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, 2022

Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan (together “Supplemental Retirement Plans of North Carolina”)
December 31, 2022

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	1-3
Required Supplementary Information - Unaudited Management’s Discussion and Analysis	4-11
Financial Statements	
Statements of Fiduciary Net Position	12
Statements of Changes in Fiduciary Net Position	13
Notes to Financial Statements	14-47

This audit required approximately 740 hours at a cost of $122,000.

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Supplemental Retirement Income Plan of North Carolina (401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (457(b) Plan), collectively referred to as the Supplemental Retirement Plans of North Carolina (the Plans), which comprises the Plans' basic financial statements, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2022, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plans' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2023, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plans internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans internal control over financial reporting and compliance.

UHY LLP

Columbia, Maryland
July 13, 2023

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, 2022. 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 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. The short-term investment fund is trusteed by SEI Trust Company and managed by BlackRock.

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, 2022:

- The 401(k) Plan's fiduciary net position decreased by approximately $2.2 billion to approximately $12.5 billion during the 2022 plan year. This decrease in assets was primarily due to the losses in both equity and fixed income markets in 2022. As discussed further in the Economic and Asset Class discussion section, fixed income and equity markets suffered large negative returns in 2022 as central banks tightened monetary policy in an effort to fight historically high levels of inflation.

- The total number of participants in the Plan increased approximately 2.5% ending the year with approximately 281,300 participants on December 31, 2022, versus approximately 274,400 participants the year prior.

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

(In thousands of dollars)	2022	2021
Investments		
Pooled account, at fair value	$ 10,115,063	$ 12,401,909
Stable value fund	2,083,430	1,998,970
Receivables		
Notes receivable from participants	248,840	258,241
Other	9,478	6,647
Liabilities	(899)	(1,754)
Fiduciary net position	$ 12,455,912	$ 14,664,013

In general, the financial markets declined across the majority of asset classes in 2022. The Pooled Account decreased by approximately $2.3 billion or approximately 18.4% largely due to the losses in the financial markets.

Calendar year 2022 ended with most major equity and fixed income indices finishing the year with losses. The S&P 500 Index finished the year down 18.1%. International Equity markets also exhibited losses with the MSCI ACWI ex-US Index down 16.0% for the year. The broad US investment grade Fixed Income market was down for the year with the Bloomberg Barclays Aggregate Index returning -13.0%. US Treasury Bonds were down for the year with the ICE BofA US Treasury Index returning -12.8%. High Yield Bonds, as measured by the ICE BofA US High Yield Index were down 11.2%. Commodities were up 13.8% for the year, as measured by the Bloomberg Commodity Index.

The assets of the NC Stable Value Fund increased $84.5 million, approximately 4.2%, 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)	2022	2021
Additions		
Contributions	$ 740,344	$ 689,455
Net investment income (loss)	(2,160,463)	1,638,676
Interest on notes receivable from participants	12,173	14,010
Miscellaneous income	2,357	3,413
Total additions	(1,405,589)	2,345,554
Deductions		
Distributions to participants and beneficiaries	793,316	766,987
Administrative expenses	9,196	10,132
Total deductions	802,512	777,119
Net increase (decrease) in fiduciary net position	$ (2,208,101)	$ 1,568,435

Both employers and participants increased the level of contributions to the Plan with the average participant contribution rising to $228 per pay period. Enrollments for the fiscal year also increased over the prior year. Total contributions to the 401(k) Plan rose approximately 7.4% or approximately $51 million over the prior year.

Net investment income measures the net change in the fair market value of investments net of interest earned on those investments. For the 2022 Plan year, there was a net investment loss of approximately $2.16 billion. This is a decrease of approximately $3.8 billion from the 2021 net investment income due to declining market performance. 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 2022.

Distributions to participants and beneficiaries increased by approximately $26 million, or approximately 3.4% over the prior year, primarily driven by an increase in lump-sum distributions to members separating from service and in-service distributions to active participants.

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, 2022.

Financial Highlights - 457(b) Plan

The following financial highlights occurred during the 457(b) Plan year ended December 31, 2022:

- The 457(b) Plan's fiduciary net position was approximately $1.7 billion on December 31, 2022, representing a decrease of approximately $297 million during the 2022 Plan year. This decrease was primarily due to a net investment loss of approximately $275 million. Net investment income measures net appreciation or depreciation in the fair value of investments net of interest earned on those investments. As discussed further in the Economic and Asset Class discussion section, fixed income and equity markets suffered large negative returns in 2022 as central banks tightened monetary policy in an effort to fight historically high levels of inflation. Please see the Economic and Asset Class Discussion for additional information.

- The number of participants in the Plan remained stable, with approximately 56,740 and 56,730 participants in the 457(b) Plan at December 31, 2022, and 2021, respectively.

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

(In thousands of dollars)	2022	2021
Investments		
Pooled account, at fair value	$ 1,276,643	$ 1,580,512
Stable value fund	393,895	386,364
Receivables		
Notes receivable from participants	19,818	20,710
Other	813	661
Liabilities	(170)	(292)
Fiduciary net position	$ 1,690,999	$ 1,987,955

Fiduciary net position decreased approximately 14.9% in 2022. This decrease is due in large part to a net investment loss reflecting weaker returns in the financial markets. The Pooled Account decreased by 19.2% while the assets within the NC Stable Value Fund increased by approximately 1.9%. The majority of the increase in Stable Value assets was due to participants moving assets into the Stable Value Fund.

Calendar year 2022 ended with most major equity and fixed income indices finishing the year with losses. The S&P 500 Index finished the year down 18.1%. International Equity markets also exhibited losses with the MSCI ACWI ex-US Index down 16.0% for the year. The broad US investment grade Fixed Income market was down for the year with the Bloomberg Barclays Aggregate Index returning -13.0%. US Treasury Bonds were down for the year with the ICE BofA US Treasury Index returning -12.8%. High Yield Bonds, as measured by the ICE BofA US High Yield Index were down 11.2%. Commodities were up 13.8% 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)	2022	2021
Additions		
Contributions	$ 97,036	$ 93,369
Net investment income (loss)	(275,216)	221,217
Interest on notes receivable from participants	965	1,109
Miscellaneous income	320	509
Total additions	(176,895)	316,204
Deductions		
Distributions to participants and beneficiaries	118,308	122,310
Administrative expenses	1,753	1,966
Total deductions	120,061	124,276
Net increase (decrease) in fiduciary net position	$ (296,956)	$ 191,928

Total contributions to the 457(b) Plan grew approximately $3.7 million or approximately 3.9% in 2022 due to an increase in participant Roth contributions as well as employer contributions to the Plan. Distributions to participants and beneficiaries decreased by approximately $4 million, or approximately 3.3%, with a decrease in the number of external rollovers, required minimum distributions (RMDs), and death distributions.

Net investment loss was approximately $275 million, due in large part to the weak performance in the financial markets. Please see the Economic and Asset Class Discussion for additional information.

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, 2022.

Other Highlights

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 migration to the Empower recordkeeping platform is expected to occur during the first quarter of calendar year 2024.

The Supplemental Retirement Board of Trustees approved the termination of Wedge Capital Management (Wedge) as a manager in the NC Small/Mid Cap Core Fund in May 2023. The assets managed by Wedge will be moved to a transitional Russell 2500 Value Index Fund pending the selection of a new manager. The Board is expected to vote on approving a new manager in the 4th quarter of 2023.

The Plans' expenses remain competitive when compared to a peer group of institutional mutual funds. At the end of 2022, the average asset-based plan expenses consisting of investment management, custodial and administrative fees were approximately .21%. This compares favorably to the median expense ratio of the Callan Mutual Fund Institutional Universe of .26%. 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. The administrative fee is collected to cover the Plans' administrative expenses and is the primary 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. Based on review of any accumulated reserve balance, Plan staff may recommend a waiver of the administrative fee or recommend a rate that differs from the 2.5 basis points to the Board for approval. The full 2.5 basis point fee was charged during the 2021 fiscal year. At its February 24, 2022 meeting, the Board of Trustees approved the reduction of the administrative fee charged to participants to a rate of 1.25 basis points, effective March 1, 2022.

Economic and Asset Class Discussion

Net Investment loss for the 457(b) and 401(k) Plans was $275 million and $2.2 billion, respectively, due primarily to largely negative performance within the financial markets during 2022. Significant drivers of the large negative returns in equity and fixed income markets were the continued concerns over high levels of global inflation and resulting central bank tightening of monetary policy which led to losses in both equity and fixed income markets, coupled with decreasing growth and heightened geopolitical risks. Government sanctions imposed on Russia in response to the Ukraine conflict created market volatility causing large declines in both domestic and international equity markets. The Plans cannot reasonably estimate the outcome of these fluctuations.

Economic Discussion

Real World GDP growth was estimated to have risen by 3.4% in 2022, a slowing growth rate relative to the prior year. Growth in advanced economies was estimated to have risen by 2.7% in 2022, while growth in emerging and developing economies was an estimated 4.0%.

Inflation in the US rose substantially throughout the year with the Consumer Price Index ("CPI") growing 6.5% over the 12 months ending December 31, 2022. The index for all items less food and energy rose 5.7% over the one-year period. The unemployment rate finished the year at 3.5%. In an effort to fight inflation, while maintaining low levels of unemployment, the Federal Reserve increased its benchmark interest rate from 0.00%-0.25% to 4.25%-4.50%, the highest level of the Fed Funds rate since early 2008.

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.

Note: All NC fund performance is net of fees, excluding performance presented for collective trusts.

U.S. Equities

Broad U.S. equities, as measured by the Russell 3000 Index, were down 19.2% for the year. The large capitalization stocks, as measured by the Russell 1000 index were down 19.1%. Small capitalization stocks, as measured by the Russell 2000 index were down 20.4%. Within the large capitalization space, growth stocks were down 29.1%, while value stocks were down 7.6%.

The performance of the S&P 500 was down 18.1%. Within the S&P 500, only the Energy and Utility sectors generated positive returns, up 65.4% and 1.6% respectively. The worst performing sectors were Communication Services and Consumer Discretionary, down 39.9% and 37.0%, respectively.

Within the Plans, the NC Large Cap Core Fund (-21.5%) underperformed its benchmark, the Russell 1000 Index, by 2.4 percentage points for the year. The NC Small / Mid Cap Core Fund (-15.7%) outperformed its benchmark, the Russell 2500 Index, by 2.7 percentage points for the year.

International Equities

International equities, as measured by the MSCI ACWI ex-USA IMI, exhibited negative performance but outperformed U.S. equities, ending the year down 16.6%.

The Plans' international equity fund, the NC International Fund was down 21.2% for the year, underperforming its benchmark, the MSCI ACWI ex-USA IMI by 4.6 percentage points.

Emerging Market Equities

Emerging Market equities underperformed developed markets for the year. The MSCI Emerging Markets Index was down 20.1% for the year.

Fixed Income

Yields on U.S. Treasuries rose over the year, with the 2-year yield rising 370 basis points and the 10-year yield rising 236 basis points. The 10-year US Treasury ended the year with a yield of 3.87%. Credit spreads on investment grade corporate bonds increased 40 basis points over the year, while spreads on high yield corporate bonds increased by 171 basis points. Within U.S. fixed income, returns were down with investment grade credit (-15.4%), high yield credit (-11.2%) and U.S. Treasuries (-12.8%).

The NC Fixed Income Fund was down -13.1% for the year, underperforming its benchmark, the Bloomberg Barclays Aggregated, by .08%.

Commodities & Real Assets

The Bloomberg Commodity Index was up 13.8% for the year. Global Real Estate Investment Trusts ("REITs") finished the year down 23.6%, while the Bloomberg Barclays U.S. TIPS Index was also down 11.9%. TIPS outperformed nominal U.S. Treasuries as inflation increased throughout the year.

The North Carolina Inflation Responsive Fund lost 12.1% in 2022, largely driven by its exposure to TIPS and REITS.

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 of Supplemental Savings Programs, North Carolina Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

SUPPLEMENTAL RETIREMENT PLANS OF NORTH CAROLINA
STATEMENTS OF FIDUCIARY NET POSITION
For the year ended December 31, 2022

(in thousands of dollars)

	401(k)	457(b)
ASSETS		
Investments		
Pooled Account, at fair value	$ 10,115,063	$ 1,276,643
North Carolina Stable Value Fund		
Unallocated insurance contracts, at contract value		
Synthetic Guaranteed Investment Contracts	1,822,168	344,500
Insurance Company Separate Account	215,590	40,760
Short-Term Investment Fund, at amortized cost	45,672	8,635
Total stable value fund	2,083,430	393,895
Total investments	$ 12,198,493	$ 1,670,538
Receivables		
Contributions		
Participants	4,756	726
Employers	4,722	87
Notes receivable from participants	248,840	19,818
Total receivables	258,318	20,631
Total assets	12,456,811	1,691,169
LIABILITIES		
Accounts payable	899	170
Total liabilities	899	170
Fiduciary net position	$ 12,455,912	$ 1,690,999

SUPPLEMENTAL RETIREMENT PLANS OF NORTH CAROLINA
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the year ended December 31, 2022

(in thousands of dollars)

	401(k)	457(b)
Additions		
Investment income		
Net depreciation in fair value of investments	$ (2,181,642)	$ (279,014)
Interest income	39,218	6,233
Less: Investment expenses	(18,039)	(2,435)
Total net investment income (loss)	(2,160,463)	(275,216)
Other income		
Interest on notes receivable from participants	12,173	965
Miscellaneous income	2,357	320
Total other income	14,530	1,285
Contributions		
Plan participant contributions, including rollover contributions of $70,837 for the 401(k) Plan and $9,415 for the 457(b) Plan	467,361	91,859
Employer contributions	272,983	5,177
Total contributions	740,344	97,036
Total additions	(1,405,589)	(176,895)
Deductions		
Distributions to participants and beneficiaries	793,316	118,308
Administrative expenses	9,196	1,753
Total deductions	802,512	120,061
Net decrease in fiduciary net position	(2,208,101)	(296,956)
Fiduciary net position		
Beginning of year	14,664,013	1,987,955
End of year	$ 12,455,912	$ 1,690,999

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

NOTE 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, 2022, the Plan is utilized by 1,009 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, 2022, the 457(b) Plan is utilized by 602 governmental employers in North Carolina consisting principally of state agencies, counties, school systems, cities, and towns.

Plan Administration

The Supplemental Retirement Board of Trustees (“Board”) 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. Empower Retirement, LLC (“Empower”) began providing recordkeeping, administration, and education services on April 1, 2022 after acquiring Prudential Retirement.

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.

NOTE 1 - PLAN DESCRIPTION (Continued)

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 143-166.50

Those employees eligible for the 457(b) Plan include employees of the state, as well as the employees of any county or municipality, community college, school district, charter school, and any political subdivision of the state that have elected to participate in the 457(b) Plan.

The 401(k) Plan had approximately 281,300 unique participants at December 31, 2022.

The 457(b) Plan had approximately 56,740 unique participants at December 31, 2022.

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 ($20,500 for 2022). Federal and state income taxes 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 $273 million and $5.2 million, respectively, in 2022.

NOTE 1 - PLAN DESCRIPTION (Continued)

Contributions (Continued)

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 2022). 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 2022). 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 each cost of court 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 ($41,000 for 2022) subject to certain limitations. The age 50 or older catch-up contributions cannot be used in conjunction with the three-year catch-up contributions.

NOTE 1 - PLAN DESCRIPTION (Continued)

Contributions (Continued)

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. 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.

NOTE 1 - PLAN DESCRIPTION (Continued)

Notes Receivable from Participants (Continued)

A participant may have only one loan outstanding at any time 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 2022, 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, 2022, the interest rates on outstanding loans ranged from 4.25% to 7.25% for the 401(k) Plan and 4.25% to 7.25% 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 residence, which shall not exceed 15 years. At December 31, 2022, 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, 2022, 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.

NOTE 1 - PLAN DESCRIPTION (Continued)

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.

NOTE 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, 2022, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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 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 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 market 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 market 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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 market value to contract value under contract value accounting. As a result, the future crediting rate may be lower over time than the then-current market rates. Similarly, if the underlying portfolio generates unrealized and/or realized gains, a negative adjustment is made to the adjustment from market 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).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative Expenses (Continued)

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.

NOTE 3 - INVESTMENTS

The following table presents a summary of investments at December 31, 2022:

(In thousands of dollars)	401(K) Plan	457(B) Plan	Total
Pooled Account (Notes 4 and 6)	$ 10,115,063	$ 1,276,643	$ 11,391,706
Stable Value Fund (Notes 5 and 6)			
North Carolina Stable Value Fund			
Unallocated Insurance Contracts			
Prudential Insurance Company (Prudential)	512,366	96,868	609,234
Nationwide Life Insurance Company (Nationwide Life)	423,849	80,133	503,982
American General Insurance Company (American General)	406,783	76,907	483,690
Metropolitan Life Insurance Company Separate Account (MetLife)	215,590	40,760	256,350
Transamerica Life Insurance Company (Transamerica Life)	479,170	90,592	569,762
Short-Term Investment Fund	45,672	8,635	54,307
Total Stable Value Fund	2,083,430	393,895	2,477,325
Total investments	$ 12,198,493	$ 1,670,538	$ 13,869,031

NOTE 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 IPS is modified by Board resolutions, the last being December 1, 2022. 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 IPS, 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.

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

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:

(In thousands of dollars)

NC Large CAP Index	
*Blackrock Equity Index Non-Lendable Collective Investment Fund, at fair value	$ 3,173,244
401(k) plan interest in NC Large CAP Index	2,838,657
401(k) plan interest percentage	89%
457(b) plan interest in NC Large CAP Index	334,587
457(b) plan interest percentage	11%
Investment Income	
Net depreciation in fair value of investments – collective trust	(716,919)
NC Large CAP Core	
Domestic common stock, at fair value	1,842,033
Accrued income	1,494
Due from broker for securities sold	895
Accounts payable - fees	(1,440)
Due to broker for securities purchased	(2,516)
Total net assets	1,840,466
401(k) plan interest in NC Large Cap Core	1,593,525
401(k) plan interest percentage	87%
457(b) plan interest in NC Large Cap Core	246,941
457(b) plan interest percentage	13%
Investment income and (expenses)	
Net depreciation in fair value of investments	(551,535)
Dividends	22,901
Management and administrative fees	(6,528)
Net investment loss	(535,162)

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

NC Fixed Income	
*Prudential Core Plus Bond Fund - collective trust	1,026,601
Separate Account - TCW Core Plus Bond Fund	1,268,675
Total investments, at fair value	2,295,276
Cash and cash equivalents	4,544
Accrued income	6,143
Due from broker for securities sold	46,285
Receivable for foreign exchange contract	3,075
Due to broker for securities purchased	(294,314)
Payable for foreign exchange contract	(3,286)
Accounts payable – fees	(715)
Total net assets	2,057,008
401(k) plan interest in NC Fixed Income	1,855,959
401(k) plan interest percentage	90%
457(b) plan interest in NC Fixed Income	201,049
457(b) plan interest percentage	10%
Investment income and (expenses)	
Net depreciation in fair value of investments - Prudential Core Plus Bond Fund	(168,298)
Net depreciation in fair value of investments - TCW Core Plus Bond Fund	(191,161)
Interest	30,224
Management and administrative fees	(2,700)
Net investment loss	(331,935)

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

NC International	
Domestic common stock, at fair value	202,910
Foreign stock	1,811,006
Total investments, at fair value	2,013,917
Cash and cash equivalents	2,950
Accrued income	12,479
Due from broker for securities sold	1,560
Receivable for foreign exchange contract	131
Due to broker for securities purchased	(1,562)
Payable for foreign exchange contract	(2,931)
Accounts payable – fees	(2,252)
Total net assets	2,024,292
401(k) plan interest in NC International	1,837,744
401(k) plan interest percentage	91%
457(b) plan interest in NC International	186,548
457(b) plan interest percentage	9%
Investment income and (expenses)	
Net depreciation in fair value of investments	(571,935)
Dividends	67,302
Management and administrative fees	(12,136)
Net investment loss	(516,769)

NC Small MID CAP Index	
Blackrock Russell 2500 Collective Investment Fund, at fair value	347,437
401(k) plan interest in NC Small MID CAP Index	307,550
401(k) plan interest percentage	89%
457(b) plan interest in NC Small MID CAP Index	39,887
457(b) plan interest percentage	11%
Investment income	
Net depreciation in fair value of investments - collective trust	(80,470)

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

NC Small MID CAP	
Domestic common stock, at fair value	937,708
Cash and cash equivalents	-
Accrued income	966
Due from broker for securities sold	156
Accounts payable - fees	(1,191)
Due to broker for securities purchased	(3,312)
Total net assets	934,327
401(k) plan interest in NC Small MID CAP	782,044
401(k) plan interest percentage	84%
457(b) plan interest in NC Small MID CAP	152,283
457(b) plan interest percentage	16%
Investment income and (expenses)	
Net depreciation in fair value of investments	(192,164)
Dividends	17,027
Management and administrative fees	(3,956)
Net investment loss	(179,093)
NC Passive Fixed Income Index	
Blackrock Russell 2500 Collective Investment Fund, at fair value	81,202
401(k) plan interest in NC Passive Fixed Income Index	64,924
401(k) plan interest percentage	80%
457(b) plan interest in NC Passive Fixed Income Index	16,278
457(b) plan interest percentage	20%
Investment income	
Net depreciation in fair value of investments - collective trust	(12,736)
NC International Index	
Blackrock MSCI ACWI ex-U.S. Index Non-Lendable Collective Investment Fund, at fair value	90,134
401(k) plan interest in NC International Index	72,144
401(k) plan interest percentage	80%
457(b) plan interest in NC International Index	17,990
457(b) plan interest percentage	20%
Investment income	
Net depreciation in fair value of investments - collective trust	(16,749)

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

NC Inflation Responsive	
Blackrock Strategic Completion Fund, at fair value	492,114
Due from broker for securities sold	91
Accounts payable - fees	(119)
Total net assets	492,086
401(k) plan interest in NC Inflation Responsive	448,847
401(k) plan interest percentage	91%
457(b) plan interest in NC Inflation Responsive	43,239
457(b) plan interest percentage	9%
Investment income and (expenses)	
Net depreciation in fair value of investments	(63,549)
Management and administrative fees	(542)
Net investment loss	(64,091)
NC TIPS	
Fixed income securities, at fair value	350,244
Cash and cash equivalents	-
Accrued income	953
Due from broker for securities sold	3,910
Accounts payable - fees	(56)
Due to broker for securities purchased	(3,541)
Total net assets	351,510
401(k) plan interest in NC TIPS	313,669
401(k) plan interest percentage	89%
457(b) plan interest in NC TIPS	37,841
457(b) plan interest percentage	11%
Investment income and (expenses)	
Net depreciation in fair value of investments	(29,567)
Interest	2,291
Management and administrative fees	(177)
Net investment loss	(27,453)
Total Pooled Separate Account SA - NC Asset	$ 11,391,706
Total 401(k) plan interest in Pooled Separate Account SA-NC	$ 10,115,063
Total 401(k) plan interest percentage in Pooled Separate Account SA-NC	89%
Total 457(b) plan interest in Pooled Separate Account SA-NC	$ 1,276,643
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

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

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, 2022, 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	$ 39,448	$ 25,834	$ 453	$ -	$ 13,161
Mortgage pass throughs	343,511	160,494	1,366	1,691	179,960
Domestic corporate bonds	290,158	25,009	69,898	78,051	117,200
Asset-backed securities	27,427	27,427	-	-	-
Foreign corporate bonds	57,873	6,909	24,431	11,072	15,461
U.S. treasury securities	744,810	89,643	397,403	165,911	91,853
U.S. agencies securities	22,193	-	21,574	369	250
Foreign government bonds	10,042	-	1,360	7,445	1,237
State and local government bonds	5,736	-	-	1,058	4,678
Mutual funds	34,412	-	19,650	14,762	-
Common/commingled fund					
Collective investment funds	125,310	125,310	-	-	-
Fixed income core plus bond fund	1,026,631	-	-	1,026,631	-
Total	$ 2,727,551	$ 460,626	$ 536,135	$ 1,306,990	$ 423,800

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

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-throughs, 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.

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 8 years. As a result, the fund is sensitive to changes in interest rates.

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

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.

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, 2022:

(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	$ 39,448	$ 3,017	$ 7,776	$ 212	$ 1,320	$ 23,563	$ 3,560	$ -
Mortgage pass throughs	343,511	-	320,981	-	-	-	-	22,530
Domestic corporate bonds	290,158	39,872	6,199	53,112	137,619	25,574	27,782	-
Asset-backed securities	27,427	186	1,875	1,180	2,662	20,479	1,045	-
Foreign corporate bonds	57,873	-	959	12,252	42,498	2,119	45	-
U.S. treasury securities	744,810	-	-	-	-	-	-	744,810
U.S. agencies securities	22,193	-	22,193	-	-	-	-	-
Foreign government bonds	10,042	-	603	1,496	3,768	4,175	-	-
State and local government bonds	5,736	-	5,490	60	186	-	-	-
Mutual funds	34,412	-	-	-	-	-	34,412	-
Common/commingled fund								
Collective investment funds	125,310	-	-	-	-	-	125,310	-
Fixed income core plus bond fund	1,026,631	-	-	-	-	-	1,026,631	-
Total	$ 2,727,551	$ 43,075	$ 366,076	$ 68,312	$ 188,053	$ 75,910	$ 1,218,785	$ 767,340

(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.

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

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 81% of its debt securities rated BBB or better including 50% of which are rated AAA at December 31, 2022.

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.

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

The following table presents in U.S. dollars the Pooled Account exposure to foreign currency as of December 31, 2022:

Currency (In thousands of dollars)	
Euro	$ 480,831
Japanese Yen	346,100
Pound Sterling	225,293
Hong Kong Dollar	176,149
Swiss Franc	78,325
New Taiwan Dollar	74,549
Indian Rupee	64,703
Swedish Krona	62,657
Canadian Dollar	52,195
Danish Krone	44,203
South Korean Won	44,158
Australian Dollar	28,182
Chinese Yuan Renminbi	28,051
Singapore Dollar	24,682
South African Rand	16,712
Norwegian Krone	16,113
Brazil Real	12,874
Indonesian Rupiah	11,153
Mexican Peso	7,152
Thailand Baht	5,273
Polish Zloty	5,078
Israeli Shekel	2,746
Vietnam Dong	2,171
Malaysian Ringgit	1,495
Turkish Lira	909
UAE Dirham	858
Czech Koruna	469
Qatari Riyal	303
New Zealand Dollar	298
Egyptian Pound	255
Hungarian Forint	35
	$ 1,813,972

NOTE 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.

NOTE 5 - STABLE VALUE FUND (Continued)

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, 2022, 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, 2022, 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, 2022, 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, 2022, 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 $256 million at December 31, 2022. The fair value of the Plans' portion of the assets in the separate account was reported by MetLife to be $234 million. BNY Mellon is the custodian for the underlying investments. At December 31, 2022, there was no fair value to the wrap contract.

Short-Term Investment Fund - This segment of the portfolio is invested in a short-term investment fund trusteed by SEI Trust Company and managed by BlackRock (officially named Short-Term Investment Fund A (Class S)), 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, 2022, the fair value of the assets in the Short-Term Investment Fund was $54 million.

NOTE 5 - STABLE VALUE FUND (Continued)

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 2022	Earnings (1)	Interest Crediting Rate (net of fees)
Prudential Synthetic GIC		2.01% - 2.49%
Galliard Intermediate Fixed Income Separate Account	5.03%	
TCW Fixed Income Separate Account	4.93%	
Payden & Rygel Fixed Income Separate Account	4.94%	
Jennison Fixed Income Separate Account	4.70%	
Prudential Fixed Income Separate Account	5.06%	
Galliard Short Fixed Income Separate Account	5.15%	
Nationwide Life Synthetic GIC		1.53% - 2.10%
Galliard Intermediate Fixed Income Separate Account	5.03%	
TCW Fixed Income Separate Account	4.93%	
Payden & Rygel Fixed Income Separate Account	4.94%	
Jennison Fixed Income Separate Account	4.70%	
Galliard Short Fixed Income Separate Account	5.15%	
American General Synthetic GIC		1.71% - 2.24%
Galliard Intermediate Fixed Income Separate Account	5.03%	
TCW Fixed Income Separate Account	4.93%	
Payden & Rygel Fixed Income Separate Account	4.94%	
Jennison Fixed Income Separate Account	4.70%	
Prudential Fixed Income Separate Account	5.06%	
Galliard Short Fixed Income Separate Account	5.15%	
Transamerica Life Synthetic GIC		1.78% - 2.32%
Galliard Intermediate Fixed Income Separate Account	5.03%	
TCW Fixed Income Separate Account	4.93%	
Payden & Rygel Fixed Income Separate Account	4.94%	
Jennison Fixed Income Separate Account	4.70%	
Prudential Fixed Income Separate Account	5.06%	
Galliard Short Fixed Income Separate Account	5.15%	
MetLife Insurance Company Separate Account	5.14%	1.92% - 2.05%

(1) Represents the portfolio's yield to maturity at December 31, 2022.

NOTE 5 - STABLE VALUE FUND (Continued)

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, 2022 are as follows:

(In thousands of dollars)	401 (k) Plan Total Contract Value	401(k) Plan underlying Investments Market Value	457(b) Plan Total Contract Value	457(b) Plan Underlying Investments Market Value
Prudential Synthetic GIC - Fixed Income Separate Accounts (1)	$ 512,366	$ 478,654	$ 96,868	$ 90,495
Nationwide Life Synthetic GIC - Fixed Income Separate Accounts (2)	423,849	391,940	80,133	74,100
American General Synthetic GIC - Fixed Income Separate Accounts (3)	406,783	377,186	76,907	71,311
Transamerica Life Synthetic GIC - Fixed Income Separate Accounts (4)	479,169	445,161	90,592	84,162
Total Synthetic GIC Components	$ 1,822,167	$ 1,692,941	$ 344,500	$ 320,068

(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.

NOTE 5 - STABLE VALUE FUND (Continued)

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, 2022 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	$ 17,297	$ -	$ 1,046	$ 398	$ 15,853
Commercial mortgage-backed securities	133,581	565	3,440	436	129,140
Mortgage pass throughs	385,805	6,806	1,067	17,119	360,813
Domestic corporate bonds	492,594	32,468	299,681	149,529	10,916
Asset-backed securities	247,041	14,491	151,846	41,384	39,320
Foreign corporate bonds	119,469	11,228	89,449	15,842	2,950
U.S. treasury securities	489,070	28,733	392,784	63,317	4,236
U.S. agencies securities	58,182	2,734	15,669	26,288	13,491
Foreign government bonds	3,354	546	678	2,130	-
State and local government bonds	56,886	5,188	24,506	22,973	4,219
Common/commingled fund					
Collective investment funds	72,770	72,770	-	-	-
Total	$ 2,076,049	$ 175,529	$ 980,166	$ 339,416	$ 580,938

(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-throughs, 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.

NOTE 5 - STABLE VALUE FUND (Continued)

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 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 13 days at December 31, 2022.

NOTE 5 - STABLE VALUE FUND (Continued)

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.

SUPPLEMENTAL RETIREMENT PLANS OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2022

The following table presents the debt securities ratings of the GICs owned by the Plans as of December 31, 2022:

(in thousands of dollars)

		Credit Rating - Moody's/S&P (1)						
Investment Type	**Fair Value**	**Aaa / AAA**	**Aa / AA**	**A**	**Baa/BBB**	**Less than Investment grade**	**Unrated**	**Exempt from credit quality (2)**
Collateralized mortgage obligations	$ 17,297	$ 12,047	$ 5,250	$ -	$ -	$ -	$ -	$ -
Commercial mortgage-backed securities	133,581	133,581	-	-	-	-	-	-
Mortgage pass throughs	385,805	-	348,703	-	-	-	-	37,102
Domestic corporate bonds	492,594	2,878	28,289	163,506	289,500	8,421	-	-
Asset-backed securities	247,041	234,947	11,310	784	-	-	-	-
Foreign corporate bonds	119,469	2,857	9,323	66,114	39,953	1,222	-	-
U.S. treasury securities	489,070	-	-	-	-	-	-	489,070
U.S. agencies securities	58,182	-	58,182	-	-	-	-	-
Foreign government bonds	3,354	-	1,609	1,745	-	-	-	-
State and local government bonds	56,886	14,031	40,717	2,138	-	-	-	-
Common/commingled fund								
Collective investment funds	72,770	-	-	-	-	-	72,770	-
Total	$ 2,076,049	$ 400,341	$ 503,383	$ 234,287	$ 329,453	$ 9,643	$ 72,770	$ 526,172

(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.

NOTE 5 - STABLE VALUE FUND (Continued)

Commingled Funds

The 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 $203.5 million and comprised 8.2% of the NC Stable Value Fund's total investments. Per the Plans' Investment Policy Statement in effect at December 31, 2022, 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.

NOTE 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.

The Plans had the following recurring fair value measurements as of December 31, 2022:

(In thousands of dollars)		Fair Value Measurements Using		
	As of December 31, 2022	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	$ 2,348,697	$ 2,348,697	$ -	$ -
Foreign equity securities	1,787,204	1,787,204	-	-
Collateralized mortgage obligations	39,448	-	39,448	-
Domestic corporate bonds	290,158	-	290,158	-
Mortgage pass throughs	343,511	-	343,511	-
U.S. Treasury securities	744,810	-	744,810	-
Asset-backed securities	27,427	-	27,427	-
Foreign corporate bonds	57,873	-	57,873	-
Domestic preferred securities	412	-	412	-
International preferred securities	23,812	23,812	-	-
U.S. agencies securities	22,193	-	22,193	-
Foreign government bonds	10,042	-	10,042	-
State and local government bonds	5,736	-	5,736	-
Total Pooled Account investments by fair value level	$ 5,701,323	$ 4,159,713	$ 1,541,610	$ -

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

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

(In thousands of dollars)

		Unfunded commitments	Redemption frequency	Redemption notice (days)
Commingled equity funds (1)	4,160,541	-	Daily	1
Commingled fixed income (2)	1,026,631	-	Daily	1
Mutual funds (3)	34,412	-	Daily	1
Commingled U.S. debt fund (4)	81,181	-	Daily	1
Collective investment fund (5)	125,310	-	Daily	1
Commingled inflation responsive fund (6)	492,117	-	Daily	1
Total Pooled Account investments at the NAV	5,920,192			
Total Pooled Account investments at fair value	11,621,515			
Accruals and assets not at fair value	(229,809)			
Total Pooled Account investments	11,391,706			
Total Stable Value Fund Investments (7)	2,477,325			
Total Investments	$ 13,869,031			

(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.

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

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.

NOTE 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.

NOTE 7 - RELATED PARTY TRANSACTIONS (Continued)

The fees for wrap coverage, investment management and advisory services are deducted from participants' account balances. The Galliard contract was amended and restated in February 2018, which included a revision to the investment structure and guidelines and lower fees. Management fees were further reduced by agreement in January 2022.

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 Empower is deducted from the participants' account balances.

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

NOTE 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 December 1, 2022.

The 457(b) Plan document was amended on December 1, 2022. The 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(b) Plans.

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, 2022, 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.

NOTE 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.