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

(Fiduciary Funds of the State of North Carolina)

Financial Report

December 31, 2021

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Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan (together “Supplemental Retirement Plans of North Carolina”)
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This audit required approximately 730 hours at a cost of $103,000.

The Supplemental Retirement Plans of North Carolina (the "Plans") include the Supplemental Retirement Income Plan of North Carolina (the "401(k) Plan") and the North Carolina Public Employee Deferred Compensation Plan (the "457(b) Plan"). This discussion and analysis of the Plans' financial performance provides an overview of the Plans' financial activities for the year ended December 31, 2021. It is intended to be a narrative supplement to the Plans' financial statements.

Using the Financial Report

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

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

The Statements of Changes in Fiduciary Net Position report the Plans' transactions that occurred during the fiscal year where Additions - Deductions = Net Change in Fiduciary Net Position. It is a record of the activity that occurred over the year and explains the changes that have occurred to the prior year's fiduciary net positions on the Statements of Fiduciary Net Position.

The Plans' investments are divided among 11 options – six equity funds, two fixed income funds, an inflation responsive fund, an inflation protected securities fund (referred to collectively herein as the "Pooled Account") and the NC Stable Value Fund. The assets in the Pooled Account are held in separate accounts and collective investment trusts.

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

Financial Highlights – 401(k) Plan

The following financial highlights occurred during the 401(k) Plan year ended December 31, 2021:

- The 401(k) Plan's fiduciary net position increased by approximately $1.6 billion to approximately $14.7 billion during the 2021 plan year. This increase in assets was primarily due to the strong performance of financial markets in 2021. The Economic and Asset Class Discussion section of this Management Discussion and Analysis provides additional detailed information pertaining to the domestic and global economies and markets during 2021.

- The total number of participants in the plan increased approximately 4% ending the year with approximately 274,400 participants on December 31, 2021, versus approximately 264,100 participants the year prior.

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

(in thousands of dollars)	2021	2020
Investments		
Pooled account, at fair value	$ 12,401,909	$ 10,839,205
Stable value fund	1,998,970	1,969,908
Receivables		
Notes receivable from participants	258,241	277,902
Other	6,647	9,810
Liabilities	(1,754)	(1,247)
Fiduciary net position	$ 14,664,013	$ 13,095,578

In general, the financial markets produced strong returns for the year, with the majority of asset classes producing positive returns. The Pooled Account increased by approximately $1.6 billion or approximately 14.4% largely due to the strong performance of financial markets.

Calendar year 2021 ended with most major equity indices finishing the year with strong performance. The S&P 500 Index finished the year up 28.7%. International Equity markets also exhibited strong performance with the MSCI ACWI ex-US Index up 7.8% for the year. The broad US investment grade Fixed Income market was down for the year with the Bloomberg Barclays Aggregate Index returning -1.5%. US Treasury Bonds returned -2.4%, as measured by the ICE BofA US Treasury Index. High Yield Bonds, as measured by the ICE BofA US High Yield Index were up 5.4%. Commodities returned 27.1% for the year, as measured by the Bloomberg Commodity Index.

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The assets of the NC Stable Value Fund increased $29.1 million, approximately 1.5% for the year. The majority of the increase is due to participant flows as participants moved assets into the Stable Value Fund.

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

(in thousands of dollars)	2021	2020
Additions		
Contributions	$ 689,455	$ 632,051
Net investment income	1,638,676	1,557,850
Interest on notes receivable from participants	14,010	16,100
Miscellaneous income	3,413	159
Total additions	2,345,554	2,206,160
Deductions		
Distributions to participants and beneficiaries	766,987	803,787
Administrative expenses	10,132	10,337
Total deductions	777,119	814,124
Net increase in fiduciary net position	$ 1,568,435	$ 1,392,036

Both employers and participants increased the level of contributions to the plan with the average participant contribution rising to $216 per pay period. Enrollments for the fiscal year also increased over the prior year. Total contributions to the 401(k) Plan rose approximately 9.1% or approximately $57 million over the prior year.

Net investment income, which measures net appreciation in the fair market value of investments net of interest earned on those investments, increased approximately 5.2% over 2020 to approximately $1.6 billion in 2021. The

Economic and Asset Class Discussion section of this Management Discussion and Analysis provides additional detailed information pertaining to the domestic and global economies and markets during 2021.

During 2020, the Supplemental Retirement Board of Trustees adopted several provisions of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. These provisions assisted eligible plan participants by enhancing access to their Supplemental Retirement Plan balances. The CARES Act provided eligible participants, through a self-certification process, the ability to withdraw or borrow amounts greater than typically permitted. Coronavirus Related Distributions ("CRDs"), which were not subject to the Plans' age and employment restrictions for distributions, had the greatest take up rate. CRDs did not have the typical penalty associated with distributions prior to age 59 ½ which is highly favorable for Plan participants. Distributions will not be taxed as personal income if repaid to an individual's account. Plan participants have up to three years to repay all or part of the distribution should they choose to do so. Eligible Plan participants borrowed from their accounts using CRD loans as provided by the CARES Act and had the option to defer loan payments through the end of 2020.

Distributions to participants and beneficiaries decreased by approximately $37 million, or approximately 4.6% returning to a pre-CARES Act level as the CARES Act special provisions expired on December 31, 2020.

We are not aware of any other currently known facts, decisions or conditions that are expected to have a significant impact on fiduciary net position or changes in fiduciary net position as of December 31, 2021.

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Financial Highlights – 457(b) Plan

The following financial highlights occurred during the 457(b) Plan year ended on December 31, 2021:

- The 457(b) Plan's fiduciary net position was approximately $2 billion on December 31, 2021, representing an increase of approximately $192 million during the 2021 plan year. This increase was primarily due to net investment income of approximately $221 million. Net investment income measures net appreciation in the fair value of investments net of interest earned on those investments. Please see the Economic and Asset Class Discussion for additional information.

- The number of participants in the Plan remained stable, with approximately 56,730 and 56,700 participants in the 457(b) Plan at December 31, 2021, and 2020, respectively.

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

(in thousands of dollars)	2021	2020
Investments		
Pooled account, at fair value	$ 1,580,512	$ 1,381,533
Stable value fund	386,364	392,092
Receivables		
Notes receivable from participants	20,710	21,589
Other	661	1,061
Liabilities	(292)	(248)
Fiduciary net position	$ 1,987,955	$ 1,796,027

Fiduciary net position increased approximately 10.7% in 2021. This increase is due in large part to a net investment gain reflecting strong returns in the financial markets. The Pooled Account increased by 14.4% while the assets within the NC Stable Value Fund decreased by approximately 1.5%. The majority of the decrease in Stable Value assets was due to participants moving assets out of the Stable Value Fund.

Calendar year 2021 ended with most major indices finishing the year with strong performance. The S&P 500 Index finished the year up 28.7%. International Equity markets also exhibited strong performance with the MSCI ACWI ex-US Index up 7.8% for the year. The broad US investment grade Fixed Income market was down for the year with the Bloomberg Barclays Aggregate Index returning -1.5%. US Treasury Bonds returned -2.4%, as measured by the ICE BofA US Treasury Index. High Yield Bonds, as measured by the ICE BofA US High Yield Index were up 5.4%. Commodities returned 27.1% for the year, as measured by the Bloomberg Commodity Index.

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

(in thousands of dollars)	**2021**	**2020**
Additions		
Contributions	$ 93,369	$ 84,270
Net investment income	221,217	207,403
Interest on notes receivable from participants	1,109	1,248
Miscellaneous income	509	24
Total additions	316,204	292,945
Deductions		
Distributions to participants and beneficiaries	122,310	81,117
Administrative expenses	1,966	2,119
Total deductions	124,276	83,236
Net increase in fiduciary net position	$ 191,928	$ 209,709

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Total contributions to the 457(b) Plan grew approximately $9 million or approximately 10.8% in 2021 due to an increase in participant Roth contributions as well as employer contributions to the plan. Distributions to participants and beneficiaries increased by approximately $41.2 million, or approximately 50.8%, with an increase in the number of external rollovers, required minimum distributions (RMDs), and death distributions. The 457(b) Plan did not experience significant Coronavirus Related Distributions ("CRDs") during the prior year.

Net investment income was approximately $221 million, due in large part to the strong performance in the financial markets.

In 2020, the Supplemental Retirement Board of Trustees adopted several provisions of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. These provisions assisted eligible plan participants by enhancing access to their Supplemental Retirement Plan balances. Eligible participants in the Plan accessed their fund balances under the CARES Act provisions adopted by the Supplemental Retirement Board of Trustees. The CARES Act provided eligible participants, through a self-certification process, the ability to withdraw or borrow amounts greater than typically permitted. CRDs, which were not subject to the Plans' age and employment restrictions for distributions, had the greatest take up rate. CRDs did not have the typical penalty associated with distributions prior to age 59 ½ which is highly favorable for Plan participants. Distributions will not be taxed as personal income if repaid to an individual's account. Plan participants have up to three years to repay all or part of the distribution should they choose to do so. Eligible Plan participants borrowed from their accounts using CRD loans as provided by the CARES Act and had the option to defer loan payments through the end of 2020.

We are not aware of any other currently known facts, decisions or conditions that are expected to have a significant impact on fiduciary net position or changes in fiduciary net position as of December 31, 2021.

Other Highlights

The Supplemental Retirement Board of Trustees approved new target allocations to the investment managers within the NC Small/Mid Cap Fund. As part of the restructuring with new target allocations, the Earnest Small Mid Cap Value mandate was changed to a Small Mid Cap Core mandate. These changes went into effect during the first quarter of 2021 The Board also approved a target allocation change for the International Fund, providing for an International Small Cap Growth and Small Cap Value allocation. Two new managers were approved for the Fund. WCM now manages the new International Small Cap Growth allocation and Acadian now manages the new International Small Cap Value allocation. The funding for these two mandates came from decreasing the target allocations of the current managers within the International Fund. The International Fund allocation transitions were completed in 2021.

Wells Fargo sold Wells Fargo Asset Management, including Galliard Capital Management, to GTCR LLC and Reverence Capital Partners, LP, effective November 1, 2021.

Bank of New York Mellon was awarded custody of the NC Stable Value Funds' assets due to the sale of Wells Fargo's Institutional Retirement and Trust business. The Stable Value assets transitioned from Wells Fargo to Bank of New York Mellon on April 1, 2021.

The Plans outsource recordkeeping, communication, and participant services to Prudential Retirement. On April 1, 2022, Prudential Retirement was acquired by Empower. There has been no change to the service model provided to the Plans by Empower with all service relationships continuing to the Plans as prior to the sale.

The Plans' expenses remain competitive when compared to a peer group of institutional mutual funds. At the end of 2021, the average asset-based plan expenses consisting of investment management, custodial and administrative fees were approximately .22%. This compares favorably to the median expense ratio of the Callan's Median of .27%. There is an additional recordkeeping fee of $26 per account, which was reduced from $28 in the third quarter of 2021.

North Carolina General Statute 135-91 provides that the Board of Trustees may charge an administrative fee of up to a maximum of 2.5 basis points to participants annually. This is included in the plan expenses of .22% noted above. The administrative fee is collected to cover the Plans' administrative expenses and is the sole source of revenue received. The administrative fee covers expenses that include Supplemental Retirement Plans' staff salaries and benefits, departmental overhead, fees to required service providers, including the Plans' investment consultant and auditor, board expenses and other expenses deemed appropriate under the Internal Revenue Code's exclusive benefit rule. As a result of an accumulated reserve balance in the administrative expense account, at its September 20, 2018 Board meeting, staff recommended and the Supplemental Retirement Board of Trustees approved a "fee holiday" for NC 401(k) and NC 457(b) Plans for the calendar year 2019 and at its December 12, 2019 meeting, the Board of Trustees extended the "fee holiday" through 2020. During this "fee holiday," participants were not charged the 2.5 basis point administrative fee. The fee was reinstated for fiscal year 2021. At is February 24, 2022 meeting, the Board of Trustees approved the administrative fee to be charged to participants at a rate of 1.25 basis points, effective for March 1, 2022.

Recent government sanctions imposed on Russia in response to the Ukraine conflict has created market volatility causing large declines in both domestic and international equity markets. However, the Plans cannot reasonably estimate the outcome of these fluctuations.

Economic and Asset Class Discussion

Net Investment income for the 457(b) and 401(k) Plans was $221 million and $1.6 billion, respectively due primarily to strong performance within the financial markets during 2021.

Despite continued concerns over the global COVID-19 pandemic, equity markets rallied throughout 2021, as vaccines became widely available while fiscal and monetary stimulus continued to take hold.

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Economic Discussion

Real World GDP growth was estimated to have risen by 5.9% in 2021. This increase in growth was due to global economies starting back up as restrictions driven by the COVID-19 pandemic eased with the rollout of vaccines and other measures. Growth in advanced economies is estimated to have risen by 5.0% in 2021. The strength in growth was widespread, with emerging and developing economies growing the most at an estimated 6.5%.

Inflation in the US rose substantially throughout the year as manufacturing and supply chain issues drove supply shortages across a number of products. The Consumer Price Index ("CPI") rose 7.0% over the 12 months ending December 31, 2021. The index for all items less food and energy rose 5.5% over the one-year period. The unemployment rate finished the year at 3.9%.

As a result of these economic and market factors, the Plan's investment performance was impacted. The below discussion on the separate Asset Classes will further highlight specific results in the investment portfolio of the Plans. The Pooled Account of the Plan is impacted by all Asset Classes discussed below while the Stable Value Fund, primarily invested in investment contracts and short-term funds, will be impacted by Fixed Income.

U.S. Equities

Broad U.S. equities, as measured by the Russell 3000 Index, were up 25.6% for the year. The large capitalization stocks, as measured by the Russell 1000 index were up 26.5%. Small capitalization stocks, as measured by the Russell 2000 index were up 14.8%. Within the large capitalization space, growth stocks returned 27.6%, while value stocks returned 25.1%.

The performance of the S&P 500, which was up 28.7%, was led by the Energy sector up 54.6% and the Real Estate sector, up 46.2%. Utilities was the worst performing sector, up 17.7%, followed by Consumer Staples up 18.6% and Industrials up 21.1%.

Within the plans, the NC Large Cap Core Fund (+21.1%) underperformed its benchmark, the Russell 1000 Index, by 5.3 percentage points for the year. The NC Small / Mid Cap Core Fund (+19.8%) outperformed its benchmark, the Russell 2500 Index, by 1.6 percentage points for the year.

International Equities

International equities, as measured by the MSCI ACWI ex-USA IMI, exhibited positive performance but underperformed U.S. equities, ending the year up 8.3%.

The Plans' international equity fund, the NC International Fund returned +3.4% for the year, underperforming its benchmark, the MSCI ACWI ex USA by 4.4 percentage points.

Emerging Market Equities

Emerging Market equities underperformed developed markets for the year. The MSCI Emerging Markets Index was down 2.5% for the year.

Fixed Income

Yields on U.S. Treasuries rose over the year, with both the 2 and the 10-year bond yields rising 60 basis points. The 10-year US Treasury ended the year with a yield of 1.51%. Credit spreads on investment grade corporate bonds remained flat over the year, while spreads on high yield corporate bonds tightened by nearly 90 basis points. Within U.S. fixed income, returns were mixed with investment grade credit (-0.095%),high yield credit (+5.4%) and U.S. Treasuries (-2.4%).

The NC Fixed Income Fund returned -0.86% for the year, outperforming its benchmark, the Bloomberg Barclays Aggregated, by 68 basis points.

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Commodities & Real Assets

The Bloomberg Commodity Index was up 27.1% for the year mainly due to the sharp increase in the price of oil. Global Real Estate Investment Trusts ("REITs") also finished the year up 23.0%, while the Bloomberg Barclays U.S. TIPS Index was up 6.0%. TIPS outperformed nominal U.S. Treasuries as inflation increased throughout the year.

The North Carolina Inflation Responsive Fund returned +18.6% in 2021, exhibiting positive performance during the year due to the fund's exposure to commodities and REITs.

Note: All NC fund performance is net of fees.

For detailed information regarding investment performance of the funds, please access the Plans' website at www.myncplans.com.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Supplemental Retirement Plans of North Carolina. If you have any questions or concerns about this report or need additional financial information, contact Jeff Hancock, Director Supplemental Savings Programs, North Carolina Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

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Supplemental Retirement Plans of North Carolina
Statements of Fiduciary Net Position
December 31, 2021

(in thousands of dollars)

		401(k)		457(b)
Assets				
Investments				
Pooled Account, at fair value	$	12,401,909	$	1,580,512
North Carolina Stable Value Fund				
Unallocated insurance contracts, at contract value				
Synthetic Guaranteed Investment Contracts		1,755,276		339,253
Insurance Company Separate Account		207,895		40,190
Wells Fargo/BlackRock Short Term Investment Fund, at amortized cost		35,799		6,921
Total stable value fund		1,998,970		386,364
Total investments		14,400,879		1,966,876
Receivables				
Contributions				
Participants		3,546		597
Employers		3,078		63
Notes receivable from participants		258,241		20,710
Other		23		1
Total receivables		264,888		21,371
Total assets		14,665,767		1,988,247
Liabilities				
Accounts payable		1,754		292
Total liabilities		1,754		292
Fiduciary net position	$	14,664,013	$	1,987,955

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

Supplemental Retirement Plans of North Carolina
Statements of Changes in Fiduciary Net Position
Year Ended December 31, 2021

(in thousands of dollars)

	401(k)	457(b)
Additions		
Investment income		
Net appreciation in fair value of investments	$ 1,623,901	$ 215,738
Interest income	33,964	8,173
Less: Investment expenses	(19,189)	(2,694)
Total net investment income	1,638,676	221,217
Other income		
Interest on notes receivable from participants	14,010	1,109
Miscellaneous income	3,413	509
Total other income	17,423	1,618
Contributions		
Plan participant contributions, including rollover contributions of $68,823 for the 401(k) Plan and $10,384 for the 457(b) Plan	443,477	88,848
Employer contributions	245,978	4,521
Total contributions	689,455	93,369
Total additions	2,345,554	316,204
Deductions		
Distributions to participants and beneficiaries	766,987	122,310
Administrative expenses	10,132	1,966
Total deductions	777,119	124,276
Net increase in fiduciary net position	1,568,435	191,928
Fiduciary net position		
Beginning of year	13,095,578	1,796,027
End of year	$ 14,664,013	$ 1,987,955

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

1. Plan Description

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

General

The 401(k) Plan, established effective January 1, 1985, is a defined contribution multiple-employer governmental plan sponsored by the State of North Carolina ("Plan Sponsor"). As of December 31, 2021, the Plan is utilized by 1,046 governmental employers in North Carolina consisting principally of state agencies, counties, school systems, cities, and towns.

The 457(b) Plan, established effective January 1, 1974, is a defined contribution multiple-employer governmental plan sponsored by the State of North Carolina ("Plan Sponsor"). As of December 31, 2021, the 457(b) Plan is utilized by 585 governmental employers in North Carolina consisting principally of state agencies, counties, school systems, cities, and towns.

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Plan Administration

The Supplemental Retirement Board of Trustees ("Board") and the Retirement Systems Division of the Department of State Treasurer ("Department") have the responsibility for administering the 401(k) Plan and the 457(b) Plan according to the plan documents, North Carolina General Statutes ("N.C.G.S."), and the Internal Revenue Code ("IRC"), with the Department serving as the Primary Administrator ("Primary Administrator") carrying out the provisions of the Plans, as directed by the Board. The Board and the Department have entered into an agreement with Prudential Retirement Insurance and Annuity Company, also known as Prudential Retirement, ("Contractor") to perform recordkeeping, administration, and education services.

The Plans offer six equity funds, an inflation responsive fund, an inflation protected securities fund, two fixed income funds, and a stable value fund. The actively managed funds have multiple investment managers and the passively managed funds each have a single investment manager.

The Board has engaged Galliard Capital Management, Inc. ("Galliard") to provide professional management of the NC Stable Value Fund. Under Galliard's management, the NC Stable Value Fund allocates funds to five insurance contracts with six underlying investment managers, as well as a short-term collective investment trust.

Participation

Those employees eligible for the 401(k) Plan include participants of the following:

- Teachers' and State Employees' Retirement System of North Carolina ("TSERS")
- Consolidated Judicial Retirement System of North Carolina
- Legislative Retirement System of North Carolina
- North Carolina Local Governmental Employees' Retirement System ("LGERS")
- The University of North Carolina Optional Retirement Program
- Law Enforcement officers as defined under N.C.G.S. 143-166.30 and 134-166.50

Those employees eligible for the 457(b) Plan include employees of the state, any county or municipality, the North Carolina Community College System, employers of public school teachers, and any political subdivision of the state that have elected to participate in the 457(b) Plan.

The 401(k) Plan had approximately 274,400 unique participants at December 31, 2021.

The 457(b) Plan had approximately 56,730 unique participants at December 31, 2021.

Contributions

401(k) Plan participants may elect to contribute between 1% and 80%, in whole percentages, of their compensation, as defined by the 401(k) Plan, subject to certain limitations under the IRC. 457(b) Plan participants may elect to contribute between 1% and 100%, in whole percentages, of their compensation, as defined by the 457(b) Plan, subject to certain limitations under the IRC. The Plans limit the amount of an individual's annual contributions to the maximum allowed by the IRC ($19,500 for 2021). Federal and state income tax on amounts contributed by participants are deferred until benefits are paid to the participants. An employee may begin contributing to the 401(k) Plan on the first enrollment date, which is at least 60 days, or such shorter period as the governmental employer determines, after the date he or she files with the governmental employer a notice whereby the employee: 1) makes an election to contribute a percentage of his/her compensation or fixed dollar amount to the Plans and 2) authorizes the governmental employer to reduce his/her compensation by such percentage or amount. An employee may become a participant in the 457(b) Plan by entering into an enrollment agreement prior to the beginning of the calendar month in which the enrollment agreement is to become effective or such other date as may be permitted under the Code. Participating employers may make contributions to the Plans. Employer contributions to the 401(k) Plan and the 457(b) Plan were approximately $246 million and $4.5 million, respectively, in 2021.

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Roth contributions are permissible within the 401(k) Plan and 457(b) Plan. Roth contributions are elective deferrals that the participant elects to include in gross income. Qualified distributions from a designated Roth account are excludable from gross income. Generally, a distribution qualifies for income exclusion when it occurs more than five years after the initial contribution to the account and when the participant is age 59½ or older, dies or becomes disabled.

In-plan Roth conversion provisions were added to the 401(k) Plan and 457(b) Plan effective December 1, 2010 and April 1, 2011, respectively. As of the effective date, the Plans accept Roth contributions made on behalf of participants. All contribution sources and earnings thereon, except Roth contributions and Roth rollover contributions, will be eligible for in-plan Roth conversions in accordance with the standard in-service withdrawal and termination distribution provisions of the Plans. Participants and spousal beneficiaries will be allowed to elect voluntary federal and state income tax withholding on in-plan Roth conversion amounts. Withholding will be deducted from eligible amounts in advance of the in-plan Roth conversion. In-plan Roth conversion amounts will remain invested among the same plan investment options in which they were invested prior to the conversion ("like to like").

The 401(k) Plan allows participants age 50 or older to make catch-up contributions in accordance with and subject to the limitations of Section 414(v) of the IRC ($6,500 for 2021). The 401(k) Plan allows participants to contribute amounts being rolled over from other eligible retirement plans, as defined in the 401(k) Plan document. Participating governmental employers may elect to make discretionary contributions to the 401(k) Plan as determined by the General Assembly or the participating governmental employer.

With respect to participants who are law enforcement officers, the governmental employer of the law enforcement officers shall contribute to the 401(k) Plan on behalf of each such law enforcement officer an amount equal to such percentage, as determined by the North Carolina General Assembly, of compensation received during the plan year (5% in 2021). Law enforcement officers, excluding sheriffs, shall also receive a contribution, allocated on a per capita basis, of an amount equal to a division, as determined by the North

Carolina General Assembly, of receipts collected under North Carolina General Statute 7A-304 on account of assessed cost of court.

The 457(b) Plan allows participants age 50 or older to make catch-up contributions in accordance with and subject to the limitations of Section 414(v) of the IRC. The 457(b) Plan allows participants to contribute amounts being rolled over from other eligible retirement plans, as defined in the 457(b) Plan document. In addition, the 457(b) Plan allows participants within three years of reaching a normal retirement age to contribute up to twice the amount allowed by the IRC ($39,000 for 2021) subject to certain limitations. The age 50 or older catch-up contributions cannot be used in conjunction with the three-year catch-up contributions.

Pursuant to N.C.G.S. 143-166.30(g1) and 143-166.50(e2) state and local law enforcement officers forfeit employer contributions made to the 401(k) Plan on or after December 1, 2012, if the law enforcement officer is convicted of a felony related to employment on or after December 1, 2012.

Vesting
Subject to the felony forfeiture law described in the preceding paragraph, participants are at all times 100% vested in their contributions, employer contributions and their allocated earnings thereon.

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

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

Notes Receivable from Participants
Participants may borrow from their accounts subject to certain limitations and the approval of the Contractor according to the loan policy adopted by the Board.

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

A participant may have only one loan outstanding at any time, except related to the CARES Act provisions, in the 401(k) Plan and one in the 457(b) Plan and must wait seven days to initiate a new loan after paying off an existing loan. The interest rate charged on loans shall be reasonable as determined by the Primary Administrator. During 2021, the interest rate charged was equal to the prime rate, as reported by the US Federal Reserve, on the last business day of each calendar quarter, plus 1%. At December 31, 2021, the interest rates on outstanding loans ranged from 4.25% to 11.00% for the 401(k) Plan and 4.25% to 10.25% for the 457(b) Plan. The term of the loan shall be arrived at by mutual agreement between the participant and the Contractor but shall not exceed five years, except in the case of a loan to purchase a primary

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residence, which shall not exceed 15 years. At December 31, 2021, the loans outstanding had initial repayment terms between one and fifteen years for the 401(k) Plan and for the 457(b) Plan.

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

Investment Elections

Upon enrollment in the Plans, a participant may direct contributions to any investment option offered by the Plans. The participant has a broad range of options from which to choose, which allows the participants to diversify their investments. At December 31, 2021, the Plans offered 11 investment options – six equity funds, an inflation responsive fund, an inflation protected securities fund, and two fixed income funds (referred to collectively herein as the "Pooled Account") and the North Carolina Stable Value Fund. Participants exercise control over the assets in their individual accounts and are solely responsible for choosing the investment options for their account. Participants may change their investment elections daily provided they do not violate market timing policies. The Plans are required to comply with the Iran Divestment Act of 2015 (N.C.G.S. § 147-86.55 et seq.), the Divestment from Companies Boycotting Israel Act (N.C.G.S. § 147-86.80 et. seq.) and the November 12, 2020 Presidential Executive Order prohibiting U.S. persons from purchasing or investing in publicly traded securities of companies identified by the U.S. Department of Defense as identified pursuant to Section 1237 of the National Defense Authorization Act for FY 1999. In addition, the State Treasurer is required to comply with certain restrictions issued by the United States government, including Executive Order 14032, which restricts investment activity in certain Chinese entities as identified by the Secretary of Treasury (generally military-related companies), as well as restrictions issued by the Office of Foreign Assets Control. Otherwise, the Plans are not governed by any law or regulation restricting its deposits or investments other than that of following the prudent person rule and acting solely in the interests of participants.

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Transfer Benefit Option

Members of TSERS and LGERS are allowed to transfer part or all of their balances in the 401(k) Plan, 457(b) Plan, and other qualified plans to TSERS and LGERS to receive an additional monthly benefit. For plans other than the 401(k) or 457(b) Plan, the funds are first transferred into the 401(k) Plan or 457(b) Plan, and then transferred to TSERS or LGERS. When funds are transferred into the Plans from other qualified plans, these contributions are reflected in total contributions as rollover contributions. Transfers to TSERS and LGERS are reflected as distributions on the Statement of Changes in Fiduciary Net Position.

2. Summary of Significant Accounting Policies

Reporting Entity

The Plans are reported by the State of North Carolina as fiduciary funds. The financial statements of the Plans are intended to present the fiduciary net position and the changes in fiduciary net position of only that portion of the total fiduciary funds that are attributable to the Plans. They do not purport to, and do not, present the financial position of the total fiduciary funds of the State of North Carolina as of December 31, 2021, and the changes in its financial position for the year then ended.

Basis of Accounting

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

Investments

The Plans invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. The Plans invest in securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations and commercial mortgage-backed securities.

The value, liquidity and related income of these and other securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both. Due to the level of risks associated with certain investment securities, it is at least possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of fiduciary net position. Assets are reported at fair value.

The Plans' investments are divided between the Pooled Account and the NC Stable Value Fund. The assets in the Pooled Account are held in separate accounts and collective investment trusts.

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

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Contributions to the group trust 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, as well as market fluctuations, are reflected in unit values.

A valuation date occurs each day that the New York Stock Exchange ("NYSE") is open. The recordkeeper processes all participant transactions on the valuation date at the value of Pooled Account and NC Stable Value Fund investments as of the close of the financial market's business day.

The Plans' investments in the NC Stable Value Fund are stated at contract value with the exception of the Wells Fargo/Blackrock Short Term Investment Fund, a fund of highly liquid assets used for liquidity and stated at amortized cost. Both contract value and amortized cost approximate fair value based on GASB standards. The NC Stable Value Fund's investments, excluding the Wells Fargo/Blackrock Short Term Investment Fund, consist of unallocated insurance contracts, which are nonparticipating investments. As such, GASB reporting standards provide they be reported at contract value. The NC Stable Value Fund ordinarily allows participants to withdraw their investment at contract value which represents their principal investment plus interest at a stated rate (known as the "interest crediting rate"), less withdrawals. As a result, participants are provided investment statements showing their activity in the NC Stable Value Fund at contract value rather than fair value.

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

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

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made to the adjustment from fair value to contract value, and the future crediting rate may be higher than the then-current market rates.

Contributions Receivable
Participant contributions receivable represent amounts withheld from participants, but not remitted to the Contractor as of the Plans' year end. Employer contributions receivable represent the amount the employer owes the Plans for contributions made on behalf of the participants.

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

Investment Management Expenses
Investment management fees and custodial fees paid during the fiscal year and accrued as of year-end are presented in investment management expenses as a component of net investment income. Investment management fees and custody fees are charged against the various fund's assets on a pro rata basis throughout the year and are reflected in the net asset values of the Plan's investments. Net investment income is grossed up for these investment related costs. Investment management fees and custodial fees for commingled trusts are charged based on a percentage of net asset value and are paid from the assets of the respective funds.

Payment of Distributions
Distributions are recorded when paid.

Administrative Expenses
All administrative costs of the Plans are deducted from participants' account balances. These costs include (a) benefit-responsive investment contract fees, which are included in the cost of investments and in determining net proceeds on sales of investments, and (b) operational expenses required for administration of the Plans including the Primary Administrator's expenses. An annual recordkeeping and communication fee of $26 is charged per account and is deducted from accounts quarterly on a per account basis ($6.50 per quarter). Loan initiation fees are reported as administrative expenses. Loan initiation fees are deducted from the accounts of the individual participants that are initiating loans.. Certain other administrative expenses are paid by the Contractor.

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

3. Investments

The following table presents a summary of investments at December 31, 2021:

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(in thousands of dollars)

	401(k) Plan	457(b) Plan	Total
Pooled Account (Notes 4 and 6)	$ 12,401,909	$ 1,580,512	$ 13,982,421
Stable Value Fund (Notes 5 and 6)			
North Carolina Stable Value Fund			
Unallocated Insurance Contracts			
Prudential Insurance Company (Prudential)	493,377	95,307	588,684
Nationwide Life Insurance Company (Nationwide Life)	408,812	79,030	487,842
American General Insurance Company (American General)	391,876	75,756	467,632
Metropolitan Life Insurance Company Separate Account (MetLife)	207,895	40,190	248,085
Transamerica Life Insurance Company (Transamerica Life)	461,211	89,160	550,371
Wells Fargo/BlackRock Short-Term Investment Fund	35,799	6,921	42,720
Total stable value fund	1,998,970	386,364	2,385,334
Total investments	$ 14,400,879	$ 1,966,876	$ 16,367,755

4. Investments in Pooled Account

The Plans' investments are held in a group trust established as of January 4, 2016. The Board authorized the establishment of the North Carolina Supplemental Retirement Plans Group Trust (the "Group Trust") for the purpose of commingling the corpus of the separate trusts of the Plans and the Board adopted the Declaration of Trust establishing the Group Trust. In addition, the Board agreed to act as trustee of the Group Trust, under the terms and conditions of the Declaration of Trust. The Plans are the beneficial owners of the assets in the Group Trust, which are accounted for in separate participating trust accounts for the Plans. The value of each Plan's account within the Group Trust is adjusted for the contributions and disbursements made with respect to each Plan; the investment gains and losses attributable to each Plan; and the costs allocated to each Plan. Each participating trust account is adjusted periodically to reflect each Plan's share of the fair market value of the Group Trust.

The Board and the Department of State Treasurer are responsible for the administration and oversight of the Plans. Assets are managed by investment managers selected by the Board. The Plans' investment options are established by an Investment Policy Statement ("IPS"). The Board adopted and reviews the IPS at least annually. Periodically, the Investment Policy Statement is modified by Board resolutions, the last being December 2, 2021. The IPS specifies the overall performance objective and benchmark for each Fund option. The IPS does not establish a formal guideline for managing specific investment risk areas, however, each individual investment manager agreement includes guidelines that address the management of various risks in accordance with the Investment Policy Statement of the Plans, including credit risk and interest rate risk. These risks are managed by specifying certain limitations on the types of securities that may be purchased and under what circumstances securities may be purchased. The investment management guidelines also define portfolio level limits on risk including average portfolio credit quality and duration. The investment manager guidelines list certain securities that are prohibited such as unlisted securities and derivatives for speculative purposes. Additionally, the investment manager guidelines may prohibit using leverage in the account.

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

NC Large CAP Index

*Blackrock Equity Index Non-Lendable Collective Investment Fund, at fair value	$	3,981,338
401(k) plan interest in NC Large CAP Index		3,566,550
401(k) plan interest percentage		90%
457(b) plan interest in NC Large CAP Index		414,788
457(b) plan interest percentage		10%
Investment income		
Net appreciation in fair value of investments - collective trust		923,835

NC Large CAP Core

Domestic common stock, at fair value	2,541,465
Cash and cash equivalents	122
Accrued income	1,658
Accounts payable - fees	(2,398)
Due to broker for securities purchased	(510)
Total net assets	2,540,337
401(k) plan interest in NC Large Cap Core	2,197,186
401(k) plan interest percentage	86%
457(b) plan interest in NC Large Cap Core	343,151
457(b) plan interest percentage	14%
Investment income and (expenses)	
Net appreciation in fair value of investments	445,395
Dividends	23,431
Management and administrative fees	(7,832)
Net investment income	460,994

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NC Fixed Income

*Prudential Core Plus Bond Fund - collective trust	1,136,399
Separate Account - TCW Core Plus Bond Fund	1,371,608
Total investments, at fair value	2,508,007
Cash and cash equivalents	1,355
Accrued income	3,104
Due from broker for securities sold	216,825
Receivable for foreign exchange contract	11,492
Due to broker for securities purchased	(453,458)
Payable for foreign exchange contract	(11,380)
Accounts payable - fees	(503)
Total net assets	2,275,442
401(k) plan interest in NC Fixed Income	2,048,694
401(k) plan interest percentage	90%
457(b) plan interest in NC Fixed Income	226,748
457(b) plan interest percentage	10%
Investment income and (expenses)	
Net depreciation in fair value of investments - Prudential Core Plus Bond Fund	(7,873)
Net depreciation in fair value of investments - TCW Core Plus Bond Fund	(24,522)
Interest	18,390
Management and administrative fees	(1,951)
Net investment loss	(15,956)

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NC International

Domestic common stock, at fair value	233,020
Foreign stock	2,188,549
Total investments, at fair value	2,421,569
Cash and cash equivalents	2,302
Accrued income	14,822
Receivable for foreign exchange contract	281
Due from broker for securities sold	380
Payable for foreign exchange contract	(282)
Due to broker for securities purchased	148
Accounts payable - fees	(3,320)
Total net assets	2,435,900
401(k) plan interest in NC International	2,210,979
401(k) plan interest percentage	91%
457(b) plan interest in NC International	224,921
457(b) plan interest percentage	9%
Investment income and (expenses)	
Net appreciation in fair value of investments	21,669
Dividends	63,433
Management and administrative fees	(11,735)
Net investment income	73,367

NC Small MID CAP Index

Blackrock Russell 2500 Collective Investment Fund, at fair value	440,558
401(k) plan interest in NC Small MID CAP Index	391,436
401(k) plan interest percentage	89%
457(b) plan interest in NC Small MID CAP Index	49,122
457(b) plan interest percentage	11%
Investment income	
Net appreciation in fair value of investments - collective trust	67,157

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NC Small MID CAP

Domestic common stock, at fair value	1,161,381
Cash and cash equivalents	3
Accrued income	785
Due from broker for securities sold	867
Accounts payable - fees	(1,291)
Due to broker for securities purchased	(1,913)
Total net assets	1,159,832
401(k) plan interest in NC Small MID CAP	968,558
401(k) plan interest percentage	84%
457(b) plan interest in NC Small MID CAP	191,274
457(b) plan interest percentage	16%
Investment income and (expenses)	
Net appreciation in fair value of investments	186,758
Dividends	11,440
Management and administrative fees	(4,473)
Net investment income	193,725

NC Passive Fixed Income Index

Blackrock U.S. Debt Index Non-Lendable Collective Investment Fund, at fair value	99,290
401(k) plan interest in NC Passive Fixed Income Index	79,866
401(k) plan interest percentage	80%
457(b) plan interest in NC Passive Fixed Income Index	19,424
457(b) plan interest percentage	20%
Investment income	
Net depreciation in fair value of investments - collective trust	(1,932)

NC International Index

Blackrock MSCI ACWI ex-U.S. Index Non-Lendable Collective Investment Fund, at fair value	104,382
401(k) plan interest in NC International Index	83,441
401(k) plan interest percentage	80%
457(b) plan interest in NC International Index	20,941
457(b) plan interest percentage	20%
Investment income	
Net appreciation in fair value of investments - collective trust	7,009

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NC Inflation Responsive

Blackrock Strategic Completion Fund, at fair value	569,823
401(k) plan interest in NC Inflation Responsive	520,716
401(k) plan interest percentage	91%
457(b) plan interest in NC Inflation Responsive	49,107
457(b) plan interest percentage	9%
Investment income and (expenses)	
Net appreciation in fair value of investments	91,079
Management and administrative fees	(629)
Net investment income	90,450

NC TIPS

Fixed income securities, at fair value	372,476
Accrued income	836
Due from broker for securities sold	4,612
Accounts payable - fees	(61)
Due to broker for securities purchased	(2,344)
Total net assets	375,519
401(k) plan interest in NC TIPS	334,483
401(k) plan interest percentage	89%
457(b) plan interest in NC TIPS	41,036
457(b) plan interest percentage	11%
Investment income and (expenses)	
Net appreciation in fair value of investments	16,647
Interest	1,990
Management and administrative fees	(198)
Net investment income	18,439

Total Pooled Separate Account SA - NC Asset	$	13,982,421
Total 401(k) plan interest in Pooled Separate Account SA-NC	$	12,401,909
Total 401(k) plan interest percentage in Pooled Separate Account SA-NC		89%
Total 457(b) plan interest in Pooled Separate Account SA-NC	$	1,580,512
Total 457(b) plan interest percentage in Pooled Separate Account SA-NC		11%

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

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Interest Rate Risk

The Plans do not have a formal investment policy for managing exposure to fair value losses arising from increasing interest rates. The managers within the NC Fixed Income Fund and the NC TIPS Fund have duration targets relative to a specified benchmark. The maturities of the fixed income securities held in the NC Fixed Income Fund, the NC TIPS Fund and collective investment funds, which are subject to interest rate risk, as of December 31, 2021, are as follows:

(in thousands of dollars)

		Investment Maturities (in Years) at Fair Market Value			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Collateralized mortgage obligations	$ 46,173	$ 27,958	$ 497	$ -	$ 17,718
Mortgage pass throughs	321,791	224,912	1,708	2,162	93,009
Domestic corporate bonds	229,142	13,860	53,774	63,618	97,890
Asset-backed securities	34,235	34,235	-	-	-
Foreign corporate bonds	63,629	3,514	28,855	15,543	15,717
U.S. treasury securities	933,208	116,974	534,353	194,522	87,359
U.S. agencies securities	35,790	613	34,409	433	335
Foreign government bonds	17,403	11,380	874	4,668	481
State and local government bonds	7,183	-	-	950	6,233
Mutual funds	37,127	-	37,127	-	-
Common/commingled fund					
Collective investment funds	101,615	101,615	-	-	-
Fixed income core plus bond fund	1,136,399	-	-	1,136,399	-
Total	$ 2,963,695	$ 535,061	$ 691,597	$ 1,418,295	$ 318,742

Investments may also include various collateralized mortgage obligations, mortgage pass-through securities, asset-backed securities, and commingled funds that are also sensitive to changes in interest rates. Collateralized Mortgage Obligations, Mortgage Pass-Through, and Asset-Backed securities often have cash flows (coupon and principal payments) that fluctuate as interest rates change due to the existence of prepayment or conversion features.

Collateralized Mortgage Obligation Securities
A collateralized mortgage obligation (“CMO”) refers to a type of mortgage-backed security that contains a pool of mortgages bundled together and sold as an investment. Organized by maturity and level of risk, CMOs receive cash flows as borrowers repay the mortgages that act as collateral on these securities. CMOs generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Mortgage Pass-Through Securities
A mortgage pass-through security is a security created when one or more mortgage holders form a pool of mortgages and sells shares or participation certificates in the pool. The cash flow from the collateral pool is "passed through" to the security holder as monthly payments of principal, interest, and prepayments. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

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

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Commingled Funds
The Plans own units in a commingled fixed income core plus bond fund and in a short-term collective investment trust. The weighted average maturity of the Prudential Core Plus Bond Fund, which is a common/commingled fund and included in the NC Fixed Income Fund in the Pooled Account of the Plans, is approximately 9 years. As a result, the fund is sensitive to changes in interest rates.

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

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately to repay the principal. Credit quality is evaluated by one of the independent bond-rating agencies - for example, Moody's Investors Service ("Moody's"), Standard and Poor's ("S&P"), or Fitch Ratings ("Fitch"). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk. The investment guidelines applicable to the NC Fixed Income Fund place restrictions on the total risk exposure of the fund and specifically the concentration of the debt securities in which the fund invests. The managers within the NC Fixed Income Fund also have limits on the allocation to high yield securities. The investment guidelines for the NC TIPS Fund limit non-cash sweep investments to U.S. Treasury Inflation Protected Securities ("TIPS") and TIPS futures. U.S. TIPS are backed by the full faith and credit of the U.S. government.

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The following table presents the rating of debt securities held in the NC Fixed Income Fund, the NC TIPS Fund and collective investment funds, as of December 31, 2021:

(in thousands of dollars)

Investment Type	Fair Value	Aaa / AAA	Aa / AA	A / A- / A+	Baa/BBB	Less than investment grade	Unrated	Exempt from credit quality (1)
Collateralized mortgage obligations	$ 46,173	$ 3,624	$ 11,205	$ 71	$ 1,787	$ 24,901	$ 4,585	$ -
Mortgage pass throughs	321,791	-	281,984	-	-	-	-	39,807
Domestic corporate bonds	229,142	27,556	4,221	37,724	136,966	20,794	1,881	-
Asset-backed securities	34,235	381	1,942	1,806	-	30,106	-	-
Foreign corporate bonds	63,629	2,773	-	14,104	39,860	6,844	48	-
U.S. treasury securities	933,208	-	-	-	-	-	-	933,208
U.S. agencies securities	35,790	-	35,790	-	-	-	-	-
Foreign government bonds	17,403	-	459	12,346	2,440	2,158	-	-
State and local government bonds	7,183	-	6,624	264	295	-	-	-
Mutual funds	37,127	-	-	-	-	-	37,127	-
Common/commingled fund								
Collective investment funds	101,615	-	-	-	-	-	101,615	-
Fixed income core plus bond fund	1,136,399	-	-	-	-	-	1,136,399	-
Total	$ 2,963,695	$ 34,334	$ 342,225	$ 66,315	$ 181,348	$ 84,803	$ 1,281,655	$ 973,015

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

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Commingled Funds
The Fixed Income Core Plus Bond Fund, which is a common/commingled fund and included in the NC Fixed Income Fund of the Pooled Account, has approximately 77% of its debt securities rated BBB or better including 41% of which are rated AAA at December 31, 2021.

Custodial Credit Risk
The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plans will not be able to recover the value of investment and other securities that are in the possession of an outside third party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. The Plans do not have a formal policy to limit custodial credit risk.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a Plan's investment in a single issuer. Money market funds and external investment pools are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. The Plans do not have a formal policy to limit concentration of credit risk. Included in the Pooled Account are investments in individual collective trust funds under the various index funds and fixed-income options. Such funds that equal 5% or more of the fair value of the Plan's investments are the collective trust/index funds identified with an asterisk in the presentation of the Pooled Account table within this footnote. The investment manager guidelines, as part of each Investment Management Agreement, place restrictions on the concentration of the securities in which the funds invest.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There is no formally adopted investment policy to limit foreign currency exposure. The foreign investments, primarily in the NC International Fund, expose the Plans to foreign currency risk.

The following table presents in U.S. dollars the Pooled Account exposure to foreign currency as of December 31, 2021:

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Currency (in thousands of dollars)

Euro	$ 519,605
Japanese Yen	389,421
Pound Sterling	321,663
Hong Kong Dollar	218,326
Swiss Franc	120,776
New Taiwan Dollar	115,240
Swedish Krona	83,974
Indian Rupee	71,194
South Korean Won	64,489
Canadian Dollar	59,298
Danish Krone	58,324
Australian Dollar	42,089
Singapore Dollar	29,586
Chinese Yuan Renminbi	20,279
Brazil Real	18,875
South African Rand	18,447
Norwegian Krone	13,401
Indonesian Rupiah	9,274
Polish Zloty	4,044
Mexican Peso	3,793
Israeli Shekel	2,543
Malaysian Ringgit	1,431
Thailand Baht	1,406
UAE Dirham	526
Turkish Lira	443
Egyptian Pound	102
	$ 2,188,549

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5. Stable Value Fund

The NC Stable Value Fund consists of four synthetic guaranteed investment contracts, a separate account guaranteed investment contract, and a short-term investment fund. Galliard provides the professional management and oversight of the NC Stable Value Fund.

With the synthetic guaranteed investment contracts ("synthetic GICs"), the Plans own the underlying assets and negotiate a wrap contract for insurance protection. Because the synthetic GICs are fully benefit-responsive and nonparticipating investments, contract value, which approximates fair value, is the relevant measurement attribute for that portion of the net position attributable to the synthetic GIC. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The interest crediting rate is reset, at a minimum, on a quarterly basis to reflect the performance of the underlying portfolio wrapped by the contract. The compound crediting rate methodology uses a formula to smooth out the gains or losses on the fixed income investments that back the wrap contract. The formula components are the current contract value, the fair value of the underlying portfolio, the annualized weighted average yield to maturity (or yield to worst) of the underlying portfolio and the weighted average (or effective) duration of the underlying portfolio. The change in these factors from quarter to quarter impacts future crediting rate. The crediting rates of the contract may not fall below zero.

The separate account GIC is a fully benefit-responsive contract where the issuer owns the underlying investments, which are segregated for the benefit of the Plans. A separate account GIC is valued at contract value as the relevant measurement attribute for that portion of the net position attributable to the separate account GIC. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The interest crediting rate is reset, at a minimum, on a quarterly basis to reflect the performance of the underlying portfolio wrapped by the contract. The compound crediting rate methodology uses a formula to smooth out the gains or losses on the fixed-income investments that back the wrap contract. The formula components are the current contract value, the fair value of the underlying portfolio, the annualized weighted average yield to maturity of the underlying portfolio and the weighted average duration of the underlying portfolio. The change in these factors from quarter to quarter impacts the future crediting rate. The crediting rate may not fall below zero.

The five wrap contract issuers are Prudential, Nationwide Life, American General, Transamerica Life, and MetLife. Wrap contract issuers maintain a book value asset or fund balance and report the yield credited on that book balance ("interest crediting rate"). The contracts are issued by insurance companies which guarantee the return of principal and a stated rate of interest. The contracts do not provide protection from all defaulting events of the underlying fixed income investments, which could result in a negative return on the fund.

The contracts are described as follows:

Prudential Synthetic GIC - The Plans have a fully benefit-responsive synthetic GIC with Prudential. The contract covers fixed income separate accounts managed by Galliard, Prudential, Payden & Rygel, TCW, and Jennison. The Plans own the securities within the fixed income separate accounts. At December 31, 2021, the Prudential wrap contract covering the fixed income investment had no fair value. BNY Mellon is the custodian for the underlying investments.

Nationwide Life Synthetic GIC - The Plans have a fully benefit-responsive synthetic GIC with Nationwide Life. The contract covers fixed income separate accounts managed by Galliard, TCW, Payden & Rygel, and Jennison. The Plans own the securities within the fixed income separate accounts. At December 31, 2021, there was no fair value to the wrap contract. BNY Mellon is the custodian for the underlying investments.

American General Synthetic GIC - The Plans have a fully benefit-responsive synthetic GIC with American General. The contract covers fixed income separate accounts managed by Galliard, Prudential, Payden & Rygel, TCW, and Jennison. All of the underlying investments are owned by the Plans. At December 31, 2021, there was no fair value to the wrap contract. BNY Mellon is the custodian for the underlying investments.

Transamerica Life Synthetic GIC - The Plans have a fully benefit-responsive synthetic GIC with Transamerica Life. The contract covers fixed income separate accounts managed by Galliard, Prudential, Payden & Rygel, TCW, and Jennison. All of the underlying investments are owned by the Plans. At December 31, 2021, there was no fair value to the wrap contract. BNY Mellon is the custodian for the underlying investments.

MetLife Insurance Company Separate Account – The Plans have a fully benefit-responsive separate account GIC with MetLife. The separate account GIC is backed by assets invested in a pooled insurance separate account, a portfolio owned by the life insurance company but invested outside the insurance company's general investment account and managed by Dodge & Cox. The assets of the separate account are held for the benefit of the Plans and certain other plans and stated in the financial statements at contract value, which was $248 million at December 31, 2021. The fair value of the Plans' portion of the assets in the separate account was reported by MetLife to be $254 million. The Bank of New York Mellon is the custodian for the underlying investments. At December 31, 2021, there was no fair value to the wrap contract.

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Wells Fargo/BlackRock Short Term Investment Fund - This segment of the portfolio is invested in a short-term investment fund trusteed by Wells Fargo and managed by BlackRock, where the underlying securities are held at amortized cost (net asset value). The amortized cost accounting used in the fund very closely approximates the fair market value of the investments. The Plans' investments in this fund are included in the disclosures of risk. At December 31, 2021, the fair value of the assets in the Wells Fargo/BlackRock Short Term Investment Fund was $43 million.

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

Yields and Interest Crediting Rate Ranges for 2021	Earnings (1)	Interest Crediting Rate (net of fees)
Prudential Synthetic GIC		2.07% - 2.44%
Galliard Short Fixed Income Separate Account	1.03%	
Galliard Intermediate Fixed Income Separate Account	1.57%	
Prudential Fixed Income Separate Account	1.79%	
Payden & Rygel Fixed Income Separate Account	1.53%	
TCW Fixed Income Separate Account	1.38%	
Jennison Fixed Income Separate Account	1.28%	
Nationwide Life Synthetic GIC		1.52% - 2.00%
Galliard Short Fixed Income Separate Account	1.03%	
Galliard Intermediate Fixed Income Separate Account	1.57%	
TCW Fixed Income Separate Account	1.38%	
Payden & Rygel Fixed Income Separate Account	1.53%	
Jennison Fixed Income Separate Account	1.28%	
American General Synthetic GIC		1.66% - 2.01%
Galliard Short Fixed Income Separate Account	1.03%	
Galliard Intermediate Fixed Income Separate Account	1.57%	
Prudential Fixed Income Separate Account	1.79%	
TCW Fixed Income Separate Account	1.38%	
Payden & Rygel Fixed Income Separate Account	1.53%	
Jennison Fixed Income Separate Account	1.28%	
Transamerica Life Synthetic GIC		1.75% - 2.07%
Galliard Short Fixed Income Separate Account	1.03%	
Galliard Intermediate Fixed Income Separate Account	1.57%	
Prudential Fixed Income Separate Account	1.79%	
TCW Fixed Income Separate Account	1.38%	
Payden & Rygel Fixed Income Separate Account	1.53%	
Jennison Fixed Income Separate Account	1.28%	
MetLife Insurance Company Separate Account	1.70%	2.10% - 2.62%

(1) Represents the portfolio's yield to maturity at December 31, 2021.

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Fair Value of Fully Benefit-Responsive Contracts
The fair values for which the Plans do not directly own the underlying assets are previously disclosed in the MetLife Insurance Company Separate Account section of this note. The fair values of the fully benefit-responsive contracts for which the Plans own the underlying assets at December 31, 2021 are as follows:

(in thousands of dollars)

	401(k) Plan Total Contract Value	401(k) Plan Underlying Investments Fair Value	457(b) Plan Total Contract Value	457(b) Plan Underlying Investments Fair Value
Prudential Synthetic GIC - Fixed Income Separate Accounts (1)	$ 493,377	$ 506,424	$ 95,307	$ 97,829
Nationwide Life Synthetic GIC - Fixed Income Separate Accounts (2)	408,812	413,654	79,030	79,967
American General Synthetic GIC - Fixed Income Separate Accounts (3)	391,876	398,125	75,756	76,964
Transamerica Life Synthetic GIC - Fixed Income Separate Accounts (4)	461,211	469,832	89,160	90,827
Total Synthetic GIC Components	$ 1,755,276	$ 1,788,035	$ 339,253	$ 345,587

(1) There are six separate accounts in the Prudential Synthetic GIC - Galliard Short Fixed Income Separate Account, Galliard Intermediate Fixed Income Separate Account, Prudential Fixed Income Separate Account, Payden & Rygel Fixed Income Separate Account, TCW Fixed Income Separate Account, and Jennison Fixed Income Separate Account.

(2) There are five separate accounts in the Nationwide Life Synthetic GIC - Galliard Short Fixed Income Separate Account, Galliard Intermediate Fixed Income Separate Account, Payden & Rygel Fixed Income Separate Account, TCW Fixed Income Separate Account, and Jennison Fixed Income Separate Account.

(3) There are six separate accounts in the American General Synthetic GIC - Galliard Short Fixed Income Separate Account, Galliard Intermediate Fixed Income Separate Account, Prudential Fixed Income Separate Account, Payden & Rygel Fixed Income Separate Account, TCW Fixed Income Separate Account, and Jennison Fixed Income Separate Account.

(4) There are six separate accounts in the Transamerica Life Synthetic GIC - Galliard Short Fixed Income Separate Account, Galliard Intermediate Fixed Income Separate Account, Prudential Fixed Income Separate Account, Payden & Rygel Fixed Income Separate Account, TCW Fixed Income Separate Account, and Jennison Fixed Income Separate Account.

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Interest Rate Risk

The fixed income securities underlying the synthetic GICs and separate account GICs are subject to interest rate risk. The Plans do not have a formal policy to limit interest rate risk. The fund's underlying investment manager guidelines and duration guidelines seek to manage the overall fund's exposure to interest rate risk. The maturities of the securities underlying the GICs owned by the Plans as of December 31, 2021 are as follows:

(in thousands of dollars)

		Investment Maturities (in Years) at Fair Market Value (1)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More Than 10**
Collateralized mortgage obligations	$ 12,235	$ -	$ -	$ -	$ 12,235
Commercial mortgage-backed securities	81,011	-	1,437	-	79,574
Mortgage pass throughs	348,447	4,170	19,653	22,432	302,192
Domestic corporate bonds	477,757	31,472	283,839	150,568	11,878
Asset-backed securities	253,990	20,295	154,899	36,987	41,809
Foreign corporate bonds	115,912	9,378	80,848	23,548	2,138
U.S. treasury securities	703,608	85,034	531,709	82,799	4,066
U.S. agencies securities	39,086	191	12,263	16,917	9,715
Foreign government bonds	8,557	1,544	3,474	3,539	-
State and local government bonds	89,594	12,835	36,235	31,795	8,729
Common/commingled fund					
Collective investment funds	106,741	106,741	-	-	-
Total	$ 2,236,938	$ 271,660	$ 1,124,357	$ 368,585	$ 472,336

(1) Assets for which the Plans do not directly own the underlying securities are excluded from this chart.

Investments may also include various collateralized mortgage obligations, mortgage pass-through securities, asset-backed securities, and commingled funds that are also sensitive to changes in interest rates. Collateralized Mortgage Obligations, Mortgage Pass-Through, and Asset-Backed securities often have cash flows (coupon an principal payments) that fluctuate as interest rates change due to the existence of prepayment or conversion features.

Collateralized Mortgage Obligation Securities
A collateralized mortgage obligation ("CMO") refers to a type of mortgage-backed security that contains a pool of mortgages bundled together and sold as an investment. Organized by maturity and level of risk, CMOs receive cash flows as borrowers repay the mortgages that act as collateral on these securities. CMOs generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Commercial Mortgage-backed Securities
A commercial mortgage-backed security ("CMBS") refers to a type of mortgage-backed security on commercial properties rather than residential real estate. These fixed income investment products are securitized into a single commercial mortgage-backed security and the component loans act as the collateral, with principal and interest passed to investors. These securities are generally offered by commercial entities and contain tranches of mortgages grouped by level of credit risk, with higher level tranches being paid off first before lower tranches in the case of a default of a component mortgage loan. Similar to residential mortgage-backed securities ("RMBS"), CMBS may also be subject to prepayment risk. However, CMBS may offer less of a pre-payment risk than RMBS, due to potential prepayment penalties and fixed terms.

Mortgage Pass-Through Securities
A mortgage pass-through security is a security created when one or more mortgage holders form a pool of mortgages and sell shares or participation certificates in the pool. The cash flow from the collateral pool is "passed through" to the security holder as monthly payments of principal, interest, and prepayments. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

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

Commingled Funds
The NC Stable Value Fund owns units in the Wells Fargo/BlackRock Short Term Investment Fund in both the liquidity buffer and underlying value accounts, which is a commingled fund. The fund is invested in a diversified portfolio of money market instruments and has a weighted average maturity of 43 days at December 31, 2021.

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

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies – for example, Moody's, S&P, or Fitch. The lower the rating, the greater the chance (in the rating agency's opinion), that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk. The fund's underlying investment manager guidelines and credit quality guidelines seek to manage the overall fund's credit risk.

The following table presents the debt securities ratings of the GICs owned by the Plans as of December 31, 2021:

Investment Type	Fair Value	Credit Rating - Moody's/S&P (1) Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated	Exempt from Credit Quality (2)
Collateralized mortgage obligations	$ 12,235	$ 10,336	$ 1,899	$ -	$ -	$ -	$ -	$ -
Commercial mortgage-backed securities	81,011	81,011	-	-	-	-	-	-
Mortgage pass throughs	348,447	-	320,866	-	-	-	-	27,581
Domestic corporate bonds	477,757	-	21,409	145,714	299,450	11,184	-	-
Asset-backed securities	253,990	234,535	18,492	963	-	-	-	-
Foreign corporate bonds	115,912	1,817	11,984	61,524	37,202	3,385	-	-
U.S. treasury securities	703,608	-	-	-	-	-	-	703,608
U.S. agencies securities	39,086	-	39,086	-	-	-	-	-
Foreign government bonds	8,557	-	4,476	4,051	30	-	-	-
State and local government bonds	89,594	21,318	62,708	5,350	218	-	-	-
Common/commingled fund								
Collective investment funds	106,741	-	-	-	-	-	106,741	-
Total	$ 2,236,938	$ 349,017	$ 480,920	$ 217,602	$ 336,900	$ 14,569	$ 106,741	$ 731,189

(1) Assets for which the Plans do not directly own the underlying securities are excluded from this chart.

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

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Commingled Funds
The Wells Fargo/BlackRock Short Term Investment Fund consists primarily of certificates of deposit, commercial paper and repurchase agreements.

Custodial Credit Risk
The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plans will not be able to recover the value of investment and other securities that are in the possession of an outside third party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. The Plans do not have a formal policy to limit custodial credit risk.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the Plans' investment in a single issuer or category of issuer with similar risk. Money market funds and external investment pools are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. However, more than 5% of the NC Stable Value Fund's securities were invested in Federal National Mortgage Association. Investments in Federal National Mortgage Association, which are classified as Mortgage Pass-throughs, totaled $238 million and comprised 10% of the NC Stable Value Fund's total investments. Per the Plans' Investment Policy Statement in effect at December 31, 2021, all investment accounts managed for the Plans must maintain sufficient diversification among security issuers and market sectors such that the performance of one security or sector will not have an excessive impact on the manager's portfolio. In addition, the fund's investment guidelines seek to manage the fund's concentration risk.

6. Fair Value Measurement

The Plans categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy levels are summarized in the three levels listed below:

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

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The Plans had the following recurring fair value measurements as of December 31, 2021:

(in thousands of dollars)

	As of December 31, 2021	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments measured at fair value				
Domestic equity securities	$ 3,100,961	$ 3,100,961	$ -	$ -
Foreign equity securities	2,162,630	2,162,630	-	-
Collateralized mortgage obligations	46,173	-	46,173	-
Domestic corporate bonds	229,142	-	229,142	-
Mortgage pass throughs	321,791	-	321,791	-
U.S. Treasury securities	933,208	-	933,208	-
Asset-backed securities	34,235	-	34,235	-
Foreign corporate bonds	63,629	-	63,629	-
Domestic preferred securities	546	-	546	-
International preferred securities	25,919	25,919	-	-
U.S. agencies securities	35,790	-	35,790	-
Foreign government bonds	17,403	-	17,403	-
State and local government bonds	7,183	-	7,183	-
Total Pooled Account investments by fair value level	6,978,610	5,289,510	1,689,100	-

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Pooled Account Investments measured at the Net Asset Value (NAV)

		Unfunded commitments	Redemption frequency	Redemption notice (days)
Commingled equity funds (1)	5,275,872	-	Daily	1
Commingled fixed income (2)	1,136,399	-	Daily	1
Mutual funds (3)	37,127	-	Daily	1
Commingled U.S. debt fund (4)	99,209	-	Daily	1
Collective investment fund (5)	101,615	-	Daily	1
Commingled inflation responsive fund (6)	569,808	-	Daily	1
Total Pooled Account investments at the NAV	7,220,030			
Total Pooled Account investments at fair value	14,198,640			
Accruals and assets not at fair value	(216,219)			
Total Pooled Account investments	13,982,421			
Total Stable Value Fund Investments (7)	2,385,334			
Total Investments	$ 16,367,755			

(1) Five funds. Each are valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.
(2) One fund. Valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.
(3) Two funds. NAV is determined by dividing the total value of the fund's portfolio investments and other assets attributable to the fund, less liabilities, by the total number of shares outstanding. Value determined at the end of each day the NYSE is open.
(4) One fund. Valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.
(5) This fund is invested in the BNY Mellon EB Temporary Investment Fund. The Fund primarily invests in instruments issued by the US Government and Federal agencies, short-term corporate obligations, commercial paper, and certificates of deposit. The average weighted maturity of this fund does not exceed 60 days.
(6) One fund. Valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.
(7) Stable Value Fund measured at contract value except for one fund valued at amortized cost.

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Valuation Methodologies and Inputs

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

Level 2 Collateralized mortgage obligations evaluators monitor structured product markets, interest rate movements, new issue information and other market data. Market color such as trades, bids, and offers are applied to the model.

Level 2 Domestic corporate bonds are priced using both spread-based and price-based evaluations. Evaluators survey the dealer community to obtain relevant trade data, benchmark quotes and spreads.

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

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

Level 2 Asset-backed securities are priced using a model with inputs including market pricing conventions such as yield/spread/discount margin/price solicited from market buy- and sell-side sources including primary dealers, portfolio managers, and research analysts.

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

7. Related Party Transactions

The Plans contract with Galliard, a subsidiary of Allspring Global Investments (Allspring), to act as a delegated fiduciary investment manager for the NC Stable Value Fund. Allspring commenced operations as a result of the acquisition of Wells Fargo Asset Management by GTCR LLC and Reverence Capital Partners, L.P. Galliard, which was included in that transaction, provides collective investment vehicles and custodial and trustee services for the NC Stable Value Fund. Galliard has discretion over the benefit responsive contracts and the underlying investment managers. Galliard also has the authority to invest in securities subject to guidelines in Galliard's contract with the Board and the Department. As an advisor, Galliard is primarily responsible for ensuring that negotiated investment contracts are adhered to by the insurance companies, banks or other eligible providers who have entered into such contracts. Not less than quarterly, Galliard reports the financial condition of the investment contracts and whether the contracts are being administered according to their respective terms. The fees for wrap coverage, investment management and advisory services are deducted from participants' account balances. The Galliard contract was amended and restated in February 2018, which included a revision to the investment structure and guidelines and lower fees.

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The Contractor, Prudential Retirement, which was acquired by Empower on April 1, 2022, a specialized unit of the Prudential Financial Investment Division, provides recordkeeping, communications, and participant services for the Plans. The fee to Prudential is deducted from the participants' account balances.

One of the funds within the NC Fixed Income Fund is a commingled vehicle offered by Prudential Trust Company and managed by Prudential Investment Management, Inc. Jennison Associates, a registered investment advisory division within Prudential Global Investment Management, manages a portion of the NC Stable Value Fund. Affiliates of Prudential Retirement also are a wrap provider ("Prudential Insurance Company of America") and an investment manager ("PGIM, Inc.") for the NC Stable Value Fund.

The Bank of New York Mellon serves as the custodian for the Plans and provides global custody services related to the Pooled Account. On April 1, 2021, The Bank of New York Mellon is the custodian of the separately managed accounts of the Stable Value Fund. Fees for custodial services are charged based on a percentage of net asset value and are paid from the assets of the respective funds. The Bank of New York Mellon also provides a short-term cash vehicle for the temporary investment of funds until they are invested on a longer-term basis.

8. Tax Status

The 401(k) Plan received a favorable determination letter from the Internal Revenue Service ("IRS") on November 14, 2016. The determination letter stated that following review, the 401(k) Plan was in compliance with all applicable sections of the IRC. The 401(k) Plan document was amended on March 11, 2021, August 26, 2021, and December 2, 2021.

The 457(b) Plan document was amended on March 11, 2021 and August 26, 2021. The NC 457(b) Plan has not applied for a Private Letter Ruling from the IRS.

The loan policy is incorporated into the plan documents for the 401(k) and 457.

The Plans are subject to rules and regulations promulgated by the IRS. Failure to comply with the rules and regulations of the IRS could result in penalties to the Plans and for the Plan Sponsor. The Department has analyzed the tax positions taken by the Plans, and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

9. Plan Termination

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

10. Subsequent Event

On April 1, 2022, Empower acquired the full service retirement business of the Contractor, Prudential Retirement Insurance and Annuity Company, and will provide recordkeeping, communications, and participant services for the Plans. Empower is recognized as an industry leader. The migration to the Empower recordkeeping platform is expected to be completed during the fourth quarter of calendar year 2023. No other significant impact to operations is expected.

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