North Carolina
Department of State Treasurer
Dale R. Folwell, CPA
State Treasurer of North Carolina

FINANCIAL OPERATIONS
FRAN LAWRENCE
CHIEF FINANCIAL OFFICER

MEMORANDUM

DATE: January 10, 2017

TO: Teachers' and State Employees' Retirement System Board of Trustees

Local Governmental Employees' Retirement System Board of Trustees

FROM: Fran Lawrence, Deputy Treasurer/Chief Financial Officer

SUBJECT: Retirement Systems June 30, 2016 Financial Reporting Update

Purpose & Overview of Financial Data

The Office of State Controller (OSC) released North Carolina's 2016 Comprehensive Annual Financial Report (CAFR) on December 20, 2016. Attached to this memo are excerpts of the CAFR that relate to the North Carolina Department of State Treasurer Retirement System's financial results for the year ended June 30, 2016. The purpose of this memo is to provide an overview of the Pension Plan data in the June 30, 2016 CAFR.

The CAFR is prepared each year by OSC and audited by the Office of the State Auditor (OSA). The report, which outlines North Carolina's financial condition, has received an unqualified opinion from the auditors, indicating that it fairly represents the financial position of the State. The full 2016 CAFR, as well as a summary Financial Highlights report of the 2016 CAFR, is available on the OSC website at www.osc.nc.gov.

Every fiscal year, all State agencies and component units of the State prepare annual financial information in the form and time frame required by the State Controller. The Department of State Treasurer (DST) is a significant data provider to OSC regarding State debt, State Health Plan, Retirement Systems, External Investment Pool, and Escheat fund. Due to the volume of data, OSA conducts a separate audit of the DST information provided to OSC. There have been no audit findings in DST's CAFR audits in the last 5 years.

Pension Plan Data in CAFR

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 68 and 69 have a column titled 'Pension and Other Employee Benefit Trust Funds. This is the financial data that includes the Pension plan information that is in footnotes 2, 3, 12, 14, 15, 16 and Required Supplementary Information.

'Changes in Financial Accounting and Reporting' is Note 2 beginning on page 84. All pension related accounting statements that have changed are summarized in this footnote. Next year's CAFR will also include two Other Postemployment Benefit (OPEB) Statements that were issued in June 2015:

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* addresses the reporting by OPEB plans that administer those benefits. Effective fiscal year end June 30, 2017.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* provides guidance for reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other employers. Effective fiscal year end June 30, 2018.

The Statements have a similar approach as with GASB 67 and 68 such that the Governmental Accounting Standards Board is focused on an accounting based approach vs. a funding based approach. Overall, there will be a liability recorded by all employers for 'amounts owed to employees for OPEB'. Additional disclosures are also required, i.e., a sensitivity analysis of OPEB liability (similar to GASB 68). DST is working with the actuaries and OSC on implementation of the new standards.

'Deposits and Investments' is Note 3 beginning on page 85. The CAFR disclosures in Section A. 'Deposits and Investments with State Treasurer' are different this year due to the separately issued stand-alone financial statement audit of the DST External Investment Pool. This was the second year that there were separately issued financial statements for which DST has received a clean opinion from an external audit firm. The link to the report is: https://www.nctreasurer.com/inv/Investment%20Reports/Financial_Statement_w_Independent_Auditor_Rpt_FY_June2016.PDF

'Retirement Plans' is Note 12 beginning on page 124. There are seven pension plans that DST administers – Teachers' and State Employees' Retirement System, Local Government Employees' Retirement System, Firefighters' and Rescue Squad Workers' Pension Fund, Register of Deeds' Supplemental Pension Fund, Consolidated Judicial Retirement System, Legislative Retirement System, and North Carolina National Guard Pension Plan. Sections A through E is disclosure on the Plans and includes Significant Accounting Policies, Plan Descriptions - overview of each pension plan, Plan membership, Investment disclosures, Net pension liability/asset by Plan, and Actuarial Assumptions by Plan. Section F is disclosure for Employer Reporting.

'Other Postemployment Benefits' is Note 14 beginning on page 142. There are two OPEBs that DST administers - Retiree Health Benefit Trust Fund and the Disability Income Plan. Included in this note is disclosure on Plan descriptions, contribution information, and actuarial methods and assumptions.

'Risk Management and Insurance' is Note 15 beginning on page 147. Section B. 'Employee Benefit Plans' includes additional OPEB disclosure for the Death Benefit Plan of North Carolina and the Disability Income Plan.

'Individual Plan Financial Statements – Pension and Other Post Employee Benefit Trust Funds' is Note 16 beginning on page 154. These are the individual statements of fiduciary net position and change in fiduciary net position by Plan. There are 12 Plans administered by DST in this note. The Sheriff's Pension Fund is administered by Department of Justice. The Total on the 'Combining Statement of Fiduciary Net Position' ties to the State level financial statements on page 68 column titled 'Pension and Other Employee Benefit Trust Funds' as referenced above.

'Required Supplementary Information' (RSI) beginning on page 173 distinguishes between information by Pension Plan and by Employer. There are five schedules for the Pension Plans and three schedules for Employers. Notes to the tables are included as deemed necessary by management in accordance with accounting guidance.

I hope that you find this financial information useful. Please don't hesitate to contact me if you have any questions.

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PAT MCCRORY
GOVERNOR

LINDA COMBS
STATE CONTROLLER

Prepared by Statewide Accounting staff
Office of the State Controller

http://www.osc.nc.gov

FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2016 *Exhibit B-6*

(Dollars in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets				
Cash and cash equivalents (Note 3)	$ 367,116	$ 12,334	$ 121,356	$ 4,985,782
Investments (Note 3):				—
U.S. government and agency securities	—	—	97	—
Corporate bonds	—	—	—	1,386
Certificates of deposit	—	—	39,602	525
Collective investment funds	231,185	—	—	—
State Treasurer investment pool	88,464,006	1,128,919	7,339	47,685
Unallocated insurance contracts	780,873	—	—	—
Synthetic guaranteed investment contracts	1,333,667	—	—	—
Non-State Treasurer pooled investments	6,706,432	—	—	—
Securities lending collateral (Note 3)	2,744,144	42,716	980	243,719
Receivables:				
Taxes receivable	—	—	—	173,475
Accounts receivable	30,126	—	—	6,090
Interest receivable	403	772	5	47
Contributions receivable	145,168	—	—	—
Due from other funds (Note 10)	63,163	—	—	38,571
Due from component units	20,394	—	—	—
Notes receivable	311,679	—	—	—
Sureties	—	—	859,026	91,325
Total Assets	101,198,356	1,184,741	1,028,405	5,588,605
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	1,462	—	—	5
Intergovernmental payable	—	—	—	839,385
Benefits payable	4,252	—	—	—
Obligations under securities lending	2,744,144	42,716	980	243,719
Deposits payable	—	—	—	1,783
Funds held for others	7,303	—	—	4,503,713
Total Liabilities	2,757,161	42,716	980	5,588,605
Net Position				
Restricted for:				
Pension benefits	95,315,039	—	—	—
Other postemployment benefits	1,522,956	—	—	—
Other employee benefits	1,603,200	—	—	—
Pool participants	—	913,237	—	—
Individuals, organizations, and other governments	—	228,788	1,027,425	—
Total Net Position	$ 98,441,195	$ 1,142,025	$ 1,027,425	$ —

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2016 *Exhibit B-7*

(Dollars in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
Additions			
Contributions:			
Employer	$ 2,864,232	$ —	$ —
Members	1,634,554	—	—
Trustee deposits	—	—	130,709
Other contributions	45,593	—	—
Total contributions	4,544,379	—	130,709
Investment income:			
Investment earnings (loss)	1,318,181	(2,631)	2,302
Less investment expenses	(582,072)	(1,362)	(4)
Net investment income (loss)	736,109	(3,993)	2,298
Pool share transactions:			
Reinvestment of dividends	—	(3,634)	—
Net share purchases	—	27,638	—
Net pool share transactions	—	24,004	—
Other additions:			
Fees, licenses, and fines	3,150	—	—
Interest earnings on loans	12,905	—	—
Miscellaneous	2,549	—	—
Total other additions	18,604	—	—
Total additions	5,299,092	20,011	133,007
Deductions			
Claims and benefits	6,135,285	—	—
Medical insurance premiums	855,948	—	—
Refund of contributions	175,268	—	—
Distributions paid and payable	—	(3,634)	—
Payments in accordance with trust arrangements	—	—	151,405
Administrative expenses	20,388	—	—
Other deductions	8,397	—	—
Total deductions	7,195,286	(3,634)	151,405
Change in net position	(1,896,194)	23,645	(18,398)
Net position — July 1	100,337,389	1,118,380	1,045,823
Net position — June 30	$ 98,441,195	$ 1,142,025	$ 1,027,425

The accompanying Notes to the Financial Statements are an integral part of this statement.

INDEX

Page

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

CHANGES RESULTING FROM ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2016, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 72, *Fair Value Measurement and Application,*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (paragraph 115 through 122 only),
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,*
- Statement No. 79, *Certain External Investment Pools and Pool Participants* (excluding paragraphs 18, 19, 23–26, and 40), and
- Implementation Guide No. 2015-1.

Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under the Statement, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as securities or other assets that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. A government is permitted to establish the fair value of an investment in a nongovernmental entity that does not have a readily determinable fair value (e.g., alternative investments) by using the net asset value per share (or its equivalent). Prior to the issuance of Statement 72, governments were required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. Also, the Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. The use of acquisition value should be applied prospectively.

Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. This Statement also made minor technical changes to Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68. The requirements of this Statement that amend Statement Nos. 67 and 68 are effective for the fiscal year ended June 30, 2016. The requirements of this Statement related to assets accumulated for the purpose of providing pensions through defined benefit pension plans that are not administered through trusts are also effective for the fiscal year ending June 30, 2016; however, the State currently has no such assets. The remaining requirements of this Statement will be effective for the fiscal year ending June 30, 2017.

Statement No. 76 simplifies the structure of the hierarchy of generally accepted accounting principles (GAAP). This Statement replaces the current four-level GAAP hierarchy with a new two-level hierarchy of authoritative sources and elevates the GASB's Implementation Guides to authoritative status. This Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, which has the same title.

Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement do not apply under current conditions.

Implementation Guide No. 2015-1 supersedes all previously issued Implementation Guides, including the 2013–2014 Comprehensive Implementation Guide. It was the first Guide issued as Category B literature in the GAAP hierarchy.

NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits and Investments with State Treasurer

Unless specifically exempt, every agency of the State and certain component units are required by 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 reporting entity are also allowed to deposit 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 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.

General Statute 147-69.2 authorizes the State Treasurer to invest the deposits of certain special funds, including the pension trust funds, the Disability Income Plan of N.C., the Escheat Fund, the Public School Insurance Fund, Local Government Other Post-Employment Benefits (OPEB) Trust, 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 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.

North Carolina Department of State Treasurer External Investment Pool (External Investment Pool)

To ensure that these and other legal and regulatory limitations are met, all cash deposited with the State Treasurer, except for the Public Hospitals, certain investments of the Escheat Fund, and bond proceeds investment accounts, is maintained in the External Investment Pool. This pool, a government 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 General Fund, Highway Fund, and Highway Trust Fund. Other participants include universities and various boards, commissions, community colleges, and school administrative units that make voluntary deposits with the State Treasurer as well as the remaining portfolios listed below.

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 primary participants of the portfolio are the pension trust funds.

External 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 trust funds are the sole participants in the 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 trust funds are the sole participants in the portfolio.

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

Alternative Investment – This portfolio holds investments in limited partnerships, hedge funds, U.S. Treasuries, and equities received in the form of distributions from its primary investments, which is managed pursuant to General Statute 147-69.2(b)(9). The State's pension trust funds are the sole participants in the portfolio.

Credit Investment – This portfolio may hold investments in debt-related strategies as defined by General Statutes 147-69.2(b)(6c). The State's pension trust funds are the sole participants in the portfolio.

Inflation Protection Investment – This portfolio may hold investments in assets that are acquired for the primary purpose of providing protection against risks associated with inflation, managed pursuant to General Statute 147-69.2(b)(9a). The State's pension trust funds are the sole participants in the portfolio.

OPEB Equity Investment – This portfolio holds equity-based trusts. Pursuant to General Statute 159-30.1, the State Treasurer manages the 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, 2016, there were seventeen participants. Each participant is responsible for making its own investment decision. However, through signed agreements with the State Treasurer, most participants have delegated their investment authority to the State Treasurer.

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 portion of the External Investment Pool is presented in the State's financial statements as an investment trust fund. Each fund and component unit's share of the internal equity in the External Investment Pool is reported in the State's financial statements as an asset of those funds or component units. Equity in the Short-term Investment portfolio is reported as cash and cash equivalents while equity in the Long-term Investment, Equity Investment, Real Estate Investment, External Fixed Income Investment, Credit Investment, Inflation Protection Investment, Alternative Investment, and OPEB Equity 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. The State reports the assets and liabilities arising from securities lending transactions for component units as part of the State's agency funds, rather than allocate them to the component units.

Net investment income earned by the External Investment Pool is generally distributed on a pro rata basis. However, in accordance with legal requirements, the General Fund receives all investment income earned by funds created for purposes of meeting appropriations. For the fiscal year ended June 30, 2016, $9.07 million of investment income associated with other funds was credited to the General Fund.

The External Investment Pool issues a separate report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer internet page at https://www.nctreasurer.com/inv/Pages/Government-Operations-Reports.aspx in the Audited Financial Statements section.

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.

At year-end, the bond proceeds investment accounts were valued at $206.7 million. The funds were substantially invested in repurchase agreements (99.4%) with a weighted average maturity of eight days. Repurchase agreements are reported at cost. See Note 1 for additional information.

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 a 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 policy related to these investments.

Public Hospitals Investment Account

The State Treasurer has contracted with an external party (Trustee) to create the Public Hospitals investment account. The investment account currently consists of Margaret R. Pardee Hospital Trust, New Hanover Regional Medical Center Trust, Columbus Regional Healthcare Trust and Watauga Medical Center Trust. These Trusts are part of commingled equity investment funds. The Trustee manages the assets, 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. One public hospital is a participant in the External Investment Pool's Long-term Investment portfolio.

The fair value measurements of the Public Hospitals investment accounts 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; Level 3 inputs are significant unobservable inputs.

At year-end, the Public Hospitals investment accounts maintained by the State Treasurer had the following investments and recurring fair value measurements (settled transactions) (dollars in thousands):

Investment Type	Fair Value 6/30/2016
External investment pool - long-term	$ 8,631
Investments measured at net asset value (NAV):	
Commingled equity fund - domestic	170,125
Commingled equity fund - international	50,032
Total investments measured at NAV	220,157
Total investments measured at fair value	$ 228,788

Investments in the External Investment Pool - Long Term Investment Fund portfolio (LTIF) are classified in Level 2 of the fair value hierarchy. Ownership interests in the LTIF are determined monthly at fair market value based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. At year-end, the LTIF had a weighted average maturity of 17.9 years and did not have a credit rating.

Investments measured at the net asset value (NAV) per share is presented on the following table (settled transactions) (dollars in thousands):

Investments Measured at the NAV	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled equity fund - domestic	$ 170,125	Monthly	5 business days
Commingled equity fund - international	50,032	Monthly	5 business days
Total investments measured at the NAV	$ 220,157		

The commingled equity funds include one domestic equity fund and one international equity fund that are considered to be commingled in nature. Each 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.

Foreign Currency Risk. There is no formally adopted investment policy to limit foreign currency exposure. At year-end, the Public Hospitals investment account's exposure to foreign currency risk was as follows (dollars in thousands):

Currency	Carrying Value by Investment Type Equity Based Trust-International
Euro	$ 11,417
Japanese Yen	7,890
British Pound Sterling	6,143
Hong Kong Dollar	3,733
Australian Dollar	3,112
Canadian Dollar	2,962
Swiss Franc	2,725
Taiwan Dollar	1,734
South Korean Won	1,169
Indian Rupee	1,122
South African Rand	908
Swedish Krona	888
Danish Krone	820
Turkish Lira	592
Brazilian Real	587
Thai Baht	518
Indonesian Rupiah	517
Other Currencies	2,635
Total	$ 49,472

Note: The totals in this table do not agree to the totals disclosed in the previous investment fair value table because the investment fair value table includes American Depositary Receipts and cash collateral held for the daily settlement of derivatives. In addition, the equity market values in the foreign currency risk table are based on trade date while the investment fair value table is reported on settle date.

Escheat Investment Account

Pursuant to General Statute 147-69.2(b)(12), the State Treasurer has established a separate investment account on behalf of the Escheat Fund. At year-end, the Escheat 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 6/30/2016	Unfunded Commitments
Private credit limited partnership	$ 8,457	$ 314
Private equity investment partnerships	20,772	3,827
Private natural resources limited partnership	3,198	—
Total investments measured at the NAV	$ 32,427	

Private Credit Limited Partnership. This type includes three private credit funds. These investments are valued at net asset value using the most recent available financial information. 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 eight private equity funds. These investments are valued at net asset value using the most recent available financial information. 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.

Private Natural Resources Limited Partnership. This type includes one private natural resources fund. These investments are valued at net asset value using the most recent available financial information. These strategies may make non-public equity or debt investments in timberland, energy, agriculture, and other natural resources implementations. Currently, the strategy represented in this category is one which invests in oil and gas properties within the U.S. 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. Deposits Outside the State Treasurer

In addition to the pooled deposits maintained by the State Treasurer, other deposits are maintained outside the State Treasurer by the primary government and certain component units. As a general rule, these deposits are not covered by the rules in Chapter 20 NCAC 7 requiring collateralization of uninsured deposits.

Primary Government

The majority of the uninsured and uncollateralized deposits held outside the State Treasurer were maintained by the USS N.C. Battleship Commission. The USS N.C. Battleship Commission does not have a deposit policy for custodial credit risk. At year-end, the bank balances maintained outside the State Treasurer by the primary government were exposed to custodial credit risk as follows (dollars in thousands):

Uninsured and uncollateralized	$ 4,877

Component Units

The University of North Carolina (UNC) System does not have a deposit policy for custodial credit risk. At year-end, the bank balances maintained outside the State Treasurer by the UNC System were exposed to custodial credit risk as follows (dollars in thousands):

Uninsured and uncollateralized	$ 347,398
Uninsured and collateral held by pledging bank's trust department or agent but not in the entity's name	361
Total	$ 347,759

C. Investments Outside the State Treasurer

Primary Government

At year-end, 89% of investments held outside the State Treasurer were maintained by the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan.

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

North Carolina General Statutes sections 147-86.55 through 147-86.63 place investment restrictions on the Supplemental Retirement Income Plan of North Carolina (the 401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (the 457 Plan). Specifically, pursuant to the North Carolina Department of State Treasurer's "Iran Divestment Policy" effective October 30, 2015, and 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 investment activities in Iran, and the Department shall divest within 180 days any existing investment in companies on the list. The form of governance over the investments would be 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, discreet, and intelligent judgment and care.

At December 31, 2015, 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). Investments include managed assets of the Pooled Separate Account SA-NC with Prudential Retirement Insurance and Annuity Company as owner and the Plans as beneficial owners. Investments in this Pooled Separate Account total $6.71 billion. The remainder of the investments is the Stable Value Fund, which consists of three synthetic guaranteed investment contracts, two separate account guaranteed investment contracts, five wrap contracts, a pooled stable value fund, and a government money market fund.

Investment Type	Carrying Amount	Investment Maturities (in Years) Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	$ 98,569	$ —	$ 92,986	$ 4,642	$ 941
U.S. Treasury STRIPS	52,890	2,490	18,870	17,708	13,822
U.S. agencies	13,596	—	12,453	—	1,143
Mortgage pass-throughs	63,360	3,480	10,869	17,716	31,295
Collateralized mortgage obligations	83,437	8,688	3,751	21,716	49,282
State and local government	5,390	2,915	1,133	—	1,342
Asset-backed securities	66,729	760	49,206	11,459	5,304
Collective investment funds	1,612,707	58,294	853,452	700,961	—
Money market mutual funds	3,095	3,095	—	—	—
Pooled debt funds	293,564	—	—	293,564	—
Domestic corporate bonds	148,384	17,108	100,637	20,951	9,688
Foreign corporate bonds	60,132	14,224	39,921	4,306	1,681
Foreign government bonds	30,088	15,235	13,597	875	381
	2,531,941	$ 126,289	$ 1,196,875	$1,093,898	$ 114,879
Other investments:					
Equity mutual funds	1,541,875				
Unallocated insurance contracts	780,873				
Domestic stocks	3,074,662				
Foreign stocks	689,453				
Hedge/debt mutual fund	343,948				
Other	104,706				
Total investments	$ 9,067,458				

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 fair value of the underlying investments of fully benefit-responsive SGICs exceeded contract value by $14.4 million. The Plans' investment in the Pooled Separate Account SA-NC is stated at fair value. Units of the Pooled Separate Account SA-NC are reported at fair value, based on the net asset value of the units held by the Plan. Units of common/commingled funds are valued at the net asset value of shares held by the Plan. Investments in fixed income securities (U.S. Treasuries and agency securities, asset-backed securities, collateralized mortgage obligations, commercial mortgage-backed securities, domestic corporate bonds, foreign government bonds, foreign corporate bonds, state and local government bonds, and mortgage pass-throughs) are valued on the basis of valuations furnished by independent pricing services. These services determine valuations for normal institutional-size trading units of such securities using models or matrix pricing, which incorporates yield and/or price with respect to bonds that are considered comparable in characteristics such as rating, interest rate, maturity date and quotations from bond dealers to determine current value. If these valuations are deemed to be either not reliable or not readily available, the fair value will be determined in good faith by the custodian. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Contributions to the collective trust and Pooled Separate Account are credited to participant accounts as units. The value of a unit changes each day based on the current fair value of the investment portfolio. Earnings of the Pooled Separate Account, as well as market fluctuations, are reflected in unit values. Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

Interest Rate Risk. The 401(k) and 457 Plans 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 overall duration of the underlying securities in the Stable Value Fund will be between 2 and 3.5 years. The average duration of the Pooled Separate Account's fixed income fund is targeted to be within plus or minus 25% of the Barclay's Capital Aggregate Bond Index. The average duration of the Pooled Separate Account's inflation responsive fund is not limited by the plans' investment policy. 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 investments 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 have a formal investment policy on credit risk. The Plan's investment policy for the Stable Value Fund requires that debt securities, at the time of purchase, shall have a minimum Standard & Poor's (S&P) or Fitch Ratings (Fitch) rating of BBB- or Moody's Investors Service (Moody's) rating of Baa3. The average credit quality of the underlying fixed income investments in the Stable Value Fund will be S&P AA or Moody's Aa2. The Plans' investment policy for the Pooled Separate Account's fixed income fund requires that debt securities are intended to have an average quality rating of A- or better. The Plans' investment policy for the Pooled Separate Account's fixed income fund permits investments in issues rated below investment grade, but those securities should not exceed 20% of the fixed income assets. At December 31, 2015, 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
U.S. agencies	$ —	$ 12,028	$ —	$ —	$ —	$ —
Mortgage pass-throughs	—	61,214	—	—	—	—
Collateralized mortgage obligations	6,690	63,326	1,420	3,966	3,546	4,226
State and local government	—	2,446	2,778	166	—	—
Asset-backed securities	57,471	2,058	4,097	307	84	2,712
Collective investment funds	—	—	—	—	—	1,612,707
Money market mutual funds	—	—	—	—	—	3,095
Pooled debt funds	—	—	—	—	—	293,564
Domestic corporate bonds	1,301	8,752	47,061	91,097	173	—
Foreign corporate bonds	2,722	11,114	32,879	13,135	282	—
Foreign government bonds	26,490	2,342	104	1,152	—	—
	$ 94,674	$ 163,280	$ 88,339	$ 109,823	$ 4,085	$ 1,916,304

Custodial Credit Risk. The 401(k) and 457 Plans do not have formal investment policies that address custodial credit risk. At December 31, 2015, the investments of these Plans maintained outside the State Treasurer were exposed to custodial credit risk as follows (dollars in thousands):

Investment Type	Carrying Amount Held by Counterparty
U.S. Treasuries	$ 98,569
U.S. Treasury STRIPS	52,890
U.S. agencies	13,596
Mortgage pass-throughs	63,360
Collateralized mortgage obligations	83,437
State and local government	5,390
Asset-backed securities	66,729
Domestic corporate bonds	148,384
Foreign corporate bonds	60,132
Foreign government bonds	30,088
Domestic stocks	3,074,662
Foreign stocks	689,453
Total	$ 4,386,690

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair market value of an investment. The 401(k) and 457 Plans do not have formal investment policies that address foreign currency risk. At December 31, 2015, the Plans' exposure to foreign currency risk was as follows (dollars in thousands):

Currency	Carrying Amount Foreign stocks
Euro	$ 220,721
Japanese Yen	145,503
British Pound Sterling	110,394
Swiss Franc	55,763
Swedish Krona	31,797
Hong Kong Dollar	30,839
Danish Krone	21,283
Canadian Dollar	15,944
Australian Dollar	14,265
Singapore Dollar	14,119
South African Rand	12,076
Mexican Pesos	8,593
Other Currencies	6,914
Total	$ 688,211

Note: The totals in this 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.

Other Primary Government Investments

The other primary government investments held outside the State Treasurer consisted almost entirely of separate investment accounts held by trustees for special obligation and revenue debt issues to comply with IRS regulations on bond arbitrage, and escheated securities held for owners.

At year-end, the other primary government investments maintained outside the State Treasurer had the following investments and maturities (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	$ 52,799	$ 6,543	$ 45,894	$ 362	$ —
U.S. agencies	44,118	27,812	14,771	1,535	—
State and local government	526	—	—	526	—
Repurchase agreements	325,162	325,162	—	—	—
Annuity contracts	63,852	5,316	20,544	25,680	12,312
Debt mutual funds	549	141	343	65	—
Money market mutual funds	165,390	165,390	—	—	—
Pooled debt funds	325,503	—	325,503	—	—
	977,899	$ 530,364	$407,055	$ 28,168	$ 12,312
Other investments:					
International mutual funds	453				
Equity mutual funds	461				
Domestic stocks	79,461				
Total investment securities	$ 1,058,274				

Interest Rate Risk and Credit Risk. The special obligation debt proceeds are generally invested in repurchase agreements. As established in the debt covenants for certain issues, repurchase agreements with respect to government obligations can only be entered into with 1) a dealer recognized as a primary dealer by a Federal Reserve Bank; or 2) any commercial bank, trust company, or national banking association reporting to the Federal Reserve. There are no formally adopted investment policies or debt covenants for special obligation debt proceeds that address interest rate or credit risk.

At year-end, the other primary government 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
U.S. agencies	$ 44,118	$ —	$ —	$ —	$ —	$ —
State and local government	526	—	—	—	—	—
Annuity contracts	—	63,852	—	—	—	—
Debt mutual funds	234	30	56	71	70	88
Money market mutual funds	165,390	—	—	—	—	—
Pooled debt funds	—	—	—	—	—	325,503
Total	$ 210,268	$ 63,882	$ 56	$ 71	$ 70	$ 325,591

Custodial Credit Risk. There were no formally adopted policies that address custodial credit risk of other primary government investments outside the State Treasurer.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair market value of an investment. At year-end, there were no formally adopted policies that address foreign currency risk of other primary government investments outside the State Treasurer.

The fair value measurements of the other primary government 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; Level 3 inputs are significant unobservable inputs.

At year-end, the other primary government investments maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

		Fair Value Measurements Using	
	6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level:			
U.S. Treasuries	$ 52,799	$ 52,799	$ —
U.S. agencies	44,118	1,606	42,512
State and local government	526	526	—
Annuity contracts	63,852	63,852	—
Pooled debt funds	325,503	—	325,503
Domestic stocks	79,461	79,461	—
Total investments by fair value level	$ 566,259	$ 198,244	$ 368,015

Note: The total in this table does not agree to the total disclosed in the previous investment maturities table because this table does not include investments reported at cost as well as investments of the USS N.C. Battleship Commission. The USS N.C. Battleship Commission has a September 30, 2015 year-end and has not yet implemented GASB Statement 72. See Note 1 for additional information.

U.S. agency 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. Pooled debt funds classified in Level 2 of the fair value hierarchy are valued based on the ownership interest of the External Investment Pool Short Term Investment Fund (STIF), which is determined on a fair market valuation basis as of fiscal year-end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

Component Units

University of North Carolina System

The General Statutes place no specific investment restrictions on the University of North Carolina System (the UNC System). However, in the absence of specific legislation, the form of governance over these investments would be 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, discreet, and intelligent judgment and care. The University of North Carolina at Chapel Hill (the University) operates the UNC Investment Fund, LLC (Investment Fund), which is a governmental external investment pool. The University operates the Investment Fund for charitable, nonprofit foundations, associations, trusts, endowments and funds that are organized and operated primarily to support the University and other institutions within the UNC System. Separate financial statements for the Investment Fund may be obtained from the UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

At year-end, the UNC System 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	$ 178,749	$ 24,914	$ 126,266	$ 25,298	$ 2,271
U.S. agencies	141,538	3,081	7,334	7,456	123,667
Mortgage pass-throughs	17,290	—	—	—	17,290
Collateralized mortgage obligations	84,127	—	796	6,153	77,178
Asset-backed securities	69,936	—	2,380	13,122	54,434
Collective investment funds	34,818	34,818	—	—	—
Commercial paper	480	480	—	—	—
Annuity contracts	59	59	—	—	—
Debt mutual funds	408,327	35,820	238,455	122,956	11,096
Money market mutual funds	368,788	368,788	—	—	—
Domestic corporate bonds	33,765	5,667	18,187	4,951	4,960
Foreign corporate bonds	22,821	497	11,035	7,078	4,211
Foreign government bonds	646	—	405	207	34
	1,361,344	$ 474,124	$ 404,858	$ 187,221	$ 295,141
Other investments:					
Balanced mutual funds	4,282				
International mutual funds	15,293				
Equity mutual funds	169,746				
Investments in real estate	12,519				
Real estate investment trust	58,064				
Hedge funds	2,332,522				
Private equity limited partnerships	1,473,988				
Real assets limited partnerships	277,181				
Other limited partnerships	267,209				
Pooled investments	32				
Domestic stocks	288,045				
Foreign stocks	31,155				
Other	6,207				
Total investments	$ 6,297,587				

The fair value measurements of the UNC System's investments maintained outside the State Treasurer 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; Level 3 inputs are significant unobservable inputs.

At year-end, the UNC System's investments maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

		Fair Value Measurements Using		
	6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. Treasuries	$ 178,749	$ 177,659	$ 1,090	$ —
U.S. agencies	141,538	1,796	139,742	—
Mortgage pass-throughs	17,290	—	17,290	—
Collateralized mortgage obligations	84,127	—	84,127	—
Asset-backed securities	69,936	—	69,936	—
Collective investment funds	34,818	34,818	—	—
Annuity Contracts	59	—	59	—
Debt mutual funds	408,327	408,327	—	—
Money market mutual funds	353,004	353,004	—	—
Balanced mutual funds	4,282	4,282	—	—
International mutual funds	15,293	15,293	—	—
Equity mutual funds	147,244	147,244	—	—
Pooled investments	32	32	—	—
Domestic corporate bonds	33,765	2,879	30,886	—
Foreign corporate bonds	22,821	—	22,821	—
Foreign government bonds	646	—	646	—
Domestic stocks	288,045	277,246	—	10,799
Foreign stocks	31,155	31,155	—	—
Investments in real estate	12,519	189	10,240	2,090
Real estate investment trust	43,002	43,002	—	—
Other	5,363	2,252	—	3,111
Total investments by fair value level	1,892,015	$ 1,499,178	$ 376,837	$ 16,000
Investments measured at the net asset value (NAV)				
Real estate investment trust	15,062			
Hedge funds	2,332,522			
Private equity limited partnerships	1,473,988			
Real assets limited partnerships	277,181			
Other limited partnerships	267,209			
Equity mutual funds	22,502			
Other	844			
Total investments measured at the NAV	4,389,308			
Total investments measured at fair value	$6,281,323			

The majority of debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing relies on the securities' relationship to other benchmark quoted securities. In general, domestic stocks classified in Level 3 of the fair value hierarchy are valued based on current option pricing and recent company stock valuations. The majority of investments in real estate classified in Level 2 and Level 3 of the fair value hierarchy are valued using a market multiples technique. The market multiples technique uses multiples or ratios derived from identical or similar assets, liabilities, or groups of assets and liabilities to determine the fair value of an asset or liability. Other investments classified in Level 3 of the fair value hierarchy are valued using a matrix pricing technique.

The University of North Carolina at Chapel Hill holds the majority of the investments measured at net asset value in the previous table. Below are additional disclosures for these investments.

Investments Measured at the NAV	Fair Value 6/30/2016	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
UNC at Chapel Hill:				
Hedge funds	$ 2,273,944	$ 10,000	From 30 days to 3+ years	1 to 365 days
Private equity limited partnerships	1,418,319	702,445	Not currently eligible	10-15 years
Real assets limited partnerships	277,181	183,841	Not currently eligible	10-15 years
Total investments measured at the NAV	$ 3,969,444			

Hedge Funds. UNC at Chapel Hill reports a combination of the following asset strategies for its hedge funds: long biased equity, long/short equity, diversifying, fixed income, and hedge funds in liquidation. The long biased equity strategy is characterized by primarily holding long positions in publicly listed securities to gain equity market exposure globally. The long/short equity strategy is characterized by buying and/or selling short individual securities that fund managers believe the market has mispriced. The long and short positions are generally independent of one another and typically result in an overall net long exposure to equities. Both long biased equity and long/short equity hedge fund managers occasionally invest in equity index futures, options on equity index futures, and specific risk options. The diversifying strategy is characterized by its lack of correlation with major equity indices. These managers may use derivatives such as fixed income and equity futures both as hedging tools and to gain exposure to specific markets. They may also enter into various swap agreements to manage exposure to specific securities and markets. The fixed income strategy includes credit-based commingled hedge funds and is characterized by a focus on income generation and portfolio diversification. These managers may use futures and options on global fixed income and currency markets and enter into swap agreements to hedge or gain exposure to certain markets. The hedge funds in liquidation strategy is characterized by investment in hedge funds that are either in the process of being terminated or have received notice of termination.

Private Equity Limited Partnerships. Private equity managers typically invest in equity investments and transactions in private companies. These investments are typically illiquid and are expected to control volatility and provide higher returns over the long term than public equity investments. The energy subsection of the private equity strategy, including direct energy investments, energy security investments, and limited partnerships, is primarily used to hedge against unanticipated inflation. The principal attraction of these investments is the lack of correlation with the balance of the portfolio.

Real Assets Limited Partnerships. Real estate managers invest in private portfolio investments focusing on specific niche markets within the real estate sector. Such sectors may include investments in public real estate investment trusts that provide a more liquid means of gaining exposure to this asset class. These investments primarily serve as a hedge against unanticipated general price inflation but are also a source of current income.

NOTE 12: RETIREMENT PLANS

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. Nine of the plans in this note do not issue separate financial statements, nor are they reported as part of other entities. The financial statements and other required disclosures are presented in Note 16 and in the *Required Supplementary Information (RSI)* section of this CAFR. The Supplemental Retirement Income Plan of North Carolina (401(k) Plan) issues separately audited financial statements. Information on how to obtain the 401(k) Plan financial statements is found in Section B.9. The State also provides a defined benefit special separation allowance for eligible sworn law enforcement officers and a defined contribution optional retirement plan for certain university employees.

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 pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The Fixed Income Asset Class includes the Long-term Investment and External Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio.

The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Additionally, the securities lending balance represents assets occurring from securities lending transactions that result from the systems' participation in the pool. The investments of the State Treasurer are discussed in Note 3.

B. Plan Descriptions

Cost-Sharing, Multiple-Employer, Defined Benefit Plans

1. TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

Plan administration. The State of North Carolina 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, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly. At June 30, 2016, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	61
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
	260

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 full 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 partial 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 or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

TSERS plan members who are LEOs are eligible to retire with full 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 partial retirement benefits at age 50 with 15 years of creditable service as an officer. 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 or a return of the member's contributions.

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 based on the actuarially determined rate recommended by the actuary. The State and other participating employers' contractually required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll. This was greater than the actuarially determined contribution of 8.69%. This amount, combined with plan member contributions and investment income fund the benefits earned by plan members during the year and administrative expenses. Actual contributions are reported in Section F of this note.

Refunds of contributions. Members who have terminated service as a contributing member, may file an application for a refund of their contributions. By state law, prior to January 1, 2015, refunds to members with at least five years of service included 4% interest. Effective January 1, 2015, refunds to members include interest (currently 4%) 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 the employer contributions or any other benefit provided by TSERS.

2. LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

Plan administration. The State of North Carolina 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 and local law enforcement officers of participating local governmental entities. Benefit provisions are established by General Statute 128-27 and may be amended only by the North Carolina General Assembly. At June 30, 2016, the number of participating local governments was as follows:

Cities	425
Counties	100
Special Districts	359
	884

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 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. Plan members are eligible to retire with full 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. Plan members are eligible to retire with partial 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). Survivor benefits are available to eligible beneficiaries of 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 members 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 or a return of the member's contributions. 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 full 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 partial retirement benefits at age 50 with 15 years of creditable service as an officer. 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 or a return of the member's contributions.

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 actuarially determined contribution rate for employers is set annually by the LGERS Board of Trustees. For the fiscal year ended June 30, 2016, all employers made contributions of 7.15% of covered payroll for law enforcement officers and 6.67% for general employees and firefighters. This was equal to the actuarially determined contribution. This amount, combined with member contributions and investment income fund the benefits earned by plan members during the year and administrative expenses. In addition, employers with an unfunded liability, established when the government 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 a contributing member, may file an application for a refund of their contributions. By state law, prior to January 1, 2015, refunds to members with at least five years of service included 4% interest. Effective January 1, 2015, refunds to members include interest (currently 4%) 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 employer contributions or any other 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, 2016, there were 1,698 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 and survivor benefits. The present retirement benefit is $170 per month. Plan members are eligible to receive the monthly 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. 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 for members was added effective June 1, 2016 and provides that beneficiaries will receive the same benefit the deceased member would have received beginning when the deceased would have reached age 55.

Contributions. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. Plan member benefits and administrative expenses are funded by a $10 monthly contribution by the member, investment income and an actuarially based state appropriation. Actual contributions are reported in Section F of this note.

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 employer contributions or any other benefit provided by FRSWPF.

4. REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND

Plan administration. The State of North Carolina 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, 2016, there were 97 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 G.S. 161-50.3; and
2. when the benefit amount is combined with the individual's maximum retirement allowance upon retirement under the Local Governmental Employees' Retirement System or equivalent locally sponsored retirement plan, 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); or
   b. one thousand five hundred dollars ($1,500).

Because of the statutory limits noted above, not all contributions available for benefits are distributed.

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 this year and in the foreseeable future is zero. Registers of Deeds do not contribute.

Single-Employer Defined Benefit Plans

5. CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

Plan administration. The State of North Carolina 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 General Statute 135-58 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 full 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 partial 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. Survivor benefits are available to 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 recommended by the actuary. The State's contractually required contribution for the year ended June 30, 2016 was 27.21% of covered payroll. This was greater than the actuarially determined contribution of 26.37%. This amount, combined with member contributions and investment income fund the benefits earned by plan members during the year and administrative expenses. Actual contributions are reported in Section F of this note.

Refund of contributions. Members who have terminated service as a contributing member may file an application for a refund of their contributions. By state law, prior to January 1, 2015, refunds to members with at least five years of service included 4% interest. Effective January 1, 2015, refunds to members include interest (currently 4%) 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 employer contributions or any other benefit provided by CJRS.

6. LEGISLATIVE RETIREMENT SYSTEM

Plan administration. The State of North Carolina 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 making him eligible to participate in either the Teachers' and State Employees' Retirement System or Consolidated Judicial Retirement System. Benefit provisions are established by General Statute 120-4.21 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 full retirement benefits at age 65 after five years of service. Plan members are eligible to retire with partial retirement benefits at age 60 after five years of service or at age 50 with 20 years of service. 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.

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 actuary. For the fiscal year ended June 30, 2016, the State's contractually required contribution was 1.8% of covered payroll. This was equal to the actuarially determined contribution. This amount, combined with member contributions and investment income fund the benefits earned by plan members during the year and administrative expenses. Actual contributions are reported in Section F of this note.

Refunds of contributions. Members who have terminated service as a contributing member may file an application for a refund of their contributions. By state law, prior to January 1, 2015, refunds to members with at least five years of service included 4% interest. Effective January 1, 2015, refunds to members include interest (currently 4%) 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 employer contributions or any other 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.

Contributions. Contribution provisions are established by General Statute 127A-40 and may be amended only by the North Carolina General Assembly. Plan member benefits and administrative expenses are funded by investment income and an actuarially determined state appropriation. Actual contributions are reported in Section F of this note.

Defined Contribution Plans

8. SHERIFFS' SUPPLEMENTAL PENSION FUND

This plan is a defined contribution pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county sheriffs. Membership is comprised of sheriffs who are retired from the Local Governmental Employees' Retirement System and beneficiaries that meet the statutory eligibility requirements. At June 30, 2016, there were 94 sheriffs and two beneficiaries enrolled in the plan with 81 of the State's 100 counties participating.

An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on minimum years of service as a sheriff with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed. The North Carolina Department of Justice administers the plan. If the plan purchases any investments, they are held as part of the State Treasurer's Investment Pool. The State's only cost in the plan is administration.

Receipts collected by each county's Clerk of Superior Court under General Statutes 7A-304(a)(3a), along with investment income, support the plan's benefits and administrative expenses. Sheriffs do not contribute to the plan. For the fiscal year ended June 30, 2016, the Clerks remitted $875 thousand. All benefit and contribution provisions are established by Chapter 143, Article 12H of the General Statutes and may be amended only by the North Carolina General Assembly.

9. 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 401(k) Plan) in accordance with Internal Revenue Code (IRC) Section 401(k). Effective July 1, 2008, the Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan was consolidated with the Supplemental Retirement Income Plan's Board to form the North Carolina Supplemental Retirement Board of Trustees (the Board). At that time, the Board began administering these independent plans. 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 are eligible to enroll in the 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. All contributions and costs of administering the 401(k) Plan are the responsibility of the participants. All contributions are immediately vested in the name of each participant. At December 31, 2015, there were approximately 257,600 employees enrolled with 996 participating employers. Benefit and contribution provisions are established by Chapter 135, Article 5 of the North Carolina General Statutes and may be amended only by the North Carolina General Assembly.

Benefits of the 401(k) Plan depend solely on amounts contributed to the plan plus investment earnings. Members of the 401(k) Plan may receive their benefits upon retirement, disability, termination, hardship, or death. Participants may choose from several options, including systematic withdrawals, full or partial lump-sum withdrawals, or transfer of their balance to an eligible employer-sponsored retirement plan or IRA.

The 401(k) Plan is a defined contribution pension plan with direct administration delegated to a third party contractor. Financial statements are based on the Plan's fiscal year. The audited statements for the year ended December 31, 2015, are presented in this financial report as a pension and other employee benefit trust fund. The 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. Prudential Retirement Services (a subsidiary of Prudential) provides third party administration of the 401(k) Plan. The 401(k) Plan's financial statements are available by contacting the N.C. Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604-1668.

In addition to the voluntary contribution criteria above, General Statute 143-166.30 requires state contributions to the 401(k) Plan to provide benefits for all law enforcement officers employed by the State and its component units. General Statute 143-166.50 requires local governmental units with law enforcement officers to also contribute at least as much as the State. Participation begins at the date of employment. State agencies and component units are required to contribute monthly to the individual accounts of participants an amount equal to 5% of each officer's monthly salary. The State is also required to contribute to the individual accounts of all officers on a per capita basis in equal shares. State law enforcement officers receive $.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. General Statutes allow law enforcement officers to voluntarily contribute up to 10% of their compensation within any calendar year, but current Internal Revenue Code provisions define the actual voluntary contribution a law enforcement officer can make. All contributions are immediately vested in the name of each participant. At December 31, 2015, 52 state agencies and component units along with 455 local governmental units outside our reporting entity contributed the required 5%. In addition, eight state agencies and 459 local government employers contributed to the 401(k) Plan on a voluntary basis. There were approximately 13,700 LEOs actively contributing to the 401(k) Plan and approximately 24,700 LEOs receiving employer contributions as of December 31, 2015. All LEO benefit and contribution provisions are established by North Carolina General Statutes 143-166.30 and 143-166.50 and may be amended only by the North Carolina General Assembly.

The 401(k) Plan reported total member contributions of $307.820 million. The payrolls for law enforcement officers, on which the required contributions were based for the year ended December 31, 2015, amounted to $161.531 million for the State, $25.974 million for universities, and $6.283 million for community colleges, public schools and other miscellaneous component units. The required 5% employer's contribution was made by the State for $8.077 million, by universities for $1.299 million, and by the remaining component units, public schools and community colleges for $314 thousand. In addition, the State contributed $350 thousand for required court cost assessments. The amount of pension expense recognized in the current fiscal year is equal to the employer contributions.

The 401(k) Plan (Supplemental Retirement Plan) discloses a related party transaction in Note 20 of this CAFR. Through an agreement with the Supplemental Plan, as directed by the Board, Prudential Retirement Services provides investment management services along with the third party administration referred to above. The Supplemental Retirement Plan's investment risks are described in Note 3.

10. OPTIONAL RETIREMENT PROGRAM

The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Faculty and staff of the University of North Carolina (UNC) System may join the ORP instead of the Teachers' and State Employees' Retirement System. The ORP is administered by the UNC System. At June 30, 2016, the plan had 19,098 participants with 19 constituent institutions of the UNC System participating.

Benefits are provided by means of contracts issued and administered by the privately-operated Teachers' Insurance and Annuity Association (TIAA) and Fidelity Investments. Participants' eligibility and contributory requirements are established in General Statutes 135-5.1 and may be amended only by the North Carolina General Assembly. Participants are always fully vested in their own contributions to the plan and their investment earnings. Participants are fully vested in the university's contributions and earnings after five years of participating in the ORP.

Participants contribute 6% of compensation and the university contributes 6.84%. The universities contributed $116 million for the fiscal year ended June 30, 2016. Annual covered payroll was $1.7 billion and employer contributions expressed as a percentage of annual payroll were 6.84% for the period. Employee contributions expressed as a percentage of annual covered payroll were the required 6% with actual employee contributions of $101.8 million for the fiscal year ended June 30, 2016. The amount of pension expense recognized in the current fiscal year related to ORP was $110.8 million. Forfeitures reduced the universities' pension expense by $5.2 million for the fiscal year ended June 30, 2016. Any liabilities reported by the universities are immaterial to this CAFR.

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 Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
Inactive plan members or beneficiaries currently receiving benefits	201,522	63,110	13,463	96	647	300	4,484
Inactive plan members entitled to but not yet receiving benefits	143,214	59,289	146	-	45	90	5,512
Active plan members	312,822	124,974	42,821	100	561	170	5,756
	657,558	247,373	56,430	196	1,253	560	15,752
Valuation date	12-31-15	12-31-15	12-31-15	12-31-15	12-31-15	12-31-15	12-31-15

D. Investments

Investment policy. The pension 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 policy for the Registers of Deeds' Supplemental Pension Fund is 100% in the Fixed Income asset class as of June 30, 2016. For all plans other than the Registers of Deeds' Supplemental Pension Fund, the following table displays the adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation
Fixed Income	29%
Global Equity	42%
Real Estate	8%
Alternatives	8%
Credit	7%
Inflation Protection	6%
Total	100%

The preceding table reflects an asset allocation policy which became effective July 1, 2014.

Rate of return. For the year ended June 30, 2016, 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 Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
Money-weighted Rate of Return	0.74%	0.77%	0.75%	8.04%	0.75%	0.66%	0.77%

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, 2016, were as follows (dollars in thousands):

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees'	Local Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
Total pension liability	$ 72,459,862	$ 24,882,010	$ 443,832	$ 31,072	$ 623,842	$ 28,705	$ 169,210
Plan fiduciary net position	63,268,829	22,759,675	377,013	49,768	528,440	26,472	109,829
Net pension liability (asset)	$ 9,191,033	$ 2,122,335	$ 66,819	$ (18,696)	$ 95,402	$ 2,233	$ 59,381
Plan fiduciary net position as a percentage of the total pension liability	87.32%	91.47%	84.94%	160.17%	84.71%	92.22%	64.91%

Actuarial assumptions. The total pension liability was determined by actuarial valuations as of December 31, 2015, 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, 2016 utilizing update procedures incorporating the actuarial assumptions.

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees' (Note 1)	Local Govern-mental (Note 1)	Firefighters' and Rescue Squad	Registers of Deeds' (Note 1)	Consolidated Judicial (Note 1)	Legislative (Note 1)	North Carolina National Guard
Valuation date	12/31/15	12/31/15	12/31/15	12/31/15	12/31/15	12/31/15	12/31/15
Inflation	3%	3%	3.5%	3%	3%	3%	3%
Salary Increases	3.50% - 8.10%	3.50% - 7.75%	N/A	3.50% - 7.75%	3.50% - 5.50%	5.50%	N/A
Investment Rate of Return (Note 2)	7.25%	7.25%	7.25%	3.75%	7.25%	7.25%	7.25%

Note 1 - Salary increases include 3.5% inflation and productivity factor
Note 2 - Investment rate of return is net of pension plan investment expense, including inflation.
N/A - Not Applicable

For the fiscal year ended June 30, 2016, retirees in the LGERS received a 0.625% cost of living adjustment if their retirement began on or before July 1, 2014. Members with retirement effective dates between August 1, 2014, and June 1, 2015 received a prorated amount. This cost of living adjustment was granted by the LGERS' Board of Trustees. The NGPF increased the monthly benefit from \$99 to \$105, the monthly additional benefit from \$9.90 to \$10.50 and the maximum monthly benefit from \$198 to \$210. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly effective July 1, 2015. These enhancements were reflected as liabilities in the valuations described above.

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. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

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, 2016 (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	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Credit	6.0%
Inflation Protection	4.0%

The information in the preceding table is based on 30 year expectations developed with the consulting actuary 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25% except for Registers of Deeds' Supplemental Pension Fund which was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily 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, 2016 calculated using the discount rate of 7.25% (3.75% 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 (6.25%; RODSPF 2.75%) or 1-percentage-point higher (8.25%; RODSPF 4.75%) than the current rate (dollars in thousands):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Cost-Sharing, Multiple-Employer			
TSERS' net pension liability	$ 17,286,557	$ 9,191,033	$ 2,383,807
LGERS' net pension liability (asset)	5,037,291	2,122,335	(312,453)
FRSWPF' net pension liability	122,146	66,819	21,335
Single-Employer			
CJRS' net pension liability	$ 158,863	$ 95,402	$ 41,098
LRS' net pension liability	4,827	2,233	5,000
NCNGs' net pension liability	80,176	59,381	42,267

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Cost-Sharing, Multiple-Employer			
RODs' net pension asset	$ (15,075)	$ (18,696)	$ (21,738)

F. GASB Statement 68 Employer Reporting

1. EMPLOYER CONTRIBUTIONS

The following table presents the primary government's and component units' contributions recognized by the pension plans at June 30, 2016 (dollars in thousands):

	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Total
Primary Government	$ 303,031	$ 13,900	$ 18,908	$ 65	$ 7,066	$342,970
Component Units						
University of North Carolina System	$ 193,767	$ —	$ —	$ —	$ —	$193,767
Community Colleges	79,733	—	—	—	—	79,733
Other Component Units	2,329	—	—	—	—	2,329
Total Contributions	$ 578,860	$ 13,900	$ 18,908	$ 65	$ 7,066	$618,799

2. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

As of June 30, 2016, the primary government and component units reported net pension liabilities for defined benefit pension plans administered by the State as follows (dollars in thousands):

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Proportionate Share of the Net Pension Liability				
Teachers' and State Employees' Retirement System	$ 828,018	$ 532,624	$ 216,890	$ 6,224
Net Pension Liability				
Firefighters' and Rescue Squad	36,359	—	—	—
Consolidated Judicial	44,232	—	—	—
North Carolina National Guard	40,721	—	—	—
Total Net Pension Liability	$ 949,330	$ 532,624	$ 216,890	$ 6,224

The primary government also reported a net pension asset of $4.504 million for the Legislative Retirement System. Each net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate each net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014. Update procedures were used to roll forward the total pension liability to June 30, 2015. For TSERS, the primary government's and each component unit's proportion of the collective net pension liability was based on a projection of the present value of future salaries relative to the projected present value of future salaries of all participating employers, actuarially determined. The primary government's proportion of the collective net pension liability was further allocated to individual proprietary funds based on each fund's proportionate share of the total prior year pension contributions.

The primary government's and component units' proportions of the collective net pension liability for the Teachers' and State Employees' Retirement System as of June 30, 2015 and 2014 were as follows:

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Teachers' and State Employees' Retirement System				
Proportion – June 30, 2015	22.47%	14.45%	5.89%	0.17%
Proportion – June 30, 2014	22.78%	14.79%	5.87%	0.17%
Change – Increase (Decrease)	(0.31)	(0.34)	0.20	–

For the year ended June 30, 2016, the primary government and component units recognized pension expense for defined benefit pension plans administered by the State as follows (dollars in thousands):

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Pension Expense				
Teachers' and State Employees' Retirement System	$ 82,192	$ 54,349	$ 23,809	$ 654
Consolidated Judicial	9,068	–	–	–
Legislative	146	–	–	–
Total Pension Expense	$ 91,406	$ 54,349	$ 23,809	$ 654

As a result of its requirement to contribute, the primary government recognized expense of $2.91 million for FRSWPF and $10.85 million for NGPF for the year ended June 30, 2016. The primary government's proportion of the collective net pension liability for Firefighters' and Rescue Squad Workers' and for North Carolina National Guard was 100% and 100%, respectively, as of June 30, 2015 and 2014.

At June 30, 2016, the primary government and component units reported deferred outflows of resources related to defined benefit pension plans administered by the State from the following sources (dollars in thousands):

	Deferred Outflows of Resources					
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Total
Primary Government:						
Difference between actual and expected experience	$ —	$ 2,202	$ —	$ 132	$ 38	$ 2,372
Change in proportion and differences between agency's contributions and proportionate share of contributions	21,493	—	—	—	—	21,493
Contributions subsequent to the measurement date	303,031	13,900	18,908	65	7,066	342,970
Total	$ 324,524	$ 16,102	$ 18,908	$ 197	$ 7,104	$ 366,835
Component Units:						
University of North Carolina System						
Change in proportion and differences between agency's contributions and proportionate share of contributions	$ 19,082					
Contributions subsequent to the measurement date	193,767					
Total	$ 212,849					
Community Colleges						
Change in proportion and differences between agency's contributions and proportionate share of contributions	$ 12,439					
Contributions subsequent to the measurement date	79,733					
Total	$ 92,172					
Other Component Units						
Change in proportion and differences between agency's contributions and proportionate share of contributions	$ 179					
Contributions subsequent to the measurement date	2,329					
Total	$ 2,508					

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2016, the primary government and component units reported deferred inflows of resources related to defined benefit pension plans administered by the State from the following sources (dollars in thousands):

	Deferred Inflows of Resources					
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Total
Primary Government:						
Difference between actual and expected experience	$ 94,147	$ 2,501	$ 3,293	$ 334	$ 121	$ 100,396
Changes of assumptions	—	13,542	—	—	—	13,542
Net difference between projected and actual earnings on pension plan investments	89,754	2,223	2,972	238	487	95,674
Change in proportion and differences between agency's contributions and proportionate share of contributions	17,282	—	—	—	—	17,282
Total	$ 201,183	$ 18,266	$ 6,265	$ 572	$ 608	$ 226,894
Component Units:						
University of North Carolina System						
Difference between actual and expected experience	$ 60,559					
Net difference between projected and actual earnings on pension plan investments	57,705					
Change in proportion and differences between agency's contributions and proportionate share of contributions	14,505					
Total	$ 132,769					
Community Colleges						
Difference between actual and expected experience	$ 24,660					
Net difference between projected and actual earnings on pension plan investments	23,498					
Change in proportion and differences between agency's contributions and proportionate share of contributions	4,220					
Total	$ 52,378					
Other Component Units						
Difference between actual and expected experience	$ 708					
Net difference between projected and actual earnings on pension plan investments	674					
Change in proportion and differences between agency's contributions and proportionate share of contributions	44					
Total	$ 1,426					

Amounts 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 year ended June 30, 2017. These amounts are found in the preceding Deferred Outflows of Resources table. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (dollars in thousands):

Teachers' and State Employees'

		Component Units		
Year Ending June 30	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
2017	$ (106,319)	$ (66,901)	$ (25,565)	$ (763)
2018	(106,319)	(66,901)	(25,565)	(763)
2019	(103,230)	(65,805)	(25,042)	(747)
2020	136,178	85,920	36,233	1,026

Other Plans

	Primary Government			
Year Ending June 30	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard
2017	$ (3,630)	$ (3,733)	$ (288)	$ (561)
2018	(3,630)	(3,733)	(264)	(566)
2019	(3,628)	(3,706)	(175)	(522)
2020	2,205	4,907	287	1,079
2021	(1,615)			
Thereafter	(5,766)			

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard
	(Note 1)		(Note 1)		
Valuation date	12/31/14	12/31/14	12/31/14	12/31/14	12/31/14
Inflation	3%	3.5%	3%	3%	3%
Salary Increases	4.25%-9.10%	N/A	5.00%-5.95%	7.50%	N/A
Investment Rate of Return (Note 2)	7.25%	7.25%	7.25%	7.25%	7.25%

Note 1 - Salary increases include 3.5% inflation and productivity factor
Note 2 - Investment rate of return is net of pension plan investment expense, including inflation
N/A - Not Applicable

The following table presents the adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	2.2%
Global Equity	42%	5.8%
Real Estate	8%	5.2%
Alternatives	8%	9.8%
Credit	7%	6.8%
Inflation Protection	6%	3.4%
Total	100%	

Sensitivity of the net pension liability to changes in the discount rate. The following presents the primary government's and component units' net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate (dollars in thousands):

	Net Pension Liability (Asset)		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Teachers' and State Employees' Proportionate Share			
Primary Government	$ 2,492,105	$ 828,018	$ (584,152)
University of North Carolina System	1,603,050	532,624	(375,757)
Community Colleges	652,778	216,890	(153,012)
Other Component Units	18,733	6,224	(4,391)
Firefighters' and Rescue Squad	$ 86,337	$ 36,359	$ (5,502)
Consolidated Judicial	$ 99,695	$ 44,232	$ (3,843)
Legislative	$ (2,756)	$ (4,504)	$ (6,040)
North Carolina National Guard	$ 58,365	$ 40,721	$ 26,090

3. CHANGES IN NET PENSION LIABILITY (ASSET) FOR SINGLE-EMPLOYER, DEFINED-BENEFIT PLANS

The following schedule presents the changes in the net pension liability for the single-employer, defined-benefit plans as of June 30, 2016 (dollars in thousands):

	Consolidated Judicial	Legislative
Total pension liability		
Service Cost	$ 16,812	$ 844
Interest	40,846	1,742
Differences between expected and actual experience	(2,289)	(579)
Benefit payments, including refunds of member contributions	(38,364)	(2,473)
Net change in total pension liability	17,005	(466)
Total pension liability - beginning (a)	565,761	24,418
Total pension liability - ending (c)	$ 582,766	$ 23,952
Plan fiduciary net position		
Contributions-employer	$ 18,949	$ -
Contributions-member	6,238	253
Net investment income	12,176	642
Benefit payments, including refunds of member contributions	(38,364)	(2,473)
Administrative expense	(30)	(17)
Other	1	-
Net change in plan fiduciary net position	(1,030)	(1,595)
Plan fiduciary net position - beginning (b)	539,564	30,051
Plan fiduciary net position - ending (d)	$ 538,534	$ 28,456
Net pension liability (asset) - beginning (a) - (b)	26,197	(5,633)
Net pension liability (asset) - ending (c) - (d)	$ 44,232	$ (4,504)

G. Special Separation and Allowance

The State provides a special separation allowance (SSA), a single-employer, defined benefit pension plan, for sworn law enforcement officers as defined by General Statutes 135-1(11b) or General Statutes 143-166.30(a)(4) that were employed by State agencies and major component units and retired on a basic service retirement under the provisions of General Statutes 135-5(a). To qualify for the allowance, each retired officer must: (1) have completed 30 or more years of creditable service or have attained 55 years of age and completed five or more years of creditable service; and (2) not have attained 62 years of age; and (3) have completed at least five years of continuous service as a law enforcement officer immediately preceding a service retirement. Each eligible officer is paid an annual separation allowance equal to 0.85% of the officer's most recent base rate of compensation for each year of creditable service. For the fiscal year ended June 30, 2016, the State and its major component units paid $17 million for 1,037 retired law enforcement officers. These benefits are funded on a pay-as-you-go basis with each employer (the State or component unit) responsible for the benefits to their former employees. There is no statewide administration of the SSA and there is no actuarial valuation performed. Funds for this allowance are appropriated annually in the budget of each affected state agency or paid from the component unit's operations. These benefits are established in General Statute 143-166.41 and may be amended only by the General Assembly.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS

The State administers two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan, 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 administrative costs in accordance with the terms of the plan. The plans in this note do not issue separate financial statements. The financial statements and other required disclosures are presented in Note 16 and in the *Required Supplementary Information* section of this Comprehensive Annual Financial Report (CAFR).

A. Summary of Significant Accounting Policies and Plan Asset Matters

BASIS OF ACCOUNTING

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 are recognized when due and payable in accordance with the terms of each plan.

INVESTMENTS /SECURITIES LENDING

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The investment balance of the Disability Income Plan and the Retiree Health Benefit Fund are invested in the External Investment Pool.

Additionally, the securities lending balance represents assets occurring from securities lending transactions that result from the funds' participation in the pool. The investments of the State Treasurer are fully discussed in Note 3.

B. Plan Descriptions and Contribution Information

1. HEALTH BENEFITS

Pursuant to North Carolina General Statutes, the State makes available the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of employees and former 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. At June 30, 2016, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	86
Community Colleges	58
University of North Carolina System	19
Other Component Units	4
Local governments	80
Total	364

The Plan is reported as a major component unit. It is administered by the State Treasurer, the Board of Trustees, and the Executive Administrator. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Board of Trustees. Plan benefits received by retired employees and disabled employees 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 15. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of four fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options or the self-funded Traditional 70/30 Preferred Provider Organization (PPO) plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits 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.

The Plan'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. The plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund 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 the Fund. However, Fund assets may be used for reasonable expenses to administer the Fund, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to the Fund, 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 Bill.

For the current fiscal year, the State and the other employers contributed the legislatively mandated 5.6% of active employee salaries. The Fund is reported as an employee benefit trust fund. The State's total payments are shown in the table on page 144. Actuarially required contributions and the percentage received from all employers can be found in the *Required Supplementary Information* section of this report.

2. *DISABILITY INCOME*

As discussed in Note 15, 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 proprietary component units and Local Education Agencies (LEAs) which are not part of the reporting entity, and the University Employees' Optional Retirement Program. 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, for as long as an employee is disabled. 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 the end of the short-term disability period 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. An 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.

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 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 Teachers' and State Employees' Retirement System 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, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Although the DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the state fiscal year. For the fiscal year ended June 30, 2016, the State and the other employers made a statutory contribution of 0.41% of covered payroll. This was equal to the actuarially required contribution. The State's total payments are shown in the table below. Actuarially required contributions and the percentage received from all employers can be found in the *Required Supplementary Information* of this CAFR.

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. 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. The plan does not provide for automatic post-retirement benefit increases.

The following table presents the three year trend of the contractually required contributions for the Retiree Health Benefit Plan and the annual required contributions (ARC) for the Disability Income Plan for the State and its component units made to the plans. For the Retiree Health Benefit Plan, the contractually required contribution is determined by the General Assembly and does not reflect the actuary-based ARC. For the Disability Income Plan, the ARC equals the State's OPEB cost as an employer.

Required Contributions as an Employer
For the Years Ended June 30, 2014 through June 30, 2016
(dollars in thousands)

	Retiree Health Benefit	Disability Income
Primary Government:		
2016	$ 185,760	$ 13,600
2015	182,167	13,604
2014	176,765	14,403
Component units:		
Universities:		
2016	$ 219,435	$ 16,066
2015	206,262	15,404
2014	197,870	16,123
Community Colleges:		
2016	$ 48,905	$ 3,581
2015	47,511	3,548
2014	46,083	3,755
Other Component Units:		
2016	$ 441	$ 32
2015	426	32
2014	415	34
Percentage Contributed:		
2016	100%	100%
2015	100%	100%
2014	100%	100%

For 2016 and the two preceding years, the primary government and component units together contributed 100% of the required contributions for Retiree Health Benefit and Disability Income.

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

	Retiree Health Benefit	Disability Income
Retirees and beneficiaries currently receiving benefits	207,884	N/A
Disabled members receiving long term disability benefits	N/A	6,709
Terminated employees entitled to benefits but not yet receiving them	37,118	-
Active plan members	342,965	321,718
Total	587,967	328,427
Date of valuation	*12/31/15*	*12/31/15*

N/A - Not Applicable

The funding status of each plan as of the most recent actuarial valuation date is presented below (dollars in thousands):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c) (3)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
Retiree Health (1)	12/31/15	$ 960,978	$ 33,472,004	$ 32,511,026	2.9%	$ 15,691,815	207.2%
Disability Income (2)	12/31/15	$ 439,956	$ 395,950	$ (44,006)	111.1%	$ 14,718,736	(0.3%)

(1) The AAL has been prepared using the projected unit credit cost method.
(2) The AAL has been prepared using the entry age actuarial cost method. The information presented is intended to approximate the funding progress of the plan as required by GASB Statements 43 and 45.
(3) Buck Consulting reported the unadjusted covered payroll for the DIPNC long-term disability benefits. Segal Consulting reported the adjusted, annualized payroll for postemployment health benefits.

Multiyear trend information on funding progress is presented in the *Required Supplementary Information* section of this CAFR. These schedules indicate whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. Actuarial Methods and Assumptions

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 latest actuarial valuation for Retiree Health is dated December 31, 2015. The latest actuarial valuation for DIPNC is dated December 31, 2015. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial assumptions used for the Retiree Health Benefit 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 Retiree Health reflects a pay-as-you-go approach.

NOTES TO THE FINANCIAL STATEMENTS

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. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, 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.

Below are listed the actuarial methods and significant assumptions for these valuations that will be used to determine future annual required contributions.

	Retiree Health Benefit	Disability Income
Valuation Date	12/31/15	12/31/15
Actuarial Cost Method	Projected Unit Credit	Aggregate
Amortization Method	Level percentage of pay	Level percentage of pay
Remaining Amortization Period	30 years	(1)
Period Open/Closed	Open	(1)
Asset Valuation Method	Market Value	5 year smoothed with 80%/120% corridor
Actuarial Assumptions:		
Investment Rate of Return (2)	4.25%	3.75%
Medical Cost Trend Rate (2)	6% grading to 5% by 2020	N/A
Drug Cost Trend Rate (2)	10.5% grading to 5% by 2027	N/A
Projected Salary Increases (3)	Vary by group and years of service	3.5% - 8.1%

(1) The aggregate cost method does not identify or separately amortize unfunded liabilities, thus information about the plan's funded status and funding progress has been prepared using the entry age actuarial cost method.

(2) For the Retiree Health Benefit, the investment rate of return includes an inflation and productivity rate of 3.5%. The medical and drug cost trend rates include only inflation of 3%. For the DIPNC, the investment rate of return includes an inflation rate of 3%.

(3) For the DIPNC, the projected salary increases include an inflation and productivity rate of 3.5%.

N/A - Not Applicable

NOTE 15: RISK MANAGEMENT AND INSURANCE

A. Public Entity Risk Pool

Public School Insurance Fund

The Public School Insurance Fund (the Fund) is a public entity risk pool reported within the enterprise funds. In accordance with Chapter 115C, Article 38, of the General Statutes, the purpose of the Fund is to insure the Local Education Agencies (LEAs), in order to safeguard the property investments made in the public schools of North Carolina. The community colleges, which are component units, can also acquire insurance through the Fund as stated in General Statute 115D-58.11(c). The board of each LEA and the board of trustees of each community college are required to insure their buildings and contents on a replacement cost basis, as suggested by the Fund. The Fund is financed by premiums collected from the LEAs and the community colleges and interest is earned on the Fund's cash balance. Each board has to give notice of its election to insure in the Fund at least 30 days prior to such insurance becoming effective and shall furnish to the Fund a detailed list of all school buildings, contents and other insurable school property. While policies remain in effect, the Fund shall act as insurer of the properties covered by such insurance. The Fund currently insures 87 out of 116 LEAs and 32 out of 58 community colleges.

Claim liabilities are based on estimates of the ultimate cost of losses that have been reported but not settled. There are no salvage claims since any salvage is adjusted in the claim settlement. There are no subrogation claims pending. Since claims are reviewed by adjusters and the actual loss projection is computed in a short time after the claim is reported, the claim adjustment expense associated with the unpaid claim liability will be reflected in the current period. The Fund does not hold any annuity contracts. The Fund does not agree to structured settlements to pay specific amounts on fixed or determinable dates.

The only acquisition costs are related to proposal costs and inspection costs for insured members. Since the Fund can only insure the LEAs and the community colleges, new contracts are immaterial. Since existing contracts are renewed once a year, the Fund's costs are for policy maintenance. Therefore, acquisition costs do not need to be amortized.

The following schedule shows the changes in the reported liability for the past two years (dollars in thousands):

	Fiscal Year	
	2016	**2015**
Unpaid claims at beginning of year	$ 10,176	$ 7,161
Incurred claims:		
Provision for insured events of the current year	943	10,524
Increases (decreases) in provision for insured events of prior years	(337)	(1,899)
Total incurred claims	606	8,625
Payments:		
Claims attributable to insured events of the current year	872	1,448
Claims attributable to insured events of the prior years	4,116	4,162
Total payments	4,988	5,610
Total unpaid claims at end of the year	$ 5,794	$ 10,176

With the collection of premiums from the insured educational units, payment of valid claims becomes the responsibility of the Fund. All claims greater than $10 million per occurrence are covered by reinsurance contracts. Maximum recoverable from reinsurance for any one catastrophic event is $45.5 million per occurrence. Losses in excess of the reinsurance limit would be paid by the Fund from long-term investments, subject to the maximum amount of available funds. Annual aggregate limits of $15 million apply separately with respect to flood and earthquake. Coverage applies to "all risk" perils. Boiler and machinery coverage is provided under separate contract underwritten by the Fund. Incurred losses are reduced by estimated amounts recoverable under the Fund's reinsurance policies. Currently, there are no claims for reinsurance. There were no premium deficiencies in fiscal year 2016. Investment income was not considered in the determination of premium deficiencies.

B. 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 Plan). The 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 Plan is reported as a major component unit. Coverage for active employees, non-Medicare retirees, and some Medicare retirees is self funded. Medicare retirees also have the option of selecting one of four fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP). 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 or eliminate employee contributions. Contributions for dependent coverage are made by employees and retirees. As described in Note 14, coverage is also extended to certain individuals as an other postemployment benefit. The Plan has contracted with third parties to process claims.

The Plan pays most expenses that are medically necessary and eligible for coverage based on allowed amounts for PPO plan members. Claims are subject to specified annual deductible and co-payment requirements. The 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
2014-15	$ 232,676	$ 2,715,826	$ (2,663,469)	$ 285,033
2015-16	285,033	2,777,913	(2,798,310)	264,636

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, 2015 to June 30, 2016, 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 0.16% of covered payroll (as defined in Note 14) to fund the Death Benefit Plan for the period July 2015 to June 2016.

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
2014-15	$ 3,960	$ 48,719	$ (50,119)	$ 2,560
2015-16	2,560	50,486	(50,187)	2,859

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 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 first six months of benefits are payable by the employer outside of DIPNC. The remaining six months are paid by the employer outside of DIPNC, but the employer is reimbursed by DIPNC quarterly. 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 DIPNIC directly to the beneficiary. As discussed in Note 14, 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, for as long as an employee is disabled. These benefits are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly.

C. Other Risk Management and Insurance Activities

1. Automobile, Fire and Other Property Losses

The State is required by Chapter 58, Article 31, Part 50, of the General Statutes to provide liability insurance on every state-owned motor vehicle, which includes vehicles held by the State's participating component units. The State is self-insured for the first $1 million of any loss through a retrospective rated plan. The plan purchases excess insurance through a private insurer to cover losses greater than $1 million up to $10 million per occurrence. Covered losses include those that occur with vehicles that are not on a stationary track or rail, and federal vehicles when the Governor calls out the National Guard.

Agencies of the State and participating component units using state cars are charged premiums to cover the cost of the excess insurance and to pay for those losses falling under the self-insured retention. Premiums charged are also based on the projected losses to be incurred. The private insurer processes all claims and sets up a reserve for amounts expected to be paid for claims. Claims are paid by the private insurer after they are approved by the Attorney General's Office. Settled claims have not exceeded coverage in any of the past three fiscal years.

The State Property Fire Insurance Fund (the Fund), an internal service fund of the State, was created by Chapter 58, Article 31, of the General Statutes. The Fund insures State owned buildings and contents for fire, extended coverage, and other property losses. The Fund does not charge premiums for fire insurance for operations that are supported by the State's General Fund. Those operations that are not supported by the State's General Fund are charged for fire coverage. Agencies of the State can purchase extended coverage and other property coverage such as sprinkler leakage, business interruption, vandalism, theft, and "all risk" for buildings and contents through the Fund. For those that elect to receive any of this other coverage, the Fund charges premiums. The Fund insures losses up to $2.5 million per occurrence. All losses covered by the Fund are subject to a $5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium.

The Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. If aggregate uninsured losses sustained by the Fund, in excess of $50,000 per loss, other than flood and earthquake losses and wind losses by named storms, reach

$5 million in any one annual period, the Fund's retention for the remainder of the annual period is $100,000 per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

Claims of $10,000 or higher are paid when the Council of State approves the request for payment. Claims less than $10,000 are paid without Council of State approval. Claims costs are recognized when they are approved by the Council of State and are outstanding for payment; when known estimates of losses are waiting to be submitted to the Council of State for approval; or when a loss occurs and can be reasonably estimated. Changes in the balances of claims liabilities 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
2014-15	$ 1,340	$ 978	$ (706)	$ 1,612
2015-16	1,612	264	(1,083)	793

2. Medical Malpractice Protection

a. Professional Liability Insurance for State Medical Personnel

Agencies of the State and participating component units are insured under the State Tort Claims Act, Chapter 143, Article 31, of the General Statutes. This act allows partial waiver of sovereign immunity up to $1 million that the State may pay cumulatively to all claimants on account of injury and damage to any one person arising out of a single occurrence. The State has purchased commercial liability insurance for state employees which is in excess over recovery from the Tort Claims Act and Defense of State Employees Act; however, claims involving medical malpractice are generally excluded from this coverage.

The University of North Carolina at Chapel Hill Medical School and UNC Hospitals participate in the Liability Insurance Trust Fund, which is described in detail below. East Carolina University (ECU) provides medical malpractice insurance for the Brody School of Medicine faculty physicians and independently licensed allied health providers. There is a shared blanket policy for all other employees of the ECU Physicians. The medical malpractice insurance is with a private insurance company with coverage of $3 million per occurrence, $5 million annual aggregate, and a $200,000 deductible; as well as an excess policy in the amount of $10 million. All other universities purchase medical professional liability insurance.

Chapter 237, Section 11.33, of the 1999 Session Laws of North Carolina authorized the Department of Health and Human Services, the Department of Environmental Quality, and the Department of Public Safety to provide medical liability coverage on behalf of employees licensed to practice medicine or dentistry; all licensed physicians who are faculty members of the University of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs; and on behalf of medical residents from the University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. The extent of coverage is a maximum of $1 million for each individual incident and does not affect current coverage under the State Tort Claims Act. The Department of Health and Human Services, the Department of Environmental Quality, and the Department of Public Safety purchase commercial professional liability insurance for their medical staff. Settled claims have not exceeded coverage in any of the past three fiscal years.

Insurance coverage varies depending upon the amount of coverage and the type of policy. Typically the amount of primary coverage for medical liability is $1 million per individual, claim, or incidence, and $3 million total or aggregate. Some departments and institutions have purchased higher limits to provide additional coverage above that provided by the primary policy for medical liability. The policies are written on a claims made or occurrence basis, with the majority of the policies being claims made. The claims liabilities are not measurable.

b. Self-Insurance through the Liability Insurance Trust Fund

The Liability Insurance Trust Fund (Trust Fund) is an unincorporated entity created by Chapter 116, Article 26, of the General Statutes and the University of North Carolina Board of Governors Resolution of June 9, 1978. The Trust Fund is a self-insurance program established to provide professional medical malpractice liability covering the University of North Carolina Hospitals at Chapel Hill (the Hospitals) and the University of North Carolina at Chapel Hill Faculty Physicians (UNCFP). The Trust Fund provides coverage for program participants and individual health care practitioners working as employees, agents, or officers of program participants. The Trust Fund is exempt from federal and state income taxes, and is not subject to regulation by the North Carolina Department of Insurance. Coverage is self-funded by contributions from participants and investment income. Contributions are based on the actuarially determined funding level for a given plan year.

For the periods ending June 30, 2015 and June 30, 2016, the Trust Fund provided coverage on an occurrence basis of $3 million per individual and $7 million in the aggregate per claim. Excess reinsurance coverage was not purchased for the policy years ending June 30, 2015 and June 30, 2016, as the Trust Fund chose to retain 100% of the liability. In lieu of reinsurance, the participants contributed $10 million in the aggregate into the Reimbursement Fund during previous fiscal years for future losses.

For the fiscal year ending June 30, 2016, the Trust Fund purchased a direct insurance policy to cover the first $1 million per occurrence and $3 million in the aggregate for dental residents. In the event the Trust Fund has insufficient funds to pay existing and future claims, it has the authority to borrow necessary amounts up to $30 million. Any such borrowing would be repaid from the assets and revenues of program participants. No borrowings have been made under this authority to date. The Trust Fund council believes adequate funds are on deposit in the Trust Fund to meet estimated losses based upon the results of the independent actuary's report.

The Trust Fund establishes claim liabilities based on estimates of the ultimate cost of all losses and loss adjustment expenses, including losses and loss adjustment expenses incurred but not yet reported, which are unpaid at the balance sheet date. The claims liabilities of $36.846 million and $39.536 million are the present values of the aggregate actuarially determined claims liabilities of $56.732 million and $31.835 million, discounted at 0.5% at June 30, 2015 and 1.5% at June 30, 2016.

These estimates are reviewed annually, and as adjustments become necessary, such adjustments are reflected in current operations. Claims against participants are paid from the corpus of the Trust Fund. Changes in the Trust Fund'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
2014-15	$ 41,842	$ (1,188)	$ (3,808)	$ 36,846
2015-16	36,846	9,667	(6,977)	39,536

3. Public Officers' and Employees' Liability Insurance

In accordance with Chapter 58, Article 32, Part 15, of the General Statutes, public officers' and employees' liability insurance is provided by private insurers for all employees of the State and participating component units except for doctors and dentists. The policy provides $10 million excess insurance over the $1 million statutory limit payable for any one claim under the State Tort Claims Act. The first $150,000 of an award against a state agency is the responsibility of the state agency's General Fund budget code or up to $1 million if a Non-General Fund budget code. For General Fund budget codes, any award greater than $150,000 but less than $1 million is funded by proportionate shares of estimated lapse salaries from all agencies' General Fund budget codes. Since state agencies and component units are responsible for funding any tort claims of $1 million or less from their budget and/or lapse salaries, total claims liabilities are not measurable. Employers are charged a premium for the excess insurance based on a composite rate. The employers pay the premiums directly to the private insurer. Settled claims have not exceeded coverage in any of the past three fiscal years.

4. Employee Dishonesty and Computer Fraud

Blanket public employee dishonesty and computer fraud insurance is provided for agencies of the State and its component units with a limit of $5 million per occurrence, subject to a 10% participation in each loss and a $75,000 deductible. This coverage is placed with a private insurance company and is handled by the North Carolina Department of Insurance. Agencies of the State and its component units are charged premiums by the private insurance company. A small number of state agencies and component units of the State require faithful performance coverage in addition to employee dishonesty coverage. In these instances, separate policies have been purchased. The amounts of coverage and the deductibles vary among these separate policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

5. Statewide Workers' Compensation Program

The State has two separate workers' compensation programs that cover employees statewide. The workers' compensation program authorized by Chapter 143, Article 63 administered by the Office of State Human Resources (OSHR) covers workplace injuries of State employees, universities, and community college employees paid with State funds. The workers' compensation program authorized by Chapter 115C, Article 23, and Chapter 115, Article 2 administered by the Department of Public Instruction (DPI) covers workplace injuries of employees of Local Education Agencies (LEAs).

The State and its component units are self-insured for workers' compensation liabilities. The OSHR and DPI programs separately contract with third party administrators and other vendors to handle their program's respective claims. Workers' compensation budgets for most state agencies and participating component units are based on the prior year's loss experience. Workers' compensation liabilities are recognized when probable and reasonably estimated. This liability is presented as a component of the Governmental Activities Long-Term Liabilities.

The third party administrators receive claim administration fees and draw down funds daily to make medical and indemnity payments on behalf of the State in accordance with the North Carolina Workers' Compensation Act, Chapter 97 of the General Statutes. Each state agency and participating component unit is billed for claims costs and administrative fees by their respective third party administrator. State agencies and participating component units contribute to a fund administered by the Office of the State Controller (OSC) to cover their workers' compensation claims. This fund is reported in the general fund.

An injury is covered under the State's Workers' Compensation Act, Chapter 97, if it is caused by an accident or specific traumatic incident that arose out of and in the course and scope of employment. Also, certain occupational diseases specifically designated in state law are compensable. The employee has the responsibility to claim compensation. If the injured employee or his representative does not notify the employer within thirty (30) days from the date of injury, the employer may refuse compensation. A claim must be filed with the North Carolina Industrial Commission (NCIC), the governing body that administers the Workers' Compensation Act, within two years from the date of knowledge thereof; otherwise, the claim is barred by law and no further compensation is allowable. When an employee is injured, the employer's primary responsibility is to direct medical treatment and pay all benefits due. The employer tries to provide the best possible medical care for injured employees to help them reach maximum medical improvement and return to work as soon as possible.

Losses payable by these programs include loss of wages, medical expenses, permanent bodily injury, and death benefits. Loss of wages and disability benefits are payable based on 66 2/3% of an employee's average weekly wages subject to a statutory minimum and annually adjusted maximum compensation rate established per statute by the NCIC. The NCIC is also statutorily required to establish a medical fee schedule that sets maximum reimbursement rates for included medical treatment. Death benefits are payable for 500 weeks at 66 2/3% of an employee's average weekly wages. In certain circumstances, death benefits may be extended beyond 500 weeks.

The following schedule shows the changes in the reported liability for the past two fiscal years (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014-15	$ 177,714	$ 90,929	$ (66,480)	$ 202,163
2015-16	202,163	59,180	(59,437)	201,906

6. Workers' Compensation Fund

The Workers' Compensation Fund (the Fund) is an insurance enterprise reported within the enterprise funds. The Fund is created in the Department of Insurance (the Department) and is administered by the State Fire and Rescue Commission (the Commission) through a service contract with a third-party administrator. In accordance with Chapter 58, Article 87, of the General Statutes, the purpose of the Workers' Compensation Fund is to provide workers' compensation benefits to members of "eligible units," which consist of volunteer fire departments or volunteer rescue/EMS units that are not part of a unit of local government and are exempt from state income tax under General Statute 105-130.11. These eligible units are not part of the reporting entity. Benefits are payable for compensable injuries or deaths which occurred on or after July 1, 1996. The Fund is financed by transfers from General Fund and by per capita fixed dollar amounts for each member of a participating eligible unit's roster. The per capita fixed dollar amount is set annually by the Commission and is paid by the eligible units to the Commission on or before July 1 of each year for credit to the Fund. If payment is not received by July 1, the eligible unit shall not receive workers' compensation coverage for that fiscal year. As of June 30, 2016, the Fund consisted of 1,112 eligible units representing approximately 42,226 members.

The liability for unpaid claims is based on an actuarial determination and represents a reasonable estimate of the ultimate cost of open claims and claim settlement expenses that are unpaid as of the fiscal year end, including incurred but not reported losses. The liability for unpaid claims is continually reviewed, and as adjustments become necessary such adjustments are included in current operations. Claim liabilities do not include nonincremental claims adjustment expenses. The Fund considers anticipated investment income in determining if a premium deficiency exists. The Fund recognizes subrogation from third parties as a reduction to claim and claim settlement expenses incurred. As of June 30, 2016, there was no reduction for subrogation.

Acquisition costs consist of commission payments to independent insurance agents for marketing, promotional and administrative assistance with policy maintenance to eligible units. As coverage is renewed annually, acquisition costs are not amortized.

The Fund maintains both specific excess of loss and aggregate reinsurance coverage. The specific excess of loss coverage provides for statutory limits above the Fund's retention of $500,000 per occurrence and a $1.5 million limit for employer's liability above the Fund's retention of $500,000 per occurrence. Incurred losses are reduced by estimated amounts recoverable under the Fund's excess of loss and aggregate reinsurance policies. As of June 30, 2016, there are claims recoverable from reinsurers in the amount of $583 thousand.

The following schedule shows the changes in the reported liability for the past two fiscal years (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End	
2014-15	$ 21,550	$ 7,472	$ (2,996)	$ 26,026	(1)
2015-16	26,026	6,762	(7,537)	25,251	

(1) Fiscal year 2014-15 is restated due to understated claims payable.

NOTE 16: INDIVIDUAL PLAN FINANCIAL STATEMENTS – PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Financial statements for Pension and Other Employee Benefit Trust Funds as of and for the fiscal year ended June 30, 2016 are presented below.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

(Dollars in Thousands)

	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
Assets						
Cash and cash equivalents	$ 123,278	$ 1,765	$ 135	$ 332	$ 1,568	$ 67,953
Investments:						
Collective investment funds	—	—	—	—	—	—
Unallocated insurance contracts	—	—	—	—	—	—
Synthetic guaranteed investment contracts	—	—	—	—	—	—
State Treasurer investment pool	63,024,077	524,823	26,316	376,646	108,249	22,649,678
Non-State Treasurer pooled investments	—	—	—	—	—	—
Securities lending collateral	1,917,420	16,001	805	11,437	3,311	690,701
Receivables:						
Accounts receivable	3,547	3	—	34	11	3,208
Interest receivable	222	2	—	1	1	75
Contributions receivable	69,167	—	27	—	—	39,260
Due from other funds	43,273	1,920	—	—	—	—
Due from component units	12,872	—	—	—	—	—
Notes receivable	—	—	—	—	—	—
Total Assets	65,193,856	544,514	27,283	388,450	113,140	23,450,875
Liabilities						
Accounts payable and accrued liabilities:						
Accounts payable	—	—	—	—	—	—
Benefits payable	567	18	—	—	—	478
Obligations under securities lending	1,917,420	16,001	805	11,437	3,311	690,701
Funds held for others	7,040	55	6	—	—	21
Total Liabilities	1,925,027	16,074	811	11,437	3,311	691,200
Net Position						
Restricted for:						
Pension benefits	63,268,829	528,440	26,472	377,013	109,829	22,759,675
Other Postemployment benefits	—	—	—	—	—	—
Other employment benefits	—	—	—	—	—	—
Total Net Position	$ 63,268,829	$ 528,440	$ 26,472	$ 377,013	$ 109,829	$ 22,759,675

NOTES TO THE FINANCIAL STATEMENTS

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.	Sheriffs' Pension Fund	Register of Deeds' Supplemental Pension Fund	*Totals*
$ —	$ —	$ 4,783	$ 162,151	$ 4,155	$ 906	$ 90	$ 367,116
199,428	31,757	—	—	—	—	—	231,185
644,273	136,600	—	—	—	—	—	780,873
1,106,024	227,643	—	—	—	—	—	1,333,667
—	—	425,927	860,293	418,400	—	49,597	88,464,006
5,947,914	758,518	—	—	—	—	—	6,706,432
—	—	33,077	35,054	32,463	50	3,825	2,744,144
251	43	—	—	23,029	—	—	30,126
—	—	3	95	4	—	—	403
4,788	437	967	28,375	2,066	—	81	145,168
—	—	457	16,340	1,173	—	—	63,163
—	—	136	6,882	504	—	—	20,394
292,562	19,117	—	—	—	—	—	311,679
8,195,240	1,174,115	465,350	1,109,190	481,794	956	53,593	101,198,356
1,133	228	101	—	—	—	—	1,462
—	—	2,859	—	330	—	—	4,252
—	—	33,077	35,054	32,463	50	3,825	2,744,144
—	—	—	—	181	—	—	7,303
1,133	228	36,037	35,054	32,974	50	3,825	2,757,161
8,194,107	—	—	—	—	906	49,768	95,315,039
—	—	—	1,074,136	448,820	—	—	1,522,956
—	1,173,887	429,313	—	—	—	—	1,603,200
$ 8,194,107	$ 1,173,887	$ 429,313	$ 1,074,136	$ 448,820	$ 906	$ 49,768	$ 98,441,195

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	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
Additions						
Contributions:						
Employer	$ 1,275,003	$ 18,908	$ 65	$ —	$ —	$ 414,168
Members	864,151	7,561	253	2,779	—	375,572
Other contributions	—	—	—	13,900	7,066	—
Total contributions	2,139,154	26,469	318	16,679	7,066	789,740
Investment Income:						
Investment earnings	891,399	7,456	358	5,365	1,557	325,204
Less investment expenses	(419,225)	(3,484)	(178)	(2,499)	(716)	(150,015)
Net investment income	472,174	3,972	180	2,866	841	175,189
Other additions:						
Fees, licenses and fines	—	—	—	—	—	3,150
Interest earnings on loans	—	—	—	—	—	—
Miscellaneous	325	—	—	18	1	97
Total other additions	325	—	—	18	1	3,247
Total additions	2,611,653	30,441	498	19,563	7,908	968,176
Deductions						
Claims and benefits	4,224,275	40,440	2,368	27,053	8,511	1,193,040
Medical insurance premiums	—	—	—	—	—	—
Refund of contributions	115,362	22	61	945	—	58,878
Administrative expenses	10,217	73	53	860	97	3,925
Other deductions	—	—	—	—	—	—
Total deductions	4,349,854	40,535	2,482	28,858	8,608	1,255,843
Change in net position	(1,738,201)	(10,094)	(1,984)	(9,295)	(700)	(287,667)
Net position — July 1	65,007,030	538,534	28,456	386,308	110,529	23,047,342
Net position — June 30	$ 63,268,829	$ 528,440	$ 26,472	$ 377,013	$ 109,829	$ 22,759,675

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.	Sheriffs' Pension Fund	Registers of Deeds' Supplemental Pension Fund	Totals
$ 181,356	$ 1,278	$ 26,952	$ 880,847	$ 63,963	$ 875	$ 817	$ 2,864,232
307,820	76,418	—	—	—	—	—	1,634,554
—	—	24,627	—	—	—	—	45,593
489,176	77,696	51,579	880,847	63,963	875	817	4,544,379
3,095	2,910	31,928	13,566	31,599	7	3,737	1,318,181
—	—	(127)	(5,686)	(127)	—	(15)	(582,072)
3,095	2,910	31,801	7,880	31,472	7	3,722	736,109
—	—	—	—	—	—	—	3,150
12,104	801	—	—	—	—	—	12,905
1,848	260	—	—	—	—	—	2,549
13,952	1,061	—	—	—	—	—	18,604
506,223	81,667	83,380	888,727	95,435	882	4,539	5,299,092
438,245	73,283	50,486	—	75,066	800	1,718	6,135,285
—	—	262	855,686	—	—	—	855,948
—	—	—	—	—	—	—	175,268
2,503	404	583	520	1,018	88	47	20,388
—	—	—	8,397	—	—	—	8,397
440,748	73,687	51,331	864,603	76,084	888	1,765	7,195,286
65,475	7,980	32,049	24,124	19,351	(6)	2,774	(1,896,194)
8,128,632	1,165,907	397,264	1,050,012	429,469	912	46,994	100,337,389
$ 8,194,107	$ 1,173,887	$ 429,313	$ 1,074,136	$ 448,820	$ 906	$ 49,768	$ 98,441,195

Required Supplementary Information
Pension Plans

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

The Required Supplementary Information for Pension Plans includes the following schedules:

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

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

Schedule of Employer and Nonemployer Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Schedule of Employer and Nonemployer Contributions: Single-Employer, Defined Benefit Pension Plans

Schedule of Investment Returns: All Defined Benefit Pension Plans

Notes to Required Supplementary Information: Schedule of Employer Contributions

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

Last Three Fiscal Years

(Dollars in Thousands)

	2016	2015	2014
Teachers' and State Employees'			
Total pension liability			
Service Cost	$ 1,580,544	$ 1,562,846	$ 1,556,027
Interest	4,937,464	4,803,766	4,648,995
Changes of benefit terms	35,605	-	355,224
Differences between expected and actual experience	(190,178)	(278,170)	(345,392)
Changes of assumptions	1,743,836	-	-
Benefit payments, including refunds of member contributions	(4,339,637)	(4,184,410)	(3,989,397)
Net change in total pension liability	3,767,634	1,904,032	2,225,457
Total pension liability - beginning	68,692,228	66,788,196	64,562,739
Total pension liability - ending (a)	$ 72,459,862	$ 68,692,228	$ 66,788,196
Plan fiduciary net position			
Contributions-employer	$ 1,275,003	$ 1,262,988	$ 1,177,341
Contributions-member	864,151	854,306	825,548
Net investment income	472,174	1,468,624	9,121,005
Benefit payments, including refunds of member contributions	(4,339,637)	(4,184,410)	(3,989,397)
Administrative expense	(10,217)	(10,646)	(10,762)
Other	325	393	320
Net change in plan fiduciary net position	(1,738,201)	(608,745)	7,124,055
Plan fiduciary net position - beginning	65,007,030	65,615,775	58,491,720
Plan fiduciary net position - ending (b)	$ 63,268,829	$ 65,007,030	$ 65,615,775
TSERS's net pension liability - ending (a) - (b)	$ 9,191,033	$ 3,685,198	$ 1,172,421
Plan fiduciary net position as a percentage of the total pension liability	87.32%	94.64%	98.24%
Covered-employee payroll	$ 13,934,459	$ 13,803,148	$ 13,548,227
Net pension liability as a percentage of covered-employee payroll	65.96%	26.70%	8.65%

	2016	2015	2014
Local Governmental Employees'			
Total pension liability			
Service Cost	$ 684,288	$ 670,936	$ 654,735
Interest	1,707,699	1,628,373	1,555,958
Changes of benefit terms	12,581	65,914	(7,790)
Differences between expected and actual experience	50,205	(72,177)	(80,590)
Changes of assumptions	183,019	-	-
Benefit payments, including refunds of member contributions	(1,251,918)	(1,172,578)	(1,106,799)
Net change in total pension liability	1,385,874	1,120,468	1,015,514
Total pension liability - beginning	23,496,136	22,375,668	21,360,154
Total pension liability - ending (a)	$ 24,882,010	$ 23,496,136	$ 22,375,668
Plan fiduciary net position			
Contributions-employer	$ 414,168	$ 408,694	$ 413,175
Contributions-member	375,572	363,863	346,961
Net investment income	175,189	520,578	3,161,964
Benefit payments, including refunds of member contributions	(1,251,918)	(1,172,578)	(1,106,799)
Administrative expense	(3,926)	(4,086)	(3,974)
Other	3,248	3,285	3,297
Net change in plan fiduciary net position	(287,667)	119,756	2,814,624
Plan fiduciary net position - beginning	23,047,342	22,927,586	20,112,962
Plan fiduciary net position - ending (b)	$ 22,759,675	$ 23,047,342	$ 22,927,586
LGERS's net pension liability (asset) - ending (a) - (b)	$ 2,122,335	$ 448,794	$ (551,918)
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.47%
Covered-employee payroll	$ 5,860,574	$ 5,650,694	$ 5,553,383
Net pension liability (asset) as a percentage of covered-employee payroll	36.21%	7.94%	(9.94%)

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

Last Three Fiscal Years

(Dollars in Thousands)

	2016	2015	2014
Firefighters' and Rescue Squad Workers'			
Total pension liability			
Service Cost	$ 5,610	$ 5,884	$ 5,710
Interest	30,035	29,671	29,394
Changes of benefit terms	118	-	8,770
Differences between expected and actual experience	(2,177)	(2,799)	2,714
Changes of assumptions	15,577	-	(16,688)
Benefit payments, including refunds of member contributions	(27,998)	(26,912)	(25,614)
Net change in total pension liability	21,165	5,844	4,286
Total pension liability - beginning	422,667	416,823	412,537
Total pension liability - ending (a)	$ 443,832	$ 422,667	$ 416,823
Plan fiduciary net position			
Contributions-member	$ 2,778	$ 2,822	$ 2,781
Contributions-nonemployer	13,900	13,900	14,627
Net investment income	2,867	8,711	53,842
Benefit payments, including refunds of member contributions	(27,998)	(26,912)	(25,614)
Administrative expense	(860)	(1,622)	(1,045)
Other	18	4	2
Net change in plan fiduciary net position	(9,295)	(3,097)	44,593
Plan fiduciary net position - beginning	386,308	389,405	344,812
Plan fiduciary net position - ending (b)	$ 377,013	$ 386,308	$ 389,405
FRSWPF's's net pension liability - ending (a) - (b)	$ 66,819	$ 36,359	$ 27,418
Plan fiduciary net position as a percentage of the total pension liability	84.94%	91.40%	93.42%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Registers of Deeds'			
Total pension liability			
Service Cost	$ 579	$ 578	$ 563
Interest	1,354	1,372	1,342
Differences between expected and acutual experience	(45)	(558)	302
Changes of assumptions	7,082	-	-
Benefit payments, including refunds of member contributions	(1,718)	(1,715)	(1,666)
Net change in total pension liability	7,252	(323)	541
Total pension liability - beginning	23,820	24,143	23,602
Total pension liability - ending (a)	$ 31,072	$ 23,820	$ 24,143
Plan fiduciary net position			
Contributions-employer	$ 817	$ 802	$ 817
Net investment income	3,722	1,114	2,714
Benefit payments, including refunds of member contributions	(1,718)	(1,715)	(1,666)
Administrative expense	(47)	(16)	(18)
Net change in plan fiduciary net position	2,774	185	1,847
Plan fiduciary net position - beginning	46,994	46,809	44,962
Plan fiduciary net position - ending (b)	$ 49,768	$ 46,994	$ 46,809
RODSPF's net pension asset - ending (a) - (b)	$ (18,696)	$ (23,174)	$ (22,666)
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%
Covered-employee payroll	N/A	N/A	N/A
Net pension asset as a percentage of covered-employee payroll	N/A	N/A	N/A

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

Last Three Fiscal Years

(Dollars in Thousands)

	2016	2015	2014
Consolidated			
Judical			
Total pension liability			
Service Cost	$ 16,904	$ 16,812	$ 16,637
Interest	42,009	40,846	39,405
Changes of benefit terms	332	-	3,031
Differences between expected and actual experience	(4,295)	(2,289)	(2,484)
Changes of assumptions	26,588	-	-
Benefit payments, including refunds of member contributions	(40,462)	(38,364)	(35,428)
Net change in total pension liability	41,076	17,005	21,161
Total pension liability - beginning	582,766	565,761	544,600
Total pension liability - ending (a)	$ 623,842	$ 582,766	$ 565,761
Plan fiduciary net position			
Contributions-employer	$ 18,908	$ 18,949	$ 21,390
Contributions-member	7,561	6,238	5,598
Net investment income	3,972	12,176	74,294
Benefit payments, including refunds of member contributions	(40,462)	(38,364)	(35,428)
Administrative expense	(73)	(30)	(48)
Other	-	1	3
Net change in plan fiduciary net position	(10,094)	(1,030)	65,809
Plan fiduciary net position - beginning	538,534	539,564	473,755
Plan fiduciary net position - ending (b)	$ 528,440	$ 538,534	$ 539,564
CJRS's net pension liability - ending (a) - (b)	$ 95,402	$ 44,232	$ 26,197
Plan fiduciary net position as a percentage of the total pension liability	84.71%	92.41%	95.37%
Covered-employee payroll	$ 69,489	$ 69,638	$ 76,367
Net pension liability as a percentage of covered-employee payroll	137.29%	63.52%	34.30%
Legislative			
Total pension liability			
Service Cost	$ 822	$ 844	$ 747
Interest	1,708	1,742	1,678
Changes of benefit terms	22	-	146
Differences between expected and acutual experience	(520)	(579)	762
Changes of assumptions	5,151	-	-
Benefit payments, including refunds of member contributions	(2,430)	(2,473)	(2,614)
Net change in total pension liability	4,753	(466)	719
Total pension liability - beginning	23,952	24,418	23,699
Total pension liability - ending (a)	$ 28,705	$ 23,952	$ 24,418
Plan fiduciary net position			
Contributions-employer	$ 65	$ -	$ -
Contributions-member	253	253	253
Net investment income	181	642	4,293
Benefit payments, including refunds of member contributions	(2,430)	(2,473)	(2,614)
Administrative expense	(53)	(17)	(37)
Net change in plan fiduciary net position	(1,984)	(1,595)	1,895
Plan fiduciary net position - beginning	28,456	30,051	28,156
Plan fiduciary net position - ending (b)	$ 26,472	$ 28,456	$ 30,051
LRS's net pension liability (asset) - ending (a) - (b)	$ 2,233	$ (4,504)	$ (5,633)
Plan fiduciary net position as a percentage of the total pension liability	92.22%	118.80%	123.07%
Covered-employee payroll	$ 3,616	$ 3,611	$ 3,608
Net pension liability (asset) as a percentage of covered-employee payroll	61.75%	(124.73%)	(156.13%)

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

Last Three Fiscal Years

(Dollars in Thousands)

	2016	2015	2014
North Carolina National Guard			
Total pension liability			
Service Cost	$ 593	$ 550	$ 512
Interest	10,700	9,916	9,330
Changes of benefit terms	-	8,734	5,752
Differences between expected and actual experience	30	(198)	192
Changes of assumptions	15,149	-	-
Benefit payments, including refunds of member contributions	(8,512)	(7,958)	(7,502)
Net change in total pension liability	17,960	11,044	8,284
Total pension liability - beginning	151,250	140,206	131,922
Total pension liability - ending (a)	$ 169,210	$ 151,250	$ 140,206
Plan fiduciary net position			
Contributions-nonemployer	$ 7,066	$ 6,039	$ 7,007
Net investment income	842	2,493	14,942
Benefit payments, including refunds of member contributions	(8,512)	(7,958)	(7,502)
Administrative expense	(97)	(75)	(73)
Other	1	-	1
Net change in plan fiduciary net position	(700)	499	14,375
Plan fiduciary net position - beginning	110,529	110,030	95,655
Plan fiduciary net position - ending (b)	$ 109,829	$ 110,529	$ 110,030
NGPF's net pension liability - ending (a) - (b)	$ 59,381	$ 40,721	$ 30,176
Plan fiduciary net position as a percentage of the total pension liability	64.91%	73.08%	78.48%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Teachers' and State Employees'	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 1,210,904	$ 1,262,988	$ 1,177,341	$ 1,078,783	$ 1,015,762
Contractually required contribution	1,275,003	1,262,988	1,177,341	1,120,482	1,015,762
Contributions in relation to the actuarially determined contribution	1,275,003	1,262,988	1,177,341	1,120,482	1,015,762
Contribution deficiency (excess)	$ (64,099)	$ -	$ -	$ (41,699)	$ -
Covered-employee payroll	$ 13,934,459	$ 13,803,148	$ 13,548,227	$ 13,451,164	$ 13,652,715
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%	8.33%	7.44%

Local Governmental Employees'	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 393,920	$ 402,429	$ 397,462	$ 370,152	$ 376,340
Contractually required contribution	414,168	408,694	413,175	383,889	389,399
Contributions in relation to the actuarially determined contribution	414,168	408,694	413,175	383,889	389,399
Contribution excess	$ (20,248)	$ (6,265)	$ (15,713)	$ (13,737)	$ (13,059)
Covered-employee payroll	$ 5,860,574	$ 5,650,694	$ 5,553,383	$ 5,421,364	$ 5,402,147
Contributions as a percentage of covered-employee payroll	7.07%	7.23%	7.44%	7.08%	7.21%

Firefighters' and Rescue Squad Workers' *	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 13,241	$ 13,900	$ 14,620	$ 14,074	$ 14,389
Contractually required contribution	13,900	13,900	14,627	15,447	14,398
Contributions in relation to the actuarially determined contribution	13,900	13,900	14,627	15,447	14,398
Contribution deficiency (excess)	$ (659)	$ -	$ (7)	$ (1,373)	$ (9)
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Registers of Deeds'	2016	2015	2014	2013	2012
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Contractually required contribution	817	802	817	937	843
Contributions in relation to the actuarially determined contribution	817	802	817	937	843
Contribution excess	$ (817)	$ (802)	$ (817)	$ (937)	$ (843)
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

* Nonemployer contributing entity

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

2011	2010	2009	2008	2007
$ 926,429	$ 492,779	$ 492,689	$ 429,064	$ 341,476
680,670	492,779	492,689	468,669	371,476
680,670	492,779	492,689	468,669	371,476
$ 245,759	$ -	$ -	$ (39,605)	$ (30,000)
$ 13,806,691	$ 13,803,324	$ 14,663,363	$ 13,976,026	$ 14,592,991
4.93%	3.57%	3.36%	3.35%	2.55%
$ 342,910	$ 230,121	$ 257,982	$ 241,533	$ 225,950
361,998	273,337	271,363	256,612	241,094
361,998	273,337	271,363	256,612	241,094
$ (19,088)	$ (43,216)	$ (13,381)	$ (15,079)	$ (15,144)
$ 5,329,651	$ 5,320,927	$ 5,284,862	$ 4,948,042	$ 4,693,423
6.79%	5.14%	5.13%	5.19%	5.14%
$ 12,243	$ 10,074	$ 9,757	$ 8,734	$ 8,440
10,110	10,080	9,762	8,734	8,440
10,110	10,080	9,762	8,734	8,440
$ 2,133	$ (6)	$ (5)	$ -	$ -
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ -	$ -
772	736	754	926	3,150
772	736	754	926	3,150
$ (772)	$ (736)	$ (754)	$ (926)	$ (3,150)
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
SINGLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

	2016	2015	2014	2013	2012
Consolidated Judicial					
Actuarially determined contribution	$ 18,324	$ 18,949	$ 21,390	$ 18,992	$ 18,956
Contractually required contribution	18,908	18,949	21,390	18,992	18,956
Contributions in relation to the actuarially determined contribution	18,908	18,949	21,390	18,992	18,956
Contribution deficiency (excess)	$ (584)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 69,489	$ 69,638	$ 76,367	$ 71,533	$ 75,673
Contributions as a percentage of covered-employee payroll	27.21%	27.21%	28.01%	26.55%	25.05%
Legislative					
Actuarially determined contribution	$ 65	$ -	$ -	$ -	$ -
Contractually required contribution	65	-	-	-	-
Contributions in relation to the actuarially determined contribution	65	-	-	-	-
Contribution excess	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 3,616	$ 3,611	$ 3,608	$ 3,600	$ 3,314
Contributions as a percentage of covered-employee payroll	1.80%	0.00%	0.00%	0.00%	0.00%
North Carolina National Guard *					
Actuarially determined contribution	$ 7,066	$ 6,039	$ 5,349	$ 5,667	$ 6,075
Contractually required contribution	7,066	6,039	7,007	7,007	7,007
Contributions in relation to the actuarially determined contribution	7,066	6,039	7,007	7,007	7,007
Contribution deficiency (excess)	$ -	$ -	$ (1,658)	$ (1,340)	$ (932)
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

* Nonemployer contributing entity

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

2011	2010	2009	2008	2007
$ 13,322	$ 10,740	$ 10,017	$ 8,214	$ 7,300
10,457	10,740	10,603	40,844	8,090
10,457	10,740	10,603	10,844	8,090
$ 2,865	$ -	$ (586)	$ (2,630)	$ (790)
$ 69,206	$ 71,079	$ 80,265	$ 64,678	$ 64,257
15.11%	15.11%	13.21%	16.77%	12.59%

$ -	$ -	$ -	$ -	$ -
-	-	-	209	-
-	-	-	209	-
$ -	$ -	$ -	$ (209)	$ -
$ 4,029	$ 3,657	$ 3,686	$ 3,614	$ 3,714
0.00%	0.00%	0.00%	5.78%	0.00%

$ 5,719	$ 5,682	$ 6,248	$ 6,232	$ 7,324
7,007	7,008	5,892	7,007	7,007
7,007	7,008	5,892	7,007	7,007
$ (1,288)	$ (1,326)	$ 356	$ (775)	$ 317
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
ALL DEFINED BENEFIT PENSION PLANS

Last Three Fiscal Years

Annual money-weighted rate of return, net of investment expense	2016	2015	2014
Cost-Sharing, Multiple Employer			
Teachers' and State Employees'	0.74%	2.27%	15.88%
Local Governmental Employees'	0.77%	2.27%	15.86%
Firefighters' and Rescue Squad Workers'	0.75%	2.26%	15.62%
Registers of Deeds'	8.04%	2.26%	6.04%
Single-Employer			
Consolidated Judicial	0.75%	2.27%	15.87%
Legislative	0.66%	2.25%	15.91%
North Carolina National Guard	0.77%	2.25%	15.63%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2016

Changes of benefit terms.

	Cost of Living Increase									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cost-Sharing, Multiple-Employer										
Teachers' and State Employees'	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%
Local Governmental Employees'	0.63%	N/A	N/A	N/A	N/A	0.10%	2.15%	2.20%	2.80%	2.50%
Firefighters' and Rescue Squad Workers' (1)	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	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%
Legislative	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%
North Carolina National Guard (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) In 2006, the Firefighters' and Rescue Squad Workers' Pension Fund increased retirement benefits from $161 to $163. In 2007, retirement benefits were increased from $163 to $165. In 2008, retirement benefits increased from $165 to $167. In 2009, retirement benefits were increased from $167 to $170.

(2) In 2007, the National Guard Pension Fund increased basic benefits from $75 to $80 and total potential benefits from $150 to $160. In 2008, basic benefits were increased from $80 to $95 and total potential benefits were increased from $160 to $190. 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.

N/A - not applicable

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 18 months following the date of the valuation results. See Note 12 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 2008, 2012, and 2015, the actuarial assumptions were updated to more closely reflect actual experience. These assumptions pertain to the Teachers' and State Employees' Retirement System, the Local Governmetal Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Registers of Deeds' Pension Fund, the Consolidated Judicial Retirement System and the North Carolina National Guard Pension Fund.

In 2015, 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, 2010, and December 31, 2014. 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 the mortality improvement projection scales to reflect reduced rates of

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. As a result of current market conditions and the allocation of assets in the Register of Deeds' Supplemental Pension Fund, the discount rate used in calculating the plan's liabilities was lowered from 5.75% to 3.75%.

The Boards of Trustees also adopted new actuarial cost methods for the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the Registers of Deeds' Supplemental Pension Fund. These plans now use the Entry Age Normal cost method to determine plan liabilities and funding requirements.

REQUIRED SUPPLEMENTARY INFORMATION
PENSIONS — EMPLOYERS (PRIMARY GOVERNMENT AND COMPONENT UNITS)

Required supplementary information for employers provides information on the allocations of net pension liabilities and employer contributions.

The Required Supplementary Information for Employers includes the following schedules:

Schedule of the Primary Government's and Component Units' Proportionate Share of the Net Pension Liability

Schedule of the Primary Government's (Nonemployer) Proportionate Share of the Net Pension Liability

Schedule of the Primary Government's and Component Units' Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Note: For information about the net pension liability of Consolidated Judicial and Legislative (single employer plans) and the primary government's contributions to Consolidated Judicial, Legislative, Firefighters' and Rescue Squad Workers', and North Carolina National Guard, refer to the preceding section on required supplementary information for pension plans. Firefighters' and Rescue Squad Workers' and the North Carolina National Guard are special funding situations in which the State is not the employer but is the only contributing entity. The net pension liabilities of pension plans were measured as of June 30, 2016. The net pension liabilities of employers were measured as of June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Three Fiscal Years*

(Dollars in Thousands)

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

Teachers' and State Employees'	**2016**	**2015**	**2014**
Primary Government			
Proportion of the net pension liability	22.47%	22.78%	22.95%
Proportionate share of the net pension liability	$ 828,018	$ 267,119	$ 1,393,385
Covered-employee payroll	$ 3,498,284	$ 3,255,443	$ 3,203,001
Proportionate share of the net pension liability as a percentage of covered-employee payroll	23.67%	8.21%	43.50%
Component Units			
University of North Carolina System			
Proportion of the net pension liability	14.45%	14.79%	14.48%
Proportionate share of the net pension liability	$ 532,624	$ 173,441	$ 878,936
Covered-employee payroll	$ 2,053,148	$ 2,089,885	$ 1,987,497
Proportionate share of the net pension liability as a percentage of covered-employee payroll	25.94%	8.30%	44.22%
Community Colleges			
Proportion of the net pension liability	5.89%	5.87%	5.80%
Proportionate share of the net pension liability	$ 216,890	$ 68,803	$ 352,004
Covered-employee payroll	$ 861,639	$ 853,383	$ 1,165,333
Proportionate share of the net pension liability as a percentage of covered-employee payroll	25.17%	8.06%	30.21%
Other Component Units			
Proportion of the net pension liability	0.17%	0.17%	0.17%
Proportionate share of the net pension liability	$ 6,224	$ 2,049	$ 10,605
Covered-employee payroll	$ 25,574	$ 25,673	$ 39,228
Proportionate share of the net pension liability as a percentage of covered-employee payroll	24.34%	7.98%	27.03%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S (NONEMPLOYER) PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Three Fiscal Years*

(Dollars in Thousands)

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

Firefighters' and Rescue Squad Workers'	**2016**	**2015**	**2014**
Primary Government			
Proportion of the net pension liability	100.00%	100.00%	100.00%
Proportionate share of the net pension liability	$ 36,359	$ 27,418	$ 67,725
Plan fiduciary net position as a percentage of the total pension liability	91.40%	93.42%	83.58%

Single-Employer, Defined Benefit Pension Plans

North Carolina National Guard			
Primary Government			
Proportion of the net pension liability	100.00%	100.00%	100.00%
Proportionate share of the net pension liability	$ 40,721	$ 30,176	$ 36,267
Plan fiduciary net position as a percentage of the total pension liability	73.08%	78.48%	72.51%

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Three Fiscal Years

(Dollars in Thousands)

Teachers' and State Employees'	**2016**	**2015**	**2014**
Primary Government			
Contractually required contribution	$ 303,031	$ 320,093	$ 282,898
Contributions in relation to the contractually required contribution	303,031	320,093	282,898
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 3,311,814	$ 3,498,284	$ 3,255,443
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%
Component Units			
University of North Carolina System			
Contractually required contribution	$ 193,767	$ 187,863	$ 181,611
Contributions in relation to the contractually required contribution	193,767	187,863	181,611
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 2,117,672	$ 2,053,148	$ 2,089,885
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%
Community Colleges			
Contractually required contribution	$ 79,733	$ 78,840	$ 74,159
Contributions in relation to the contractually required contribution	79,733	78,840	74,159
Contribution deficiency (excess)	$ -	$ -	$ -
Covered Payroll	$ 871,399	$ 861,639	$ 853,383
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%
Other Component Units			
Contractually required contribution	$ 2,329	$ 2,340	$ 2,231
Contributions in relation to the contractually required contribution	2,329	2,340	2,231
Contribution excess	$ -	$ -	$ -
Covered Payroll	$ 25,454	$ 25,574	$ 25,673
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%