Fund (STIF). See below for STIF disclosures.

At June 30, 2024, the governmental funds' Balance Sheet reported pooled investments of $128.4 million, The fiduciary funds' Statement of Fiduciary Net Position reported pooled investments of $125.6 billion. These amounts represent the equity position in the State

Treasurer's External Investment Pool, Bond Index External Investment Fund (BIF), and Equity Index Investment Account. See below for External Investment Pool, Bond Index Fund and Equity Index Investment Account disclosures.

General Statute 147-69.2 authorizes the State Treasurer to invest the deposits of certain special funds, including the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, and the Retiree Health Benefit Fund (collectively referred to as the pension and OPEB trust funds in this note), the Register of Deeds' Supplemental Pension Fund, the Disability Income Plan of N.C., the Escheats Fund, the State Public Education Property Insurance Fund, the Local Government Other Post-Employment Benefits (OPEB) Trust, public hospitals, local government Law Enforcement Officer Special Separation Allowance (LEOSSA) trusts, and deposits of certain component units including trust funds of the University of North Carolina System, and funds of the State Health Plan and State Education Assistance Authority in the investments authorized in General Statute 147-69.1; general obligations of other states; general obligations of North Carolina local governments; asset-backed securities bearing specific ratings; and obligations of any company incorporated within or outside the United States bearing specific ratings. The deposits of the pension and OPEB trust funds may be invested in all of the above plus certain insurance contracts; group trusts; individual, common or collective trusts of banks and trust companies; real estate investment trusts; limited partnership interest in limited liability partnerships or limited liability companies; and certain stocks and mutual funds.

**External Investment Pool** - To ensure that these and other legal and regulatory limitations are met, all cash deposited with the State Treasurer, except for other investment programs, is maintained in the External Investment Pool (Pool). Other investment programs may include the public hospitals, certain investments of the Escheats Fund, certain investments of other funds and component units of the reporting entity, the Local Government OPEB Trust, local government LEOSSA trusts, and bond proceeds investment accounts. This pool, a governmental sponsored external investment pool, consists of the following individual investment portfolios:

*Short-term Investment* - This portfolio may hold any of the investments authorized by General Statute 147-69.1. The Short-term Investment portfolio is the primary cash management account for the State and is managed in such a manner as to be readily convertible into cash. The primary participants of this portfolio are the State's General Fund, Highway Fund, Highway Trust Fund, and the remaining portfolios listed below. Other participants include universities and various boards, commissions, community colleges, the Local Government OPEB Trust, and school administrative units that make voluntary deposits with the State Treasurer.

*Long-term Investment* - This portfolio may hold the fixed-income investments authorized by General Statutes 147-69.1 and 147-69.2. Since the deposits in this fund are typically not needed for day-to-day operations, the investment vehicles used generally have a longer term and higher yield than those held in the Short-term Investment portfolio. The State's pension and OPEB trust funds are the sole participants in this portfolio.

*Fixed Income Investment* - This portfolio holds a portion of the Short-term Investment portfolio pursuant to General Statute 147-69.2. The State's pension and OPEB trust funds are the sole participants in this portfolio.

*Equity Investment* - This portfolio is managed pursuant to General Statute 147-69.2(b)(8) and primarily holds an equity-based trust. The State's pension and OPEB trust funds are the sole participants in this portfolio.

*Real Estate Investment* - This portfolio holds investments in real estate-based trust funds, limited partnerships and other limited liability investment vehicles, and group annuity contracts, which is managed pursuant to General Statute 147-69.2(b)(7). The State's pension and OPEB trust funds are the sole participants in this portfolio.

*Alternative Investment* - This portfolio holds investments in various limited partnerships and limited liability companies, hedge funds, U.S. Treasuries, and equities, which is managed pursuant to General Statute 147-69.2(b)(9). The State's pension and OPEB trust funds are the sole participants in this portfolio.

*Opportunistic Fixed Income Investment* - This portfolio may hold investments in debt-related strategies made primarily through limited partnerships or other limited liability vehicles as defined by General Statute 147-69.2(b)(6c). The State's pension and OPEB trust funds are the sole participants in this portfolio.

*Inflation Sensitive Investment* - This portfolio may hold investments in assets that are acquired for the primary purpose of providing protection against risks associated with inflation made primarily through limited partnerships, other limited liability vehicles, or fixed income securities managed pursuant to General Statute 147-69.2(b)(9a). The State's pension and OPEB trust funds are the sole participants in this portfolio.

All of the preceding investment portfolios operate like individual investment pools, except that an investment portfolio may hold shares in other investment portfolios at the discretion of the State Treasurer and subject to the legal limitations discussed previously. To this extent, the deposits are commingled; and therefore, the State Treasurer considers all investment portfolios to be part of a single pool, the External Investment Pool. The External Investment Pool contains deposits from funds and component units of the reporting entity (internal portion) as well as deposits from certain legally separate organizations outside the reporting entity (external portion). This pool is not registered with the Securities and Exchange Commission and is not subject to any formal oversight other than that of the legislative body.

The External Investment Pool is included in the North Carolina Department of State Treasurer Investment Programs (State Treasurer Investments) separate report. This separately issued report can be obtained from the North Carolina Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604, or can be accessed from the Department of State Treasurer – Investment Management Division internet page at https://www.nctreasurer.com/investment-management-division/imd-reports in the Audited Financial Statements section.

At year-end, the condensed financial statements for the External Investment Pool maintained by the State Treasurer were as follows (dollars in thousands):

**Statement of Fiduciary Net Position ***
**As of June 30**

| | |
|---|---|
| Assets | |
| Cash and Cash Equivalents | $ 395,621 |
| Securities Lending Collateral | 5,345,331 |
| Investments, at Fair Value | 165,522,711 |
| Receivables | 1,166,097 |
| Total Assets | 172,429,760 |
| Liabilities | |
| Other Payables | 406,416 |
| Obligations under Securities Lending | 5,345,331 |
| Total Liabilities | 5,751,747 |
| Net Position | |
| Net Position Held in Trust | $ 166,678,013 |

* The Condensed Financial Statements for the External Investment Pool contain deposits from internal and external participants, including the State's defined benefit pension plans maintained by the Department. For more information on the equity ownership of the External Investment Pool, see supplementary Exhibit I-1.

**Statements of Changes in Fiduciary Net Position**
**Fiscal Year Ended June 30, 2024**

| | |
|---|---|
| **Additions** | |
| Investment Income | |
| Interest and dividend income | $ 4,576,432 |
| Net appreciation in fair value of investments | 6,615,356 |
| Other investment income | 376,907 |
| Less: Investment management expenses | (347,379) |
| Total net investment income | 11,221,316 |
| Securities lending activity | |
| Securities lending income | 160,721 |
| Less: Securities lending expenses | 133,135 |
| Net securities lending income | 27,586 |
| Reinvestment of distributions | 11,200,998 |
| Net share purchases | (2,560,531) |
| Net pool share transactions | 8,640,467 |
| Total additions | 19,889,369 |
| **Deductions** | |
| Distributions paid and payable | 11,180,356 |
| Administrative and other expenses | 68,546 |
| Total deductions | 11,248,902 |
| **Distributions to participants** | |
| Change in net position | 8,640,467 |
| Net position held in trust: | |
| Beginning of year | 158,037,546 |
| End of year | $ 166,678,013 |

The external portion of the External Investment Pool is presented as a custodial fund. Each fund and component unit's share of the internal equity in the External Investment Pool is reported as an asset of those funds or component units. Equity in the Short-term Investment portfolio (STIF) is reported as cash and cash equivalents while equity in the Long-term Investment (LTIF), Equity Investment, Real Estate Investment, Fixed Income Investment, Opportunistic Fixed Income Investment, Inflation Sensitive Investment, and Alternative Investment portfolios, is reported as investments. The internal equity of the pool differs from the amount of assets reported by the funds and component units due to the typical banker/customer outstanding and in-transit items. Additionally, each fund reports its share of the assets and liabilities arising from securities lending transactions.

In the Pool, fair values are determined daily for the LTIF and Equity Investment portfolios, and quarterly for the Real Estate Investment and Alternative Investment portfolios. The Opportunistic Fixed Income Investment portfolio is valued quarterly except for hedge fund investments which are valued monthly. The Inflation Sensitive Investment portfolio consists primarily of limited partnerships which are valued quarterly. It also contains futures and fixed income securities which are valued daily or monthly. In the LTIF portfolio, the fair value of fixed income securities is calculated by a third-party pricing vendor based on future principal and interest payments discounted using market yields.

For the Alternative Investment portfolio (private equity investment partnerships and hedge funds), the Real Estate Investment portfolio (limited partnerships and other investments), the Opportunistic Fixed Income Investment and Inflation Sensitive Investment portfolios (limited partnerships, hedge funds, and other non-publicly traded investments), the methodology for determining an estimated fair value is established by the general partner, which may utilize a third-party pricing source or an independent real estate appraiser. Contracts with these partnerships, hedge funds, and other investments require an annual audit, except for certain older investments that are immaterial to the financial statements. The general partners' estimated fair values are based on the partnership's and fund's respective net asset values (NAV). The most significant input into the NAV of such an entity is the fair value of its holdings. These non-publicly traded assets are valued at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information. The fair values of certain investments may require significant management judgment or estimation. Fair value is determined using the best information available for a hypothetical transaction at the measurement date, not using forced sale or fire sale pricing. Participants' shares sold and redeemed are determined in the same manner as is used to report investments, and the State Treasurer does not provide or obtain legally binding guarantees to support share values. Additional investment valuation information is provided in Note 1.

Net investment income earned by the External Investment Pool is generally distributed on a pro rata basis. However, in accordance with legal requirements, the State's General Fund receives all investment income earned by funds created for purposes of meeting appropriations. For the fiscal year ended June 30, 2024, $202.81 million of investment income associated with other funds was credited to the General Fund.

**Deposits**

*Custodial Credit Risk:* For deposits, custodial credit risk is the risk that in the event of a bank failure, deposits may not be recovered. As of June 30, 2024, the External Investment Pool's deposits had no exposure to custodial credit risk.

The State Treasurer's deposit policy for custodial credit risk is limited to complying with the collateralization rules of the North Carolina Administrative Code (Chapter 20 NCAC 7). Deposits to the External Investment Pool may be made in any bank, savings and loan association, or trust company in the State as approved by the State Treasurer. North Carolina General Statute 147-79 requires depositories to collateralize all balances that are not insured by the Federal Deposit Insurance Corporation (FDIC). The depositories must maintain specified security types in a third-party escrow account established by the State Treasurer. The collateral securities must be governmental in origin (e.g. U.S. Treasury, U.S. agency, Federal Home Loan Bank letters of credit, or state and local government obligations) or the highest-grade commercial paper, surety bonds and bankers' acceptances. The market value of the collateral must not be less than the value of the uninsured deposits. The depositories may elect to collateralize deposits separately (dedicated method) or include deposits of the North Carolina local government units in a collateral pool with the State and certain component units (pooling method).

All deposits are cash and cash equivalents. As of June 30, 2024, the balance of the Pool's deposits was $395.6 million, and the amount of restricted cash held by the Pool was $42.1 million.

### Investments

The External Investment Pool maintained by the Department had the following investments and maturities in the STIF as of June 30, 2024 (dollars in thousands):

| | Investment Maturities (in Years) | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| U.S. Treasuries | $ 23,260,657 | $ 23,260,657 | $ 0 | $ 0 | $ 0 |
| U.S. Agencies | 22,599,988 | 9,100,000 | 13,499,988 | | |
| Securities Purchased with Cash Collateral under Securities Lending Program: | | | | | |
| Repurchase Agreements | 4,414,662 | 4,414,662 | | | |
| Repurchase Agreements | 1,220,000 | 1,220,000 | | | |
| Total Short-Term Investment Fund Assets | $ 51,495,307 | $ 37,995,319 | $ 13,499,988 | $ 0 | $ 0 |

The External Investment Pool maintained by the Department had the following investments and maturities in the LTIF as of June 30, 2024 (dollars in thousands):

| | Investment Maturities (in Years) | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| U.S. Treasuries | $ 7,765,261 | $ 0 | $ 1,106,113 | $ 1,654,874 | $ 5,004,274 |
| U.S. Agencies | 590,180 | | | 430,793 | 159,387 |
| Mortgage Pass-Through | 10,545,636 | 1 | 5,422 | 63,213 | 10,477,000 |
| Domestic Corporate Bonds | 9,221,986 | 7,210 | 1,102,422 | 3,463,550 | 4,648,804 |
| Foreign Corporate Bonds | 1,707,502 | 2,993 | 272,881 | 707,669 | 723,959 |
| Foreign Government Bonds | 39,087 | | 17,615 | 7,856 | 13,616 |
| Securities Purchased with Cash Collateral under Securities Lending Program: | | | | | |
| Repurchase Agreements | 736,499 | 736,499 | | | |
| Total Long-Term Investment Fund Assets | $ 30,606,151 | $ 746,703 | $ 2,504,453 | $ 6,327,955 | $ 21,027,040 |

The External Investment Pool maintained by the Department had the following investments and maturities separated by Other Investment Portfolios as of June 30, 2024 (dollars in thousands):

| | | Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| U.S. Treasuries | $ 387,954 | $ 247,743 | $ 140,211 | $ 0 | $ 0 |
| U.S. Agencies | 18,525 | | | | 18,525 |
| Asset-Backed Securities | 30,166 | 27,525 | | | 2,641 |
| Commercial Mortgage-Backed Securities | 24,705 | | | | 24,705 |
| Collateralized Mortgage Obligations | 101,160 | 60,048 | | 8,608 | 32,504 |
| Collective Investment Funds | 7,684,988 | 7,684,988 | | | |
| Domestic Corporate Bonds | 1,596,380 | 396,307 | 1,049,508 | 53,096 | 97,469 |
| Foreign Corporate Bonds | 553,368 | 254,958 | 252,730 | 24,761 | 20,919 |
| Foreign Government Bonds | 4,344 | | 878 | 291 | 3,175 |
| Securities Purchased with Cash Collateral Under | | | | | |
| Securities Lending Program | | | | | |
| Asset-Backed Securities | 16,189 | 16,189 | | | |
| Repurchase Agreements | 177,981 | 177,981 | | | |
| Total Other Investment Portfolios Assets | $ 10,595,760 | $ 8,865,739 | $ 1,443,327 | $ 86,756 | $ 199,938 |

The major investment classifications of the External Investment Pool had the following attributes as of June 30, 2024 (dollars in thousands):

| Investment Classification | Principal Amount | Range of Interest Rates |
|---|---|---|
| **Short-Term Investment Fund** | | |
| U.S. Treasuries | $ 23,500,000 | 0.38%-4.63% |
| U.S. Agencies | 22,600,000 | 0.27%-6.11% |
| Securities Purchased with Cash Collateral under | | |
| Securities Lending Program | | |
| Repurchase Agreements | 4,414,647 | 5.31%-5.47% |
| Repurchase Agreements | 1,220,000 | 5.35%-5.40% |
| **Long-Term Investment Fund** | | |
| U.S. Treasuries | 9,159,114 | 0.75%-6.38% |
| U.S. Agencies | 530,786 | 4.65%-7.13% |
| Mortgage Pass-Throughs | 11,644,420 | 2.00%-8.00% |
| Domestic Corporate Bonds | 10,201,787 | 0.80%-9.25% |
| Foreign Corporate Bonds | 1,829,342 | 1.38%-9.63% |
| Foreign Government Bonds | 44,000 | 2.38%-6.50% |
| Securities Purchased with Cash Collateral under | | |
| Securities Lending Program | | |
| Repurchase Agreements | 736,474 | 5.31%-5.47% |
| **Other Investment Portfolios** | | |
| U.S. Treasuries | 400,903 | 0.00%-3.27% |
| U.S. Agencies | 18,296 | 6.00% |
| Asset-Backed Securities | 85,220 | 5.60%-6.63% |
| Commercial Mortgage-Backed Securities | 216,687 | 0.61%-5.11% |
| Collateralized Mortgage Obligations | 449,982 | 0.00%-7.44% |
| Collective Investment Funds | 7,684,989 | 0.00%-5.39% |
| Domestic Corporate Bonds | 1,832,698 | 0.00%-12.75% |
| Foreign Corporate Bonds | 569,785 | 0.00%-14.00% |
| Foreign Government Bonds | 5,710 | 3.87%-8.63% |
| Securities Purchased with Cash Collateral under | | |
| Securities Lending Program | | |
| Asset-Backed Securities | 16,216 | 6.36% |
| Repurchase Agreements | 177,981 | 5.31%-5.47% |

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. There is no formally adopted investment policy to manage interest rate risk. Fixed income assets of the STIF are invested in a laddered maturity approach that focuses on short maturity securities with ample liquidity. The STIF had a weighted average maturity of 1.4 years as of June 30, 2024. Most of the cash and cash equivalents of the State's major governmental and enterprise funds are invested in this portfolio.

The assets of the LTIF are primarily invested in securities with maturities longer than five years. The longer maturity range is more sensitive to interest rate changes; however, the longer duration structure of the portfolio provides a better match to the long duration characteristics of the North Carolina Retirement Systems' liabilities. The Treasurer considers the maturity for interest rate risk purposes to be the length of time to the next reset date rather than the stated maturity. The LTIF had a weighted average maturity of 18.3 years as of June 30, 2024.

The LTIF holds investments in Government National Mortgage Association (GNMA) mortgage pass-through funds. Critical to the pricing of these securities are the specific features of the cash flows from the interest and principal payments of the underlying mortgages. Therefore, these valuations are sensitive to the potential of principal prepayments by mortgagees in periods of changing interest rates. Also, included within the LTIF are U.S. government agencies and domestic corporate bonds which may carry call options in which the issuer has the option to prepay the principal at certain dates over the life of the security. As such, these types of securities are more sensitive to the decline in long-term interest rates than similar securities without call options.

In addition to the domestic corporate bonds with call options, there are domestic corporate bonds with variable coupon rates that reset on specific dates. Critical to the cash flows and pricing of these securities are the changes in interest rates.

*Credit Risk:* Credit risk is the risk an issuer or other counterparty to an investment will not fulfil 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.

General Statute 147-69.1 limits credit risk by restricting the STIF's corporate obligations, asset-backed securities, and commercial paper to securities that bear the highest rating of at least one nationally recognized rating service and do not bear a rating below the highest by any nationally recognized rating service.

General Statute 147-69.2 specifies the cash investment options for the LTIF and limits credit risk by restricting the LTIF's asset-backed securities and corporate obligations to securities that bear one of the four highest ratings of at least one nationally recognized rating service when acquired. In the LTIF, all holdings were rated BBB (or equivalent) or higher at the time of purchase by at least one of the nationally recognized rating agencies.

The Iran Divestment Act, General Statutes 147-86.55 through 147-86.63 requires the State Treasurer to (i) develop and annually update a list of entities engaging in specific activities in

Iran, (ii) refrain from contracting with or investing in such companies, and (iii) divest from the same within 180 days of their being listed. Indirect investments through structures such as index funds, commingled funds, limited partnerships, or derivative instruments are excepted from these two Acts under General Statutes 147-86.42(5a) and 147-86.57(3), respectively.

The Divestment from Companies Boycotting Israel Act, North Carolina General Statutes 147-86.80 through 147-86.84, functions similarly to the Iran Divestment Act. Specifically, pursuant to a policy adopted in compliance with the statute, the State Treasurer must not invest in companies on its list of those engaged in a "boycott of Israel," a statutorily-defined term. The State Treasurer is required to annually update the list and divest from such companies within 180 days of their being listed. In addition, listed companies are ineligible to contract with the State or any of its political subdivisions where the value of the contract is over $1,000.

The State Treasurer is required to comply with the November 12, 2020, Presidential Executive Order prohibiting U.S. persons from purchasing or investing in publicly traded securities of companies identified by the U.S. Department of Defense as identified pursuant to Section 1237 of the National Defense Authorization Act for FY 1999.

In addition, the State Treasurer is required to comply with certain restrictions issued by the United States government, including Executive Order 14032, which restricts investment activity in certain Chinese entities as identified by the Secretary of Treasury (generally military-related companies), as well as restrictions issued by the Office of Foreign Assets Control.

The STIF had the following credit quality distribution for securities with credit exposure as of June 30, 2024 (dollars in thousands):

| | Aaa/AAA | Aa/AA | A | Baa/BBB | Less than Investment Grade | Unrated | Exempt from Credit Quality (1) |
|---|---|---|---|---|---|---|---|
| U.S. Treasuries | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 23,260,657 |
| U.S. Agencies | | 22,599,988 | | | | | |
| Securities Purchased with Cash Collateral Under Securities Lending Program | | | | | | | |
| Repurchase Agreements | | 4,414,662 | | | | | |
| Repurchase Agreements | | 1,220,000 | | | | | |
| Total Short-Term Investment Fund Assets | $ 0 | $ 28,234,650 | $ 0 | $ 0 | $ 0 | $ 0 | $ 23,260,657 |

(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.

The LTIF had the following credit quality distribution for securities with credit exposure as of June 30, 2024 (dollars in thousands):

| | Aaa/AAA | Aa/AA | A | Baa/BBB | Less than Investment Grade | Unrated | Exempt from Credit Quality (1) |
|---|---|---|---|---|---|---|---|
| U.S. Treasuries | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 7,765,261 |
| U.S. Agencies | | 590,180 | | | | | |
| Mortgage Pass-Throughs | | | | | | | 10,545,636 |
| Domestic Corporate Bonds | 179,006 | 809,736 | 4,943,770 | 3,147,362 | 142,212 | 142,212 | |
| Foreign Corporate Bonds | | 40,270 | 967,411 | 687,139 | 12,682 | 12,682 | |
| Foreign Government Bonds | | 32,966 | 6,121 | | | | |
| Securities Purchased with Cash Collateral Under Securities Lending Program | | | | | | | |
| Repurchase Agreements | | 736,499 | | | | | |
| Total Long-Term Investment Fund Assets | $ 179,006 | $ 2,209,651 | $ 5,917,302 | $ 3,834,501 | $ 154,894 | $ 154,894 | $ 18,310,897 |

(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.

The Other Investment Portfolios of the Pool had the following credit quality distribution for securities with credit exposure as of June 30, 2024 (dollars in thousands):

| | Aaa/AAA | Aa/AA | A | Baa/BBB | Less than Investment Grade | Unrated | Exempt from Credit Quality (1) |
|---|---|---|---|---|---|---|---|
| U.S. Treasuries | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 387,954 |
| U.S. Agencies | | 18,525 | | | | | |
| Asset-Backed Securities | | | | | 26,456 | 3,710 | |
| Commercial Mortgage-Backed Securities | 3,754 | 5,010 | 1,480 | 2,930 | 3,673 | 7,858 | |
| Collateralized Mortgage Obligations | 1,008 | 68,935 | | | 14,671 | 16,546 | |
| Collective Investment Funds | | | | | | 7,684,988 | |
| Domestic Corporate Bonds | 26,938 | 93,661 | 722,746 | 509,151 | 129,259 | 114,625 | |
| Foreign Corporate Bonds | 23,912 | 92,290 | 193,349 | 167,958 | 55,549 | 20,310 | |
| Foreign Government Bonds | | | | 2,390 | 1,954 | | |
| Securities Purchased with Cash Collateral | | | | | | | |
| Under Securities Lending Program | | | | | | | |
| Asset-Backed Securities | | 16,189 | | | | | |
| Repurchase Agreements | | 177,981 | | | | | |
| Total Other Investment Portfolios Assets | $ 55,612 | $ 472,591 | $ 917,575 | $ 682,429 | $ 231,562 | $ 7,848,037 | $ 387,954 |

(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.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Treasurer will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2024, the investments purchased with cash collateral under the securities lending programs of $5.3 billion were not exposed to custodial credit risk since the securities were held by the counterparty in separate accounts in the name of the Treasurer. All other investments of the Pool were not exposed to custodial credit risk at year-end. There is no formally adopted investment policy to manage custodial credit risk for these investment types.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Mutual funds, money market funds, and external pooled accounts are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. However, more than 5% of the Pool's securities were invested in Federal Home Loan Mortgage Corporation. These investments totaled $16.5 billion and comprised 10.0% of the Pool's total investments as of June 30, 2024. These investments are held primarily by the STIF and LTIF portfolios and are classified as U.S. Agencies. Effective June 30, 2024, there is no formal policy regarding concentration of credit risk.

*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.

As of June 30, 2024, the External Investment Pool's exposure to foreign currency risk was as follows (dollars in thousands):

| | Carrying Value by Investment Type | | | | |
|---|---|---|---|---|---|
| Currency | Equity Based Trust - International | Alternative Investment - Private Equity Partnerships | Real Estate Trust Funds | Opportunistic Fixed Income Investment Partnership | Total |
| Euro | $ 4,752,285 | $ 191,992 | 66,419 | $ 34,866 | $ 5,045,562 |
| Japanese Yen | 2,576,682 | | 100,918 | | 2,677,600 |
| British Pound Sterling | 1,803,895 | 8,624 | 312,427 | | 2,124,946 |
| Swiss Franc | 985,154 | | 13,163 | | 998,317 |
| Hong Kong Dollar | 891,639 | | 24,264 | | 915,903 |
| Australian Dollar | 589,704 | | 68,336 | | 658,040 |
| Danish Krone | 495,532 | | | | 495,532 |
| New Taiwan Dollar | 480,546 | | | | 480,546 |
| Canadian Dollar | 388,010 | | 25,028 | | 413,038 |
| Swedish Krona | 371,447 | | 22,015 | | 393,462 |
| Indian Rupee | 222,827 | | | | 222,827 |
| South Korean Won | 220,824 | | 985 | | 221,809 |
| Singapore Dollar | 149,851 | | 32,579 | | 182,430 |
| Chinese Yuan Renminbi | 74,738 | | | | 74,738 |
| Brazil Real | 70,099 | | | | 70,099 |
| New Zealand Dollar | 52,237 | | 3,387 | | 55,624 |
| Saudi Arabia Riyal | 54,611 | | | | 54,611 |
| Indonesian Rupiah | 49,786 | | | | 49,786 |
| Norwegian Krone | 48,867 | | 323 | | 49,190 |
| Mexican Peso | 34,099 | | | | 34,099 |
| UAE Dirham | 29,863 | | | | 29,863 |
| Israeli Shekel | 22,933 | | 3,788 | | 26,721 |
| Thailand Baht | 24,582 | | | | 24,582 |
| South African Rand | 22,866 | | | | 22,866 |
| Philippines Peso | 17,756 | | | | 17,756 |
| Malaysian Ringgit | 12,125 | | | | 12,125 |
| Hungarian Forint | 11,426 | | | | 11,426 |
| Polish Zloty | 7,257 | | | | 7,257 |
| Chilean Peso | 5,573 | | | | 5,573 |
| Other Currencies | 4,450 | | | | 4,450 |
| Total Investments Subject to Foreign Currency Risk | $ 14,471,664 | $ 200,616 | $ 673,632 | $ 34,866 | $ 15,380,778 |

The External Investment Pool recognized aggregate foreign currency transaction losses of $231.3 million for the fiscal year ended June 30, 2024, as part of the Pool's net appreciation in fair value of investments. Transaction gains or losses result from a change in exchange rates between the U.S. dollar and the currency in which a foreign currency transaction is denominated.

**Fair Value Measurement**

The External Investment Pool categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The External Investment Pool had the following recurring fair value measurements as of June 30, 2024 (dollars in thousands):

| Investments and Derivative Instruments at Fair Value | Total | Fair Value Measurements Using: Quoted Prices in Active Markets for Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Short-Term Investment Fund** | | | | |
| U.S. Treasuries | $ 23,260,657 | $ 0 | $ 23,260,657 | $ 0 |
| U.S. Agencies | 22,599,988 | | 22,599,988 | |
| Subtotal | 45,860,645 | 0 | 45,860,645 | 0 |
| **Long-Term Investment Fund** | | | | |
| U.S. Treasuries | 7,765,261 | | 7,765,261 | |
| U.S. Agencies | 590,180 | | 590,180 | |
| Mortgage Pass-Throughs | 10,545,636 | | 10,545,636 | |
| Domestic Corporate Bonds | 9,221,986 | | 9,221,986 | |
| Foreign Corporate Bonds | 1,707,503 | | 1,707,503 | |
| Foreign Government Bonds | 39,087 | | 39,087 | |
| Subtotal | 29,869,653 | 0 | 29,869,653 | 0 |
| **Other Investment Portfolios** | | | | |
| U.S. Treasuries | 387,954 | | 387,954 | |
| U.S. Agencies | 18,525 | | 18,525 | |
| Asset-Backed Securities | 30,166 | | 30,166 | |
| Collateralized Mortgage Obligations | 101,160 | | 101,160 | |
| Commercial Mortgage-Backed Securities | 24,705 | | 24,705 | |
| Securities Purchased with Cash Collateral under Equity Securities Lending Program | | | | |
| Asset-Backed Securities | 16,189 | | 16,189 | |
| Equity Securities - Domestic | 27,375,971 | 27,375,971 | | |
| Equity Securities - Foreign | 16,509,543 | 16,509,543 | | |
| Equity Securities - Preferred Foreign | 125,760 | 125,760 | | |
| Domestic Corporate Bonds | 1,596,380 | | 1,515,843 | 80,537 |
| Foreign Corporate Bonds | 553,368 | | 546,230 | 7,138 |
| Foreign Government Bonds | 4,344 | | 4,344 | |
| Subtotal | 46,744,065 | 44,011,274 | 2,645,116 | 87,675 |
| **Investment Derivative Instruments** | | | | |
| Futures Contracts | 3,094 | 3,094 | | |
| Futures Contracts (Liability) | (5,632) | (5,632) | | |
| Total Investment Derivative Instruments | (2,538) | (2,538) | 0 | 0 |
| Total Investments by Fair Value Level | $ 122,471,825 | $ 44,008,736 | $ 78,375,414 | $ 87,675 |

## Fair Value Measurement (Continued)

| Investments Measured at the Net Asset Value (NAV) | | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period (Days) |
|---|---|---|---|---|
| Commingled International Equity Funds (1) | $ 4,136,770 | $ 0 | Daily | 2 |
| Core Real Estate Funds (2) | 5,134,583 | 336,857 | Quarterly, Illiquid | 90 - Illiquid |
| Equity Rebalancing (3) | 2,058,147 | | Daily | 1 - 5 |
| Hedge Funds | | | | |
| Global Public Equity - Hedged (4) | 2,022 | | Daily, Monthly Quarterly, Illiquid | 3 - 180 |
| Multi-Strategy Funds (5) | 137,976 | | Weekly, Quarterly Illiquid | 5 - Illiquid |
| Opportunistic Fixed Income - Distressed Credit (6) | 159,943 | | Illiquid | Illiquid |
| Opportunistic Fixed Income - Hedged Fixed Income (7) | 3,074,397 | | Monthly, Quarterly Annually | 15 - 90 |
| Inflation Protected Bonds (8) | 513,399 | | Monthly | 30 |
| Long-Only Public Equity (9) | 1,870,382 | | Annually, Illiquid | 90 - Illiquid |
| Non-Core Real Estate Funds (10) | 2,125,487 | 1,502,852 | Illiquid | Illiquid |
| Private Credit Funds (11) | 4,475,058 | 1,122,283 | Daily, Annually Illiquid | 60 - Illiquid |
| Private Equity Funds (12) | 6,172,732 | 2,029,477 | Illiquid | Illiquid |
| Private Infrastructure Funds (13) | 765,174 | 12,284 | Illiquid | Illiquid |
| Private Multi-Strategy Funds (14) | 374,985 | | Illiquid | Illiquid |
| Private Natural Resources Funds (15) | 1,912,707 | 333,655 | Illiquid | Illiquid |
| Private Real Asset Funds (16) | 1,248,325 | 1,436,060 | Illiquid | Illiquid |
| Collective Investment Trusts (17) | 7,684,988 | | Daily | |
| Total Investments at the NAV | 41,847,075 | | | |
| Subtotal | 164,318,900 | | | |
| Repurchase Agreements | 6,549,142 | | | |
| Investments at Amortized Cost | 6,549,142 | | | |
| Total Investments and Securities Lending Collateral | $ 170,868,042 | | | |

(1) *Commingled International Equity Funds* (five funds). Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

(2) *Core Real Estate Funds* (15 funds). These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments include a mix of predominately U.S. domiciled equity and debt investments in core commercial real estate. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

(3) *Equity Rebalancing* (four funds). These investments are valued at NAV per share. These investments are options-based equity rebalancing program used as a tool to maintain asset exposures within plan policy portfolio tolerances.

(4) *Hedge Funds – Global Public Equity - Hedged* (one fund). This investment is valued at NAV per share. These investments may include various equity-based hedge fund strategies.

(5) *Hedge Funds - Multi-Strategy* (one fund). This investment is valued at NAV per share. These investments have the flexibility to invest across markets, asset classes, commodities, and currencies, including hedging. Strategies may include

opportunistic, event-driven, relative value, global macro, rebalancing, tail hedging and overlays.

(6) *Hedge Funds – Opportunistic Fixed Income - Distressed Credit* (one fund). This investment is valued at NAV per share. These investments may include strategies that trade distressed debt, but occasionally actively participate in restructuring and seek control post-reorganization of target issuers. These strategies may have equity exposure.

(7) *Hedge Funds – Opportunistic Fixed Income – Hedged Fixed Income* (eight funds). These investments are valued at NAV per share. These investments include hedged implementations of market neutral strategies, relative value strategies, and multi-strategy (i.e. predominantly fixed income) utilizing non-investment grade instruments.

(8) *Inflation Protected Bonds* (one fund). This investment is valued at NAV per share. These strategies may invest in Treasury Inflation Protected Securities, non U.S. inflation linked bonds, or floating rate debt. Currently, the strategy represented in this category is one which invests primarily in publicly traded securities, but also has the ability to invest up to 15% in private investments.

(9) *Long Only Public Equity* (two funds). These investments are valued at NAV per share. These investments may include publicly traded U.S. equity, non-U.S. equity, and global equity securities held in long-only vehicles. Currently, the strategies represented in this category have a North American focus, with an activist role in investing. As such, the portfolios will tend to be concentrated in its positioning. These strategies may have multi-year lock ups. Funds may be withdrawn as of the last day of each calendar year following the expiration of the relevant lockup period, provided that sufficient advanced notice is given.

(10) *Non-Core Real Estate Funds* (59 funds). These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments include a mix of global equity and debt investments in commercial and residential real estate, and each strategy falls into one of three major categories: Value (with a target allocation of 35%), Opportunistic (with a target allocation of 65%) and Special Situations (with a target allocation of 0%). These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

(11) *Private Credit Funds* (28 funds). These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments include a mix of non-investment grade or unrated obligations, debt securities and asset-backed securities, including but not limited to bank loans, high yield, mortgage-backed securities, convertibles, whole loans, mezzanine debt, credit default swaps, collateralized debt obligations and sovereign debt. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

(12) *Private Equity Funds* (93 funds). These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments include a mix of buyout, venture capital, growth equity, and private special situations vehicles. All investments fall into one of three major categories: Growth (with a target allocation of 25%), Buyout (with a target allocation of 45%), Special Situations (with a target allocation of 30%) and Fund of Funds (with target allocation of 0%). These funds

are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

(13) *Private Infrastructure Funds* (three funds). These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These strategies invest in various infrastructure-related markets including but not limited to utilities, transportation, energy, and communication. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

(14) *Private Multi-Strategy Funds* (one fund). This investment is valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments have the flexibility to invest across markets, asset classes, commodities, and currencies, including hedging. Strategies may include opportunistic, event-driven, relative value, global macro, rebalancing, tail hedging and overlays. Currently the strategy represented in this category is considered opportunistic and will tactically invest across a broad range of investible assets. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

(15) *Private Natural Resources Funds* (21 funds). These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These strategies make non-public equity or debt investments in timberland, energy, agriculture, and other natural resources implementations. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

(16) *Private Real Asset Funds* (21 funds). These investments are valued using net assets valued as of the previous quarter end, plus current quarter cash flows. These investments represent a mix of strategies including ships, airplanes, rail cars, mines, real estate, and other markets whose primary purpose is providing protection against risks associated with inflation. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

(17) *Collective Investment Trusts* (two funds). These investments are the BNY Mellon EB Temporary Investment Fund and the BR Money Market Fund. These funds primarily invest in instruments issued by the U.S. Government and Federal agencies, short term corporate obligations, commercial paper, and certificates of deposit. The average weighted maturity of these funds does not exceed 60 days.

**Valuation Methodologies and Inputs**

Equity and derivative instrument securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Level 2 U.S. Treasuries are evaluated by using data from several live feeds which include active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges. For inflation securities which include Treasury Inflation Protection Securities tied to the Consumer Price Index, prices are evaluated continuously throughout the day using a variety of real-time sources from active market makers in Treasury securities and market makers.

Level 2 U.S. Agencies, which are primarily mortgage pass-through securities, use a dealer derived to-be-announced (TBA) security as a benchmark, plus a dollar (or pay up) adjustment which is based on market data for the underlying collateral. When the underlying TBA is not applicable or observable, a discounted cash flow is calculated using a spread to the treasury curve based on applicable market data and internally generated long-term speed.

Level 2 mortgage pass-through securities are evaluated on interest rate movements and other market data to derive spread, yield and/or price data as appropriate allowing data points to be extrapolated for application across a range of related securities.

Level 2 bonds are priced using both spread-based and priced-based evaluations. For spread-based evaluations, an option adjusted spread model is developed incorporating credit risk and based on the new issue market, secondary trading, and dealer quotes. For priced-based evaluations, evaluators use recently executed transactions of similar securities and dealer quotes to arrive at appropriate pricing. These methods also are used to value Canadian government bonds, which make up foreign government bonds classified as Level 2.

Level 2 asset-backed, collateralized mortgage obligations and commercial mortgage-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

Level 3 bonds are priced using broker quotes. Level 3 equity securities are priced using manager pricing.

**External Investment Pool Securities Lending** - Based on General Statute 147-69.3(e), the State Treasurer lends securities from its Pool to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Treasurer's custodian manages the securities lending program for the internally managed fixed income portfolios, the equity-based trust and the Inflation Sensitive portfolio. During the year, the securities lending program lent U.S. government and agency securities, corporate bonds, equity securities and notes for collateral. The program is permitted to receive cash, U.S. government, and agency securities as collateral for the securities lent.

The collateral is initially pledged at 102% of the market value of the domestic securities lent in the fixed income and Inflation Sensitive portfolios as well as the equity-based trust and 105% of the market value of foreign securities lent in the equity-based trust program. Additional collateral is required if its value falls to less than 100% of the market value of the securities lent. There are no restrictions on the amount of loans that can be made. Substantially all security loans can be terminated on demand by either the State Treasurer or the borrower. The State Treasurer cannot pledge or sell the collateral securities received unless the borrower defaults.

The cash collateral received is invested by the lending provider and held in a separate account in the name of the State Treasurer. The policies for investments purchased with cash collateral under the securities lending program are set forth in the contract with the lending provider. The weighted average maturities of the cash collateral investments may not match the weighted average maturities of the securities loans as current securities lending guidelines allow collateral to be invested with a maturity up to five business days and loan maturities are extended beyond overnight in an effort to stabilize loan balances. At June 30, 2024, the weighted average maturity of all securities loans was one day.

As of June 30, 2024, the State Treasurer had no credit risk exposure to borrowers because the amounts the Treasurer owed the borrowers exceeded the amounts the borrowers owed the Treasurer. The lending provider is contractually obligated to indemnify the Treasurer for certain conditions, the most important is default on the part of the borrowers.

As of September 15, 2016, securities purchased with cash collateral under the current securities lending guidelines are limited to repurchase agreements and shares in money market funds registered under the Investment Company Act of 1940 and that comply with Rule 2a-7. The securities pledged as collateral for repurchase agreements are limited to securities issued or guaranteed by the U.S. government or its agencies. All counterparties for repurchase agreements must have a short-term debt rating of at least A2, P2, or F2 by at least one of the nationally recognized statistical rating organizations.

Under prior securities lending contractual guidelines, additional flexibility was given with regards to acceptable assets purchased with cash collateral. As of June 30, 2024, a total of $16.1 million remained in securities approved under prior guidelines, consisting of asset-backed securities. These securities will remain in the account until maturity or until sold. The weighted average maturity of investments, including the securities purchased under prior guidelines, was one day.

As of June 30, 2024, the fair value of loaned securities was $24.2 billion; the fair value of the associated collateral was $24.8 billion of which $5.3 billion was cash.

**Bond Index External Investment Pool** - The North Carolina Department of State Treasurer operates a government sponsored bond index external investment pool (BIF) in which the State Treasurer is authorized to invest funds for governmental entities that are outside the State's pension and OPEB trust funds as defined in this note. The BIF invests in high quality debt securities eligible under General Statute 147-69.2(b) (1 through 6). The BIF consists of a separate account managed by a fund manager selected by the Department of State Treasurer.

Participants in the BIF may include public hospitals, Law Enforcement Officer Special Separation Allowance trusts (LEOSSAs), local government Other Post Employment Benefit trusts (OPEBs), the North Carolina Teachers' and State Employees' Benefit Trust (Death Benefit Plans of N.C.), the Disability Income Plan of N.C., the Register of Deeds' Supplemental Pension Fund, and other funds and component units of the state of North Carolina with investment authority under General Statue 147-69.2. Participation in the BIF is voluntary.

At June 30, 2024, there were twenty-eight OPEBs, five LEOSSAs, and two hospitals participating in the BIF.

Statement of Fiduciary Net Position *
As of June 30

| | | |
|---|---|---|
| Assets | | |
| Cash and Cash Equivalents | $ | 30 |
| Investments, at Fair Value | | 1,577,404 |
| Receivables | | 31,316 |
| Total Assets | | 1,608,750 |
| Liabilities | | |
| Other Payables | | 19,030 |
| Total Liabilities | | 19,030 |
| Net Position | | |
| Net Position Held in Trust | $ | 1,589,720 |

* The Condensed Financial Statements for the Bond Index External Investment Pool contains deposits from internal and external participants, including the State's defined pension and other postemployment benefit plans maintained by the Department. For more information on the equity ownership of the Bond Index External Investment Pool, see supplementary Exhibit I-2.

At year end, the condensed financial statements for the Bond Index External Investment Pool maintained by the State Treasurer were as follows (dollars in thousands):

Statement of Changes in Fiduciary Net Position
Fiscal Year Ended June 30, 2024

| | | |
|---|---|---|
| Additions | | |
| Investment Income | | |
| Interest And Dividend Income | $ | 48,343 |
| Net Appreciation (Depreciation) In Fair Value Of Investments | | (8,589) |
| Other Investment Income | | 107 |
| Less: Investment Management Expenses | | (404) |
| Total Net Investment Income | | 39,457 |
| Pool Share Transactions | | |
| Reinvestment Of Distributions | | 39,457 |
| Net Share Purchases | | 145,604 |
| Net Pool Share Transactions | | 185,061 |
| Total Additions | | 224,518 |
| Deductions | | |
| Distributions Paid And Payable | | 39,457 |
| Total Deductions | | 39,457 |
| Change in Net Position | | 185,061 |
| Net Position Held In Trust: | | |
| Beginning of Year | | 1,404,659 |
| End of Year | $ | 1,589,720 |

The deposits are commingled; and therefore, the State Treasurer considers all funds to be part of a single pool. The BIF contains deposits from funds and component units of the State of North Carolina reporting entity (internal portion) as well as deposits from certain legally separate organizations outside the State of North Carolina reporting entity (external portion). The BIF is not registered with the Securities and Exchange Commission and is not subject to any formal oversight other than that of the legislative body of the State of North Carolina.

The external portion of the BIF is presented in the State's financial statements as a custodial fund. Each fund and component unit's share of the internal equity in the BIF is reported in the State's financial statements as an investment asset of those funds or component units.

The BIF is included in the State Treasurer Investments separate report. This separately issued report can be obtained from the North Carolina Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604, or can be accessed from the Department of State Treasurer – Investment Management Division internet page at https://www.nctreasurer.com/investment-management-division/imd-reports in the Audited Financial Statements section.

Net investment income earned by the BIF is distributed on a pro rata basis to all participants on a monthly basis net of fees.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. There is no formally adopted investment policy to manage interest rate risk. The BIF had a weighted average effective maturity of 8.38 years as of June 30, 2024.

The BIF maintained by the Treasurer had the following investments and maturities as of June 30, 2024 (dollars in thousands):

| | Investment Maturities (in Years) | | | | |
|---|---|---|---|---|---|
| Bond Index | Carrying Amount | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| U.S. Treasuries | $ 673,275 | $ 13,343 | $ 373,906 | $ 149,300 | $ 136,726 |
| U.S. Agencies | 20,763 | 10,447 | 3,498 | 6,818 | |
| Commercial Mortgage-Backed Securities | 15,981 | | 761 | | 15,220 |
| Asset-Backed Securities | 6,734 | | 5,666 | 864 | 204 |
| Mortgage Pass-Throughs | 403,382 | | 1,738 | 8,354 | 393,290 |
| Collective Investment Funds | 16,327 | 16,327 | | | |
| Municipal Bonds | 7,528 | 49 | 543 | 1,459 | 5,477 |
| Domestic Corporate Bonds | 328,385 | 69 | 114,140 | 94,491 | 119,685 |
| Foreign Corporate Bonds | 58,788 | | 29,658 | 14,392 | 14,738 |
| Foreign Government Bonds | 46,241 | | 23,960 | 14,996 | 7,285 |
| Total Investment Fund Assets | $ 1,577,404 | $ 40,235 | $ 553,870 | $ 290,674 | $ 692,625 |

The major investment classifications had the following attributes as of June 30, 2024 (dollars in thousands):

| Investment Classification | Principal Amount | Range Of Interest Rates |
|---|---|---|
| Bond Index | | |
| U.S. Treasuries | $ 747,104 | 0.25%-6.88% |
| U.S. Agencies | 21,308 | 0.38%-7.25% |
| Commercial Mortgage-Backed Securities | 17,484 | 2.57%-4.12% |
| Asset-Backed Securities | 6,733 | 3.62%-5.78% |
| Mortgage Pass-Throughs | 459,750 | 1.50%-6.50% |
| Collective Investment Funds | 16,327 | 0.94% |
| Municipal Bonds | 7,413 | 2.15%-7.55% |
| Domestic Corporate Bonds | 362,995 | 0.45%-8.88% |
| Foreign Corporate Bonds | 62,291 | 0.63%-9.25% |
| Foreign Government Bonds | 49,920 | 0.38%-8.30% |

*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.

General Statute 147-69.2 specifies the cash investment options for the BIF and limits credit risk by restricting the BIF's asset-backed securities and corporate obligations to securities that bear one of the four highest ratings of at least one nationally recognized rating service when acquired. In the BIF, all holdings were rated BBB (or equivalent) or higher at the time of purchase by at least one of the nationally recognized rating agencies.

The BIF had the following credit quality distribution for securities with credit exposure as of June 30, 2024 (dollars in thousands):

| Bond Index | Aaa/AAA | Aa/AA | A | Baa/BBB | Less than Investment Grade | Unrated | Exempt from Credit Quality (1) |
|---|---|---|---|---|---|---|---|
| U.S. Treasuries | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 673,275 |
| U.S. Agencies | | 20,763 | | | | | |
| Asset-Backed Securities | 6,338 | | | 396 | | | |
| Commercial Mortgage-Backed Securities | 15,220 | 761 | | | | | |
| Mortgage Pass-Throughs | | 298,205 | | | | | 105,177 |
| Collective Investment Funds | 16,327 | | | | | | |
| Municipal Bonds | 780 | 4,064 | 2,684 | | | | |
| Domestic Corporate Bonds | 4,416 | 14,744 | 127,913 | 171,916 | 9,396 | | |
| Foreign Corporate Bonds | 2,802 | 2,826 | 23,098 | 30,062 | | | |
| Foreign Government Bonds | 19,262 | 4,987 | 8,233 | 11,691 | 2,068 | | |
| Total Investment Fund Assets | $ 65,145 | $ 346,350 | $ 161,928 | $ 214,065 | $ 11,464 | $ 0 | $ 778,452 |

(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.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Treasurer will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2024, the investments of the BIF were not exposed to custodial credit risk since the securities were held in separate accounts in the name of the Treasurer. There is no formally adopted investment policy to manage custodial credit risk for these investment types.

*Concentration* of *Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Mutual funds, money market funds, and external pooled accounts are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. However, at June 30, 2024, more than 5% of the BIF's securities were invested in Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA). FHLMC investments totaled $124 million and comprised 7.8% of BIF's total investments; FNMA investments totaled $196 million and comprised 12.46% of BIF's total investments. Both FHLMC and FNMA investments are classified as U.S. Agencies with the majority of the investments classified as mortgage pass-throughs. At June 30, 2024, there is no formal policy regarding concentration of credit risk.

The BIF categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The BIF had the following recurring fair value measurements as of June 30, 2024 (dollars in thousands):

| Investments and Derivative Instruments at Fair Value | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments Measured at Fair Value | | | | |
| Bond Index Fund | | | | |
| U.S. Treasuries | $ 673,275 | $ 0 | $ 673,275 | $ 0 |
| U.S. Agencies | 20,763 | | 20,763 | |
| Asset-Backed Securities | 6,734 | | 6,734 | |
| Commercial Mortgage-Backed Securities | 15,981 | | 15,981 | |
| Mortgage Pass-Throughs | 403,382 | | 403,382 | |
| Municipal Bonds | 7,528 | | 7,528 | |
| Domestic Corporate Bonds | 328,385 | | 328,385 | |
| Foreign Corporate Bonds | 58,788 | | 58,788 | |
| Foreign Government Bonds | 46,241 | | 46,241 | |
| Total Investments by Fair Value Level | $ 1,561,077 | $ 0 | $ 1,561,077 | $ 0 |

| Investments Measured at the Net Asset Value (NAV) | | Unfunded Commitments | Redemption Frequency | Redemption Notice (Days) |
|---|---|---|---|---|
| Collective Investment Fund (1) | $ 16,327 | 0 | Daily | 1 |
| Total Investments by Fair Value | $ 1,577,404 | | | |

(1) *Collective investment fund* (One fund). This fund invests in a diversified portfolio of U.S. government securities, U.S. government agency securities, and repurchase agreements. It is operated on an amortized cost basis and transacts at $1.00 per unit.

**Valuation Methodologies and Inputs**

Level 2 U.S. Treasuries and Agencies are evaluated by using data from several live feeds which include active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges.

Level 2 municipal bonds are evaluated using technologies that vary by asset class and maximizes the use of relevant observable inputs, including quoted prices for similar assets, benchmark yield curves and market corroborated inputs. The process depends, in part, on the bond's categorization.

Level 2 U.S. Mortgage pass-through securities use a dealer derived to-be-announced (TBA) security as a benchmark, plus a dollar (or pay up) adjustment which is based on market data for the underlying collateral. When the underlying TBA is not applicable or observable, a discounted cash flow is calculated using a spread to the treasury curve based on applicable market data and internally generated long-term spread.

Level 2 foreign corporate bonds are priced using available direct market color (trades, covers, bids, offers and price talk). Market data is enriched to derive spread, yield and/or price data. Enriched data is tested against current evaluations and tolerances and parameters. System parameters are regularly adjusted to reflect prevailing market conditions.

Level 2 domestic corporate bonds are priced using spread, yield-based and price-based evaluations. For spread and yield-based evaluations, an option adjusted spread model is developed incorporating credit risk and based on the new issue market, secondary trading, and dealer quotes. For price-based evaluations, evaluators use recently executed transactions of similar securities and dealer quotes to arrive at appropriate pricing. These methods are also used to value Canadian government bonds. For non-U.S./Canadian foreign government bonds, the majority of issues are evaluated using discounted cash flow models, incorporating option-adjusted features as appropriate.

Level 2 asset-backed and commercial mortgage-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

**Bond Proceeds Investment Accounts** - The State Treasurer has established separate investment accounts for each State bond issue to comply with Internal Revenue Service regulations on bond arbitrage. A private investment company under contract with the State Treasurer manages these separate accounts. In the State's financial statements, each fund's equity in these accounts is reported as investments.

As of June 30, 2024, the bond proceeds investment accounts had the following investments and maturities (dollars in thousands):

| Investment Type | Carrying Amount | Weighted Average Maturity *(Days)* |
|---|---|---|
| Debt Investments | | |
| U.S. Treasuries | $ 128,473 | 44 |

U.S Treasuries are valued at fair value at June 30, 2024 ($128.47 million) and are classified as a Level 2 investment in the fair value hierarchy. The valuation technique for these securities is the market approach where the pricing vendor gathers real-time market data and uses direct observations to compute an independent price.

*Interest Rate Risk and Credit Risk*: As established in the contract with the private investment company, all bond proceeds are managed in compliance with General Statute 147-69.1 and are invested in short-term maturities and/or securities that bear the highest rating of at least one nationally recognized rating service and do not bear a rating below the highest by any nationally recognized rating service.

*Custodial Credit Risk:* Investments purchased with bond proceeds were exposed to custodial credit risk since the securities were held by the counterparty and were not registered in the name of the State Treasurer. There is no custodial credit risk policy related to these investments.

**Equity Index Investment Account** - The State Treasurer has contracted with an external party (Trustee) to create the equity index investment account (EIF). The primary participants of this equity index investment account are public hospitals trusts, LEOSSAs, and the Local Government OPEB Trust (OPEB) funds. These funds are part of a commingled equity index investment trust (Trust). The Trustee manages the assets in the Trust, primarily in equity and equity-based securities in accordance with the General Statutes. The Trustee maintains custody of the underlying securities in the name of the Trust, services the securities, and maintains all related accounting records.

Pursuant to General Statute 159-30.1, the State Treasurer manages the OPEB trusts' assets. These trusts are established for local governments, public authorities, any entity eligible to participate in the State's Local Governmental Employees' Retirement System, and local school administrative units. Eligible participants make voluntary contributions to the trusts for the purpose of depositing and investing all or part of the contribution from their other post-employment benefit plans. As of June 30, 2024, there were twenty-nine OPEB trust participants in the EIF. Each participant is responsible for making its own investment decision.

The State Treasurer also manages the public hospitals' assets. As of June 30, 2024, there were three participants consisting of the Margaret R. Pardee Hospital, Columbus Regional Healthcare, and Watauga Medical Center. Two public hospitals also participate in the BIF. Each participant is responsible for making its own investment decision.

The EIF is included in the State Treasurer Investments separate report. This separately issued report can be obtained from the North Carolina Department of State Treasurer, 3200

Atlantic Avenue, Raleigh, NC 27604, or can be accessed from the Department of State Treasurer – Investment Management Division internet page at https://www.nctreasurer.com/investment-management-division/imd-reports in the Audited Financial Statements section.

At year end, the condensed financial statements for the Equity Index External Investment Account maintained by the State Treasurer were as follows (dollars in thousands):

Statement of Fiduciary Net Position *
As of June 30, 2024

| | | |
|---|---|---|
| Assets | | |
| Investments, at Fair Value | $ | 912,489 |
| Total Assets | | 912,489 |
| Net Position | | |
| Net Position Held in Trust | $ | 912,489 |

* The Condensed Financial Statements for the Equity Index Investment Account contains deposits from internal and external participants. For more information on the equity ownership of the Equity Index Investment Account, see supplementary Exhibit I-3.

Statement of Changes in Fiduciary Net Position
Fiscal Year Ended June 30, 2024

| | | |
|---|---|---|
| Additions | | |
| Investment Income | | |
| Interest And Dividend Income | $ | 95 |
| Net Appreciation In Fair Value Of Investments | | 153,994 |
| Less: Investment Management Expenses | | (194) |
| Total Net Investment Income | | 153,895 |
| Pool Share Transactions | | |
| Reinvestment Of Distributions | | 153,895 |
| Net Share Purchases | | (56,798) |
| Net Pool Share Transactions | | 97,097 |
| Total Additions | | 250,992 |
| Deductions | | |
| Distributions Paid And Payable | | 153,895 |
| Total Deductions | | 153,895 |
| Change in Net Position | | 97,097 |
| Net Position Held In Trust: | | |
| Beginning of Year | | 815,392 |
| End of Year | $ | 912,489 |

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Treasurer will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2024, the investments of the EIF were not exposed to custodial credit risk. There is no formally adopted investment policy to manage custodial credit risk for these investment types.

*Fair Value Measurement:* EIF investments, a commingled global equity index fund, are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments. As of June 30, 2024, the EIF had a recurring fair value measurement of $912 million. The redemption frequency of the EIF is daily, with a two-day redemption notice.

**Escheats Investment Account**

Pursuant to General Statute 147-69.2(b)(12), the State Treasurer has established a separate investment account on behalf of the Escheats Fund. As of June 30, 2024, the Escheats investment account maintained by the State Treasurer had the following investments and recurring fair value measurements (dollars in thousands):

| Investments Measured at the NAV | Fair Value | Unfunded Commitments |
|---|---|---|
| Private Credit Limited Partnership | $ 12,856 | $ 309 |
| Private Equity Investment Partnerships | 34,106 | 5,912 |
| Total Investments Measured at the NAV | $ 46,962 | |

*Private Credit Limited Partnership.* This type includes two private credit funds. These investments are valued using net assets valued as of the previous quarter-end, plus current quarter cash flows. These investments include a mix of non-investment grade or unrated obligations, debt securities and asset-backed securities, including but not limited to bank loans, high yield, mortgage-backed securities, convertibles, whole loans, mezzanine debt, credit default swaps, collateralized debt obligations and sovereign debt. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

*Private Equity Investment Partnership.* This type incudes four private equity funds. These investments are valued using net assets valued as of the previous quarter-end, plus current quarter cash flows. These investments include a mix of buyout, venture capital, growth equity, and private special situations vehicles. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

**B. Investments Outside the State Treasurer**

**Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan** - As of June 30, 2024, 94% of investments held outside the State Treasurer were maintained by the Supplemental Retirement Income Plan of North Carolina (the 401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (the 457 Plan).

The Iran Divestment Act (*North Carolina General Statutes* Sections 147-86.55 through 147-86.63) places investment restrictions on the 401(k) Plan and the 457 Plan. Specifically, pursuant to the North Carolina Department of State Treasurer's "Iran Divestment Policy," adopted in compliance with the statute, the Department of State Treasurer, including the Supplemental Retirement Plans, shall refrain from making investments in companies on the State Treasurer's list of entities engaging in certain investment activities in Iran.

The Divestment from Companies Boycotting Israel Act (*North Carolina General Statutes* Sections 147-86.80 through 147-86.84) places investment restrictions on the 401(k) Plan and the 457 Plan. Specifically, pursuant to the North Carolina Department of State Treasurer's "Boycott Israel Divestment Policy," adopted in compliance with the statute, the Department of State Treasurer, including the Supplemental Retirement Plans, shall refrain from making investments in companies on the State Treasurer's list of entities engaging in certain boycotting activities against Israel.

In addition, for the fiscal year ended June 30, 2024, the State Treasurer is required to comply with certain restrictions issued by the United States government, including Executive Order 14032, which restricts investment activity in certain Chinese entities as identified by the Secretary of Treasury (generally military-related companies), as well as restrictions issued by the Office of Foreign Assets Control.

The form of governance over the investments is the prudent-person or prudent-expert rule. These rules are broad statements of intent, generally requiring investment selection and management to be made with prudent and intelligent judgment and care.

At December 31, 2023, the 401(k) and 457 Plans had the following investments and maturities that were maintained outside the State Treasurer. Investments in the Pooled Account totaled $13.6 billion. The 401(k) and 457 Plans' investments are held in a group trust established as of January 4, 2016. Their board authorized the establishment of the North Carolina Supplemental Retirement Plans Group Trust (the "Group Trust") for the purpose of commingling the corpus of the separate trusts of the Plans; and the Board adopted the Declaration of Trust establishing the Group Trust. The Pooled Account offers six equity funds, an inflation responsive fund, an inflation protected securities fund and two 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 remainder of the investments is the Stable Value Fund, which consists of five synthetic guaranteed investment contracts and a short-term investment fund.

At December 31, 2023, the 401(k) and 457 Plans of North Carolina had the following investments and maturities that were maintained outside the State Treasurer (dollars in thousands):

| | | Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| Investment Type | Carrying Amount | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| Debt Investments | | | | | |
| U.S. Treasuries | $ 1,394,643 | $ 113,262 | $ 866,426 | $ 288,661 | $ 126,294 |
| U.S. Agencies | 121,163 | 7,550 | 52,420 | 39,817 | 21,376 |
| Mortgage Pass-Throughs | 871,839 | 261,357 | 817 | 10,089 | 599,576 |
| Collateralized Mortgage Obligations | 50,083 | | 17 | 541 | 49,525 |
| State and Local Government Bonds | 66,702 | 8,281 | 25,519 | 24,435 | 8,467 |
| Asset-Backed Securities | 441,119 | 29,704 | 192,220 | 40,640 | 178,555 |
| Fixed Income Collective Investment Funds | 91,608 | | | 91,608 | |
| Debt Mutual Funds | 33,232 | | 33,232 | | |
| Pooled Debt Funds | 1,164,006 | | | 1,164,006 | |
| Domestic Corporate Bonds | 796,613 | 49,033 | 383,912 | 224,856 | 138,812 |
| Foreign Corporate Bonds | 175,819 | 13,029 | 110,372 | 44,425 | 7,993 |
| Foreign Government Bonds | 12,342 | 201 | 3,940 | 7,635 | 566 |
| | $ 5,219,169 | $ 482,417 | $ 1,668,875 | $ 1,936,713 | $ 1,131,164 |
| Other Investments | | | | | |
| Equity Collective Investment Trusts | 4,863,630 | | | | |
| Domestic Stocks | 2,888,721 | | | | |
| Foreign Stocks | 2,164,703 | | | | |
| Short-Term Investment Collective Trust | 232,860 | | | | |
| Hedge/Commodity/Debt Collective Investment Trust | 561,165 | | | | |
| Total Investments | $ 15,930,248 | | | | |

In the above table, the underlying investments of fully benefit-responsive synthetic guaranteed investment contracts (SGICs) are disclosed at fair value. On the Statement of Net Position, SGICs are reported at contract value. At year-end, the contract value exceeded the fair value of underlying investments of fully benefit-responsive SGICs by $122.4 million.

*Interest Rate Risk:* The 401(k) and 457 Plans do not have a formal investment policy that limits duration as a means of managing their exposure to fair value losses arising from increasing interest rates. The managers within the NC Fixed Income Fund and the NC TIPS Fund have duration targets relative to a specified benchmark. 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. Collective investment funds include units in the various funds. The interest rate risk in each of the funds is dependent upon the weighted average maturity of each of the collective investment funds which hold securities with maturities ranging from short to intermediate in duration. As a result, the collective investment funds are sensitive to changes in interest rates. Collateralized mortgage obligations 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. Investments consist of units in various commingled funds, each with an investment objective relative to maturity and liquidity with interest rate risk dependent upon the weighted average maturity of each of the funds.

*Credit Risk:* The 401(k) and 457 Plans do not have a formal investment policy on credit risk. The investment guidelines applicable to the NC Fixed Income Fund places restrictions on the total risk exposure of the fund and specifically the concentration of the debt securities in which the fund invests. The investment guidelines for the NC TIPS Fund limit non-cash sweep investments to U.S. Treasury Inflation Protected Securities (TIPS) and TIPS futures.

At December 31, 2023, the 401(k) and 457 Plan investments maintained outside the State Treasurer had the following credit quality distribution for securities with credit exposure (dollars in thousands):

| | Carrying Amount by Credit Rating - Moody's/S&P/Fitch | | | | | | |
|---|---|---|---|---|---|---|---|
| Investment Type | Aaa/AAA | Aa/AA | A | Baa/BBB | Less than Investment Grade | Unrated | Exempt from Credit Quality (1) |
| U.S. Treasuries | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 1,394,643 |
| U.S. Agencies | | 121,163 | | | | | |
| Mortgage Pass-Throughs | | 557,226 | | | | 202,016 | 112,597 |
| Collateralized Mortgage Obligations | 11,015 | 6,853 | 1,055 | | 27,765 | 3,395 | |
| State and Local Government Bonds | 16,382 | 43,908 | 5,224 | 207 | | 981 | |
| Asset-Backed Securities | 399,668 | 20,460 | 3,676 | | 16,519 | 796 | |
| Fixed Income Collective Investment Funds | | | | | | 91,608 | |
| Debt Mutual Funds | | | | | | 33,232 | |
| Pooled Debt Funds | | | | | | 1,164,006 | |
| Domestic Corporate Bonds | 46,885 | 26,015 | 224,215 | 428,922 | 40,090 | 30,486 | |
| Foreign Corporate Bonds | 1,093 | 1,958 | 87,552 | 83,174 | 1,997 | 45 | |
| Foreign Government Bonds | | 5,386 | 1,193 | 2,955 | 2,808 | | |
| Total Investments | $ 475,043 | $ 782,969 | $ 322,915 | $ 515,258 | $ 89,179 | $ 1,526,565 | $ 1,507,240 |

(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.

*Custodial Credit Risk:* The 401(k) and 457 Plans do not have formal investment policies that address custodial credit risk.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The 401(k) and 457 Plans do not have formal investment policies that address foreign currency risk. Investment Manager guidelines describe how and if foreign currency hedging can be utilized in the portfolio.

At December 31, 2023, the Plans' exposure to foreign currency risk was as follows (dollars in thousands):

| Currency | | Carrying Amount Foreign Stocks |
|---|---|---|
| Euro | $ | 639,843 |
| Japanese Yen | | 405,210 |
| Pound Sterling | | 284,280 |
| Hong Kong Dollar | | 134,612 |
| New Taiwan Dollar | | 104,570 |
| Indian Rupee | | 94,153 |
| Canadian Dollar | | 75,110 |
| Swedish Krona | | 70,715 |
| Swiss Franc | | 65,749 |
| Danish Krone | | 53,531 |
| South Korean Won | | 53,063 |
| Chinese Yuan Renminbi | | 34,811 |
| Singapore Dollar | | 26,360 |
| Australian Dollar | | 19,568 |
| Norwegian Krone | | 18,954 |
| Brazilian Real | | 18,887 |
| Mexican Peso | | 17,591 |
| South African Rand | | 13,226 |
| Saudi Riyal | | 13,150 |
| Indonesian Rupiah | | 12,531 |
| UAE Dirham | | 7,557 |
| Thai Baht | | 2,979 |
| Vietnam Dong | | 2,765 |
| Polish Zloty | | 1,944 |
| Malaysian Ringgit | | 1,472 |
| Turkish Lira | | 1,042 |
| Israeli Shekel | | 901 |
| Egyptian Pound | | 290 |
| Qatari Riyal | | 74 |
| New Zealand Dollar | | 22 |
| Total | $ | 2,174,960 |

Note: The totals in the foreign currency risk table do not agree to the totals disclosed in the previous investment maturities table because the investment maturities table includes foreign stocks that are denominated in U.S. currency.

The fair value measurements of the 401(k) and 457 Plans' investments are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

At December 31, 2023, the investments of the 401(k) and 457 Plans maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

| | Total | Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|---|---|---|---|
| Investments Measured at Fair Value | | | |
| U.S. Treasuries | $ 1,394,643 | $ 0 | $ 1,394,643 |
| U.S. Agencies | 121,163 | | 121,163 |
| Mortgage Pass-Throughs | 871,839 | | 871,839 |
| Collateralized Mortgage Obligations | 50,083 | | 50,083 |
| State and Local Government | 66,702 | | 66,702 |
| Asset-Backed Securities | 441,119 | | 441,119 |
| Domestic Corporate Bonds | 796,613 | | 796,613 |
| Foreign Corporate Bonds | 175,819 | | 175,819 |
| Foreign Government Bonds | 12,342 | | 12,342 |
| Domestic Stocks | 2,888,721 | 2,888,721 | |
| Foreign Stocks | 2,164,703 | 2,164,703 | |
| Total Investments by Fair Value Level | 8,983,747 | $ 5,053,424 | $ 3,930,323 |
| Investments Measured at the Net Asset Value (NAV) | | | |
| Short-Term Investment Collective Trust | 232,860 | | |
| Hedge/Commodity/Debt Collective Trust | 561,165 | | |
| Fixed Income Collective Investment Funds | 91,608 | | |
| Debt Mutual Funds | 33,232 | | |
| Pooled Debt Funds | 1,164,006 | | |
| Equity Collective Investment Trusts | 4,863,630 | | |
| Total Investments Measured at the NAV | 6,946,501 | | |
| Total Investments Measured at Fair Value | $ 15,930,248 | | |

U.S. Treasuries, U.S. agencies, mortgage pass-throughs, collateralized mortgage obligations, and state and local government securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Asset-backed securities, domestic corporate bonds, foreign corporate bonds, and foreign government bonds classified in Level 2 of the fair value hierarchy are valued using discounted cash flow techniques.

Investments measured at the net asset value (NAV) per share are presented on the following tables (dollars in thousands):

| Investments Measured at the NAV | Fair Value December 31, 2023 | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|---|---|---|
| Short-Term Investment Collective Trust | $ 232,860 | Daily | 1 day |
| Hedge/Commodity/Debt Investment Trust | 561,165 | Daily | 1 day |
| Fixed Income Collective Investment Funds | 91,608 | Daily | 1 day |
| Debt Mutual Funds | 33,232 | Daily | 1 day |
| Pooled Debt Funds | 1,164,006 | Daily | 1 day |
| Equity Collective Investment Trusts | 4,863,630 | Daily | 1 day |
| Total Investments Measured at the NAV | $ 6,946,501 | | |

Short-term Investment Collective Trust – This type includes two funds, the BNY Mellon EB Temporary Investment Fund and the Short-Term Investment Fund II, trusteed by SEI Trust Company and managed by BlackRock. The BNY Mellon EB Temporary Investment Fund primarily invests in instruments issued by the U.S. Government and federal agencies, short-term corporate obligations, commercial paper, and certificates of deposit. The Short-Term Investment Fund II is invested in a diversified portfolio of money market instruments. The average weighted maturities of the funds do not exceed 60 days. The funds are valued with a NAV at $1/unit.

Hedge/Commodity/Debt Collective Investment Trust – This type includes one fund, the NC Inflation Response Fund. The Fund invests wholly in shares of a collective investment trust, the BlackRock Strategic Completion Non-Lendable Fund, managed by BlackRock. This Fund seeks returns that provide a hedge to inflation over the medium to long-term. The Strategic Completion Fund currently allocates to three underlying asset classes: United States Treasury Inflation Protected Securities (TIPS), Commodities and Global Real Estate Investment Trusts (REITs). The Fund's net asset value is based on the fair value of the Fund's assets on the valuation date minus the Fund's liabilities on the valuation date. The Fund's unit value is calculated by dividing the Fund's net asset value on the valuation date by the number of units of the Fund that are outstanding on the valuation date.

Fixed Income Collective Investment Funds – This type includes one fund, the Commingled BlackRock Fixed Income Index Fund. The Commingled BlackRock Fixed Income Index Fund seeks to replicate the composition and performance of the Bloomberg U.S. Aggregate Index. The Commingled BlackRock Fixed Income Index Fund is valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

Debt Mutual Funds - This type includes two funds in Fixed Income. The MetWest High Yield Bond Fund invests primarily in high yield bonds with the investment objective of maximizing long-term total return. The MetWest Floating Rate Income Fund invests primarily in floating rate securities and seeks to maximize current income. The net asset value is determined by dividing the total value of the fund's portfolio investments and other assets attributable to the fund, less liabilities, by the total number of shares outstanding. The value is determined at the end of each day the New York Stock Exchange is open.

Pooled Debt Funds – This type includes one fund, the Prudential Core Plus Bond Fund in Fixed Income. The fund is an actively managed bond fund that seeks an excess return over the Bloomberg U.S. Aggregate Bond Index. The fund invests in a diversified portfolio of fixed income securities including corporate obligations, structured products, and U.S. Treasuries. The fund actively allocates to both benchmark and non-benchmark sectors, with heavy emphasis on the credit-oriented sectors. The fund is valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

Equity Collective Investment Trusts – This type includes five equity index funds. The BlackRock Large Cap Index Fund seeks to replicate the composition and performance of the S&P 500 Index. The BlackRock Small Mid Cap Index Fund seeks to replicate the composition and performance of the Russell 2500 Index. The BlackRock International Index Fund seeks to replicate the composition and performance of the MSCI ACWI Ex-USA IMI Index. Included in the NC Large Cap Core Fund and the NC Small-Mid Cap Fund are investments in the Russell 1000 Index Fund and the Russell 2500 Index Fund, respectively. Each are valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

## Note 3 - Derivative Instruments

**A. Summary Information** - The following table is a summary of derivative instrument activity during the fiscal year and balances at year-end, classified by type with notional amount for the year ended June 30, 2024 (dollars in thousands).

| | Increase (Decrease) in Fair Value | | Fair Value | | |
|---|---|---|---|---|---|
| Investment Derivatives | Classification | Increase (Decrease) | Classification | Debit (Credit) | Notional |
| Foreign Equity Futures[a)] | Investment Earnings | $ 14 | Investment | $ 14 | $ 14,720 |
| Commodity Futures[b)] | Investment Earnings | (2,552) | Investment | (2,552) | 208,613 |
| Forward Currency Contracts | Investment Earnings | (274) | Investment | (274) | 235,307 |
| Spot Currency Contracts | Investment Earnings | (11) | Investment | (11) | 20,245 |
| Total | | $ (2,823) | | $ (2,823) | |

a) 1.8 million Australian Dollar; 9/4 million Euro; 562.1 million Japanese Yen.

b) 234,000 barrels of Brent crude oil; 213,000 barrels of West Texas Intermediate crude oil; 2,010,000 bushels of corn; 6,636,000 gallons of gasoline; 5,660,000 million British thermal units of natural gas; 970,000 bushels of soybean; 1,440,000 bushels of wheat.

A schedule of all foreign derivatives outstanding at June 30, 2024 is presented below by currency (dollars in thousands):

| | Fair Value of Foreign Currency Contracts, Assets (Liabilities) As of June 30, 2024 | | | |
|---|---|---|---|---|
| Currency | Forward Currency Contracts | Spot Currency Contracts | Foreign Equity Futures | Total |
| Australian Dollar | $ 482 | $ 0 | $ 10 | $ 492 |
| British Pound Sterling | 25 | (3) | | 22 |
| Canadian Dollar | 8 | | | 8 |
| Chinese Yuan | | (6) | | (6) |
| Euro | (28) | 2 | (42) | (68) |
| Hong Kong Dollar | (67) | | | (67) |
| Israeli Shekel | (30) | | | (30) |
| Japanese Yen | (639) | (4) | 46 | (597) |
| New Taiwan Dollar | | (1) | | (1) |
| New Zealand Dollar | 62 | | | 62 |
| Norwegian Krone | 5 | | | 5 |
| Singapore Dollar | (104) | | | (104) |
| South Korean Won | (22) | 1 | | (21) |
| Swedish Krona | 27 | | | 27 |
| Swiss Franc | 7 | | | 7 |
| Total | $ (274) | $ (11) | $ 14 | $ (271) |

**B. Investment Derivative Instruments** - 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, forward contracts, options, and swaps.

The Pool maintained by the Department has investments in equity and commodity futures, foreign currency forward, and spot currency contracts. All of these derivative instruments are designated as investment derivative instruments; they are used to implement portfolio strategies, capture valuation opportunities, and to exploit market inefficiencies. The primary risks managed by using these derivative instruments include foreign exchange rate and market price risks.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on underlying principal value and do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and generally requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index or to rebalance the total portfolio.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These forward commitments are not standardized and carry credit risk due to the possible non-performance of one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such a loss is remote. In addition to forward currency contracts, the Pool also utilizes spot currency contracts. Spot currency contracts are used primarily for trade settlement and currency repatriation.

As of June 30, 2024, the counterparties' credit ratings for forward currency contracts that are subject to credit risk had a rating of no less than BBB by one of the nationally recognized ratings agencies.

C. **Synthetic Guaranteed Investment Contracts** - In the Supplemental Retirement Income Plan of North Carolina, (401(k) Plan), there are synthetic guaranteed investment contracts (SGICs) within the North Carolina Stable Value Fund. SGICs are unallocated insurance contracts. There is one SGIC with Prudential Insurance Company of America (Prudential), one SGIC with Nationwide Life Insurance Company (Nationwide Life), one SGIC with American General Life Insurance Company (American General), one SGIC with Transamerica Life Insurance Company (Transamerica Life), and one SGIC with Metropolitan Tower Life Insurance Company (Met Tower), which are all fully benefit responsive. For the year ended December 31, 2023, the SGICs provided an average credit rating yield of 2.97%, 2.67%, 2.78%, 2.82%, and 2.79%, respectively. The fair value of the securities covered by the contracts as of December 31, 2023, is $1.91 billion and the contract value is $2.01 billion. The contracts are unrated and have a maturity of less than one year.

In the North Carolina Public Employee Deferred Compensation Plan, 457 Plan, there are SGICs within the North Carolina Stable Value Fund. SGICs are unallocated insurance contracts. There is one SGIC with Prudential, one SGIC with Nationwide Life, one SGIC with American General, one SGIC with Transamerica Life, and one SGIC with Met Tower, which are fully benefit responsive. For the year ended December 31, 2023, the SGICs provided an average credit rating yield of 2.97%, 2.67%, 2.78%, 2.82%, and 2.79%, respectively. The fair value of the securities covered by the contracts as of December 31, 2023, is $344.83 million and the contract value is $363.56 million. The contracts are unrated and have a maturity of less than one year.

Both the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan have entered into wrap contracts with Prudential, Nationwide Life, American General, Transamerica Life, and Met Tower Life to assure that the crediting rate on participant investments will not be less than zero. The wrap contracts with Prudential, Nationwide Life, American General, Transamerica Life, and Met Tower Life were determined to have no fair value.

## Note 4 - Receivables

Accounts receivable for the fiduciary funds at June 30, 2024 were as follows (dollars in thousands):

| | Gross Receivables | Less Allowance for Doubtful Accounts | Net Receivables |
|---|---|---|---|
| Pension and Other Employee Benefits Trust Fund | | | |
| **Total Accounts Receivable** | $ 36,010 | $ 8,747 | $ 27,263 |

## Note 5 - Long-Term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2024 is presented as follows (dollars in thousands):

| Component Unit - State Health Plan | Balance July 1, 2023 | Additions | Reductions | Balance June 30, 2024 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 532 | $ 365 | $ 292 | $ 605 | $ 52 |
| Net Pension Liability[1] | 3,218 | 208 | | 3,426 | |
| Net OPEB Liability[2] | 4,118 | 601 | 1 | 4,718 | |
| Total Long-Term Liabilities | $ 7,868 | $ 1,174 | $ 293 | $ 8,749 | $ 52 |

[1] Additional information regarding net pension liability is included in Note 10

[2] Additional information regarding net OPEB liability is included in Note 13

## Note 6 - Fund Balance

The details of the fund balance classifications for the governmental funds at June 30, 2024 were as follows (dollars in thousands):

| | General Fund | Escheat Fund | Debt Proceeds and Interest Fund | Other Governmental Funds | Total |
|---|---|---|---|---|---|
| Nonspendable | | | | | |
| Inventory of Supplies | $ 122 | $ 0 | $ 0 | $ 0 | $ 122 |
| Restricted for | | | | | |
| Debt Service | | | 33,424 | 3,523 | 36,947 |
| Higher Education - Student Aid | | 1,431,432 | | | 1,431,432 |
| Capital Projects | | | 112,117 | | 112,117 |
| Committed to | | | | | |
| General Government | 6,668 | | | 378 | 7,046 |
| Transportation | | | | 203 | 203 |
| Unassigned | (911) | | | | (911) |
| Total Fund Balance | $ 5,879 | $ 1,431,432 | $ 145,541 | $ 4,104 | $ 1,586,956 |

## Note 7 - Revenues and Expenditures from/to Other State Agencies

The governmental funds' revenues and expenditures from/to other state agencies by entity and purpose for the fiscal year ended June 30, 2024 were as follows (dollars in thousands):

**Revenues from Other State Agencies:**

| | Purpose | Amount |
|---|---|---|
| **General Fund** | | |
| N.C. Wildlife Resources Commission | Debt Service for Wildlife Certificates of Participation | $ 2,745 |
| Office of State Budget and Management | State Capital and Infrastructure Fund | 603,311 |
| **Total Revenues from Other State Agencies** | | $ 606,056 |

**Expenditures to Other State Agencies:**

| | Purpose | Amount |
|---|---|---|
| **General Fund** | | |
| Department of Public Safety | Floodplain Map Register of Deeds | $ 3,498 |
| Department of Natural and Cultural Resources | Register of Deeds Proceeds to Cultural Resources | 1,590 |
| Office of the State Controller | Residual Register of Deeds Proceeds to be used by General Fund | 1,272 |
| Total | | 6,360 |
| **Escheats Fund** | | |
| N.C. Community Colleges System | Statutory Scholarship Transfer to Community College System | 10,921 |
| Department of Military and Veteran's Affairs | Statutory Scholarship Transfer to DOA for Veteran's Scholarship Fund | 550 |
| Total | | 11,471 |
| **Debt Proceeds and Interest Fund** | | |
| Office of State Budget and Management | Transfer Premium Account Balance held by DST to OSBM Projects Account | 1,987 |
| **Total Expenditures to Other State Agencies** | | $ 19,818 |

## Note 8 - Interfund Balances and Transfers

Transfers in/out of other funds for the fiscal year ended June 30, 2024 consisted of the following (dollars in thousands):

| Transfers Out | | Transfers In General Fund |
|---|---|---|
| Debt Proceeds and Interest Fund | $ | 10,145 |
| Escheats Fund | | 988 |
| Total | $ | 11,133 |

Transfers are primarily used to (1) transfer revenues and proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) provide unrestricted revenues collected in the General Fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations, and (3) reflect reversions of State funds from other funds to the General Fund in accordance with Office of State Budget and Management or legislative requirements.

The Department also had intrafund transfers within the General Fund for the fiscal year ended June 30, 2024 in the amount of $633 million, which has been eliminated on the governmental fund financial statements. These General Fund transfers primarily consist of transfers for debt service appropriated from the State Capital and Infrastructure Fund, which the Department transfers to the fund authorized to account for the expenditures.

## Note 9 - The State's Retirement Plans Administered by the Department

The Department administers eight retirement plans as pension trust funds, seven defined benefit public employee retirement plans, as well as a defined contribution plan, which is administered by a third party under the auspices of the Department. Although the assets of the plans directly administered by the Department are commingled for investment purposes, each plan's assets may be used only for payment of benefits to the members of that plan and for the administrative costs in accordance with the terms of each plan. Seven of the plans in this note do not issue separate financial statements, nor are they reported as part of other entities. The financial statements of each individual plan are reported in Note 16 of the State's *Annual Comprehensive Financial Report*, and other required disclosures are presented in the Required Supplementary Information (RSI) section of this report. The Supplemental Retirement Income Plan of North Carolina (NC 401(k) Plan) issues separately audited financial statements. Information on how to obtain the NC 401(k) Plan financial statements is found in Section B.8.

### A. Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements of these plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Consolidated Judicial Retirement System, the Legislative Retirement System and the North Carolina National Guard Pension Fund participate in the Long-term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The Registers of Deeds' Supplemental Pension Fund is invested in the Bond Index External Investment Pool.

The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Additionally, the securities lending balance represents assets occurring from securities lending transactions that result from the systems' participation in the External Investment Pool. The investments of the State Treasurer are discussed in Note 2 of this report.

## B. Plan Descriptions

### Cost-Sharing, Multiple-Employer, Defined Benefit Plans

### 1. Teachers' and State Employees' Retirement System

*Plan Administration:* The Department administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, LEAs, and certain proprietary component units along with charter schools that elect to join the Retirement System. Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

At June 30, 2024, the number of participating employers were as follows:

| | |
|---|---|
| State of North Carolina | 1 |
| LEAs | 116 |
| Charter Schools | 55 |
| Community Colleges | 58 |
| University of North Carolina System | 19 |
| Other Component Units | 5 |
| | 254 |

Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources, who serve as ex-officio members.

*Benefits Provided:* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

TSERS plan members who are LEOs are eligible to retire with unreduced retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service (not including sick leave) regardless of age, or have completed 15 years of creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary.

The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the "required employer contribution" to be recommended to the General Assembly. The State's and other participating employers' contractually required contribution rate for the year ended June 30, 2024, was 17.64% of covered payroll. This was equal to the actuarially determined contribution. The actuarily determined contribution included 1.20% of covered payroll to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.27(a) of Session Law 2023-134 and paid in October 2023. This amount, combined with plan member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses.

*Refunds of Contributions:* Members who have terminated service as contributing members, may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by TSERS.

**2. Local Governmental Employees' Retirement System**

*Plan Administration:* The Department administers the Local Governmental Employees' Retirement System (LGERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide benefits for employees of local governments. Membership is comprised of general employees, local law enforcement officers of participating local governmental entities, firefighters and rescue squad workers. Benefit provisions are established by General Statute 128-27 and may be amended only by the North Carolina General Assembly.

At June 30, 2024, the number of participating local governments were as follows:

| | |
|---|---|
| Cities | 429 |
| Counties | 100 |
| Special Districts | 365 |
| | 894 |

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members.

*Benefits Provided:* LGERS provides retirement, disability and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad workers who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the General Assembly.

LGERS plan members who are LEOs are eligible to retire with unreduced retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

*Contributions*: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically and affirmed annually by the LGERS Board of Trustees. The Board establishes a funding policy from which accrued liability rates and normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2024, all employers made contributions of 14.10% of covered payroll for law enforcement officers and 12.85% for general employees and firefighters. These were different than the actuarially determined contributions. The employer contribution rate for law enforcement officers was greater than the actuarially determined contribution of 12.39%. The employer contribution rate for general employees and firefighters was greater than the actuarially determined contribution of 10.43%. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. In addition, employers with an unfunded liability, established when the employer initially enters the system, must make additional contributions towards that liability. The State's responsibility is administrative only.

*Refunds of Contributions:* Members who have terminated service as contributing members may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by LGERS.

### 3. Firefighters' and Rescue Squad Workers' Pension Fund

*Plan Administration:* The Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) is a cost-sharing, defined benefit pension plan with a special funding situation in that the State of North Carolina is not the employer but is legally obligated to contribute to the plan. The State established the plan to provide pension benefits for all eligible firefighters and rescue squad workers. Membership is comprised of both volunteer and locally employed firefighters and emergency medical personnel who elect membership. Benefit provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. At June 30, 2024, there were 1,653 participating fire and rescue units.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members.

*Benefits Provided:* FRSWPF provides retirement, disability and survivor benefits. The present retirement benefit is $170 per month. As a result of Session Law 2024-29 enacted July 2, 2024, and Session Law 2024-42 enacted July 8, 2024, the retirement benefit will increase to $175 per month effective January 1, 2025. Plan members are eligible to receive the monthly retirement benefit at age 55 with 20 years of fully credited service as a firefighter or rescue squad worker regardless of whether the member has terminated paid employment. Disabled members may be able to receive benefits after attaining age 55 under certain plan provisions. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected. A survivorship benefit in the case of pre-retirement death in the line of duty provides that beneficiaries may receive the same benefit the deceased member would have received beginning when the deceased would have reached age 55, or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. Plan member benefits earned during the year, a payment to reduce the net pension liability, and administrative expenses are funded by a $10 monthly contribution by the member, investment income and an actuarially based state appropriation developed under a funding policy adopted by the LGERS Board of Trustees, which may recommend to the North Carolina General Assembly an appropriation that is higher than the actuarially determined contribution. As a result of Session Law 2024-29 enacted July 2, 2024, and Session Law 2024-42 enacted July 8, 2024, the contribution rate for members will increase to $15 per month effective January 1, 2025.

*Refunds of Contributions:* Members who are no longer eligible or choose not to participate in the fund may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by FRSWPF.

**4. Registers of Deeds' Supplemental Pension Fund**

*Plan Administration:* The Department administers the Registers of Deeds' Supplemental Pension Fund (RODSPF) which is a cost-sharing, multiple-employer, defined benefit pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county registers of deeds. Membership is comprised of registers of deeds who are retired from the Local Governmental Employees' Retirement System or an equivalent locally sponsored plan and have met the statutory eligibility requirements. At June 30, 2024, there were 108 individuals receiving benefits in the plan with 100 counties participating. Benefit provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. The State's only cost in the plan is administration.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members.

*Benefits Provided:* An individual's eligibility to receive benefits under the RODSPF is based on at least 10 years of service as a register of deeds. An individual's benefit amount in a given year is limited to the lesser of the following:

1. The member's years of service multiplied by the value of one share of accumulated contributions available for benefits for that year, as specified in General Statute 161-50.3; and

2. The benefit amount is limited to the lesser of the following:

    a. Seventy-five percent (75%) of a member's annual compensation, computed on the latest monthly rate (including any and all supplements); for registers of deeds who began serving after September 10, 2009, this 75% limit is applied to the benefit after combining the benefit with the maximum retirement allowance upon retirement under the Local Governmental Employees' Retirement System or equivalent locally sponsored retirement plan; or

    b. One thousand five hundred dollars ($1,500).

Because of the statutory limits noted above, not all contributions available for benefits are distributed. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution for the fiscal year ending 2024 is zero. Registers of Deeds do not contribute.

**Single-Employer Defined Benefit Plans**

**5. Consolidated Judicial Retirement System**

*Plan Administration:* The Department administers the Consolidated Judicial Retirement System (CJRS). This plan is a single-employer, defined benefit pension plan established by the State of North Carolina to provide pension benefits for employees of the State Judicial System. Membership is comprised of judges, district attorneys, public defenders, and clerks of court. Benefit provisions are established by Article 4 of General Statute 135 and may be amended only by the North Carolina General Assembly.

Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

*Benefits Provided:* The plan provides retirement, disability, and death benefits. Retirement benefits are determined as a percentage of the member's final compensation times the member's years of creditable service. The percentage used is determined by the position held by the member. A member's final compensation is the annual equivalent of the rate of compensation most recently applicable to the retiree as a member of the Retirement System. Plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, or at age 50 with 24 years of creditable service. Plan members are eligible to retire with reduced retirement benefits at age 50 with five years of membership service. The reduced benefit is calculated using the same formula as a service retirement benefit, multiplied by a reduction percentage based on the member's age and/or service at early retirement. The unreduced benefit from CJRS, when combined with the same member's unreduced benefits calculated under TSERS, LGERS, or LRS, if any, is limited to an amount no greater than 75% of the member's final compensation. Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to spouses of deceased retirees and spouses of members who die while in active service after reaching age 50 with five years of service. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Contribution provisions are established by General Statutes 135-68 and 135-69 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for the State is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially determined rate developed by the consulting actuary. The Board of Trustees must recommend a contribution rate that is no less than the actuarially determined rate. The Board of Trustees may adopt a contribution rate policy that results in a recommendation greater than the actuarially determined rate. The

State's contractually required contribution for the year ended June 30, 2024 was 35.28% of covered payroll. This was equal to the actuarially determined contribution. The actuarially determined contribution included 2.44% of covered payroll to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.27.(b) of Session Law 2023-134 and paid in October 2023. This amount, combined with member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability, and administrative expenses.

*Refunds of Contributions:* Members who have terminated service as contributing members may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by CJRS.

**6. Legislative Retirement System**

*Plan Administration:* The Department administers the Legislative Retirement System (LRS). This plan is a single employer, defined benefit pension plan established by the State of North Carolina to provide retirement and disability benefits for members of the General Assembly. The benefit will not be payable while the retiree is employed in a position requiring participation in either the TSERS or CJRS. Benefit provisions are established by Article 1A of General Statute 120 and may be amended only by the North Carolina General Assembly.

Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

*Benefits Provided:* LRS provides retirement, disability, and survivor benefits. Retirement benefits are determined as 4.02% of the highest annual compensation as a member of the General Assembly times years of creditable service. A member's highest annual compensation is the 12 consecutive months of salary authorized during the member's final legislative term for the highest position ever held as a member of the General Assembly. Plan members are eligible to retire with unreduced retirement benefits at age 65 after five years of service. Plan members are eligible to retire with reduced retirement benefits at age 60 after five years of service or at age 50 with 20 years of service. Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of contributing members of the General Assembly who die while in active service. The beneficiary will receive a return of the member's contributions with interest. If the member dies while in active service after 12 years of creditable service or after reaching age 60 with five years of service, the surviving beneficiary may choose to receive a lifetime monthly benefit instead of a return of contributions with interest. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Contribution provisions are established by General Statutes 120-4.19 and 120-4.20 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 7% of their annual pay. The contribution rate for the State is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially determined rate recommended by the consulting actuary. The annual contributions by the State in a given year when combined with the LRS assets in the pension accumulation fund at the beginning of the year may not be less than the projected retirement allowances and other expected benefits to be paid during that year. For the fiscal year ended June 30, 2024, the State's contractually required contribution was 20.65% of covered payroll. This was equal to the actuarially determined contribution. The actuarially determined contribution included 2.04% of covered payroll to satisfy the cost of the one-time supplement for retirees enacted through Section 39.27.(c) of Session Law 2023-134 and paid in October 2023. This amount, combined with member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability, and administrative expenses.

*Refunds of Contributions:* Members who have terminated service as contributing members may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by LRS.

**7. North Carolina National Guard Pension Fund**

*Plan Administration:* The North Carolina National Guard Pension Fund (NGPF) is a single-employer, defined benefit pension plan established by the State of North Carolina to provide pension benefits for members of the North Carolina National Guard (NCNG). Membership is comprised of members and former members of the NCNG who have served and qualified for at least 20 years of creditable military service, have at least 15 years of aforementioned service as a member of the NCNG, and have received an honorable discharge from the NCNG. This is a special funding situation because the State is not the employer but is legally obligated to contribute to the plan. Benefit provisions are established by General Statute 127A-40 and may be amended only by the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent, and the Director of the Office of State Human Resources who serve as ex-officio members.

*Benefits Provided:* NGPF provides a pension of $105 per month for 20 years of creditable military service with an additional $10.50 per month for each additional year of such service; provided; however, that the total pension shall not exceed $210 per month. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Contribution provisions are established by General Statute 127A-40 and may be amended only by the North Carolina General Assembly. Plan member benefits earned during the year, a payment to reduce the net pension liability, and administrative expenses are funded by investment income and an actuarially determined state appropriation based on the actuarially determined contribution amount developed by the consulting actuary. The Board of Trustees must recommend a contribution amount that is no less than the actuarially determined amount. The Board of Trustees may adopt a contribution policy that results in a recommendation greater than the actuarially determined amount. NGPF members do not contribute.

***Defined Contribution Plan***

**8. IRC Section 401(K) Plan**

Effective January 1, 1985, Chapter 135, Article 5 of the General Statutes authorized the creation of the Supplemental Retirement Income Plan of North Carolina (the NC 401(k) Plan) in accordance with *Internal Revenue Code (IRC) Section 401(k*). The Supplemental Retirement Board of Trustees (the Board) and the Retirement Systems Division of the Department of State Treasurer (the Department) have the responsibility for administering the NC 401(k) Plan according to the plan document, the North Carolina General Statutes, and the IRC, with the Department serving as the primary administrator carrying out the provisions of the plan, as directed by the Board. Empower Retirement, LLC (Empower) began providing recordkeeping, administration, and education services after acquiring Prudential Retirement Insurance and Annuity Company on April 1, 2022. The full migration to the Empower platform was completed in the first quarter of calendar year 2024.

All members of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Local Governmental Employees' Retirement System and University Optional Retirement Program and retirement and pension plans sponsored by political subdivisions of the State that qualify under Section 401(a) of the IRC, law enforcement officers as defined under North Carolina General Statutes 143-166.30 and 143-166.50, and individuals who are required under the IRC to be eligible for participation in the NC 401(k) Plan, are eligible to enroll in the NC 401(k) Plan and may contribute up to 80% (limited to an Internal Revenue maximum dollar amount) of their compensation during the plan fiscal year. The assets of the NC 401(k) Plan are held in trust for the exclusive benefit of participants and their beneficiaries and for paying the reasonable costs of the plan. All contributions and costs of administering the NC 401(k) Plan are the responsibility of the participants. All contributions and earnings are immediately vested in the name of each participant, subject to the felony forfeiture provisions for law enforcement officers in General Statutes 143-166 30(g1) and 143-165 50(e2). At December 31, 2023, there were approximately 289,450 employees enrolled with 998 participating employers.

The NC 401(k) Plan is a defined contribution pension plan and benefits of the Plan depend solely on amounts contributed to the plan plus investment earnings, net of expenses. Members of the NC 401(k) Plan may receive their benefits upon retirement, termination, hardship, death, or the attainment of age 59 ½.

Participants may choose from several withdrawal options, including systematic withdrawals, full or partial lump-sum withdrawals, or transfer of their balance to an eligible employer-sponsored retirement plan or IRA.

Financial statements are based on the Plan’s fiscal year. The audited statements for the year ended December 31, 2023, are presented in this financial report as a pension and other employee benefit trust fund. The NC 401(k) Plan’s financial statements are prepared using the accrual basis of accounting. Notes receivable represent loans to participants and are reported at outstanding principal balances. The NC 401(k) Plan’s financial statements are available online at myNCretirement.com or by contacting the North Carolina Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604-1668.

In addition to the voluntary contribution criteria above, General Statutes 143-166.30 and 143-166.50 require employer contributions to the NC 401(k) Plan to provide benefits for all law enforcement officers (LEOs) employed by State and local governments. Participation begins at the date of employment. Employers are required to contribute monthly to the individual accounts of participants an amount equal to 5% of each officer's monthly salary. In addition, State law enforcement officers receive a contribution into the NC 401(k) equal to a pro rata share of $0.50 for each court cost assessed and collected under General Statute 7A-304, while $1.25 of this assessment goes to local law enforcement officers, except Sheriffs. All contributions are immediately vested in the name of each participant, subject to the felony forfeiture provisions for law enforcement officers in General Statutes 143-166.30 (g1) and 143-166.50 (e2). At December 31, 2023, 54 state agencies and component units along with 434 local governmental units outside of the State reporting entity contributed the required 5%. In addition, five state agencies and 516 local government employers contributed to the NC 401(k) Plan on a voluntary basis. There were approximately 13,300 LEOs actively contributing to the NC 401(k) Plan and approximately 26,000 LEOs receiving employer contributions as of December 31, 2023.

The NC 401(k) Plan reported total member contributions of $487.09 million. The payrolls for law enforcement officers, on which the required contributions were based for the year ended December 31, 2023, amounted to $340.14 million for the State, $37.72 million for universities, and $10.12 million for community colleges, public schools and other miscellaneous component units. The required 5% employer's contribution was made by the State for $17.01 million, by universities for $1.89 million, and by the remaining component units, public schools, and community colleges for $506 thousand. In addition, the State contributed $273 thousand for required court cost assessments. The amount of pension expense recognized in the current fiscal year is equal to the employer contributions.

The NC 401(k) Plan (Supplemental Retirement Plan) discloses a related party transaction in Note 15 of this report. The Supplemental Retirement Plan's investment risks are described in Note 2.

## C. Plan Membership

The following table summarizes membership information by plan at the actuarial valuation date:

| | Cost-Sharing, Multiple-Employer | | | | Single-Employer | | |
|---|---|---|---|---|---|---|---|
| | Teachers' and State Employees' | Local Governmental | Firefighters' and Rescue Squad | Registers of Deeds' | Consolidated Judicial | Legislative | North Carolina National Guard |
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 252,036 | 85,027 | 15,263 | 108 | 850 | 294 | 4,825 |
| Inactive Plan Members Entitled to but not yet Receiving Benefits | 226,099 | 108,697 | 99 | | 70 | 120 | 2,500 |
| Active Plan Members | 303,068 | 141,269 | 44,394 | 100 | 582 | 170 | 5,336 |
| | 781,203 | 334,993 | 59,756 | 208 | 1,502 | 584 | 12,661 |
| Date of Valuation | 12/31/2023 | 12/31/2023 | 12/31/2023 | 12/31/2023 | 12/31/2023 | 12/31/2023 | 12/31/2023 |

## D. Investments

*Investment Policy:* The pension plans' policy regarding the allocation of invested assets is established and may be amended by the State Treasurer. Plan assets are managed by the

Investment Management Division of the North Carolina Department of the State Treasurer (IMD) under the direction of the State Treasurer. It is the policy of the State Treasurer to invest plan assets with a focus on protection through diversification and achievement of stable and consistent returns that meet or exceed benchmarks and actuarial assumptions over a long-term projection, with a primary objective of ensuring that all liability payments and obligations are met. The target asset allocation is developed based upon analysis of optimized portfolios, utilizing risk and return characteristics of eligible asset classes, and selecting the most efficient portfolio for a given level of risk.

For all plans participating in the External Investment Pool, the following table displays the adopted asset allocation policy as of June 30, 2024:

| Asset Class | Target Allocation |
|---|---|
| Fixed Income | 33% |
| Global Equity | 38% |
| Real Estate | 8% |
| Alternatives | 8% |
| Opportunistic Fixed Income | 7% |
| Inflation Sensitive | 6% |
| Total | 100% |

The Registers of Deeds' Supplemental Pension fund is 100% invested in the Bond Index External Investment Pool as of June 30, 2024.

*Rate of Return:* For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was:

| | Cost-Sharing, Multiple-Employer | | | | Single-Employer | | |
|---|---|---|---|---|---|---|---|
| | Teachers' and State Employees' | Local Governmental | Firefighters' and Rescue Squad | Registers of Deeds' | Consolidated Judicial | Legislative | North Carolina National Guard |
| Money-weighted Rate of Return | 8.18% | 8.20% | 8.17% | 2.79% | 8.17% | 8.07% | 8.07% |

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## E. Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at June 30, 2024, were as follows (dollars in thousands):

| | Cost-Sharing, Multiple-Employer | | | | Single-Employer | | |
|---|---|---|---|---|---|---|---|
| | Teachers' and State Employees' | Local Governmental | Firefighters' and Rescue Squad | Registers of Deeds' | Consolidated Judicial | Legislative | North Carolina National Guard |
| Total Pension Liability | $ 101,125,956 | $ 40,361,637 | $ 512,870 | $ 34,288 | $ 926,852 | $ 30,565 | $ 152,337 |
| Plan Fiduciary Net Position | 86,309,278 | 33,620,166 | 527,010 | 45,811 | 718,371 | 29,419 | 179,931 |
| Net Pension Liability (Asset) | $ 14,816,678 | $ 6,741,471 | $ (14,140) | $ (11,523) | $ 208,481 | $ 1,146 | $ (27,594) |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 85.35% | 83.30% | 102.76% | 133.61% | 77.51% | 96.25% | 118.11% |

*Actuarial Assumptions:* The total pension liability was determined by actuarial valuations as of December 31, 2023, using the following actuarial assumptions, applied to all prior periods included in the measurement. The total pension liability was then rolled forward to June 30, 2024, utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2023 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

| | Cost-Sharing, Multiple-Employer | | | | Single-Employer | | |
|---|---|---|---|---|---|---|---|
| | Teachers' and State Employees' (1) | Local Govern-mental (1) | Firefighters' and Rescue Squad | Registers of Deeds' (1) | Consolidated Judicial (1) | Legislative (1) | North Carolina National Guard |
| Valuation date | 12/31/23 | 12/31/23 | 12/31/23 | 12/31/23 | 12/31/23 | 12/31/23 | 12/31/23 |
| Inflation | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Salary Increases | 3.25-8.05% | 3.25-8.25% | N/A | 3.25-8.25% | 3.25-4.75% | 3.25% | N/A |
| Investment Rate of Return (2) | 6.50% | 6.50% | 6.50% | 3.00% | 6.50% | 6.50% | 6.50% |

(1) - Salary increases include 3.25% inflation and productivity factor

(2) - Investment rate of return includes inflation assumption and is net of pension plan investment expense.

N/A - Not Applicable

Benefit recipients of the TSERS, CJRS, and LRS received a one-time benefit supplement payment equal to 4% of the member’s annual benefit amount, paid in October 2023, as granted by the North Carolina General Assembly for the fiscal year ending June 30, 2024. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

The retirement plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies’ return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (see the discussion of the pension plan's investment policy in Section D), are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|---|---|
| Fixed Income | 2.4% |
| Global Equity | 6.9% |
| Real Estate | 6.0% |
| Alternatives | 8.6% |
| Opportunistic Fixed Income | 5.3% |
| Inflation Sensitive | 4.3% |

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index External Investment Pool as of June 30, 2024 is 2.76%.

*Discount Rate:* At December 31, 2023, the discount rate used to measure the total pension liability was 6.5% except for Registers of Deeds' Supplemental Pension Fund which was 3%. The 6.5% discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Plans' Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plans at June 30, 2024, calculated using the discount rate of 6.5% (3% for RODSPF), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%; RODSPF 2%) or 1 percentage point higher (7.5%; RODSPF 4%) than the current rate (dollars in thousands):

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|---|---|---|
| Cost-Sharing, Multiple-Employer | | | |
| TSERS's Net Pension Liability | $ 27,179,553 | $ 14,816,678 | $ 4,621,676 |
| LGERS's Net Pension Liability | 11,946,084 | 6,741,471 | 2,459,961 |
| FRSWPF's Net Pension Liability (Asset) | 50,992 | (14,140) | (67,380) |
| Single-Employer | | | |
| CJRS's Net Pension Liability | $ 307,902 | $ 208,481 | $ 123,944 |
| LRS's Net Pension Liability (Asset) | 3,992 | 1,146 | (1,285) |
| NCNG's Net Pension Liability (Asset) | (10,984) | (27,594) | (41,180) |

| | 1% Decrease (2.00%) | Current Discount Rate (3.00%) | 1% Increase (4.00%) |
|---|---|---|---|
| Cost-Sharing, Multiple-Employer | | | |
| RODSPF's Net Pension Asset | $ (7,635) | $ (11,523) | $ (14,798) |

## Note 10 - Pension Plans: Employer Reporting

The Teachers' and State Employees' Retirement System (TSERS) plan's financial information, including all information about the plan's administration, benefits provided, contributions, basis of accounting, methods used to value TSERS, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position is discussed in Note 9 of this report.

*Contributions:* The Department's and the State Health Plan's contractually-required contribution rate for the year ended June 30, 2024 was 17.64% of covered payroll. The Department's contributions to the pension plan were $6.09 million, and plan member's contributions were $1.84 million for the year ended June 30, 2024. The State Health Plan's contributions to the pension plan were $689 thousand and plan member contributions were $234 thousand for the year ended June 30, 2024.

*Net Pension Liability:* At June 30, 2024, the Department reported $25.61 million and the State Health Plan reported $3.43 million for their proportionate shares of the collective net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. The Department's and the State Health Plan's proportion of the net pension liability was based on a projection of the present value of future salaries for the Department (including the State Health Plan) relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the Department's proportion was 0.15361%, which was a total decrease of 0.00351 from its proportion measured as of June 30, 2022, which was 0.15712%. The State Health Plan's proportion was 0.02055%, which was a decrease of 0.00113 from its proportion measured as of June 30, 2022, which was 0.02168%.

*Actuarial Assumptions:* The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

| | |
|---|---|
| Valuation Date | 12/31/2022 |
| Inflation | 2.50% |
| Salary Increases* | 3.25% - 8.05% |
| Investment Rate of Return** | 6.50% |

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Fixed Income | 33% | 0.9% |
| Global Equity | 38% | 6.5% |
| Real Estate | 8% | 5.9% |
| Alternatives | 8% | 8.2% |
| Opportunistic Fixed Income | 7% | 5.0% |
| Inflation Sensitive | 6% | 2.7% |
| Total | 100% | |

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

*Discount Rate:* The discount rate used to measure the total pension liability was 6.5% for the December 31, 2022 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plan at June 30, 2023 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate (dollars in thousands):

| | Net Pension Liability (Asset) | | |
|---|---|---|---|
| | 1% Decrease (5.5%) | Current Discount Rate (6.5%) | 1% Increase (7.5%) |
| Department | $ 43,966 | $ 25,610 | $ 10,467 |
| State Health Plan | $ 5,882 | $ 3,426 | $ 1,400 |

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2024, the Department recognized a pension expense of $6.92 million. The State Health Plan recognized a pension expense of $839 thousand. At June 30, 2024, the

Department and the State Health Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

**Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:**

| | Department | | State Health Plan | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference Between Actual and Expected Experience | $ 2,088 | $ 189 | $ 279 | $ 25 |
| Changes of Assumptions | 899 | | 120 | |
| Net Difference Between Projected and Actual Earnings on Plan Investments | 7,132 | | 954 | |
| Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions | 306 | 94 | 16 | 85 |
| Contributions Subsequent to the Measurement Date | 6,088 | | 689 | |
| **Total** | $ 16,513 | $ 283 | $ 2,058 | $ 110 |

The amounts of $6.09 million and $689 thousand reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

**Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:**

| Year Ending June 30: | Department | State Health Plan |
|---|---|---|
| 2025 | $ 3,511 | $ 386 |
| 2026 | 1,749 | 233 |
| 2027 | 4,577 | 600 |
| 2028 | 305 | 40 |
| 2029 | - | - |
| **Total** | $ 10,142 | $ 1,259 |

## Note 11 - Deferred Compensation Plan

### IRC Section 457 Plan

General Statute 143B-426.24 authorized the creation of the North Carolina Public Employee Deferred Compensation Plan (the 457 Plan) to offer a uniform deferred compensation plan to the employees of the State, any county or municipality, the North Carolina Community College System, any political subdivision of the State, and any other entity whose employees are eligible to participate in the plan pursuant to the North Carolina General Statutes and Internal

Revenue Code (IRC). The Supplemental Retirement Board of Trustees (the Board) and the Retirement Systems Division of the Department have the responsibility for administering the 457 Plan according to the plan document, the North Carolina General Statutes, and Internal Revenue Code (IRC) Section 457, with the Department serving as the primary administrator carrying out the provisions of the plan, as directed by the Board. The Board and the Department currently have an agreement with Empower Retirement (Empower) to perform recordkeeping, administration, and education services. Empower began providing these services after acquiring Prudential Retirement Insurance and Annuity Company on April 1, 2022. The full migration to the Empower platform was completed in the first quarter of calendar year 2024. At December 31, 2023, there were approximately 57,220 plan members with 612 employers adopting the 457 Plan.

The 457 Plan is a defined contribution plan. Benefits of the 457 Plan depend solely on amounts contributed to the plan plus investment earnings net of expenses. The assets of the 457 Plan are held in trust for the exclusive benefit of participants and their beneficiaries and for paying the reasonable costs of the plan. As of June 30, 2024, the deferred compensation is available to employees upon separation from service, death, retirement, financial hardship, or attainment of age 59½. All costs of administering and funding the 457 Plan are the responsibility of the plan participants.

The audited statements for the year ended December 31, 2023 are presented in this financial report as a pension and other employee benefit trust fund. The 457 Plan's financial statements are prepared using the accrual basis of accounting. Notes receivable represent loans to participants and are reported at outstanding principal balances. The 457 Plan's financial statements are available online at https://www.myncretirement.com/ or by contacting the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604-1668.

The 457 Plan discloses a related party transaction in Note 15 of this report. The 457 Plan’s investment risks are described in Note 2.

**Note 12 - Other Postemployment Benefits**

The Department administers two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina as pension and other employee benefit trust funds. Although the assets of the administered plans are commingled for investment purposes, each plan’s assets may be used only for payment of benefits to members of that plan and for related administrative costs. The plans in this note do not issue separate financial statements. The financial statements of each individual plan are reported in Note 16 of the State’s *Annual Comprehensive Financial Report*, and other required disclosures are presented in the Required Supplementary Information (RSI) section of this report.

**A. Summary of Significant Accounting Policies and Plan Asset Matters**

The financial statements of these plans are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool.

Additionally, the securities lending balance represents assets occurring from securities lending transactions that result from the funds' participation in the External Investment Pool. The investments of the State Treasurer are discussed in Note 2.

## B. Plan Descriptions

### Cost-Sharing, Multiple-Employer, Defined Benefit Plans

### 1. Health Benefits

*Plan Administration:* The Department administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Health Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the financial reporting entity also participate. The Health Plan is reported as a major component unit of the State. Management of the Health Plan is vested in the State Health Plan Board of Trustees, which consists of 10 members – two appointed by the Governor, two appointed by the State Treasurer, two appointed by the state Senate, two appointed by the state House of Representatives, and the State Treasurer and the Director of State Budget and Management who serve as ex officio members. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, Local Education Agencies (LEAs), charter schools and some select local governments that are not part of the financial reporting entity also participate.

At June 30, 2024, the number of participating employers were as follows:

| | |
|---|---|
| State of North Carolina | 1 |
| LEAs | 116 |
| Charter Schools | 55 |
| Community Colleges | 58 |
| University of North Carolina System | 19 |
| Other Component Units | 5 |
| Local Governments | 11 |
| | 265 |

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of

Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

*Benefits Provided:* Plan benefits received by retired employees and disabled employees from RHBF are other postemployment benefits (OPEB). The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 14. The plan options change when former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier. Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan’s total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 5 but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

*Contributions*: By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to the RHBF are irrevocable. Also by law, RHBF assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Act. For the fiscal year ended June 30, 2024, the State and the other employers contributed the legislatively mandated 7.14% of covered payroll. This amount, combined with investment income, funds the benefits received during the year. RHBF is reported as an employee benefit trust fund.

**2. Disability Income**

*Plan Administration:* As discussed in Note 14, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of the Teachers' and State Employees' Retirement System which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, Local Education Agencies (LEAs) which are not part of the reporting entity, and the University Employees' Optional Retirement Program.

At June 30, 2024, the number of participating employers were as follows:

| | |
|---|---|
| State of North Carolina | 1 |
| LEAs | 116 |
| Charter Schools | 55 |
| Community Colleges | 58 |
| University of North Carolina System | 19 |
| Other Component Units | 5 |
| | 254 |

By statute, the DIPNC is administered by the Department of State Treasurer and the Board of Trustees of the Teachers' and State Employees' Retirement System, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex officio members.

*Benefits Provided:* Long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System (TSERS) or the University Employees' Optional Retirement Program, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from the TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age. A member who is a law enforcement officer is eligible to receive an unreduced retirement benefit from the TSERS after (1) reaching the age of 55 and completing five years of creditable service as an officer, or (2) at any age with 30 years of creditable service.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of $3,900 per month reduced by any primary Social Security disability benefits, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from the TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS or the University Employees' Optional Retirement Program.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security disability benefits.

*Contributions*: Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the General Assembly and coincide with the state fiscal year. For the fiscal year ended June 30, 2024, the State and the other employers made a statutory contribution of 0.11% of covered payroll. This was equal to the actuarially determined contribution.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

## C. Plan Membership

The following table summarizes membership information by plan at the actuarial valuation date as of December 31, 2023:

| | Retiree Health Benefit Fund | Disability Income Plan of N.C. |
|---|---|---|
| Retired members and beneficiaries currently receiving benefits | 253,687 | N/A |
| Disabled members currently receiving extended short-term and long-term disability benefits | N/A | 3,820 |
| Terminated members entitled to but not yet receiving benefits | 55,907 | - |
| Active members | 260,967 | 320,953 |
| Total | 570,561 | 324,773 |
| Date of valuation | *12/31/23* | *12/31/23* |

N/A - Not Applicable

## D. Investments

*Investment Policy:* The OPEB plans' policy in regard to the allocation of invested assets is established and may be amended by the State Treasurer. Plan assets are managed by the Investment Management Division of the North Carolina Department of the State Treasurer (IMD) under the direction of the State Treasurer. It is the policy of the State Treasurer to invest plan assets with a focus on protection through diversification, achievement of stable and consistent returns that meet or exceed benchmarks and actuarial assumptions over a long-term projection, with a primary objective of ensuring that all liability payments and obligations are met. The target asset allocation is developed based upon analysis of optimized portfolios, utilizing risk and return characteristics of eligible asset classes, and selecting the most efficient portfolio for a given level of risk.

The adopted asset allocation policies for the Disability Income Plan of North Carolina are primarily in the Bond Index Investment Pool as of June 30, 2024 as described in Note 2.

The following table displays the adopted asset allocation policy for the Retiree Health Benefit Fund as of June 30, 2024:

| Asset Class | Target Allocation |
|---|---|
| Fixed Income | 33% |
| Global Equity | 38% |
| Real Estate | 8% |
| Alternatives | 8% |
| Opportunistic Fixed Income | 7% |
| Inflation Sensitive | 6% |
| Total | 100% |

*Rate of Return:* For the year ended June 30, 2024, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense were:

| | Cost-Sharing, Multiple-Employer | |
|---|---|---|
| | Retiree Health Benefit Fund | Disability Income Plan of N.C. |
| Money-weighted Rate of Return | 6.74% | 2.76% |

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## E. Net OPEB Liability (Asset) of Participating Employers

The components of the net OPEB liability (asset) of the participating employers at June 30, 2024, were as follows (dollars in thousands):

| | Retiree Health Benefit Fund | Disability Income Plan of N.C. |
|---|---|---|
| Total OPEB liability | $ 37,702,714 | $ 219,683 |
| Plan fiduciary net position | 3,690,125 | 252,609 |
| Net OPEB liability (asset) | $ 34,012,589 | $ (32,926) |
| Plan fiduciary net position as a percentage of the total OPEB liability | 9.79% | 114.99% |

*Actuarial Assumptions*: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2024 utilizing update procedures incorporating the actuarial assumptions.

| | Retiree Health Benefit Fund | Disability Income Plan of N.C. |
|---|---|---|
| | (1) | (1) |
| Valuation Date | 12/31/2023 | 12/31/2023 |
| Inflation | 2.5% | 2.5% |
| Salary Increases | 3.25% - 8.05% | 3.25% - 8.05% |
| Investment Rate of Return (2) | 6.5% | 3.0% |
| Healthcare Cost Trend Rate - Medical (3) | 6.5% grading down to 5% by 2030 | N/A |
| Healthcare Cost Trend Rate - Prescription Drug (3) | 10% grading down to 5% by 2033 | N/A |
| Healthcare Cost Trend Rate - Prescription Drug Rebates (3) | 7% through 2030 grading down to 5% by 2033 | N/A |
| Healthcare Cost Trend Rate - Medicare Advantage (3) | Premium adjustments for IRA impact through 2027, 6.17% in 2028 down to 5% by 2034 | N/A |
| Healthcare Cost Trend Rate - Administrative (3) | 3% | N/A |

(1) - Salary increases include 3.25% inflation and productivity factor

(2) - Investment rate of return is net of OPEB plan investment expense, including inflation.

(3) - Disability Income Plan of NC eliminated employer reimbursements from the plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e. disabled and not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024.

Best estimates of real rates of return for each major asset class included in the RHBF's target asset allocation as of June 30, 2024 (see the discussion of the OPEB plans' investment policy in Section D) are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|---|---|
| Fixed Income | 2.4% |
| Global Equity | 6.9% |
| Real Estate | 6.0% |
| Alternatives | 8.6% |
| Opportunistic Fixed Income | 5.3% |
| Inflation Sensitive | 4.3% |

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of the TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2023 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

*Discount Rate:* The discount rate used to measure the total OPEB liability for RHBF was 3.93% at June 30, 2024 compared to 3.65% at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2024 and at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

*Sensitivity of the Plans' Net OPEB Liability or Asset to Changes in the Discount Rate*: The following presents the net OPEB liability or asset of the plans at June 30, 2024, as well as what the plans' net OPEB liability or asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate (dollars in thousands):

| | 1% Decrease (2.93%) | Current Discount Rate (3.93%) | 1% Increase (4.93%) |
|---|---|---|---|
| RHBF net OPEB liability | $ 40,466,179 | $ 34,012,589 | $ 28,830,921 |

| | 1% Decrease (2.00%) | Current Discount Rate (3.00%) | 1% Increase (4.00%) |
|---|---|---|---|
| DIPNC net OPEB asset | $ (29,359) | $ (32,926) | $ (36,675) |

*Sensitivity of the RHBF net OPEB liability to changes in the healthcare cost trend rates:* The following presents the net OPEB liability of the RHBF plan, as well as what the plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates at June 30, 2024 (dollars in thousands):

| | Net OPEB Liability | | |
|---|---|---|---|
| | 1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 4% - 5.17%, Administrative - 2%) | Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 5% - 6.17%, Administrative - 3%) | 1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 6% - 7.17%, Administrative - 4%) |
| RHBF | $ 28,074,951 | $ 34,012,589 | $ 41,700,675 |

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

The sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

## Note 13 - OPEB Plans Employer Reporting

Other postemployment benefit contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net other postemployment benefits liability, discussed in Note 1 to the financial statements, is not reported on the face of the governmental fund financial statements. However, the net other postemployment benefits liability for State Health Plan is reported on the face of the State Health Plan financial statements.

The Department participates in two postemployment benefit plans, the Retiree Health Benefit Fund (RHBF) and the Disability Income Plan of North Carolina (DIPNC). The financial information, including all information about the plan's administration, benefits provided, basis of accounting, methods used for valuation, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are discussed below and in Note 12 of this report.

*RHBF Contributions:* Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Act. The Department's and State Health Plan's contractually-required contribution rate for the year ended June 30, 2024 was 7.14% of covered payroll. The Department's contributions to the OPEB plan were $2.46 million and the State Health Plan's contributions to the OPEB plan were $278 thousand for the year ended June 30, 2024.

RHBF received a transfer from the State Health Plan (the Plan) as a result of Plan cost savings. For financial reporting purposes, this transfer is recognized as a nonemployer contributing entity contribution. The contribution was allocated among RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2024, the Department and State Health Plan recognized noncapital contributions for RHBF of $47 thousand and $6 thousand, respectively.

*DIPNC Contributions:* Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the General Assembly and coincide with the State's fiscal year. The Department's and State Health Plan's contractually-required contribution rate for the year ended June 30, 2024 was 0.11% of covered payroll. The Department's contributions to the OPEB plan were $38 thousand and the State Health Plan's contributions to the OPEB plan were $4 thousand for the year ended June 30, 2024.

### Net OPEB Liability

*Net OPEB Liability:* At June 30, 2024, the Department reported $36.11 million for its proportionate share of the collective net OPEB liability for RHBF and the State Health Plan reported $4.71 million. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The Department's and State Health Plan's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Department (including the State Health Plan) relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the Department's proportion was 0.13551%, which was a decrease of 0.00088 from its proportion measured as of June 30, 2022, which was 0.13639%. The State Health Plan's proportion was 0.01769%, which was an increase of 0.00037 from its proportion measured as of June 30, 2022, which was 0.01732%.

At June 30, 2024, the Department reported $35 thousand for its proportionate share of the collective net OPEB liability for DIPNC and the State Health Plan reported $5 thousand. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The Department's and State Health Plan's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Department (including the State Health Plan) relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the Department's proportion was 0.13306%, which was a decrease of 0.00371 from its proportion measured as of June 30, 2022, which was 0.13677%. The State Health Plan's proportion was 0.01778%, which was a decrease of 0.00118 from its proportion measured as of June 30, 2022, which was 0.01896%.

*Actuarial Assumptions:* The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2023 utilizing update procedures incorporating the actuarial assumptions.

| | Retiree Health Benefit Fund | Disability Income Plan of N.C. |
|---|---|---|
| Valuation Date | 12/31/2022 | 12/31/2022 |
| Inflation | 2.5% | 2.5% |
| Salary Increases [1] | 3.25% - 8.05% | 3.25% - 8.05% |
| Investment Rate of Return [2] | 6.5% | 3% |
| Healthcare Cost Trend Rate - Medical [3] | 6.5% grading down to 5% by 2029 | N/A |
| Healthcare Cost Trend Rate - Prescription Drug [3] | 10% grading down to 5% by 2033 | N/A |
| Healthcare Cost Trend Rate - Prescription Drug Rebates [3] | 7% grading down to 5% by 2033 | N/A |
| Healthcare Cost Trend Rate - Medicare Advantage [3] | 0% through 2025, 5% thereafter | N/A |
| Healthcare Cost Trend Rate - Administrative [3] | 3% | N/A |

1 - Salary increases include 3.25% inflation and productivity factor.
2 - Investment rate of return is net of OPEB plan investment expense, including inflation.
3 - Disability Income Plan of NC eliminated employer reimbursements from the plan (which included State Health Plan premiums) effective July 1, 2019

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2023.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Fixed Income | 29% | 0.9% |
| Global Equity | 42% | 6.5% |
| Real Estate | 8% | 5.9% |
| Alternatives | 8% | 8.2% |
| Opportunistic Fixed Income | 7% | 5.0% |
| Inflation Sensitive | 6% | 2.7% |
| Total | 100% | |

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study completed in 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2022 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

*Discount Rate:* The discount rate used to measure the total OPEB liability for RHBF was 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:* The following presents the Department's and State Health Plan's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

**Net OPEB Liability**

| | 1% Decrease (2.65%) | Current Discount Rate (3.65%) | 1% Increase (4.65%) |
|---|---|---|---|
| **RHBF:** | | | |
| Department as a Whole | $ 42,599 | $ 36,109 | $ 30,825 |
| State Health Plan | $ 5,561 | $ 4,713 | $ 4,024 |
| | **1% Decrease (2%)** | **Current Discount Rate (3%)** | **1% Increase (4%)** |
| **DIPNC:** | | | |
| Department as a Whole | $ 43 | $ 35 | $ 28 |
| State Health Plan | $ 6 | $ 5 | $ 4 |

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the net OPEB liability of the Department and State Health Plan, as well as what the proportionate share of the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

**Net OPEB Liability**

| | 1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%) | Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%) | 1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%) |
|---|---|---|---|
| **RHBF:** | | | |
| Department as a Whole | $ 29,812 | $ 36,109 | $ 44,231 |
| State Health Plan | $ 3,892 | $ 4,713 | $ 5,774 |

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

*OPEB Expense:* For the fiscal year ended June 30, 2024, the Department recognized OPEB expense as follows:

| | Department as a Whole | State Health Plan |
|---|---|---|
| RHBF | $ (1,224) | $ (24) |
| DIPNC | 51 | 10 |
| **Total OPEB Expense** | $ (1,173) | $ (14) |

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* At June 30, 2024, the Department's and State Health Plan's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

Employer Balances of Deferred Outflows of Resources
Related to OPEB by Classification:

| | RHBF | | DIPNC | | |
|---|---|---|---|---|---|
| | Department | State Health Plan | Department | State Health Plan | Total |
| Differences Between Actual and Expected Experience | $ 398 | $ 52 | $ 31 | $ 4 | $ 485 |
| Changes of Assumptions | 3,912 | 511 | 3 | 1 | 4,427 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | 288 | 38 | 46 | 6 | 378 |
| Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions | 1,538 | 844 | 19 | 10 | 2,411 |
| Contributions Subsequent to the Measurement Date | 2,464 | 278 | 38 | 4 | 2,784 |
| Total | $ 8,600 | $ 1,723 | $ 137 | $ 25 | $ 10,485 |

Employer Balances of Deferred Inflows of Resources
Related to OPEB by Classification:

| | RHBF | | DIPNC | | |
|---|---|---|---|---|---|
| | Department | State Health Plan | Department | State Health Plan | Total |
| Differences Between Actual and Expected Experience | $ 35 | $ 5 | $ 20 | $ 3 | $ 63 |
| Changes of Assumptions | 9,634 | 1,257 | 6 | 1 | 10,898 |
| Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions | 1,256 | 455 | 20 | 3 | 1,734 |
| Total | $ 10,925 | $ 1,717 | $ 46 | $ 7 | $ 12,695 |

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred
Inflows of Resources That will be Recognized in OPEB Expense:

| Year Ended June 30 | RHBF | | DIPNC | |
|---|---|---|---|---|
| | Department | State Health Plan | Department | State Health Plan |
| 2025 | $ (2,310) | $ (14) | $ 19 | $ 6 |
| 2026 | (2,297) | (88) | 10 | 4 |
| 2027 | (752) | (279) | 17 | 3 |
| 2028 | 570 | 109 | 6 | 1 |
| 2029 | | | | |
| Thereafter | | | 1 | |
| Total | $ (4,789) | $ (272) | $ 53 | $ 14 |

## Note 14 - Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

### A. Employee Benefit Plans

#### 1. State Health Plan

In accordance with Chapter 135, Article 3B, Part 1, of the General Statutes, the State established the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Health Plan). The Health Plan provides comprehensive healthcare benefits for employees and retirees of the State and its participating component units, as well as their qualified dependents on a contributory basis. These benefits are extended to employees and retirees of the Local Education

Agencies (LEAs), and other employing units allowed by statute, which are not part of the State's reporting entity.

The Health Plan is reported as a major component unit of the State. Coverage for active employees, non-Medicare retirees, and some Medicare retirees is self-funded. Medicare retirees also had the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options in calendar year 2023 and in calendar year 2024. Contributions for employee and retiree coverage are made by the State, its participating component units, LEAs, and other qualified employing units. Some of the plans also require an employee or retiree contribution, depending on the plan selected or the employee's or retiree's willingness to participate in wellness activities that reduce employee contributions. Contributions for dependent coverage are made by employees and retirees. As described in Note 12, coverage is also extended to certain individuals as an other postemployment benefit. The Health Plan has contracted with third parties to process claims.

The Health Plan pays most expenses that are medically necessary and eligible for coverage based on allowed amounts for Preferred Provider Organization (PPO) plan members. Claims are subject to specified annual deductible and co-payment requirements. The Health Plan provides an unlimited lifetime benefit for the PPO plans. The authority for the PPO plans is provided in General Statute 135-48.2.

Claim liabilities are based on estimates of the ultimate cost of claims that have been incurred (both reported and unreported). Claim liabilities do not include nonincremental claims adjustment expenses.

Changes in the Plan's aggregate liabilities for claims for the past two fiscal years are as follows (dollars in thousands):

| | Beginning of Fiscal Year Liability | Current-Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year End |
|---|---|---|---|---|
| 2022-23 | $ 409,058 | $ 3,961,616 | $ (3,955,641) | $ 415,033 |
| 2023-24 | 415,033 | 3,990,700 | (4,036,855) | 368,878 |

## 2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) is provided through the Death Benefit Plan, a pension and other employee benefit trust fund, to all members of the Teachers' and State Employees' Retirement System who have completed at least 12 consecutive months of membership in the System. Membership includes employees of the State, the University of North Carolina System, community colleges, and certain participating proprietary component units. Employees of Local Education Agencies (LEAs) and miscellaneous educational units which are not part of the reporting entity are also included. The benefit payment is equal to the greater of (1) the compensation on which contributions were made by the member during the calendar year preceding the year in which his/her death occurs or (2) the member's highest 12 month's salary in a row during the 24 months prior to his/her death. The benefit is subject to a minimum of $25,000 and to a maximum of $50,000.

For the period July 1, 2023 to June 30, 2024, death benefits were funded by actuarially based employer contributions that are established in the biennial appropriation bill by the General Assembly. The State, the University of North Carolina System, community colleges, participating proprietary component units, LEAs and other miscellaneous educational units contributed 0.13% of covered payroll (as defined in Note 12) to fund the Death Benefit Plan for the period July 2023 to June 2024.

These benefits are established by General Statute 135-5(1) and may be amended only by the North Carolina General Assembly. Claims liabilities are based on estimates of the ultimate cost of claims that have been incurred (both reported and unreported).

Changes in the aggregate liabilities for claims for the past two fiscal years are as follows (dollars in thousands):

| | Beginning of Fiscal Year Liability | Current-Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year End |
|---|---|---|---|---|
| 2022-23 | $ 3,599 | $ 76,722 | $ (76,132) | $ 4,189 |
| 2023-24 | 4,189 | 59,623 | (57,931) | 5,881 |

### 3. Disability Income Plan of North Carolina

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a pension and other employee benefit trust fund, to the eligible members of the Teachers' and State Employees' Retirement System (TSERS) which includes employees of the State, the University of North Carolina System, community colleges, certain participating proprietary component units and the University Employees' Optional Retirement Program. Employees of Local Education Agencies (LEAs) and miscellaneous educational units which are not part of the reporting entity are also included. Short-term benefits are payable after a waiting period of 60 continuous calendar days from the onset of disability. The 60-day waiting period is determined from the last actual day of service, the day of the disabling event if the disabling event occurred on a day other than a normal workday, or the day following at least 365 calendar days of employment as a State teacher or State employee, whichever is later. Short-term benefits are provided to currently active employees and the related liability is not measurable. Short-term benefits during the initial short-term disability period are payable for a period of up to 365 days following the waiting period. The Board of Trustees may extend the short-term disability benefits of a beneficiary beyond the benefit period of 365 days for an additional period of not more than 365 days; provided the Medical Board determines that the beneficiary's disability is temporary and likely to end within the extended period of short-term disability benefits. During the extended period of short-term disability benefits, payment of benefits shall be made by DIPNC directly to the beneficiary. As discussed in Note 12, long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. These benefits are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly.

## B. Other Risk Management and Insurance Activities

### 1. Automobile, Fire, and Other Property Losses

The Department is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the Department for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. All losses covered by the Fund are subject to varying deductibles by occurrence.

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The Department pays premiums to the North Carolina Department of Insurance for the coverage.

**2. Public Officers' and Employees' Liability Insurance**

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $2,000,000 per claim and $10,000,000 in the aggregate per fiscal year via contract with private insurance companies. The Department pays the premium, based on a composite rate, directly to the private insurer.

**3. Employee Dishonesty and Computer Fraud**

The Department is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The Department is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible.

**4. Statewide Workers' Compensation Program**

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the Department's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The Department is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The Department retains the risk for workers' compensation.

Additional details on the state-administered risk management programs are disclosed in the State's *Annual Comprehensive Financial Report*, issued by the Office of the State Controller.

**5. Other Insurance Held by the Department**

The Department purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. The Department is covered for losses from employee theft or from robbery by a non-employee. In addition, the Department has purchased a Fine Arts policy through the State, for coverage of property of a fine art nature; an Inland Marine policy covering the property of others held by the Unclaimed Property Division; and a Cyber Liability insurance policy.

## Note 15 - Related Parties

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

General Statute 135-96 established the Supplemental Retirement Board of Trustees (Board) to administer both the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan. The Plan document for each Plan designates that the general administration and responsibility for carrying out the provisions of the Plan, 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 currently have an agreement with Empower Retirement to perform recordkeeping, administration, and investment management services for both Plans.

The Plans contract with Galliard, a subsidiary of Allspring Global Investments (Allspring), to act as a delegated fiduciary investment manager for the NC Stable Value Fund. Allspring commenced operations as a result of the acquisition of Wells Fargo Asset Management by GTCR LLC and Reverence Capital Partners, L.P. Galliard, which was included in that transaction, provides collective investment vehicles and trustee services for the NC Stable Value Fund. Galliard has discretion over the benefit responsive contracts and the underlying investment managers. Galliard also has the authority to invest in securities subject to guidelines in Galliard's contract with the Board and the Department. As an advisor, Galliard is primarily responsible for ensuring that negotiated investment contracts are adhered to by the insurance companies, banks 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. The Galliard contract was amended and restated in February 2018, which included a revision to the investment structure and guidelines and lower fees. Management fees were further reduced by agreement in January 2022. No changes to the management fees occurred during the current year.

The Bank of New York Mellon serves as the custodian for the Plans and provides global custody services related to the Pooled Account. The Bank of New York Mellon is the custodian of the separately managed accounts of the Stable Value Fund. Fees for custodial services are charged based on a percentage of net asset value and are paid from the assets of the respective funds. The Bank of New York Mellon also provides a short-term cash vehicle for the temporary investment of funds until they are invested on a longer-term basis.

## Note 16 - Commitments and Contingencies

A. **No Commitment Debt** - The North Carolina Capital Facilities Finance Agency (Agency) is authorized by the State to issue tax-exempt bonds and notes to finance industrial and manufacturing facilities, pollution control facilities for industrial (in connection with manufacturing) or pollution control facilities and to finance facilities and structures at private nonprofit colleges and universities, and institutions providing kindergarten, elementary and secondary education, and various other nonprofit entities. The Agency's authority to issue bonds and notes also includes financing private sector capital improvements for activities that constitute a public purpose. The bonds issued by the Agency are not an indebtedness of the State and, accordingly, are not reflected in the accompanying financial statements. Each issue is payable solely from the revenues of the facility financed by that issue and any other credit support provided. Therefore, each issue is separately secured and is separate and independent from all other issues as to source of payment and security. The outstanding principal of such bonds and notes as of June 30, 2024, was $1.3 billion carrying both fixed interest rates and variable interest rates which can be reset periodically.

**B. Pending Litigation and Claims**

***Lake v. North Carolina State Health Plan for Teachers and State Employees, et al.*** - The main issue is whether the State wrongfully charged a monthly premium to retired State employees for the State's 80/20 coinsurance health plan. The complaint's general argument is that the State established vesting requirements under which, if an employee fulfilled the requirements, the State contracted with them to provide 80/20 coinsurance insurance coverage at no monthly premium for the duration of their retirement. Similarly, the plaintiffs allege that the State terminated an optional 90/10 coinsurance health plan to which they allegedly had vested rights. The plaintiffs claim (1) breach of contract; (2) unconstitutional impairment of contract; (3) unconstitutional denial of equal protection; and (4) unconstitutional denial of due process. The plaintiffs also allege a variety of equitable claims (e.g., specific performance, common fund) on top of the legal claims.

The State moved to dismiss, and, after a hearing, the trial court denied the motion. On May 19, 2017, the trial court issued an order granting the plaintiffs' motion for partial summary judgment and denying defendants' motion for summary judgment as to liability. The trial court held that plaintiffs, and all class members, are entitled to the version of the 80/20 coinsurance plan in existence in September 2011, or its equivalent, with no premium for their lifetimes. The trial court's order would provide damages for retirees who remained on the 80/20 coinsurance plan at the amount of premiums they actually paid. Any method for determining damages for retirees who switched to the zero-premium 70/30 coinsurance plan is yet to be determined.

The State appealed. On March 5, 2019, a panel of the Court of Appeals unanimously reversed the order of the superior court and remanded for entry of summary judgment in favor of the State. The plaintiffs petitioned the North Carolina Supreme Court for discretionary review, which was granted on February 26, 2020. After some debate over whether the case would be heard due to technical disqualifications of a majority of the justices, the Court chose to hear the case, and it was argued on October 4, 2021. The Court issued its opinion on March 11, 2022, holding that the plaintiffs did in fact have a vested contractual right to health care, but that whether any damages occurred was a question requiring further determination at the trial court. On June 9, 2022, the State filed a petition for certiorari to the United States Supreme Court, requesting review and reversal of the North Carolina Supreme Court's decision due to its misapplication of federal law. On October 3, 2022, the United States Supreme Court denied certiorari.

On June 13, 2023, the State filed a Petition for Writ of Prohibition with the North Carolina Supreme Court, presenting again the issue that the Court lacked jurisdiction when it chose to hear the case. The State's petition was denied on October 20, 2023. The matter was then remanded to the superior court. During 2023 and 2024, the parties conducted discovery as directed by the Supreme Court. Additionally, there have been multiple discussions regarding the possibility of settlement.

The parties did not have trial in March 2025 as originally scheduled. Instead, the parties filed pre-trial motions, which the trial court judge denied. The Department is now appealing the denial of one of those motions to the North Carolina Supreme Court.

The Department has stated that if the original trial court's ruling were to stand the costs to the State could exceed $100 million, not including the cost to the State Health Plan of complying with the plaintiffs' demands going forward. As stated above, the State is unable to predict the likelihood or amount of damages.

# Required Supplementary Information

***North Carolina Department of State Treasurer***
***Required Supplementary Information***
***Schedule of Revenues, Expenditures, and Changes in Fund Balance***
***Budget and Actual (Budgetary Basis-Non-GAAP) - General Fund*** ***Exhibit D-1***
***For the Fiscal Year Ended June 30, 2024*** ***Page 1 of 2***

*(Dollars in Thousands)*

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual (Cash Basis)** | **Favorable (Unfavorable)** |
| **REVENUES** | | | | |
| Fees | $ 0 | $ 0 | $ 6,360 | $ 6,360 |
| Services | 9,606 | 1,284 | 1,008 | (276) |
| Contributions | 2,000 | 4,878 | 565 | (4,313) |
| Administrative Cost Reimbursements | 31,300 | 32,950 | 30,143 | (2,807) |
| Investment Earnings | 25 | 103 | 94 | (9) |
| Interest Earnings on Loans | 518 | 518 | 7 | (511) |
| Revenues from Other State Agencies | 654,844 | 662,257 | 611,733 | (50,524) |
| Loan Collection of Principal | 3,617 | 3,617 | 93 | (3,524) |
| Reimbursement of Expenditures from Investment Pool | 17,564 | 17,522 | 12,842 | (4,680) |
| Miscellaneous Income | 13 | 28 | 15 | (13) |
| Total Revenues | 719,487 | 723,157 | 662,860 | (60,297) |
| **EXPENDITURES** | | | | |
| State Aid | 20,052 | 20,052 | 20,052 | |
| Contracted Services | 3,512 | 5,514 | 3,374 | 2,140 |
| Personal Services | 35,567 | 34,944 | 30,099 | 4,845 |
| Employee Benefits | 14,688 | 14,711 | 12,749 | 1,962 |
| Supplies and Materials | 230 | 216 | 161 | 55 |
| Travel | 252 | 240 | 80 | 160 |
| Communication | 702 | 362 | 268 | 94 |
| Utilities | 328 | 256 | 243 | 13 |
| Data Processing Services | 890 | 1,593 | 892 | 701 |
| Other Services | 942 | 1,016 | 717 | 299 |
| Claims and Benefits | 2,722 | 2,730 | 2,608 | 122 |
| Debt Service: | | | | |
| Principal Retirement | 697,557 | 819,217 | 474,980 | 344,237 |
| Interest and Fees | 214,620 | 213,793 | 126,710 | 87,083 |
| Other Fixed Charges | 3,295 | 3,918 | 2,795 | 1,123 |
| Capital Outlay | 1,672 | 1,398 | 1,007 | 391 |
| Insurance | 35 | 81 | 78 | 3 |
| Other Expenditures | 1,780 | 1,772 | 1,734 | 38 |
| Expenditures to Other State Agencies | | | 5,088 | (5,088) |
| Total Expenditures | 998,844 | 1,121,813 | 683,635 | 438,178 |
| Deficiency of Revenues Over Expenditures | (279,357) | (398,656) | (20,775) | 377,881 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| State Appropriations | 19,357 | 20,119 | 7,161 | (12,958) |
| Transfers In | 260,000 | 378,575 | 12,627 | (365,948) |
| Transfers Out | | (39) | (39) | |
| Total Other Financing Sources (Uses) | 279,357 | 398,655 | 19,749 | (378,906) |
| Net Change in Fund Balance | | (1) | (1,026) | (1,025) |
| Fund Balance - July 1 | 7,672 | 7,672 | 7,672 | |
| Fund Balance - June 30 | $ 7,672 | $ 7,671 | $ 6,646 | $ (1,025) |

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2024 to the fund balance on a modified accrual basis (GAAP).

| | General Fund |
|---|---|
| Fund Balance (Budgetary Basis) June 30, 2024 | $ 6,646 |
| Reconciling Adjustments: | |
| **Basis Differences:** | |
| **Accrued Revenues:** | |
| Accounts Receivable | 24 |
| Intergovernmental Receivables | 226 |
| Interest Receivable | 6 |
| Contributions Receivable | 94 |
| Due from Other Funds | 39 |
| Due from Component Unit | 11 |
| Total Accrued Revenues | 400 |
| **Accrued Expenditures:** | |
| Accounts Payable | (1,289) |
| **Other Adjustments:** | |
| Inventories | 122 |
| Fund Balance (GAAP Basis) June 30, 2024 | $ 5,879 |

The accompanying notes to the required supplementary information are an integral part of this schedule.

## *North Carolina Department of State Treasurer*
## *Required Supplementary Information*
## *Schedule of Revenues, Expenditures, and Changes in Fund Balance*
## *Budget and Actual (Budgetary Basis-Non-GAAP) - Escheats Fund*
## *For the Fiscal Year Ended June 30, 2024* *Exhibit D-2*

*(Dollars in Thousands)*

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual (Cash Basis)** | **Favorable (Unfavorable)** |
| **REVENUES** | | | | |
| Funds Escheated | $ 226,000 | $ 332,047 | $ 332,047 | $ 0 |
| Investment Earnings | 13,296 | 58,748 | 46,946 | (11,802) |
| Total Revenues | 239,296 | 390,795 | 378,993 | (11,802) |
| **EXPENDITURES** | | | | |
| State Aid | 78,072 | 78,072 | 78,072 | |
| Contracted Services | 6,225 | 5,848 | 5,104 | 744 |
| Other Services | 8 | 50 | 42 | 8 |
| Debt Service: | | | | |
| Principal Retirement | | 233 | 233 | |
| Interest and Fees | | 102 | 102 | |
| Other Fixed Charges | 55 | 55 | | 55 |
| Expenditures to Other State Agencies | 11,471 | 11,471 | 11,471 | |
| Total Expenditures | 95,831 | 95,831 | 95,024 | 807 |
| Excess Revenues Over Expenditures | 143,465 | 294,964 | 283,969 | (10,995) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Total Other Financing Sources (Uses) | | | | |
| Net Change in Fund Balance | 143,465 | 294,964 | 283,969 | (10,995) |
| Fund Balance - July 1 | 1,431,103 | 1,431,103 | 1,431,103 | |
| Fund Balance - June 30 | $ 1,574,568 | $ 1,726,067 | $ 1,715,072 | $ (10,995) |

The following table presents a reconciliation of resulting basis differences in the fund balance (budgetary basis) at June 30, 2024 to the fund balance on a modified accrual basis (GAAP).

| | **Escheats Fund** |
|---|---|
| Fund Balance (Budgetary Basis) June 30, 2024 | $ 1,715,072 |
| Reconciling Adjustments: | |
| **Basis Differences:** | |
| **Accrued Revenues:** | |
| Interest Receivable | 4,243 |
| **Accrued Expenditures:** | |
| Escheats Claims Payable | (110,000) |
| Accounts Payable | (273) |
| Total Accrued Expenditures | (110,273) |
| **Other Adjustments:** | |
| Investments | 330,084 |
| Reduction of Escheats Claims Payable | (556,610) |
| Unrealized Loss on Investments | (4,156) |
| **Timing Differences** | |
| Forward Funded State Aid | 53,072 |
| Fund Balance (GAAP Basis) June 30, 2024 | $ 1,431,432 |

The accompanying notes to the required supplementary information are an integral part of this schedule.

## *North Carolina Department of State Treasurer*
## *Notes to Required Supplementary Information*
## *Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis - Non-GAAP) - General Fund and Escheats Fund*
## *For the Fiscal Year Ended June 30, 2024*

**A. Budgetary Process**

The State's annual budget is prepared principally on the cash basis. The 1985 General Assembly enacted certain special provisions which state that the original budget as certified in the appropriations act is the legal budget for all agencies. These special provisions also state that agencies may spend more than was originally certified in various line items provided the over-expenditure meets certain criteria and is authorized by the Director of the Budget. The process of approving these over-expenditures results in the final authorized budget amounts.

**B. Reconciliation of Budget/GAAP Reporting Differences**

The *Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis-Non-GAAP) - General Fund and Escheats Fund,* presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between budgetary financial data and GAAP financial data.

*Basis differences.* Budgetary fund balance is accounted for on the cash basis of accounting, while GAAP fund balance for governmental funds is accounted for on the modified accrual basis of accounting. Accrued revenues and expenditures are recognized in the GAAP financial statements.

*Timing differences.* A significant variance between budgetary practices and GAAP is any time-restricted appropriations. G.S. 116B-7 requires that a distribution from the Escheats Fund be made to the State Education Assistance Authority for the UNC-Need Based Financial Aid Forward Funding Reserve (Reserve). Section 11.26 of Session Law 2014-100 restricts the use of funds appropriated to the Reserve in the current fiscal year to the subsequent fiscal year. This time-restriction prevented the revenue/expense from being recognized on a GAAP basis, which resulted in the recognition of a deferred inflow of resources (deferred state aid) by the recipient and a deferred outflow of resources (forward funded state aid) by the provider. So while the cash is paid to the recipient in the current fiscal year, it will not be recognized as an expense (by the provider) or revenue (by the recipient) until the subsequent fiscal year.

***North Carolina Department of State Treasurer***
***Required Supplementary Information***
***Schedule of the Changes in the Net Pension Liability and Related Ratios***
***Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans*** ***Exhibit E-1***
***Last Ten Fiscal Years*** ***Page 1 of 2***

*(Dollars in Thousands)*

| **Teachers' and State Employees'** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | $ 2,032,765 | $ 1,932,122 | $ 1,918,712 | $ 1,906,954 | $ 1,851,058 | $ 1,782,475 | $ 1,630,323 | $ 1,469,395 | $ 1,580,544 | $ 1,562,846 |
| Interest | 6,311,991 | 6,027,474 | 5,874,188 | 5,857,546 | 5,663,045 | 5,460,427 | 5,281,004 | 5,195,104 | 4,937,464 | 4,803,766 |
| Changes in Benefit Terms | | 213,711 | 205,169 | | | | 44,339 | 449,563 | 35,605 | |
| Differences Between Expected and Actual Experience | 643,699 | 1,812,215 | (175,206) | (141,796) | 258,502 | 535,860 | 815,911 | 229,339 | (190,178) | (278,170) |
| Changes of Assumptions | | | | 2,341,992 | | | 1,637,700 | 381,934 | 1,743,836 | |
| Benefit Payments, Including Refunds of Member Contributions | (5,783,536) | (5,636,727) | (5,324,253) | (5,055,075) | (4,934,999) | (4,835,144) | (4,666,391) | (4,545,296) | (4,339,637) | (4,184,410) |
| Net Change in Total Pension Liability | 3,204,919 | 4,348,795 | 2,498,610 | 4,909,621 | 2,837,606 | 2,943,618 | 4,742,886 | 3,180,039 | 3,767,634 | 1,904,032 |
| Total Pension Liability - Beginning | 97,921,037 | 93,572,242 | 91,073,632 | 86,164,011 | 83,326,405 | 80,382,787 | 75,639,901 | 72,459,862 | 68,692,228 | 66,788,196 |
| Total Pension Liability - Ending (a) | $ 101,125,956 | $ 97,921,037 | $ 93,572,242 | $ 91,073,632 | $ 86,164,011 | $ 83,326,405 | $ 80,382,787 | $ 75,639,901 | $ 72,459,862 | $ 68,692,228 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions-Employer | $ 3,212,327 | $ 3,034,897 | $ 2,761,946 | $ 2,373,252 | $ 2,055,075 | $ 1,915,146 | $ 1,602,901 | $ 1,441,194 | $ 1,275,003 | $ 1,262,988 |
| Contributions-Member | 1,106,850 | 1,059,460 | 1,030,635 | 981,051 | 964,544 | 951,566 | 910,797 | 894,538 | 864,151 | 854,306 |
| Net Investment Income | 6,541,442 | 4,075,935 | (6,118,110) | 14,023,684 | 3,050,585 | 4,514,117 | 4,885,354 | 6,656,652 | 472,174 | 1,468,624 |
| Benefit Payments, Including Refunds of Member Contributions | (5,783,536) | (5,636,727) | (5,324,253) | (5,055,075) | (4,934,999) | (4,835,144) | (4,666,391) | (4,545,296) | (4,339,637) | (4,184,410) |
| Administrative Expense | (16,461) | (16,093) | (13,945) | (13,870) | (12,910) | (11,815) | (11,604) | (11,265) | (10,217) | (10,646) |
| Other | (398) | 1,578 | 2,700 | (25) | 271 | (1,120) | 181 | 808 | 325 | 393 |
| Net Change in Plan Fiduciary Net Position | 5,060,224 | 2,519,050 | (7,661,027) | 12,309,017 | 1,122,566 | 2,532,750 | 2,721,238 | 4,436,631 | (1,738,201) | (608,745) |
| Plan Fiduciary Net Position - Beginning | 81,249,054 | 78,730,004 | 86,391,031 | 74,082,014 | 72,959,448 | 70,426,698 | 67,705,460 | 63,268,829 | 65,007,030 | 65,615,775 |
| Plan Fiduciary Net Position - Ending (b) | $ 86,309,278 | $ 81,249,054 | $ 78,730,004 | $ 86,391,031 | $ 74,082,014 | $ 72,959,448 | $ 70,426,698 | $ 67,705,460 | $ 63,268,829 | $ 65,007,030 |
| TSERS's Net Pension Liability - Ending (a) - (b) | $ 14,816,678 | $ 16,671,983 | $ 14,842,238 | $ 4,682,601 | $ 12,081,997 | $ 10,366,957 | $ 9,956,089 | $ 7,934,441 | $ 9,191,033 | $ 3,685,198 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 85.35% | 82.97% | 84.14% | 94.86% | 85.98% | 87.56% | 87.61% | 89.51% | 87.32% | 94.64% |
| Covered Payroll | $ 18,210,471 | $ 17,462,008 | $ 16,861,697 | $ 16,057,185 | $ 15,844,834 | $ 15,582,963 | $ 14,869,212 | $ 14,440,822 | $ 13,934,459 | $ $13,803,148 |
| Net Pension Liability as a Percentage of Covered Payroll | 81.36% | 95.48% | 88.02% | 29.16% | 76.25% | 66.53% | 66.96% | 54.94% | 65.96% | 26.70% |

| **Local Governmental Employees'** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | $ 999,460 | $ 917,160 | $ 904,200 | $ 876,765 | $ 841,148 | $ 798,120 | $ 713,227 | $ 656,231 | $ 684,288 | $ 670,936 |
| Interest | 2,462,586 | 2,312,550 | 2,225,081 | 2,139,954 | 2,037,306 | 1,934,144 | 1,838,989 | 1,803,590 | 1,707,699 | 1,628,373 |
| Changes in Benefit Terms | | | 33,159 | | | | | | 12,581 | 65,914 |
| Differences Between Expected and Actual Experience | 984,929 | 885,328 | (31,778) | 296,054 | 177,954 | 252,859 | 378,665 | 73,083 | 50,205 | (72,177) |
| Changes of Assumptions | | | | 1,125,778 | | | 595,781 | 138,096 | 183,019 | |
| Benefit Payments, Including Refunds of Member Contributions | (1,913,522) | (1,865,415) | (1,732,564) | (1,630,148) | (1,551,217) | (1,472,856) | (1,402,793) | (1,322,277) | (1,251,918) | (1,172,578) |
| Net Change in Total Pension Liability | 2,533,453 | 2,249,623 | 1,398,098 | 2,808,403 | 1,505,191 | 1,512,267 | 2,123,869 | 1,348,723 | 1,385,874 | 1,120,468 |
| Total Pension Liability - Beginning | 37,828,184 | 35,578,561 | 34,180,463 | 31,372,060 | 29,866,869 | 28,354,602 | 26,230,733 | 24,882,010 | 23,496,136 | 22,375,668 |
| Total Pension Liability - Ending (a) | $ 40,361,637 | $ 37,828,184 | $ 35,578,561 | $ 34,180,463 | $ 31,372,060 | $ 29,866,869 | $ 28,354,602 | $ 26,230,733 | $ 24,882,010 | $ 23,496,136 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions-Employer | $ 1,215,459 | $ 1,050,570 | $ 880,449 | $ 745,308 | $ 640,969 | $ 534,107 | $ 492,317 | $ 461,329 | $ 414,168 | $ 408,694 |
| Contributions-Member | 574,906 | 524,830 | 477,001 | 453,112 | 436,754 | 420,437 | 401,632 | 391,459 | 375,572 | 363,863 |
| Net Investment Income | 2,542,400 | 1,561,729 | (2,331,589) | 5,283,300 | 1,139,009 | 1,675,331 | 1,789,337 | 2,413,758 | 175,189 | 520,578 |
| Benefit Payments, Including Refunds of Member Contributions | (1,913,522) | (1,865,415) | (1,732,564) | (1,630,148) | (1,551,217) | (1,472,856) | (1,402,793) | (1,322,277) | (1,251,918) | (1,172,578) |
| Administrative Expense | (6,784) | (6,407) | (5,415) | (5,295) | (4,889) | (4,634) | (4,324) | (4,264) | (3,926) | (4,086) |
| Other | 2,610 | 2,657 | 2,384 | 1,956 | 2,061 | 1,302 | 3,081 | 3,330 | 3,248 | 3,285 |
| Net Change in Plan Fiduciary Net Position | 2,415,069 | 1,267,964 | (2,709,734) | 4,848,233 | 662,687 | 1,153,687 | 1,279,250 | 1,943,335 | (287,667) | 119,756 |
| Plan Fiduciary Net Position - Beginning | 31,205,097 | 29,937,133 | 32,646,867 | 27,798,634 | 27,135,947 | 25,982,260 | 24,703,010 | 22,759,675 | 23,047,342 | 22,927,586 |
| Plan Fiduciary Net Position - Ending (b) | $ 33,620,166 | $ 31,205,097 | $ 29,937,133 | $ 32,646,867 | $ 27,798,634 | $ 27,135,947 | $ 25,982,260 | $ 24,703,010 | $ 22,759,675 | $ 23,047,342 |
| LGERS's Net Pension Liability - Ending (a) - (b) | $ 6,741,471 | $ 6,623,087 | $ 5,641,428 | $ 1,533,596 | $ 3,573,426 | $ 2,730,922 | $ 2,372,342 | $ 1,527,723 | $ 2,122,335 | $ 448,794 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 83.30% | 82.49% | 84.14% | 95.51% | 88.61% | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% |
| Covered Payroll | $ 9,236,011 | $ 8,479,177 | $ 7,570,499 | $ 7,166,423 | $ 6,914,444 | $ 6,665,378 | $ 6,368,275 | $ 6,192,808 | $ 5,860,574 | $ 5,650,694 |
| Net Pension Liability as a Percentage of Covered Payroll | 72.99% | 78.11% | 74.52% | 21.40% | 51.68% | 40.97% | 37.25% | 24.67% | 36.21% | 7.94% |

***Schedule of the Changes in the Net Pension Liability and Related Ratios***
***Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans***
***Last Ten Fiscal Years***



*(Dollars in Thousands)*

| **Firefighters' and Rescue Squad Workers'** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | $ 7,230 | $ 7,357 | $ 7,262 | $ 7,675 | $ 7,733 | $ 7,640 | $ 7,542 | $ 4,841 | $ 5,610 | $ 5,884 |
| Interest | 32,342 | 32,031 | 32,013 | 33,116 | 32,500 | 32,140 | 31,686 | 31,475 | 30,035 | 29,671 |
| Changes in Benefit Terms | | | | | | | | | 118 | |
| Differences Between Expected and Actual Experience | (1,153) | (3,381) | (8,484) | (4,881) | (1,376) | (4,922) | (121) | 2,048 | (2,177) | (2,799) |
| Changes of Assumptions | | | | 6,525 | | | 10,593 | 2,549 | 15,577 | |
| Benefit Payments, Including Refunds of Member Contributions | (31,298) | (30,876) | (30,369) | (30,147) | (29,953) | (29,502) | (31,727) | (29,070) | (27,998) | (26,912) |
| Net Change in Total Pension Liability | 7,121 | 5,131 | 422 | 12,288 | 8,904 | 5,356 | 17,973 | 11,843 | 21,165 | 5,844 |
| Total Pension Liability - Beginning | 505,749 | 500,618 | 500,196 | 487,908 | 479,004 | 473,648 | 455,675 | 443,832 | 422,667 | 416,823 |
| Total Pension Liability - Ending (a) | $ 512,870 | $ 505,749 | $ 500,618 | $ 500,196 | $ 487,908 | $ 479,004 | $ 473,648 | $ 455,675 | $ 443,832 | $ 422,667 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions-Member | $ 2,571 | $ 2,471 | $ 2,318 | $ 2,569 | $ 2,581 | $ 2,770 | $ 17,952 | $ 2,594 | $ 2,778 | $ 2,822 |
| Contributions-Nonemployer | 20,052 | 19,702 | 19,352 | 19,002 | 18,652 | 18,302 | 2,790 | 17,602 | 13,900 | 13,900 |
| Net Investment Income | 40,231 | 25,008 | (37,515) | 85,952 | 18,593 | 27,363 | 29,505 | 39,928 | 2,867 | 8,711 |
| Benefit Payments, Including Refunds of Member Contributions | (31,298) | (30,876) | (30,369) | (30,147) | (29,953) | (29,502) | (31,727) | (29,070) | (27,998) | (26,912) |
| Administrative Expense | (1,004) | (844) | (975) | (987) | (885) | (1,002) | (885) | (919) | (860) | (1,622) |
| Other | 18 | 23 | 18 | 15 | 14 | (18) | 10 | 15 | 18 | 4 |
| Net Change in Plan Fiduciary Net Position | 30,570 | 15,484 | (47,171) | 76,404 | 9,002 | 17,913 | 17,645 | 30,150 | (9,295) | (3,097) |
| Plan Fiduciary Net Position - Beginning | 496,440 | 480,956 | 528,127 | 451,723 | 442,721 | 424,808 | 407,163 | 377,013 | 386,308 | 389,405 |
| Plan Fiduciary Net Position - Ending (b) | $ 527,010 | $ 496,440 | $ 480,956 | $ 528,127 | $ 451,723 | $ 442,721 | $ 424,808 | $ 407,163 | $ 377,013 | $ 386,308 |
| FRSWPF's Net Pension Liability (Asset) - Ending (a) - (b) | $ (14,140) | $ 9,309 | $ 19,662 | $ (27,931) | $ 36,185 | $ 36,283 | $ 48,840 | $ 48,512 | $ 66,819 | $ 36,359 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 102.76% | 98.16% | 96.07% | 105.58% | 92.58% | 92.43% | 89.69% | 89.35% | 84.94% | 91.40% |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

| **Registers of Deeds'** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | $ 1,198 | $ 1,151 | $ 1,107 | $ 1,120 | $ 1,125 | $ 1,117 | $ 1,086 | $ 860 | $ 579 | $ 578 |
| Interest | 1,016 | 1,025 | 1,025 | 1,134 | 1,122 | 1,133 | 1,157 | 1,164 | 1,354 | 1,372 |
| Differences Between Expected and Actual Experience | 380 | (618) | (360) | 308 | (124) | (770) | (1,125) | 440 | (45) | (558) |
| Changes of Assumptions | | | | 2,101 | | | | | 7,082 | |
| Benefit Payments, Including Refunds of Member Contributions | (1,932) | (1,850) | (1,844) | (1,802) | (1,788) | (1,754) | (1,793) | (1,793) | (1,718) | (1,715) |
| Net Change in Total Pension Liability | 662 | (292) | (72) | 2,861 | 335 | (274) | (675) | 671 | 7,252 | (323) |
| Total Pension Liability - Beginning | 33,626 | 33,918 | 33,990 | 31,129 | 30,794 | 31,068 | 31,743 | 31,072 | 23,820 | 24,143 |
| Total Pension Liability - Ending (a) | $ 34,288 | $ 33,626 | $ 33,918 | $ 33,990 | $ 31,129 | $ 30,794 | $ 31,068 | $ 31,743 | $ 31,072 | $ 23,820 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions-Employer | $ 860 | $ 892 | $ 1,146 | $ 1,200 | $ 958 | $ 950 | $ 856 | $ 869 | $ 817 | $ 802 |
| Net Investment Income | 1,261 | (537) | (5,334) | (228) | 4,353 | 3,721 | (230) | (13) | 3,722 | 1,114 |
| Benefit Payments, Including Refunds of Member Contributions | (1,932) | (1,850) | (1,844) | (1,802) | (1,788) | (1,754) | (1,793) | (1,793) | (1,718) | (1,715) |
| Administrative Expense | (21) | (20) | (13) | (14) | (12) | (12) | (14) | (19) | (47) | (16) |
| Net Change in Plan Fiduciary Net Position | 168 | (1,515) | (6,045) | (844) | 3,511 | 2,905 | (1,181) | (956) | 2,774 | 185 |
| Plan Fiduciary Net Position - Beginning | 45,643 | 47,158 | 53,203 | 54,047 | 50,536 | 47,631 | 48,812 | 49,768 | 46,994 | 46,809 |
| Plan Fiduciary Net Position - Ending (b) | $ 45,811 | $ 45,643 | $ 47,158 | $ 53,203 | $ 54,047 | $ 50,536 | $ 47,631 | $ 48,812 | $ 49,768 | $ 46,994 |
| RODSPF's Net Pension Asset - Ending (a) - (b) | $ (11,523) | $ (12,017) | $ (13,240) | $ (19,213) | $ (22,918) | $ (19,742) | $ (16,563) | $ (17,069) | $ (18,696) | $ (23,174) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 133.61% | 135.74% | 139.04% | 156.53% | 173.62% | 164.11% | 153.31% | 153.77% | 160.17% | 197.29% |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net Pension Asset as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 67, *Financial Reporting for Pension* Plans—an amendment of GASB Statement No. 25, as amended.

**_North Carolina Department of State Treasurer_**
**_Required Supplementary Information_**
**_Schedule of the Changes in the Net Pension Liability and Related Ratios_**
**_Single-Employer, Defined Benefit Pension Plans_** **_Exhibit E-2_**
**_Last Ten Fiscal Years_** **_Page 1 of 2_**

*(Dollars in Thousands)*

| **Consolidated Judicial** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | $ 16,220 | $ 15,796 | $ 14,320 | $ 19,545 | $ 18,869 | $ 18,710 | $ 17,192 | $ 15,630 | $ 16,904 | $ 16,812 |
| Interest | 56,527 | 53,741 | 51,397 | 49,700 | 48,149 | 46,838 | 45,397 | 44,837 | 42,009 | 40,846 |
| Changes in Benefit Terms | | 2,197 | 2,127 | | | | 430 | 4,349 | 332 | |
| Differences Between Expected and Actual Experience | 31,620 | 29,934 | 22,417 | 2,451 | 4,583 | 845 | 7,660 | 2,193 | (4,295) | (2,289) |
| Changes of Assumptions | | | | 46,622 | | | 12,836 | 3,032 | 26,588 | |
| Benefit Payments, Including Refunds of Member Contributions | (60,931) | (57,587) | (53,819) | (50,001) | (48,920) | (46,451) | (43,392) | (42,053) | (40,462) | (38,364) |
| Net Change in Total Pension Liability | 43,436 | 44,081 | 36,442 | 68,317 | 22,681 | 19,942 | 40,123 | 27,988 | 41,076 | 17,005 |
| Total Pension Liability - Beginning | 883,416 | 839,335 | 802,893 | 734,576 | 711,895 | 691,953 | 651,830 | 623,842 | 582,766 | 565,761 |
| Total Pension Liability - Ending (a) | $ 926,852 | $ 883,416 | $ 839,335 | $ 802,893 | $ 734,576 | $ 711,895 | $ 691,953 | $ 651,830 | $ 623,842 | $ 582,766 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions-Employer | $ 35,574 | $ 34,952 | $ 33,428 | $ 29,259 | $ 26,637 | $ 25,636 | $ 23,988 | $ 19,592 | $ 18,908 | $ 18,949 |
| Contributions-Member | 6,715 | 6,103 | 5,470 | 5,585 | 5,224 | 5,151 | 5,706 | 7,399 | 7,561 | 6,238 |
| Net Investment Income | 54,594 | 34,201 | (51,610) | 118,772 | 25,923 | 38,211 | 41,123 | 55,762 | 3,972 | 12,176 |
| Benefit Payments, Including Refunds of Member Contributions | (60,931) | (57,587) | (53,819) | (50,001) | (48,920) | (46,451) | (43,392) | (42,053) | (40,462) | (38,364) |
| Administrative Expense | (43) | (71) | (29) | (34) | (27) | (30) | (24) | (37) | (73) | (30) |
| Other | 100 | | 4 | | | (119) | | | | 1 |
| Net Change in Plan Fiduciary Net Position | 36,009 | 17,598 | (66,556) | 103,581 | 8,837 | 22,398 | 27,401 | 40,663 | (10,094) | (1,030) |
| Plan Fiduciary Net Position - Beginning | 682,362 | 664,764 | 731,320 | 627,739 | 618,902 | 596,504 | 569,103 | 528,440 | 538,534 | 539,564 |
| Plan Fiduciary Net Position - Ending (b) | $ 718,371 | $ 682,362 | $ 664,764 | $ 731,320 | $ 627,739 | $ 618,902 | $ 596,504 | $ 569,103 | $ 528,440 | $ 538,534 |
| CJRS's Net Pension Liability - Ending (a) - (b) | $ 208,481 | $ 201,054 | $ 174,571 | $ 71,573 | $ 106,837 | $ 92,993 | $ 95,449 | $ 82,727 | $ 95,402 | $ 44,232 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.51% | 77.24% | 79.20% | 91.09% | 85.46% | 86.94% | 86.21% | 87.31% | 84.71% | 92.41% |
| Covered Payroll | $ 100,833 | $ 87,489 | $ 83,528 | $ 80,294 | $ 79,277 | $ 75,712 | $ 77,255 | $ 66,504 | $ 69,489 | $ 69,638 |
| Net Pension Liability as a Percentage of Covered Payroll | 206.76% | 229.80% | 209.00% | 89.14% | 134.76% | 122.82% | 123.55% | 124.39% | 137.29% | 63.52% |

| **Legislative** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | $ 798 | $ 797 | $ 796 | $ 1,034 | $ 1,058 | $ 1,088 | $ 1,006 | $ 872 | $ 822 | $ 844 |
| Interest | 1,948 | 1,933 | 1,925 | 2,053 | 2,051 | 2,052 | 2,028 | 2,056 | 1,708 | 1,742 |
| Changes in Benefit Terms | | 94 | 94 | | | | 24 | 215 | 22 | |
| Differences Between Expected and Actual Experience | (57) | (92) | (281) | (815) | (617) | (596) | 207 | (122) | (520) | (579) |
| Changes of Assumptions | | | | (353) | | | 511 | 121 | 5,151 | |
| Benefit Payments, Including Refunds of Member Contributions | (2,557) | (2,449) | (2,358) | (2,516) | (2,388) | (2,732) | (2,531) | (2,437) | (2,430) | (2,473) |
| Net Change in Total Pension Liability | 132 | 283 | 176 | (597) | 104 | (188) | 1,245 | 705 | 4,753 | (466) |
| Total Pension Liability - Beginning | 30,433 | 30,150 | 29,974 | 30,571 | 30,467 | 30,655 | 29,410 | 28,705 | 23,952 | 24,418 |
| Total Pension Liability - Ending (a) | $ 30,565 | $ 30,433 | $ 30,150 | $ 29,974 | $ 30,571 | $ 30,467 | $ 30,655 | $ 29,410 | $ 28,705 | $ 23,952 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions-Employer | $ 748 | $ 901 | $ 1,029 | $ 987 | $ 956 | $ 809 | $ 689 | $ 675 | $ 65 | $ 0 |
| Contributions-Member | 253 | 259 | 253 | 253 | 253 | 257 | 253 | 253 | 253 | 253 |
| Net Investment Income | 2,243 | 1,441 | (2,183) | 5,162 | 1,151 | 1,726 | 1,975 | 2,744 | 181 | 642 |
| Benefit Payments, Including Refunds of Member Contributions | (2,557) | (2,449) | (2,358) | (2,516) | (2,388) | (2,732) | (2,531) | (2,437) | (2,430) | (2,473) |
| Administrative Expense | (16) | (23) | (15) | (13) | (13) | (14) | (14) | (18) | (53) | (17) |
| Other | | (1) | (1) | | 6 | (50) | | | | |
| Net Change in Plan Fiduciary Net Position | 671 | 128 | (3,275) | 3,873 | (35) | (4) | 372 | 1,217 | (1,984) | (1,595) |
| Plan Fiduciary Net Position - Beginning | 28,748 | 28,620 | 31,895 | 28,022 | 28,057 | 28,061 | 27,689 | 26,472 | 28,456 | 30,051 |
| Plan Fiduciary Net Position - Ending (b) | $ 29,419 | $ 28,748 | $ 28,620 | $ 31,895 | $ 28,022 | $ 28,057 | $ 28,061 | $ 27,689 | $ 26,472 | $ 28,456 |
| LRS's Net Pension Liability (Asset) - Ending (a) - (b) | $ 1,146 | $ 1,685 | $ 1,530 | $ (1,921) | $ 2,549 | $ 2,410 | $ 2,594 | $ 1,721 | $ 2,233 | $ (4,504) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 96.25% | 94.46% | 94.93% | 106.41% | 91.66% | 92.09% | 91.54% | 94.15% | 92.22% | 118.80% |
| Covered Payroll | $ 3,622 | $ 3,617 | $ 3,619 | $ 3,615 | $ 3,613 | $ 3,611 | $ 3,618 | $ 3,705 | $ 3,616 | $ 3,611 |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | 31.64% | 46.59% | 42.28% | (53.14%) | 70.55% | 66.74% | 71.70% | 46.45% | 61.75% | (124.73%) |

*North Carolina Department of State Treasurer*
*Required Supplementary Information*
*Schedule of the Changes in the Net Pension Liability and Related Ratios*
*Single-Employer, Defined Benefit Pension Plans* — ***Exhibit E-2***
*Last Ten Fiscal Years* — ***Page 2 of 2***

*(Dollars in Thousands)*

| North Carolina National Guard | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | $ 229 | $ 230 | $ 196 | $ 276 | $ 315 | $ 327 | $ 304 | $ 305 | $ 593 | $ 550 |
| Interest | 9,059 | 9,478 | 11,070 | 11,097 | 11,746 | 12,368 | 12,288 | 11,975 | 10,700 | 9,916 |
| Changes in Benefit Terms | | | | | | | | | | 8,734 |
| Differences Between Expected and Actual Experience | 8,616 | (6,970) | (26,734) | 4,599 | (12,364) | (12,701) | (1,748) | 1,204 | 30 | (198) |
| Changes of Assumptions | | | | 4,601 | | | 3,926 | 955 | 15,149 | |
| Benefit Payments, Including Refunds of Member Contributions | (9,279) | (9,080) | (9,049) | (8,915) | (9,018) | (8,736) | (8,766) | (8,677) | (8,512) | (7,958) |
| Net Change in Total Pension Liability | 8,625 | (6,342) | (24,517) | 11,658 | (9,321) | (8,742) | 6,004 | 5,762 | 17,960 | 11,044 |
| Total Pension Liability - Beginning | 143,712 | 150,054 | 174,571 | 162,913 | 172,234 | 180,976 | 174,972 | 169,210 | 151,250 | 140,206 |
| Total Pension Liability - Ending (a) | $ 152,337 | $ 143,712 | $ 150,054 | $ 174,571 | $ 162,913 | $ 172,234 | $ 180,976 | $ 174,972 | $ 169,210 | $ 151,250 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions-Member | | | | | | | | | | |
| Contributions-Nonemployer | $ | $ 11,032 | $ 11,032 | $ 11,032 | $ 11,032 | $ 9,072 | $ 8,923 | $ 8,517 | $ 7,066 | $ 6,039 |
| Net Investment Income | 13,810 | 8,539 | (12,272) | 27,365 | 5,871 | 8,463 | 8,766 | 11,626 | 842 | 2,493 |
| Benefit Payments, Including Refunds of Member Contributions | (9,279) | (9,080) | (9,049) | (8,915) | (9,018) | (8,736) | (8,766) | (8,677) | (8,512) | (7,958) |
| Administrative Expense | (328) | (144) | (91) | (94) | (83) | (13) | (249) | (168) | (97) | (75) |
| Other | 1 | (1) | (4) | 1 | 1 | (16) | 2 | | 1 | |
| Net Change in Plan Fiduciary Net Position | 4,204 | 10,346 | (10,384) | 29,389 | 7,803 | 8,770 | 8,676 | 11,298 | (700) | 499 |
| Plan Fiduciary Net Position - Beginning | 175,727 | 165,381 | 175,765 | 146,376 | 138,573 | 129,803 | 121,127 | 109,829 | 110,529 | 110,030 |
| Plan Fiduciary Net Position - Ending (b) | $ 179,931 | $ 175,727 | $ 165,381 | $ 175,765 | $ 146,376 | $ 138,573 | $ 129,803 | $ 121,127 | $ 109,829 | $ 110,529 |
| NGPF's Net Pension Liability (Asset) - Ending (a) - (b) | $ (27,594) | $ (32,015) | $ (15,327) | $ (1,194) | $ 16,537 | $ 33,661 | $ 51,173 | $ 53,845 | $ 59,381 | $ 40,721 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 118.11% | 122.28% | 110.21% | 100.68% | 89.85% | 80.46% | 71.72% | 69.23% | 64.91% | 73.08% |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 67, *Financial Reporting for Pension* Plans — an amendment of GASB Statement No. 25, as amended.

***North Carolina Department of State Treasurer***
***Required Supplementary Information***
***Schedule of Employer and Nonemployer Contributions***
***Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans*** — ***Exhibit E-3***
***Last Ten Fiscal Years*** — ***Page 1 of 2***

*(Dollars in Thousands)*

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Teachers' and State Employees'** | | | | | | | | | | |
| Actuarially Determined Contribution | $ 3,212,327 | $ 3,034,897 | $ 2,761,946 | $ 2,373,252 | $ 2,055,075 | $ 1,915,146 | $ 1,565,728 | $ 1,438,306 | $ 1,210,904 | $ 1,262,988 |
| Contributions in Relation to the Actuarially Determined Contribution [1] | 3,212,327 | $ 3,034,897 | 2,761,946 | 2,373,252 | 2,055,075 | 1,915,146 | 1,602,901 | 1,441,194 | 1,275,003 | 1,262,988 |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ (37,173) | $ (2,888) | $ (64,099) | $ 0 |
| Covered Payroll | $ 18,210,471 | $ 17,462,008 | $ 16,861,697 | $ 16,057,185 | $ 15,844,834 | $ 15,582,963 | $ 14,869,212 | $ 14,440,822 | $ 13,934,459 | $ 13,803,148 |
| Contributions as a Percentage of Covered Payroll | 17.64% | 17.38% | 16.38% | 14.78% | 12.97% | 12.29% | 10.78% | 9.98% | 9.15% | 9.15% |
| **Local Governmental Employees'** | | | | | | | | | | |
| Actuarially Determined Contribution | $ 1,002,980 | $ 1,024,690 | $ 886,620 | $ 763,653 | $ 625,511 | $ 512,287 | $ 483,559 | $ 453,193 | $ 393,920 | $ 402,429 |
| Contributions in Relation to the Actuarially Determined Contribution [1] | 1,215,459 | 1,050,570 | 880,449 | 745,308 | 640,969 | 534,107 | 492,317 | 461,329 | 414,168 | 408,694 |
| Contribution Deficiency (Excess) | $ (212,479) | $ (25,880) | $ 6,171 | $ 18,345 | $ (15,458) | $ (21,820) | $ (8,758) | $ (8,136) | $ (20,248) | $ (6,265) |
| Covered Payroll | $ 9,236,011 | $ 8,479,177 | $ 7,570,499 | $ 7,166,423 | $ 6,914,444 | $ 6,665,378 | $ 6,368,275 | $ 6,192,808 | $ 5,860,574 | $ 5,650,694 |
| Contributions as a Percentage of Covered Payroll | 13.16% | 12.39% | 11.63% | 10.40% | 9.27% | 8.01% | 7.73% | 7.45% | 7.07% | 7.23% |
| **Firefighters' and Rescue Squad Workers'** [2] | | | | | | | | | | |
| Actuarially Determined Contribution | $ 3,253 | $ 13,087 | $ 15,183 | $ 14,846 | $ 14,324 | $ 14,544 | $ 14,287 | $ 17,705 | $ 13,241 | $ 13,900 |
| Contributions in Relation to the Actuarially Determined Contribution [1] | 20,052 | 19,702 | 19,352 | 19,002 | 18,652 | 18,302 | 17,952 | 17,602 | 13,900 | 13,900 |
| Contribution Deficiency (Excess) | $ (16,799) | $ (6,615) | $ (4,169) | $ (4,156) | $ (4,328) | $ (3,758) | $ (3,665) | $ 103 | $ (659) | $ 0 |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Registers of Deeds'** | | | | | | | | | | |
| Actuarially Determined Contribution | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Contributions in Relation to the Actuarially Determined Contribution [1] | 860 | 892 | 1,146 | 1,200 | 958 | 950 | 856 | 869 | 817 | 802 |
| Contribution Deficiency (Excess) | $ (860) | $ (892) | $ (1,146) | $ (1,200) | $ (958) | $ (950) | $ (856) | $ (869) | $ (817) | $ (802) |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

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

(2) Nonemployer contributing entity

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

## *North Carolina Department of State Treasurer*
## *Required Supplementary Information*
## *Schedule of Employer and Nonemployer Contributions*
## *Single-Employer, Defined Benefit Pension Plans*
## *Last Ten Fiscal Years*



*(Dollars in Thousands)*

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated Judicial** | | | | | | | | | | |
| Actuarially Determined Contribution | $ 35,574 | $ 34,689 | $ 33,428 | $ 29,259 | $ 26,637 | $ 24,947 | $ 23,988 | $ 19,592 | $ 18,324 | $ 18,949 |
| Contributions in Relation to the Actuarially Determined Contribution | 35,574 | 34,952 | 33,428 | 29,259 | 26,637 | 25,636 | 23,988 | 19,592 | 18,908 | 18,949 |
| Contribution Deficiency (Excess) | $ 0 | $ (263) | $ 0 | $ 0 | $ 0 | $ (689) | $ 0 | $ 0 | $ (584) | $ 0 |
| Covered Payroll | $ 100,833 | $ 87,489 | $ 83,528 | $ 80,294 | $ 79,277 | $ 75,712 | $ 77,255 | $ 66,504 | $ 69,489 | $ 69,638 |
| Contributions as a Percentage of Covered Payroll | 35.28% | 39.95% | 40.02% | 36.44% | 33.60% | 33.86% | 31.05% | 29.46% | 27.21% | 27.21% |
| **Legislative** | | | | | | | | | | |
| Actuarially Determined Contribution | $ 748 | $ 890 | $ 1,029 | $ 987 | $ 956 | $ 809 | $ 689 | $ 675 | $ 65 | $ 0 |
| Contributions in Relation to the Actuarially Determined Contribution | 748 | 901 | 1,029 | 987 | 956 | 809 | 689 | 675 | 65 | |
| Contribution Deficiency (Excess) | $ 0 | $ (11) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Covered Payroll | $ 3,622 | $ 3,617 | $ 3,619 | $ 3,615 | $ 3,613 | $ 3,611 | $ 3,618 | $ 3,705 | $ 3,616 | $ 3,611 |
| Contributions as a Percentage of Covered Payroll | 20.65% | 24.91% | 28.43% | 27.30% | 26.46% | 22.40% | 19.04% | 18.22% | 1.80% | 0.00% |
| **North Carolina National Guard*** | | | | | | | | | | |
| Actuarially Determined Contribution | $ 0 | $ 11,032 | $ 11,032 | $ 11,032 | $ 11,032 | $ 9,072 | $ 8,923 | $ 8,517 | $ 7,066 | $ 6,039 |
| Contributions in Relation to the Actuarially Determined Contribution | 0 | 11,032 | 11,032 | 11,032 | 11,032 | 9,072 | 8,923 | 8,517 | 7,066 | 6,039 |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

* Nonemployer contributing entity

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

***North Carolina Department of State Treasurer***
***Required Supplementary Information***
***Schedule of Investment Returns***
***All Defined Benefit Pension Plans***
***Last Ten Fiscal Years*** ***Exhibit E-4***

| Annual Money-Weighted Rate of Return, Net of Investment Expense | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost Sharing, Multiple-Employer** | | | | | | | | | | |
| Teachers' and State Employees' | 8.18% | 5.27% | (7.18%) | 19.13% | 4.35% | 6.57% | 7.61% | 10.75% | 0.74% | 2.27% |
| Local Governmental Employees' | 8.20% | 5.27% | (7.20%) | 19.10% | 4.34% | 6.58% | 7.59% | 10.74% | 0.77% | 2.27% |
| Firefighters' and Rescue Squad Workers' | 8.17% | 5.25% | (7.15%) | 19.10% | 4.33% | 6.55% | 7.59% | 10.76% | 0.75% | 2.26% |
| Registers of Deeds' | 2.79% | (1.16%) | (10.13%) | (0.43%) | 8.72% | 7.91% | (0.47%) | (0.03%) | 8.04% | 2.26% |
| **Single-Employer** | | | | | | | | | | |
| Consolidated Judicial | 8.17% | 5.25% | (7.17%) | 19.13% | 4.36% | 6.57% | 7.60% | 10.75% | 0.75% | 2.27% |
| Legislative | 8.07% | 5.19% | (7.00%) | 18.81% | 4.30% | 6.43% | 7.64% | 10.72% | 0.66% | 2.25% |
| North Carolina National Guard | 8.07% | 5.12% | (6.90%) | 18.40% | 4.28% | 6.52% | 7.44% | 10.63% | 0.77% | 2.25% |

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 67, *Financial Reporting for Pension* Plans—an amendment of GASB Statement No. 25, as amended.

*Changes of Benefit Terms:*

| | Cost of Living Increase | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| **Cost-Sharing, Multiple-Employer** | | | | | | | | | | |
| Teachers' and State Employees' | N/A | N/A | N/A | N/A | N/A | N/A | 1.00% | N/A | N/A | N/A |
| Local Governmental Employees' | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.11% | 0.63% | N/A |
| Firefighters' and Rescue Squad Workers' | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Registers of Deeds' | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Single-Employer** | | | | | | | | | | |
| Consolidated Judicial | N/A | N/A | N/A | N/A | N/A | N/A | 1.00% | N/A | N/A | N/A |
| Legislative | N/A | N/A | N/A | N/A | N/A | N/A | 1.00% | N/A | N/A | N/A |
| North Carolina National Guard | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

N/A - not applicable

Beginning in FY 2015, with the implementation of GASB 68, the above table reflects COLA's in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan Net Pension Liability.

For the North Carolina National Guard Pension fund, in 2015, basic benefits were increased from $95 to $99 and total potential benefits were increased from $190 to $198. In 2016, basic benefits were increased from $99 to $105 and total benefits were increased from $198 to $210.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017 and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS, CJRS and LRS as of July 1, 2016 received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

In December 2021 for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS, CJRS, and LRS as of September 1, 2021 received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS, CJRS, and LRS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. LGERS benefit recipients received a one-time benefit supplement payment equal to 2% of the member's annual benefit amount for the fiscal year ending June 30, 2023, paid in October 2022. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Benefit recipients of the TSERS, CJRS, and LRS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

For the Firefighters' and Rescue Squad Workers' Pension Plan, as a result of Session Law 2024-29 enacted July 2, 2024 and Session Law 2024-42 enacted July 8, 2024, the retirement benefit will increase from $170 to $175 per month and the contribution rate for members will increase from $10 to $15 per month. Both changes are effective January 1, 2025.

Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS.

*Methods and Assumptions used in Calculations of Actuarially Determined Contributions:* An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 9 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

*Changes of Assumptions:* In January 2021, the actuarial assumptions were updated to more closely reflect actual experience. These assumptions pertain to the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Registers of Deeds' Supplemental Pension Fund, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the North Carolina National Guard Pension Fund.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the North Carolina National Guard Pension Fund was lowered from 7.00% to 6.50%, and for the Register of Deeds' Supplemental Pension Fund from 3.75% to 3.00%, effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

## North Carolina Department of State Treasurer
## Required Supplementary Information
## Schedule of the Proportionate Share of the Net Pension Liability
## Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
## State Health Plan
## Last Ten Fiscal Years* — Exhibit F-1

*(Dollars in Thousands)*

| Teachers' and State Employees' Retirement System | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Proportionate Share Percentage of Collective Net Pension Liability | 0.02055% | 0.02168% | 0.02174% | 0.02330% | 0.02284% |
| Proportionate Share of TSERS Collective Net Pension Liability | $ 3,426 | $ 3,218 | $ 1,018 | $ 2,815 | $ 2,368 |
| Covered Payroll | $ 3,835 | $ 3,864 | $ 3,349 | $ 3,475 | $ 3,359 |
| Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 89.34% | 83.28% | 30.40% | 81.01% | 70.50% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.97% | 84.14% | 94.86% | 85.98% | 87.56% |

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Proportionate Share Percentage of Collective Net Pension Liability | 0.01619% | 0.01948% | 0.01694% | 0.01864% | 0.02214% |
| Proportionate Share of TSERS Collective Net Pension Liability | $ 1,612 | $ 1,546 | $ 1,557 | $ 687 | $ 259 |
| Covered Payroll | $ 2,794 | $ 3,255 | $ 2,724 | $ 2,461 | $ 2,973 |
| Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 57.70% | 47.50% | 57.16% | 27.92% | 8.71% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 87.61% | 89.51% | 87.32% | 94.64% | 98.24% |

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* , as amended.

*The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

## North Carolina Department of State Treasurer
## Required Supplementary Information
## Schedule of Employer Contributions
## Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
## State Health Plan
## Last Ten Fiscal Years* — Exhibit F-2

*(Dollars in Thousands)*

| Teachers' and State Employees' Retirement System | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Contractually Required Contribution | $ 689 | $ 666 | $ 633 | $ 495 | $ 451 |
| Contributions in Relation to the Contractually Determined Contribution | 689 | 666 | 633 | 495 | 416 |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 35 |
| Covered Payroll | $ 3,903 | $ 3,835 | $ 3,864 | $ 3,349 | $ 3,475 |
| Contributions as a Percentage of Covered Payroll | 17.64% | 17.38% | 16.38% | 14.78% | 11.96% |

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Contractually Required Contribution | $ 413 | $ 301 | $ 325 | $ 249 | $ 225 |
| Contributions in Relation to the Contractually Determined Contribution | 413 | 301 | 325 | 249 | 236 |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ (11) |
| Covered Payroll | $ 3,359 | $ 2,794 | $ 3,255 | $ 2,724 | $ 2,461 |
| Contributions as a Percentage of Covered Payroll | 12.30% | 10.77% | 9.98% | 9.14% | 9.59% |

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

***North Carolina Department of State Treasurer***
***Required Supplementary Information***
***Schedule of the Changes in the Net OPEB Liability and Related Ratios***
***Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans***
***Last Eight Fiscal Years*** ***Exhibit G-1***

*(Dollars in Thousands)*

| **Retiree Health Benefit** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
|---|---|---|---|---|---|---|---|---|
| Total OPEB Liability | | | | | | | | |
| Service Cost | $ 1,318,987 | $ 1,279,519 | $ 2,131,391 | $ 1,974,212 | $ 1,824,174 | $ 1,539,092 | $ 1,753,384 | $ 2,650,984 |
| Interest | 1,115,558 | 965,755 | 758,427 | 690,162 | 1,203,196 | 1,192,810 | 1,261,878 | 1,332,874 |
| Changes in Benefit Terms | (1,370,032) | | (96,837) | | 224,085 | (72,358) | | |
| Differences Between Expected and Actual Experience | 91,403 | 152,230 | 106,923 | 194,899 | 30,157 | (156,655) | (80,951) | (2,821,033) |
| Changes of Assumptions | 7,919,368 | 2,016,085 | (8,798,881) | 1,939,421 | (5,489,969) | 1,824,892 | (6,141,972) | (10,835,144) |
| Benefit Payments, Including Refunds of Member Contributions | (1,222,657) | (1,120,623) | (1,044,121) | (1,100,633) | (1,084,668) | (1,030,956) | (977,176) | (922,021) |
| Net Change in Total OPEB Liability | 7,852,627 | 3,292,966 | (6,943,098) | 3,698,061 | (3,293,025) | 3,296,825 | (4,184,837) | (10,594,340) |
| Total OPEB Liability - Beginning | 29,850,087 | 26,557,121 | 33,500,219 | 29,802,158 | 33,095,183 | 29,798,358 | 33,983,195 | 44,577,535 |
| Total OPEB Liability - Ending (a) | $ 37,702,714 | $ 29,850,087 | $ 26,557,121 | $ 33,500,219 | $ 29,802,158 | $ 33,095,183 | $ 29,798,358 | $ 33,983,195 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions Employer | $ 1,483,995 | $ 1,366,928 | $ 1,197,278 | $ 1,214,750 | $ 1,162,967 | $ 1,104,902 | $ 1,018,693 | $ 950,813 |
| Contributions Other | 10,348 | 35,006 | | 187,000 | 475,200 | | | |
| Net Investment Income | 215,939 | 111,228 | (107,846) | 222,377 | 52,286 | 71,780 | 72,384 | 94,132 |
| Benefit Payments, Including Refunds of Member Contributions | (1,222,657) | (1,120,623) | (1,044,121) | (1,100,633) | (1,084,668) | (1,030,956) | (977,176) | (922,021) |
| Administrative Expense | (161) | (147) | (174) | (175) | (162) | (215) | (298) | (490) |
| Other | | | 180,506 | | | | | |
| Net Change in Plan Fiduciary Net Position | 487,464 | 392,392 | 225,643 | 523,319 | 605,623 | 145,511 | 113,603 | 122,434 |
| Plan Fiduciary Net Position - Beginning | 3,202,661 | 2,810,269 | 2,584,626 | 2,061,307 | 1,455,684 | 1,310,173 | 1,196,570 | 1,074,136 |
| Plan Fiduciary Net Position - Ending (b) | $ 3,690,125 | $ 3,202,661 | $ 2,810,269 | $ 2,584,626 | $ 2,061,307 | $ 1,455,684 | $ 1,310,173 | $ 1,196,570 |
| Retiree Health Benefit Net OPEB Liability - Ending (a) - (b) | $ 34,012,589 | $ 26,647,426 | $ 23,746,852 | $ 30,915,593 | $ 27,740,851 | $ 31,639,499 | $ 28,488,185 | $ 32,786,625 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 9.79% | 10.73% | 10.58% | 7.72% | 6.92% | 4.40% | 4.40% | 3.52% |
| Covered Payroll | $ 20,784,240 | $ 19,839,303 | $ 19,034,634 | $ 18,184,883 | $ 17,974,758 | $ 17,622,035 | $ 16,837,901 | $ 16,365,112 |
| Net OPEB Liability as a Percentage of Covered Payroll | 163.65% | 134.32% | 124.76% | 170.01% | 154.33% | 179.55% | 169.19% | 200.34% |

| **Disability Income** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
|---|---|---|---|---|---|---|---|---|
| Total OPEB Liability | | | | | | | | |
| Service Cost | $ 23,066 | $ 23,657 | $ 22,246 | $ 23,010 | $ 22,708 | $ 22,567 | $ 25,919 | $ 25,441 |
| Interest | 8,713 | 9,641 | 9,528 | 10,969 | 11,424 | 13,800 | 14,654 | 14,111 |
| Changes of Benefit Terms | | | | | | | (44,158) | (403) |
| Differences Between Expected and Actual Experience | (45,761) | (22,097) | 1,735 | 15,758 | 5,137 | 4,106 | 48,787 | 22,345 |
| Changes of assumptions | (17,657) | 1,473 | (552) | (2,935) | 2 | (4,980) | 6,692 | |
| Benefit Payments, Including Refunds of Member Contributions | (31,846) | (37,470) | (40,381) | (47,453) | (55,210) | (61,946) | (69,949) | (71,728) |
| Net Change in Total OPEB Liability | (63,485) | (24,796) | (7,424) | (651) | (15,939) | (26,453) | (18,055) | (10,234) |
| Total OPEB Liability - Beginning | 283,168 | 307,964 | 315,388 | 316,039 | 331,978 | 358,431 | 376,486 | 386,720 |
| Total OPEB Liability - Ending (a) | $ 219,683 | $ 283,168 | $ 307,964 | $ 315,388 | $ 316,039 | $ 331,978 | $ 358,431 | $ 376,486 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions Employer | $ 22,659 | $ 19,677 | $ 17,019 | $ 16,226 | $ 17,848 | $ 24,468 | $ 23,385 | $ 61,654 |
| Net Investment Income | 6,387 | (2,853) | (29,145) | (1,292) | 28,322 | 24,725 | (1,481) | (122) |
| Benefit Payments, Including Refunds of Member Contributions | (31,846) | (37,470) | (40,381) | (47,453) | (55,210) | (61,946) | (69,949) | (71,728) |
| Administrative Expense | (1,110) | (968) | (999) | (879) | (835) | (926) | (777) | (1,050) |
| Other | (53) | (30) | | (113) | (20) | | 23 | 32 |
| Net Change in Plan Fiduciary Net Position | (3,963) | (21,644) | (53,506) | (33,511) | (9,895) | (13,679) | (48,799) | (11,214) |
| Plan Fiduciary Net Position - Beginning | 256,572 | 278,216 | 331,722 | 365,233 | 375,128 | 388,807 | 437,606 | 448,820 |
| Plan Fiduciary Net Position - Ending (b) | $ 252,609 | $ 256,572 | $ 278,216 | $ 331,722 | $ 365,233 | $ 375,128 | $ 388,807 | $ 437,606 |
| Disability Income's Net OPEB Liability (Asset) - Ending (a) - (b) | $ (32,926) | $ 26,596 | $ 29,748 | $ (16,334) | $ (49,194) | $ (43,150) | $ (30,376) | $ (61,120) |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 114.99% | 90.61% | 90.34% | 105.18% | 115.57% | 113.00% | 108.47% | 116.23% |
| Covered Payroll | $ 20,598,877 | $ 19,677,265 | $ 18,909,461 | $ 18,028,883 | $ 17,848,000 | $ 17,477,148 | $ 16,703,858 | $ 16,224,737 |
| Net OPEB Liability (Asset) as a Percentage of Covered Payroll | (0.16%) | 0.14% | 0.16% | (0.09%) | (0.28%) | (0.25%) | (0.18%) | (0.38%) |

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended.

## *North Carolina Department of State Treasurer*
## *Required Supplementary Information*
## *Schedule of Employer Contributions*
## *Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans*
## *Last Ten Fiscal Years* — *Exhibit G-2*

*(Dollars in Thousands)*

| **Retiree Health Benefit** | **2024** | **2023** | **2022** | **2021** | **2020** |
|---|---|---|---|---|---|
| Actuarially Determined Contribution | $ 2,652,649 | $ 2,240,057 | $ 2,084,130 | $ 3,049,625 | $ 2,823,873 |
| Contributions in Relation to the Actuarially Determined Contribution [1] | 1,483,995 | 1,366,928 | 1,197,278 | 1,214,750 | 1,162,967 |
| Contribution Deficiency | $ 1,168,654 | $ 873,129 | $ 886,852 | $ 1,834,875 | $ 1,660,906 |
| Covered Payroll | $ 20,784,240 | $ 19,839,303 | $ 19,034,634 | $ 18,184,883 | $ 17,974,758 |
| Contributions as a Percentage of Covered Payroll | 7.14% | 6.89% | 6.29% | 6.68% | 6.47% |

| | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|
| Actuarially Determined Contribution | $ 2,971,069 | $ 2,613,258 | $ 2,728,064 | $ 2,516,706 | $ 2,211,436 |
| Contributions in Relation to the Actuarially Determined Contribution [1] | 1,104,902 | 1,018,693 | 950,813 | 880,847 | 854,383 |
| Contribution Deficiency | $ 1,866,167 | $ 1,594,565 | $ 1,777,251 | $ 1,635,859 | $ 1,357,053 |
| Covered Payroll | $ 17,622,035 | $ 16,837,901 | $ 16,365,112 | $ 15,729,411 | $ 15,562,532 |
| Contributions as a Percentage of Covered Payroll | 6.27% | 6.05% | 5.81% | 5.60% | 5.49% |

| **Disability Income** | **2024** | **2023** | **2022** | **2021** | **2020** |
|---|---|---|---|---|---|
| Actuarially Determined Contribution | $ 22,659 | $ 19,677 | $ 17,019 | $ 16,226 | $ 17,848 |
| Contributions in Relation to the Actuarially Determined Contribution [1] | 22,659 | 19,677 | 17,019 | 16,226 | 17,848 |
| Contribution Excess | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Covered Payroll | $ 20,598,877 | $ 19,677,265 | $ 18,909,461 | $ 18,028,883 | $ 17,848,000 |
| Contributions as a Percentage of Covered Payroll | 0.11% | 0.10% | 0.09% | 0.09% | 0.10% |

| | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|
| Actuarially Determined Contribution | $ 22,720 | $ 23,385 | $ 24,337 | $ 63,963 | $ 63,267 |
| Contributions in Relation to the Actuarially Determined Contribution [1] | 24,468 | 23,385 | 61,654 | 63,963 | 63,267 |
| Contribution Excess | $ (1,748) | $ 0 | $ (37,317) | $ 0 | $ 0 |
| Covered Payroll | $ 17,477,148 | $ 16,703,858 | $ 16,224,737 | $ 15,600,732 | $ 15,430,976 |
| Contributions as a Percentage of Covered Payroll | 0.14% | 0.14% | 0.38% | 0.41% | 0.41% |

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

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

***North Carolina Department of State Treasurer***
***Required Supplementary Information***
***Schedule of Investment Returns***
***All Defined Benefit OPEB Plans***
***Last Eight Fiscal Years*** ***Exhibit G-3***

| Annual Money-Weighted Rate of Return, Net of Investment Expense | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Retiree Health Benefit | 6.74% | 3.89% | (4.13%) | 10.96% | 3.80% | 5.73% | 6.58% | 9.31% |
| Disability Income | 2.76% | (1.21%) | (9.99%) | (0.41%) | 8.68% | 7.74% | (0.42%) | (0.06%) |

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended.

***North Carolina Department of State Treasurer***
***Required Supplementary Information***
***Schedule of the Proportionate Share of the Net OPEB Liability or Asset***
***Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans***
***State Health Plan***
***Last Seven Fiscal Years**** ***Exhibit H-1***

*(Dollars in Thousands)*

| **Retiree Health Benefit Fund** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** |
|---|---|---|---|---|---|---|---|
| Proportionate Share Percentage of Collective Net OPEB Liability | 0.01769% | 0.01732% | 0.01863% | 0.01960% | 0.01445% | 0.01424% | 0.01690% |
| Proportionate Share of Collective Net OPEB Liability | $ 4,713 | $ 4,112 | $ 5,760 | $ 5,438 | $ 4,570 | $ 4,057 | $ 5,541 |
| Covered Payroll | $ 3,835 | $ 3,864 | $ 3,349 | $ 3,475 | $ 3,359 | $ 2,794 | $ 3,255 |
| Net OPEB Liability as a Percentage of Covered Payroll | 122.89% | 106.42% | 171.99% | 156.49% | 136.05% | 145.20% | 170.23% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 10.73% | 10.58% | 7.72% | 6.92% | 4.40% | 4.40% | 3.52% |
| **Disability Income Plan of North Carolina** | | | | | | | |
| Proportionate Share Percentage of Collective Net OPEB Liability (Asset) | 0.01778% | 0.01896% | 0.01922% | 0.02051% | 0.02015% | 0.01422% | 0.01706% |
| Proportionate Share of Collective Net OPEB Liability (Asset) | $ 5 | $ 6 | $ (3) | $ (10) | $ (9) | $ (4) | $ (10) |
| Covered Payroll | $ 3,835 | $ 3,864 | $ 3,349 | $ 3,475 | $ 3,359 | $ 2,794 | $ 3,255 |
| Net OPEB Liability (Asset) as a Percentage of Covered Payroll | 0.13% | 0.16% | 0.09% | 0.29% | 0.27% | 0.14% | 0.31% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 90.61% | 90.34% | 105.18% | 115.57% | 113.00% | 108.47% | 116.23% |

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* , as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

***North Carolina Department of State Treasurer***
***Required Supplementary Information***
***Schedule of Employer Contributions***
***Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans***
***State Health Plan***
***Last Seven Fiscal Years*** ***Exhibit H-2***

*(Dollars in Thousands)*

| **Retiree Health Benefit Fund** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** |
|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $ 278 | $ 264 | $ 243 | $ 224 | $ 225 | $ 211 | $ 169 |
| Contributions in Relation to the Contractually Determined Contribution | 278 | 264 | 243 | 224 | 208 | 211 | 169 |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 17 | $ 0 | $ 0 |
| Covered Payroll | $ 3,903 | $ 3,835 | $ 3,864 | $ 3,349 | $ 3,475 | $ 3,359 | $ 2,794 |
| Contributions as a Percentage of Covered Payroll | 7.14% | 6.89% | 6.29% | 6.68% | 5.99% | 6.28% | 6.05% |
| | | | | | | | |
| **Disability Income Plan of North Carolina** | | | | | | | |
| Contractually Required Contribution | $ 4 | $ 4 | $ 3 | $ 3 | $ 3 | $ 5 | $ 4 |
| Contributions in Relation to the Contractually Determined Contribution | 4 | 4 | 3 | 3 | 3 | 5 | 4 |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Covered Payroll | $ 3,903 | $ 3,835 | $ 3,864 | $ 3,349 | $ 3,475 | $ 3,359 | $ 2,794 |
| Contributions as a Percentage of Covered Payroll | 0.11% | 0.10% | 0.09% | 0.09% | 0.10% | 0.14% | 0.14% |

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

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

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

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

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

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

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

Effective April 1, 2024, Coverage of GLP-1 prescriptions for obesity management (GLP-1-AOM) was terminated.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. The reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019 and no further reimbursements may be issued.

*Method and Assumptions Used in Calculations of Actuarially Determined Contributions:* An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 12 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

*Changes of Assumptions:* Consistent with prior years, for the actuarial valuation measured as of June 30, 2024 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.93%, from 3.65% as of June 30, 2023. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

For the actuarial valuation measured as of June 30, 2024 for DIPNC, the discount rate remained at 3 %, unchanged from the rate as of June 30, 2023.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability.

The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

For the DIPNC actuarial valuation as of December 31, 2023, benefit payments expected to be issued after 36 months of disability to claimants who had at least five years of membership service as of July 31, 2007 were updated to include an offset (reduction to the DIPNC benefit) based on estimated Social Security benefits.

# Supplementary Information

***North Carolina Department of State Treasurer***
***Schedule of Allocated Net Position***
***External Investment Pool***
***June 30, 2024*** ***Exhibit I-1***

*(Dollars in Thousands)*

| | Total | Short-Term Investment Fund [1] | Long-Term Investment Fund | Other Investment Funds [2] |
|---|---|---|---|---|
| Internal: | | | | |
| North Carolina Retirement Systems [3] | $ 124,659,524 | $ 1,615,205 | $ 30,278,391 | $ 92,765,928 |
| Other Pension and Postemployment Benefit Plans [4] | 14,509 | 14,509 | | |
| State General Fund | 23,920,215 | 23,920,215 | | |
| Highway Trust Fund | 742,449 | 742,449 | | |
| Highway Fund | 2,049,686 | 2,049,686 | | |
| Escheats Fund | 1,154,306 | 1,154,306 | | |
| EPA Revolving Loan Fund | 794,662 | 794,662 | | |
| Unemployment Compensation Fund | 55,395 | 55,395 | | |
| Other Primary Government | 6,816,097 | 6,816,097 | | |
| State Health Plan | 636,061 | 636,061 | | |
| Other Component Units of the State [5] | 5,099,287 | 5,099,287 | | |
| External [6] | 735,822 | 735,822 | | |
| Net Position Held in Trust (Note 2) [7, 8] | $ 166,678,013 | $ 43,633,694 | $ 30,278,391 | $ 92,765,928 |

1 Assets in the Short-term Investment Fund (STIF) are reported as cash equivalents in the State's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024 and in fund financial statements. The reported STIF net position does not include $4.1 billion that is owned by other investment funds in the External Investment Pool. Additionally, a portion of the cash and cash equivalents reported in the External Investment Pool's Statement of Net Position as presented in Note 2 are included in the STIF caption on this schedule.

2 Other Investment Funds consist of the Investment Pool's Equity, Real Estate, Alternative, Opportunistic Fixed Income, and Inflation Sensitive Investment Funds, which are wholly owned by the North Carolina Retirement Systems. See Note 2 for more information on these investment funds.

3 This caption represents the North Carolina Retirement Systems, which consist of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Firefighters' and Rescue Squad Workers' Pension Fund, North Carolina National Guard Pension Fund, Local Governmental Employees' Retirement System and the Retiree Health Benefit Fund. See Note 9 for more information on the North Carolina Retirement System. See Note 12 for more information on the Retiree Health Benefit Fund.

4 The other pension and postemployment benefit plans consist of the Register of Deeds' Supplemental Pension Fund, Disability Income Plan of N.C. and Death Benefit Plan of N.C. See Note 9 for more information on the Register of Deeds' Supplemental Pension Fund, Note 12 for more information on the Disability Income Plan, and Note 14 for more information about the Death Benefit Plan.

5 Other Component Units of the State primarily consist of the University of North Carolina System and Community Colleges.

6 The External portion of the Short-term Investment Fund is owned primarily by local government entities including local school districts, school building funds and local OPEB plans. Public schools, local boards of education and public school building funds owned approximately 60% of the external portion of the Short-term Investment Fund balance as of June 30, 2024.

7 The total net position presented in this table excludes investments belonging to the Supplemental Retirement Income Plan of North Carolina (the 401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (the 457 Plan) because these plans are not invested in the State Treasurer's External Investment Pool. See Note 2 for more information on the investments held by these plans.

8 The Department, a fiduciary, manages the assets of the External Investment Pool on behalf of the ultimate owners, the beneficiaries. As such, participants in the External Investment Pool are considered to have a beneficial ownership in the Pool and the assets in the Pool are considered to be "held in trust."

## *North Carolina Department of State Treasurer*
## *Schedule of Allocated Net Position*
## *Bond Index External Investment Pool*
## *June 30, 2024* *Exhibit I-2*

*(Dollars in Thousands)*

| | | Bond Index External Investment Pool |
|---|---|---|
| Internal: | | |
| Other Pension and Postemployment Benefit Plans [1] | $ | 702,827 |
| Escheats Fund | | 128,397 |
| EPA Revolving Loan Fund | | 224,540 |
| Other Primary Government | | 68,841 |
| Other Component Units of the State [2] | | 4,283 |
| External [3] | | 460,832 |
| Net Position Held in Trust (Note 2) | $ | 1,589,720 |

[1] The other pension and postemployment benefit plans consist of the Register of Deeds' Supplemental Pension Fund, Disability Income Plan of N.C. and Death Benefit Plan of N.C. See Note 9 for more information on the Register of Deeds' Supplemental Pension Fund, Note 12 for more information on the Disability Income Plan, and Note 14 for more information about the Death Benefit Plan.

[2] Other Component Units of the State consists of the North Carolina Community Colleges.

[3] The external portion of the bond index external investment pool is held by public hospitals and the Local Government Other Postemployment Benefit Trust fund.

# *North Carolina Department of State Treasurer*
# *Schedule of Allocated Net Position*
# *Equity Index Investment Account*
# *June 30, 2024* *Exhibit I-3*

*(Dollars in Thousands)*

| | | Equity Index Investment Account |
|---|---|---|
| Internal: | | |
| Other Primary Government | $ | 189,284 |
| External [1] | | 723,205 |
| Net Position Held in Trust (Note 2) | $ | 912,489 |

[1] The external portion of the equity index investment account is held by public hospitals and the Local Government Other Postemployment Benefit Trust funds.

## *North Carolina Department of State Treasurer*
## *Schedule of Deductions by Investment Portfolio*
## *External Investment Pool*
## *For the Fiscal Year Ended June 30, 2024* — *Exhibit J-1*

*(Dollars in Thousands)*

| | Investment Portfolio [9] | | | | Investment Portfolio [9] | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Short-Term [10]** | **Long-Term [10]** | **External Fixed Income** | **Public Equity** | **Real Estate** | **Alternatives** | **Credit** | **Inflation Sensitive** | **Cash** | **Total** |
| Investment Management Fees | | | | | | | | | | |
| Investment Performance Fees | $ 0 | $ 0 | $ 0 | $ 1,075 | $ 14,506 | $ 45,865 | $ 14,146 | $ 14,879 | $ 0 | $ 90,471 |
| Investment Management Fees | | | | 58,884 | 61,807 | 51,663 | 53,066 | 29,929 | | 255,349 |
| Custodial fees | 390 | 390 | | 779 | | | | | | 1,559 |
| Total Investment Management Fees | $ 390 | $ 390 | $ 0 | $ 60,738 | $ 76,313 | $ 97,528 | $ 67,212 | $ 44,808 | $ 0 | $ 347,379 |
| Administrative and Other Fees | | | | | | | | | | |
| Direct | | | | | | | | | | |
| Internal Costs [1] | $ 6,131 | $ 2,001 | $ 56 | $ 1,781 | $ 958 | $ 1,019 | $ 508 | $ 388 | $ 0 | $ 12,842 |
| Legal | | | | 34 | 38 | 30 | | | | 102 |
| Investment Research and Consulting [2] | 8 | 479 | 23 | 279 | 161 | 43 | 205 | 8 | 9 | 1,215 |
| Information Technology [3] | 294 | 273 | 208 | 451 | 107 | 85 | 65 | 55 | 68 | 1,606 |
| Financial Services [4] | | | 44 | 59 | 12 | 12 | 10 | 142 | 16 | 295 |
| Employee Business Expenses [5] | 1 | | 1 | 6 | 8 | 1 | 1 | 1 | | 19 |
| Other Direct Expenses | | 1 | 2 | 25 | 11 | 4 | 4 | 2 | 1 | 50 |
| Withholding Taxes [6] | | | | 19,984 | 354 | 500 | | 143 | | 20,981 |
| Investment Expenses [7] | | | | 472 | 3,559 | 18,484 | 3,134 | 4,886 | | 30,535 |
| Banking Expenses [8] | 901 | | | | | | | | | 901 |
| Total Administrative and Other Fees | $ 7,335 | $ 2,754 | $ 334 | $ 23,091 | $ 5,208 | $ 20,178 | $ 3,927 | $ 5,625 | $ 94 | $ 68,546 |

1 Internal costs include Investment Management Division (IMD) employee salaries and fringe benefits, IMD's portion of the allocated departmental costs, and departmental information technology and location cost.
2 Investment research and consulting costs primarily consist of information service subscriptions, investment advisory services and external consulting costs.
3 Information technology costs directly support the Department's investment research and management systems.
4 Financial services costs are related to audit and actuarial services.
5 Employee business expenses primarily consist of reimbursed business travel costs.
6 Withholding taxes are related to foreign taxes paid on foreign investment earnings.
7 Investment Expenses primarily consist of partnership expenses and organizational fees paid for administering the investment portfolios.
8 Banking Expenses primarily consist of bank account charges.
9 For more information on the investment portfolios in the External Investment Pool, see the Deposits and Investments note (Note 2).
10 The Short-Term and Long-Term investment portfolios are internally managed by the Department and do not have any associated management or performance fees.

## North Carolina Department of State Treasurer
## Supplementary Information
## Schedule of Paid Medical Claims by Type
## State Health Plan
## For the Fiscal Year Ended June 30, 2024 — Exhibit K-1

*(Dollars in Thousands)*

| | | State Health Plan |
|---|---|---|
| **OPERATING EXPENSES** | | |
| Medical Claims: | | |
| Office Professional | $ | 1,293,084 |
| Outpatient Facility | | 998,270 |
| Inpatient Facility | | 499,443 |
| Other Claims [1] | | 240,259 |
| Total Medical Claims Expense | | 3,031,056 |
| Pharmacy Claims | | 1,000,178 |
| Total State Health Plan Claims [2] | $ | 4,031,234 |

[1] This category of claims includes lab tests, diagnostic imaging, radiology, and other physician supporting services not otherwise categorized.

[2] The reconciliation to Exhibit C-2 below incorporates refunds and other recoveries that are not associated with a specific claim type above.

| | | Reconciliation |
|---|---|---|
| Total State Health Plan Claims | $ | 4,031,234 |
| **Reconciling Adjustments:** | | |
| Claims Refunds | | (17,212) |
| Recoveries Offsetting Claims | | (23,322) |
| Total | $ | 3,990,700 |

# Independent Auditor’s Report

**North Carolina Office of the State Auditor**
Dave Boliek, State Auditor

# Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Bradford B. Briner, State Treasurer
Management of the North Carolina Department of State Treasurer
Raleigh, North Carolina

We have audited, in accordance with the 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, the financial statements of each major governmental fund, the discretely presented component unit, and the aggregate remaining fund information of the North Carolina Department of State Treasurer (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 27, 2025. Our report includes a reference to other auditors who audited the financial statements of the North Carolina Department of State Treasurer Investment Programs, the Supplemental Retirement Income Plan of North Carolina, and the North Carolina Employee Deferred Compensation Plan, as described in our report on the Department's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

As discussed in Note 1, the financial statements of the North Carolina Department of State Treasurer are intended to present the financial position, changes in financial position, and cash flows that are only attributable to the transactions of the North Carolina Department of State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2024, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Boliek
State Auditor

Raleigh, North Carolina

June 27, 2025

# ORDERING INFORMATION

**Copies of this report may be obtained by contacting:**

**Office of the State Auditor**
State of North Carolina
20601 Mail Service Center
Raleigh, North Carolina 27699

Telephone: 919-807-7500
Fax: 919-807-7647
Internet: www.auditor.nc.gov

**To report alleged incidents of fraud, waste or abuse in state government contact the Office of the State Auditor's Tipline:**

**Telephone:**1-800-730-8477

Internet: www.auditor.nc.gov/about-us/state-auditors-tipline

This audit required 2,010 hours at an approximate cost of $311,550.