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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Supplemental Retirement Income Plan of North Carolina (401(k) Plan) and the North Carolina Employee Deferred Compensation Plan (457(b) Plan), collectively referred to as the Supplemental Retirement Plans of North Carolina (the Plans), which comprise the statement of fiduciary net position as of December 31, 2019, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plans' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plans' internal control. Accordingly, we do not express an opinion on the effectiveness of the Plans' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plans' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Plans' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
July 15, 2020

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, 2019

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

December 31, 2019

This audit required approximately 730 hours at a cost of $90,000.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Supplemental Retirement Income Plan of North Carolina (401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (457(b) Plan), collectively referred to as the Supplemental Retirement Plans of North Carolina (the Plans), which comprise the statements of fiduciary net position as of December 31, 2019, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plans as of December 31, 2019, and the respective changes in their fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2020, on our consideration of the Plans' internal control over financial reporting and on our tests of their 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
July 15, 2020

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, 2019. It is intended to be a narrative supplement to the Plans' financial statements.

Using the Financial Report

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

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

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

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

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

Financial Highlights – 401(k) Plan

The following financial highlights occurred during the 401(k) Plan year ended December 31, 2019:

- The 401(k) Plan's fiduciary net position increased by approximately $1.9 billion to approximately $11.7 billion during the 2019 plan year. This increase in assets was primarily due to the strong performance of financial markets in 2019. The Asset Class and Economic Discussion section of this Management Discussion and Analysis provides additional detailed information pertaining to the domestic and global economies and markets during 2019.

- The total number of participants in the plan increased approximately 2.4% ending the year with approximately 261,400 participants on December 31, 2019, versus approximately 255,300 participants the year prior.

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

(in thousands of dollars)	2019	2018
Investments		
Pooled account, at fair value	$ 9,622,056	$ 7,769,223
Stable value fund	1,782,415	1,714,972
Receivables		
Notes receivable from participants	295,686	299,578
Other	4,610	6,287
Liabilities	(1,225)	(1,227)
Fiduciary net position	$ 11,703,542	$ 9,788,833

In general, the financial markets produced strong returns for the year, with all major asset classes producing positive returns. The Pooled Account increased by approximately $1.9 billion or approximately 23.9% largely due to the strong performance of financial markets.

Calendar year 2019 ended with the major indices finishing the year with strong performance. The S&P 500 Index finished the year up 31.5%. International Equity markets also exhibited strong performance with the MSCI ACWI ex-US Index up 21.5% for the year. The Fixed Income market was up for the year with the Bloomberg Barclays Aggregate Index returning 8.7%. High Yield Bonds (+14.3%) exhibited strong performance and outperformed U.S. Treasuries (+6.9%). Commodities were also up during the year with the Bloomberg Commodity Index returning positive 5.4%.

The assets of the NC Stable Value Fund increased by 3.9% for the year. The majority of the increase is due to an increase in investment earnings.

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

(in thousands of dollars)	2019	2018
Additions		
Contributions	$ 603,476	$ 573,988
Net investment income (loss)	1,928,478	(394,270)
Interest on notes receivable from participants	15,760	14,043
Miscellaneous income	344	2,610
Total additions	2,548,058	196,371
Deductions		
Distributions to participants and beneficiaries	622,936	577,971
Administrative expenses	10,413	11,171
Total deductions	633,349	589,142
Net increase (decrease) in fiduciary net position	$ 1,914,709	$ (392,771)

Net investment income, which measures net appreciation in the fair market value of investments net of interest earned on those investments, was approximately $1.9 billion in 2019 as compared to approximately $394 million of net investment losses in the year prior. The Asset Class and Economic Discussion section of this Management Discussion and Analysis provides additional detailed information pertaining to the domestic and global economies and markets during 2019.

Both employers and participants increased the level of contributions to the plan with the average participant contribution rising to $188 per pay period. Total contributions to the 401(k) Plan rose approximately 5.1% or approximately $29 million over the prior year. Distributions to participants and beneficiaries increased by approximately $45 million, or approximately 7.8% with retired and terminated employees seeking distributions. Both lump sum and systematic forms of distributions increased over the prior year.

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, 2019.

Beginning in early 2020, the COVID-19 outbreak began to negatively impact the global economy. As a result, the financial markets have seen a significant amount of volatility in the first half of 2020. This financial market stress had a negative impact on the market values of the Plan's investments through the first quarter of 2020. The extent of ultimately how large of an impact and how long the market volatility will last is currently unknown.

On April 20, 2020, the Supplemental Retirement Board of Trustees adopted several provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These provisions, effective immediately, assist eligible plan participants by enhancing access to their Supplemental Retirement Plan balances.

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

Financial Highlights – 457(b) Plan

The following financial highlights occurred during the 457(b) Plan year ended on December 31, 2019:

- The 457(b) Plan's fiduciary net position was approximately $1.6 billion on December 31, 2019, representing an increase of approximately $235 million during the 2019 plan year. This increase was primarily due to net investment income of approximately $246 million. Net investment income measures net appreciation in the fair value of investments net of interest earned on those investments. Please see the Asset Class and Economic Discussion for additional information.

- There were approximately 56,900 and 55,400 participants in the 457(b) Plan at December 31, 2019, and 2018, respectively.

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

(in thousands of dollars)	2019	2018
Investments		
Pooled account, at fair value	$ 1,201,042	$ 973,375
Stable value fund	362,489	356,250
Receivables		
Notes receivable from participants	22,548	21,456
Other	488	683
Liabilities	(249)	(255)
Fiduciary net position	$ 1,586,318	$ 1,351,509

Fiduciary net position increased 17.4% in 2019. This increase is due in large part to a net investment gain reflecting strong returns in the financial markets. The Pooled Account increased by 23.4% while the assets within the NC Stable Value Fund increased by 1.8%. The majority of the increase in Stable Value assets is due to an increase in investment earnings.

Calendar year 2019 ended with the major indices finishing the year with strong performance. The S&P 500 Index finished the year up 31.5%. International Equity markets also exhibited strong performance with the MSCI ACWI ex-US Index up 21.5% for the year. The Fixed Income market was up for the year with the Bloomberg Barclays Aggregate Index returning 8.7%. High Yield Bonds (+14.3%) exhibited strong performance and outperformed U.S. Treasuries (+6.9%). Commodities were also up during the year with the Bloomberg Commodity Index returning positive 5.4%.

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

(in thousands of dollars)	2019	2018
Additions		
Contributions	$ 81,828	$ 79,746
Net investment income (loss)	245,536	(48,284)
Interest on notes receivable from participants	1,177	1,027
Miscellaneous income	57	492
Total additions	328,598	32,981
Deductions		
Distributions to participants and beneficiaries	91,639	88,455
Administrative expenses	2,150	2,311
Total deductions	93,789	90,766
Net increase (decrease) in fiduciary net position	$ 234,809	$ (57,785)

Total contributions to the 457(b) Plan grew approximately $2 million or approximately 2.6% in 2019 due to an increase in participant Roth contributions as well as employer contributions to the plan. Distributions to participants and beneficiaries increased by approximately $3 million, or approximately 3.6%. This increase was due to an increase in both lump sum disbursements to retired or terminated employees as well as "in-service" withdrawals to active employees.

Net investment income was approximately $246 million, due in large part to the strong performance in the financial markets.

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, 2019.

Beginning in early 2020, the COVID-19 outbreak began to negatively impact the global economy. As a result, the financial markets have seen a significant amount of volatility in the first half of 2020. This financial market stress had a negative impact on the market values of the Plan's investments through the first quarter of 2020. The extent of how large of an impact and how long the market volatility will last is currently unknown.

On April 20, 2020, the Supplemental Retirement Board of Trustees adopted several provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These provisions, effective immediately, assist eligible plan participants by enhancing access to their Supplemental Retirement Plan balances.

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

Other Highlights

The Supplemental Retirement Board of Trustees approved one manager termination during 2019. The Hotchkis and Wiley Mid Cap Value strategy was terminated in December 2019. The funds were moved to two other investment managers within the Plans' core line up: Wedge Capital and Earnest Partners.

The Plans' expenses remain competitive when compared to a peer group of institutional mutual funds. At the end of 2019, the average asset-based plan expenses consisting of investment management, custodial and administrative fees were approximately .23%. This compares favorably to the median expense ratio of the Callan's Median of .33%. There is an additional recordkeeping fee of $31 per account.

An administrative fee of 2.5 basis points is charged to participants annually. This is included in the 0.23% noted above. The administrative fee is collected to cover the Plans' administrative expenses and is the sole source of revenue received. The administrative fee covers expenses that include Supplemental Retirement Plans' staff salaries and benefits, departmental overhead, fees to required service providers, including the Plans' investment consultant and auditor, board expenses and other expenses deemed appropriate under the Internal Revenue Code's exclusive benefit rule. Given the accumulated reserve balance in the administrative expense account, at its September 20, 2018 Board meeting, staff recommended and the Supplemental Retirement Board of Trustees approved a "fee holiday" for NC 401(k) and NC 457 Plans for the calendar year 2019. During this "fee holiday," participants were not charged the 2.5 basis point administrative fee during the calendar year 2019.

Asset Class and Economic Discussion

Net Investment income for the 457(b) and 401(k) Plans was $246 million and $1.9 billion, respectively due primarily to strong performance within the financial markets during 2019.

According to the World Bank, global growth decelerated in 2019, coming in at an estimated 2.4%, with United States gross domestic product growth of 2.3%.

U.S. Equities
U.S. equities, as measured by the Russell 3000 Index, were up 31.0% for the year. U.S. equities experienced strong returns in 2019 as stocks rebounded after the sell-off towards the end of 2018. U.S. equity markets were driven by strong corporate earnings, a de-escalation in U.S. China trade tensions, and the Federal Reserve cutting interest rates three times during the year.

All sectors exhibited positive performance in 2019, led by the Technology sector which was up 50.3% for the year, followed by Communication Services, up 32.7% and Financials, up 32.1%. Energy was the worst performing sector, up 11.8%.

Growth oriented equities continued to outperform value across all capitalizations throughout 2019.

Within U.S. Equity, Small Cap Value was the worst performing style (+22.4%), while the best performing style was Large Cap Growth (+36.4%).

Within the plans, the NC Large Cap Core Fund (+29.7%) underperformed its benchmark, the Russell 1000 Index, by 1.71 percentage points for the year. The NC Small / Mid Cap Fund (+26.8%) underperformed its benchmark, the Russell 2500 Index, by 99 basis points for the year.

International Equities
International equities, as measured by the MSCI ACWI ex-USA, exhibited strong performance but underperformed U.S. equities, ending the year up 21.5%.

The North Carolina International Equity Fund returned +26.3% for the year, outperforming its benchmark, the MSCI ACWI ex USA by 4.75 percentage points.

Emerging Market Equities
Emerging Market equities trailed developed markets for the year. The MSCI Emerging Markets Index was up 18.1% for the year. Russia was the best performing country in 2019 (+50.9%) as rising oil prices over the year helped drive returns.

Currencies
One of the largest currency moves in 2019 was the Canadian dollar, which increased 5.3% partially due to rising oil prices. The Euro fell 1.8% and the Swedish Krona fell 5.3%, while the British Pound gained 4.0% in 2019. Emerging market currencies were mixed in 2019. The Chinese Yuan was up slightly (+0.32%), while many of the currencies within Latin America countries declined against the U.S. dollar.

Fixed Income
The Federal Reserve lowered interest rates three times in 2019. Declining interest rates put upward pressure on bond prices for most of the year. U.S. bonds finished the year up 8.7% and global bonds were up 6.8%. Within U.S. fixed income, high yield credit (+14.3%) outperformed U.S. Treasuries (+6.9%).

The North Carolina Fixed Income Fund returned 10.3% for the year, outperforming its benchmark, the Bloomberg Barclays Aggregated, by 1.62 percentage points.

Commodities & Real Assets
The Bloomberg Commodity Index was up 5.4% for the year as the price of oil rallied into year-end. Global Real Estate Investment Trusts (REITs) finished the year up 22.5% while the Bloomberg Barclays U.S. TIPS Index was up 8.4%.

The North Carolina Inflation Responsive Fund returned +13.1% in 2019, exhibiting strong performance during the year due to the fund's exposure to commodities, REITs and TIPs.

Economic Discussion
Real World GDP growth was an estimated 2.4% in 2019 compared to 3.0% in 2018, amid weakening trade and investment. Growth in advanced economies is estimated to have decelerated to 1.6% in 2019. The weakness in growth was widespread, affecting both advanced economies, particularly the EURO area, as well as emerging market and developing economies. Global trade in goods and services was in contraction for a significant part of 2019. Additionally, both manufacturing and services activity slowed during the year.

Bilateral negotiations between the United States and China towards the end of 2019 resulted in a Phase I agreement, which includes a planned partial rollback of tariffs. This initial agreement has resulted in de-escalating trade tensions after a prolonged period of rising trade disputes.

Concerns about growth prospects triggered widespread monetary policy easing by major Central Banks as well as flight to safety flows into advanced economy fixed income markets.

Inflation in the advanced economies remained contained in 2019. The Consumer Price Index ("CPI") rose 2.3% over the 12 months ending December 31, 2019. The index for all items less food and energy also rose 2.3% over the one-year period. The unemployment rate finished the year at 3.5%, while real average hourly earnings rose by 0.6% during 2019.

Emerging Market GDP growth was an estimated 3.5% in 2019. Increased risk aversion contributed to lower emerging market capital inflows in the second half of the year as a number of emerging market countries faced renewed currency and equity price pressures.

Note: All NC fund performance is net of fees.

For detailed information regarding investment performance of the funds, please access the Plans' website at www.ncplans.prudential.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 Mary Buonfiglio, 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
December 31, 2019

(in thousands of dollars)

	401(k)	457(b)
Assets		
Investments		
Pooled Account, at fair value	$ 9,622,056	$ 1,201,042
North Carolina Stable Value Fund		
Unallocated insurance contracts, at contract value		
Synthetic Guaranteed Investment Contracts	1,550,528	315,330
Insurance Company Separate Account	187,362	38,104
Wells Fargo/BlackRock Short Term Investment Fund, at amortized cost	44,525	9,055
Total stable value fund	1,782,415	362,489
Total investments	11,404,471	1,563,531
Receivables		
Contributions		
Participants	2,747	449
Employers	1,840	39
Notes receivable from participants	295,686	22,548
Other	23	-
Total receivables	300,296	23,036
Total assets	11,704,767	1,586,567
Liabilities		
Accounts payable	1,225	249
Total liabilities	1,225	249
Fiduciary net position	$ 11,703,542	$ 1,586,318

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

Supplemental Retirement Plans of North Carolina
Statements of Changes in Fiduciary Net Position
Year Ended December 31, 2019

(in thousands of dollars)

	401(k)	457(b)
Additions		
Investment income		
Net appreciation in fair value of investments	$ 1,881,636	$ 238,478
Interest income	46,842	7,058
Total net investment income	1,928,478	245,536
Other income		
Interest on notes receivable from participants	15,760	1,177
Miscellaneous income	344	57
Total other income	16,104	1,234
Contributions		
Plan participant contributions, including rollover contributions of $54,552 for the 401(k) Plan and $9,163 for the 457(b) Plan	379,475	78,234
Employer contributions	224,001	3,594
Total contributions	603,476	81,828
Total additions	2,548,058	328,598
Deductions		
Distributions to participants and beneficiaries	622,936	91,639
Administrative expenses	10,413	2,150
Total deductions	633,349	93,789
Net increase in fiduciary net position	1,914,709	234,809
Fiduciary net position		
Beginning of year	9,788,833	1,351,509
End of year	$ 11,703,542	$ 1,586,318

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

1. Plan Description

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

General

The 401(k) Plan, established effective January 1, 1985, is a defined contribution multiple-employer governmental plan sponsored by the State of North Carolina ("Plan Sponsor"). As of December 31, 2019, the Plan is utilized by 1,035 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, 2019, the 457(b) Plan is utilized by 535 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 ("Contractor") to perform recordkeeping, administration and education services.

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

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

Participation

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

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

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

The 401(k) Plan had approximately 261,400 unique participants at December 31, 2019.

The 457(b) Plan had approximately 56,900 unique participants at December 31, 2019.

Contributions
401(k) Plan participants may elect to contribute between 1% and 80%, in whole percentages, of their compensation, as defined by the 401(k) Plan, subject to certain limitations under the IRC. 457(b) Plan participants may elect to contribute between 1% and 100%, in whole percentages, of their compensation, as defined by the 457(b) Plan, subject to certain limitations under the IRC. The Plans limit the amount of an individual's annual contributions to the maximum allowed by the IRC ($19,000 for 2019). Federal and state income tax on amounts contributed by participants are deferred until benefits are paid to the participants. An employee may begin contributing to the 401(k) Plan on the first enrollment date, which is at least 60 days, or such shorter period as the governmental employer determines, after the date he or she files with the governmental employer a notice whereby the employee: 1) makes an election to contribute a percentage of his/her compensation or fixed dollar amount to the Plans and 2) authorizes the governmental employer to reduce his/her compensation by such percentage or amount. An employee may become a participant in the 457(b) Plan by entering into an enrollment agreement prior to the beginning of the calendar month in which the enrollment agreement is to become effective or such other date as may be permitted under the Code. Participating employers may make contributions to the Plans. Employer contributions to the 401(k) Plan and the 457(b) Plan were approximately $224 million and $3.6 million, respectively, in 2019.

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 ($6,000 for 2019). 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 2019). Law enforcement officers, excluding sheriffs, shall also receive a contribution, allocated on a per capita basis, of an amount equal to a division, as determined by the North

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

The 457(b) Plan allows participants age 50 or older to make catch-up contributions in accordance with and subject to the limitations of Section 414(v) of the IRC. The 457(b) Plan allows participants to contribute amounts being rolled over from other eligible retirement plans, as defined in the 457(b) Plan document. In addition, the 457(b) Plan allows participants within three years of reaching a normal retirement age to contribute up to twice the amount allowed by the IRC ($38,000 for 2019) subject to certain limitations. The age 50 or older catch-up contributions cannot be used in conjunction with the three-year catch-up contributions.

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

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

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

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

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

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

A participant may have only one loan outstanding at any time in the 401(k) Plan and one in the 457(b) Plan and must wait 7 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 2019, 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, 2019, the interest rates on outstanding loans ranged from 4.25% to 6.50% for the 401(k) Plan and 4.25% to 10.25% for the 457(b) Plan. The term of the loan shall be arrived at by mutual agreement between the participant and the Contractor but shall not exceed five years, except in the case of a loan to purchase a primary residence, which shall not exceed 15 years. At December 31, 2019, 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, 2019, 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.) and the Divestment from Companies Boycotting Israel Act (N.C.G.S. § 147-86.80 et. seq.). 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.

Transfer Benefit Option

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

2. Summary of Significant Accounting Policies

Reporting Entity

The Plans are reported by the State of North Carolina as fiduciary funds. The financial statements of the Plans are intended to present the fiduciary net position and the changes in fiduciary net position of only that portion of the total fiduciary funds that are attributable to the Plans. They do not purport to, and do not, present the financial position of the total fiduciary funds of the State of North Carolina as of December 31, 2019, and the changes in its financial position for the year then ended.

Basis of Accounting

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

Investments

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

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

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

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

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

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

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

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

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

Contributions Receivable
Participant contributions receivable represent amounts withheld from participants, but not remitted to the Contractor as of the Plans' year 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.

Payment of Distributions
Distributions are recorded when paid.

Administrative Expenses and Investment Management Fees
All administrative costs of the Plans are deducted from participants' account balances. These costs include (a) benefit-responsive investment contract fees, which are included in the cost of investments and in determining net proceeds on sales of investments, and (b) operational expenses required for administration of the Plans including the Primary Administrator's expenses, custodial expenses, and investment management fees which are charged against the various fund's assets on a pro rata basis throughout the year. An annual recordkeeping and communication fee of $31 is charged per account and is deducted from accounts quarterly on a per account basis ($7.75 per quarter). Loan initiation fees and custodial expenses are reported as administrative expenses. Loan initiation fees are deducted from the accounts of the individual participants that are initiating loans. Custodian and investment management fees for commingled trusts are charged based on a percentage of net asset value and are paid from the assets of the respective funds. Certain other administrative expenses are paid by the Contractor.

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

3. Investments

The following table presents a summary of investments at December 31, 2019:

(in thousands of dollars)

	401(k) Plan	457(b) Plan	Total
Pooled Account (Notes 4 and 6)	$ 9,622,056	$ 1,201,042	$ 10,823,098
Stable Value Fund (Notes 5 and 6)			
North Carolina Stable Value Fund			
Unallocated Insurance Contracts			
Prudential Insurance Company (Prudential)	447,982	91,106	539,088
Nationwide Life Insurance Company (Nationwide Life)	316,495	64,365	380,860
American General Insurance Company (American General)	355,477	72,293	427,770
Metropolitan Life Insurance Company Separate Account (MetLife)	187,362	38,104	225,466
Transamerica Life Insurance Company (Transamerica Life)	430,574	87,566	518,140
Wells Fargo/BlackRock Short-Term Investment Fund	44,525	9,055	53,580
Total stable value fund	1,782,415	362,489	2,144,904
Total investments	$ 11,404,471	$ 1,563,531	$ 12,968,002

4. Investments in Pooled Account

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

The Board and the Department of State Treasurer are responsible for the administration and oversight of the Plans. Assets are managed by investment managers selected by the Board. The Plans' investment options are established by an Investment Policy Statement ("IPS"). The Board adopted and reviews the IPS at least annually. Periodically, the Investment Policy Statement is modified by Board resolutions, the last being December 12, 2019. The IPS does not establish a formal guideline for managing specific investment risk areas, however, each individual investment manager agreement includes guidelines that address the management of various risks in accordance with the Investment Policy Statement of the Plans, including credit risk and interest rate risk. These risks are managed by specifying certain limitations on the types of securities that may be purchased and under what circumstances securities may be purchased. The investment management guidelines also define portfolio level limits on risk including average portfolio credit quality and duration.

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

NC Large CAP Index	
*Blackrock Equity Index Non-Lendable Collective Investment Fund, at fair value	$ 2,969,030
401(k) plan interest in NC Large CAP Index	2,675,030
401(k) plan interest percentage	90%
457(b) plan interest in NC Large CAP Index	294,000
457(b) plan interest percentage	10%
Investment income	
Net appreciation in fair value of investments - collective trust	726,749

NC Large CAP Core

Domestic common stock, at fair value	1,970,128
Cash and cash equivalents	49
Accrued interest income	1,572
Due from broker for securities sold	4,920
Accounts payable - fees	(1,212)
Due to broker for securities purchased	(5,832)
Total net assets	1,969,625
401(k) plan interest in NC Large Cap Core	1,705,018
401(k) plan interest percentage	87%
457(b) plan interest in NC Large Cap Core	264,607
457(b) plan interest percentage	13%
Investment income and (expenses)	
Net appreciation in fair value of investments	454,262
Dividends and interest	24,388
Management and administrative fees	(5,792)
Net investment income	472,858

NC Fixed Income

*Prudential Core Plus Bond Fund - collective trust	921,478
Separate Account - TCW Core Plus Bond Fund	943,980
Total investments, at fair value	1,865,458
Cash and cash equivalents	4
Accrued income	3,351
Due from broker for securities sold	12,975
Receivable for foreign exchange contract	13,406
Due to broker for securities purchased	(39,327)
Payable for foreign exchange contract	(13,216)
Accounts payable - fees	(417)
Total net assets	1,842,234
401(k) plan interest in NC Fixed Income	1,655,466
401(k) plan interest percentage	90%
457(b) plan interest in NC Fixed Income	186,768
457(b) plan interest percentage	10%
Investment income and (expenses)	
Net appreciation in fair value of investments - Prudential Core Plus Bond Fund	89,902
Net appreciation in fair value of investments - TCW Core Plus Bond Fund	49,960
Interest	24,978
Management and administrative fees	(1,168)
Net investment income	163,672

NC International

Domestic common stock, at fair value	216,855
Foreign stock	1,749,523
Total investments, at fair value	1,966,378
Cash and cash equivalents	511
Accrued income	11,201
Receivable for foreign exchange contract	3,326
Due from broker for securities sold	312
Payable for foreign exchange contract	(3,328)
Due to broker for securities purchased	(3,822)
Accounts payable - fees	(1,985)
Total net assets	1,972,593
401(k) plan interest in NC International	1,795,213
401(k) plan interest percentage	91%
457(b) plan interest in NC International	177,380
457(b) plan interest percentage	9%
Investment income and (expenses)	
Net appreciation in fair value of investments	355,102
Dividends and interest	65,434
Management and administrative fees	(8,893)
Net investment income	411,643

NC Small MID CAP Index

Blackrock Russell 2500 Collective Investment Fund, at fair value	331,255
401(k) plan interest in NC Small MID CAP Index	296,335
401(k) plan interest percentage	89%
457(b) plan interest in NC Small MID CAP Index	34,920
457(b) plan interest percentage	11%
Investment income	
Net appreciation in fair value of investments - collective trust	73,168

NC Small MID CAP

Domestic common stock, at fair value	899,578
Accrued interest income	1,194
Accounts payable - fees	(778)
Due to broker for securities purchased	(2,081)
Total net assets	897,913
401(k) plan interest in NC Small MID CAP	750,557
401(k) plan interest percentage	84%
457(b) plan interest in NC Small MID CAP	147,356
457(b) plan interest percentage	16%
Investment income and (expenses)	
Net appreciation in fair value of investments	183,638
Dividends and interest	10,277
Management and administrative fees	(3,215)
Net investment income	190,700

NC U.S. Debt Index

Blackrock U.S. Debt Index Non-Lendable Collective Investment Fund, at fair value	88,736
401(k) plan interest in NC U.S. Debt Index	70,314
401(k) plan interest percentage	79%
457(b) plan interest in NC U.S. Debt Index	18,422
457(b) plan interest percentage	21%
Investment income	
Net appreciation in fair value of investments - collective trust	6,519

NC International Index

Blackrock MSCI ACWI ex-U.S. Index Non-Lendable Collective Investment Fund, at fair value	82,663
401(k) plan interest in NC International Index	64,621
401(k) plan interest percentage	78%
457(b) plan interest in NC International Index	18,042
457(b) plan interest percentage	22%
Investment income	
Net appreciation in fair value of investments - collective trust	14,802

NC Inflation Responsive		
Blackrock Strategic Completion Fund, at fair value		432,119
401(k) plan interest in NC Inflation Responsive		398,073
401(k) plan interest percentage		92%
457(b) plan interest in NC Inflation Responsive		34,046
457(b) plan interest percentage		8%
Investment income and (expenses)		
Net appreciation in fair value of investments		47,069
Management and administrative fees		(382)
Net investment income		46,687
NC TIPS		
Fixed income securities, at fair value		236,256
Accrued interest income		704
Accounts payable - fees		(18)
Due to broker for securities purchased		(12)
Total net assets		236,930
401(k) plan interest in NC TIPS		211,429
401(k) plan interest percentage		89%
457(b) plan interest in NC TIPS		25,501
457(b) plan interest percentage		11%
Investment income and (expenses)		
Net appreciation in fair value of investments		12,141
Dividends and interest		1,310
Management and administrative fees		(81)
Net investment income		13,370
Total Pooled Separate Account SA - NC Asset	$	10,823,098
Total 401(k) plan interest in Pooled Separate Account SA-NC	$	9,622,056
Total 401(k) plan interest percentage in Pooled Separate Account SA-NC		89%
Total 457(b) plan interest in Pooled Separate Account SA-NC	$	1,201,042
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

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 in certain equity accounts, which are subject to interest rate risk, as of December 31, 2019, 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	$ 58,861	$ 25,233	$ -	$ 11,270	$ 22,358
Mortgage pass throughs	265,176	24,968	4,528	8,502	227,178
Domestic corporate bonds	184,126	13,826	61,336	38,599	70,365
Asset-backed securities	54,960	54,960	-	-	-
Foreign corporate bonds	33,620	3,509	11,049	4,113	14,949
U.S. treasury securities	530,916	665	290,281	180,148	59,822
U.S. agencies securities	3,770	2,483	610	-	677
Foreign government bonds	13,216	13,216	-	-	-
State and local government bonds	1,348	-	-	-	1,348
Mutual funds	23,032	-	23,032	-	-
Common/commingled fund					
Collective investment funds	100,555	100,555	-	-	-
Fixed income core plus bond fund	921,478	-	-	921,478	-
Total	$ 2,191,058	$ 239,415	$ 390,836	$ 1,164,110	$ 396,697

Investments may also include various collateralized mortgage obligations, mortgage pass-through securities, asset-backed securities, and commingled funds considered to be sensitive to changes in interest rates 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.

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 investment guidelines for the NC TIPS Fund limit non-cash sweep investments to U.S. Treasury Inflation Protected Securities ("TIPS") and TIPS futures.

The following table presents the rating of debt securities held in the NC Fixed Income Fund, the NC TIPS Fund and collective investment funds in certain equity accounts, as of December 31, 2019:

(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	$ 58,861	$ -	$ 36,640	$ 127	$ 558	$ 20,656	$ 880	$ -
Mortgage pass throughs	265,176	-	207,254	-	-	-	-	57,922
Domestic corporate bonds	184,126	21,176	6,960	29,300	92,121	33,109	1,460	-
Asset-backed securities	54,960	851	17,675	10,192	1,619	24,623	-	-
Foreign corporate bonds	33,620	-	776	53	25,818	6,925	48	-
U.S. treasury securities	530,916	-	-	-	-	-	-	530,916
U.S. agencies securities	3,770	-	3,770	-	-	-	-	-
Foreign government bonds	13,216	-	-	13,216	-	-	-	-
State and local government bonds	1,348	-	1,271	77	-	-	-	-
Mutual funds	23,032	-	-	-	-	-	23,032	-
Common/commingled fund								
Collective investment funds	100,555	-	-	-	-	-	100,555	-
Fixed income core plus bond fund	921,478	-	-	-	-	-	921,478	-
Total	$ 2,191,058	$ 22,027	$ 274,346	$ 52,965	$ 120,116	$ 85,313	$ 1,047,453	$ 588,838

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

Commingled Funds

The Fixed Income Core Plus Bond Fund, which is a common/commingled fund and included in the NC Fixed Income Fund of the Pooled Account, has approximately 87% of its debt securities rated BBB or better including 48% of which are rated AAA at December 31, 2019.

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 Russell 2500 Index Fund holdings within the NC Small/Mid Cap Fund and the NC Small/Mid Cap Index Fund, and the collective trust/index funds identified with an asterisk in the presentation of the Pooled Account table within this footnote. The guidelines applicable to these funds place restrictions on the concentration of the securities in which the funds invest.

Foreign Currency Risk

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

The foreign investments, primarily in the NC International Fund expose the Plans to foreign currency risk. The following table presents in U.S. dollars the Pooled Account exposure to foreign currency as of December 31, 2019:

Currency (in thousands of dollars)	
Euro	$ 478,701
Pound Sterling	297,111
Japanese Yen	287,501
Hong Kong Dollar	167,160
Swiss Franc	97,027
New Taiwan Dollar	66,931
Swedish Krona	51,437
Singapore Dollar	48,237
South Korean Won	48,184
Indian Rupee	44,627
Canadian Dollar	40,868
Australian Dollar	36,796
Danish Krone	27,478
South African Rand	27,150
Brazil Real	15,633
Mexican Peso	8,218
Malaysian Ringgit	6,907
Indonesian Rupiah	3,852
Thai Baht	3,287
UAE Dirham	2,940
Other	22
	$ 1,760,067

Foreign currencies individually below $1 million are grouped together and presented in Other.

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 (crediting rate). The contracts are issued by insurance companies which guarantee the return of principal and a stated rate of interest. The contracts do not provide protection from all defaulting events of the underlying fixed income investments, which could result in a negative return on the fund.

The contracts are described as follows:

Prudential Synthetic GIC - The Plans have a fully benefit-responsive synthetic GIC with Prudential. The contract covers a fixed income separate account managed by Jennison, a fixed income separate account managed by Prudential, and a fixed income separate account managed by Galliard. The Plans own the securities within the fixed income separate accounts. At December 31, 2019, the Prudential wrap contract covering the fixed income investment had no fair value. Wells Fargo Bank 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 two fixed income separate accounts managed by Galliard. The Plans own the securities within the fixed income separate accounts. At December 31, 2019, there was no fair value to the wrap contract. Wells Fargo Bank 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 a fixed income separate account managed by Payden & Rygel and a fixed income separate account managed by Galliard. All of the underlying investments are owned by the Plans. At December 31, 2019, there was no fair value to the wrap contract. Wells Fargo Bank 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 a fixed income separate account managed by TCW and two fixed income separate accounts managed by Galliard. All of the underlying investments are owned by the Plans. At December 31, 2019, there was no fair value to the wrap contract. Wells Fargo Bank 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 $225 million at December 31, 2019. The fair value of the Plans' portion of the assets in the separate account was reported by MetLife to be $231 million. The Bank of New York Mellon is the custodian for the underlying investments. At December 31, 2019, there was no fair value to the wrap contract.

Wells Fargo/BlackRock Short Term Investment Fund - This segment of the portfolio is invested in a short-term investment fund trusteed by Wells Fargo and managed by BlackRock, where the underlying securities are held at amortized cost (net asset value). The amortized cost accounting used in the fund very closely approximates the fair market value of the investments. The Plans' investments in this fund are included in the disclosures of risk. At December 31, 2019, the fair value of the assets in the Wells Fargo/BlackRock Short Term Investment Fund was $54 million.

Crediting Interest Rate for Fully Benefit-Responsive Contracts
The crediting interest 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 Crediting Rate Ranges for 2019	Earnings (1)	Crediting Rate (net of fees)
Prudential Synthetic GIC		2.87% - 2.96%
Jennison Fixed Income Separate Account	1.96%	
Prudential Fixed Income Separate Account	2.39%	
Galliard Short Fixed Income Separate Account	1.94%	
Nationwide Life Synthetic GIC		2.68% - 2.86%
Galliard Short Fixed Income Separate Account	1.94%	
Galliard Intermediate Fixed Income Separate Account	2.29%	
American General Synthetic GIC		2.67% - 2.83%
Payden & Rygel Fixed Income Separate Account	2.26%	
Galliard Short Fixed Income Separate Account	1.94%	
Transamerica Life Synthetic GIC		2.39% - 2.42%
TCW Fixed Income Separate Account	2.05%	
Galliard Short Fixed Income Separate Account	1.94%	
Galliard Intermediate Fixed Income Separate Account	2.29%	
MetLife Insurance Company Separate Account	2.43%	2.77% - 3.04%

(1) Represents the portfolio's yield to maturity at December 31, 2019.

Fair Value of Fully Benefit-Responsive Contracts

The market 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 market values of the fully benefit-responsive contracts for which the Plans own the underlying assets at December 31, 2019 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)	$ 447,982	$ 461,203	$ 91,106	$ 93,795
Nationwide Life Synthetic GIC - Fixed Income Separate Accounts (2)	316,495	322,549	64,365	65,597
American General Synthetic GIC - Fixed Income Separate Accounts (3)	355,477	361,638	72,293	73,546
Transamerica Life Synthetic GIC - Fixed Income Separate Accounts (4)	430,574	436,140	87,566	88,697
Total Synthetic GIC Components	$ 1,550,528	$ 1,581,530	$ 315,330	$ 321,635

(1) There are three separate accounts in the Prudential Synthetic GIC - Jennison Fixed Income Separate Account, Prudential Fixed Income Separate Account, and Galliard Short Fixed Income Separate Account.

(2) There are two separate accounts in the Nationwide Life Synthetic GIC - Galliard Short Fixed Income Separate Account and Galliard Intermediate Fixed Income Separate Account.

(3) There are two separate accounts in the American General Synthetic GIC - Payden & Rygel Fixed Income Separate Account and Galliard Short Fixed Income Separate Account.

(4) There are three separate accounts in the Transamerica Life Synthetic GIC - TCW Fixed Income Separate Account, Galliard Short Fixed Income Separate Account, and Galliard Intermediate Fixed Income Separate Account.

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, 2019 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	$ 23,600	$ 44	$ -	$ -	$ 23,556
Commercial mortgage-backed securities	68,248	16	746	1,017	66,469
Mortgage pass throughs	415,045	516	21,237	46,875	346,417
Domestic corporate bonds	450,624	40,317	298,120	103,883	8,304
Asset-backed securities	220,290	25,649	159,240	13,594	21,807
Foreign corporate bonds	113,244	16,004	83,666	11,355	2,219
U.S. Treasury securities	512,068	13,682	383,955	107,984	6,447
U.S. agencies securities	37,378	4,316	5,124	2,990	24,948
Foreign government bonds	10,262	2,636	5,486	2,140	-
State and local government bonds	56,503	5,273	22,920	20,198	8,112
Common/commingled fund					
Collective investment funds	58,483	58,483	-	-	-
Total	$ 1,965,745	$ 166,936	$ 980,494	$ 310,036	$ 508,279

(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 considered to be sensitive to changes in interest rates 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 sell shares or participation certificates in the pool. The cash flow from the collateral pool is "passed through" to the security holder as monthly payments of principal, interest, and prepayments. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

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

Commingled Funds
The NC Stable Value Fund owns units in the Wells Fargo/BlackRock Short Term Investment Fund in both the liquidity buffer and underlying value accounts, which is a commingled fund. The fund is invested in a diversified portfolio of money market instruments and has a weighted average maturity of 33 days at December 31, 2019.

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

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

The following table presents the debt securities ratings of the GICs owned by the Plans as of December 31, 2019:

		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	$ 23,600	$ 19,532	$ 4,068	$ -	$ -	$ -	$ -	$ -
Commercial mortgage-backed securities	68,248	66,479	1,769	-	-	-	-	-
Mortgage pass throughs	415,045	22,727	349,697	-	-	-	-	42,621
Domestic corporate bonds	450,624	868	23,482	171,295	240,508	14,471	-	-
Asset-backed securities	220,290	203,073	17,217	-	-	-	-	-
Foreign corporate bonds	113,244	7,589	4,941	67,385	31,394	1,935	-	-
U.S. treasury securities	512,068	-	-	-	-	-	-	512,068
U.S. agencies securities	37,378	-	37,378	-	-	-	-	-
Foreign government bonds	10,262	-	4,637	5,133	492	-	-	-
State and local government bonds	56,503	12,877	39,562	4,064	-	-	-	-
Common/commingled fund								
Collective investment funds	58,483	-	-	-	-	-	58,483	-
	$ 1,965,745	$ 333,145	$ 482,751	$ 247,877	$ 272,394	$ 16,406	$ 58,483	$ 554,689

(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.

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

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

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the Plans' investment in a single issuer or category of issuer with similar risk. Money market funds and external investment pools are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. However, more than 5% of the NC Stable Value Fund's securities were invested in Federal Home Loan Mortgage Corporation and in Federal National Mortgage Association. Investments in Federal Home Loan Mortgage Corporation, which are included in both US Agencies and Mortgage Pass-throughs classifications, totaled $110.5 million and comprised 5.2% of the NC Stable Value Fund's total investments. Investments in Federal National Mortgage Association, which are classified as Mortgage Pass-throughs, totaled $259.2 million and comprised 12.1% of the NC Stable Value Fund's total investments. Per the Plans' Investment Policy Statement in effect at December 31, 2019, all investment accounts managed for the Plans must maintain sufficient diversification among security issuers and market sectors such that the performance of one security or sector will not have an excessive impact on the manager's portfolio. In addition, the fund's investment guidelines seek to manage the fund's concentration risk.

6. Fair Value Measurement

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

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

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

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

The Plans had the following recurring fair value measurements as of December 31, 2019:

(in thousands of dollars)

		Fair Value Measurements Using		
	As of December 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Pooled Account				
Investments measured at fair value				
Domestic equity securities	$ 1,883,103	$ 1,883,103	$ -	$ -
Foreign equity securities	2,107,056	2,107,056	-	-
Collateralized mortgage obligations	58,861	-	58,861	-
Domestic corporate bonds	184,126	-	184,126	-
Mortgage pass throughs	265,176	-	265,176	-
U.S. Treasury securities	530,916		530,916	-
Asset-backed securities	54,960	-	54,960	-
Foreign corporate bonds	33,620	-	33,620	-
International preferred securities	8,371	8,371	-	-
U.S. agencies securities	3,770	-	3,770	-
Foreign government bonds	13,216	-	13,216	-
State and local government bonds	1,348	-	1,348	-
Total investments by fair value level	5,144,523	3,998,530	1,145,993	-

Investments measured at the Net Asset Value (NAV)

		Unfunded commitments	Redemption frequency	Redemption notice (days)
Commingled equity funds (1)	4,131,539	-	Daily	1
Commingled fixed income (2)	921,478	-	Daily	1
Mutual funds (3)	23,032	-	Daily	1
Commingled U.S. debt fund (4)	88,709	-	Daily	1
Collective investment fund (5)	100,555	-	Daily	1
Commingled inflation responsive fund (6)	432,197	-	Daily	1
Total investments at the NAV	5,697,510			
Total Pooled Account investments at fair value	10,842,033			
Accruals and assets not at fair value	(18,935)			
Total Pooled Account investments	$ 10,823,098			

(1) Four 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 these funds 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.

	As of December 31, 2019	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Stable Value Fund				
Investments measured at fair value				
Domestic corporate bonds	$ 450,624	$ -	$ 450,624	$ -
U.S. treasury securities	512,068	-	512,068	-
Foreign corporate bond	113,244	-	113,244	-
Asset-backed securities	220,290	-	220,290	-
Foreign government bonds	10,262	-	10,262	-
Mortgage pass throughs	415,045	-	415,045	-
U.S. agencies securities	37,378	-	37,378	-
State and local government bonds	56,503	-	56,503	-
Collateralized mortgage obligations	23,600	-	23,600	-
Commercial mortgage backed securities	68,248	-	68,248	-
Investments at fair value	1,907,262	-	1,907,262	-

Investments measured at the Net Asset Value (NAV)		Unfunded commitments	Redemption frequency	Redemption notice
Short term collective trust fund (1)	58,483	-	Daily	1 day
Investments at NAV	58,483			
Total Stable Value Fund investments	$ 1,965,745			

Note: Assets for w hich the Plans do not directly ow n the underlying securities and cash balances are excluded from the above table. The fair value of the MetLife Insurance Company Separate Account have been previously disclosed in Note 5.

(1) Collective trust investment holding is in one short term investment fund held by different managers. Valued at the net asset value of units held on the valuation date.

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

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

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

7. Related Party Transactions

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

Prudential Retirement, a specialized unit of the Prudential Financial Investment Division, provides recordkeeping, communications, and participant services for the Plans. The fee to Prudential is deducted from the participants' account balances.

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

The Bank of New York Mellon serves as the custodian for the Plans and provides global custody services related to the Pooled Account. These fees are deducted from the participants' account balances. The Bank of New York Mellon also provides a short-term cash vehicle for the temporary investment of funds until they are invested on a longer-term basis.

8. Tax Status

The 401(k) Plan received a favorable determination letter from the Internal Revenue Service ("IRS") on November 14, 2016. The determination letter stated that following review, the 401(k) Plan was in compliance with all applicable sections of the IRC. The 401(k) Plan document was amended on March 21, 2019.

The 457(b) Plan document was amended on March 21, 2019. The NC 457(b) Plan has not applied for a Private Letter Ruling from the IRS.

The loan policy incorporated into the plan documents for the NC 401(k) and NC 457 Plans was updated December 12, 2019.

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, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

9. Plan Termination

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

10. Subsequent Events

Subsequent to December 31, 2019, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Investment market conditions and other economic factors may negatively impact the Plans. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Eligible participants in the 401(k) and NC 457(b) Plans have accessed their fund balances under the CARES Act provisions adopted by the Supplemental Retirement Board of Trustees. The CARES Act provides eligible participants, through a self-certification process, the ability to withdraw or borrow amounts greater than typically permitted. Coronavirus Related Distributions (CRDs), which are not subject to the Plans' age and employment restrictions for distributions, have had the greatest take up rate. CRDs do not have the typical penalty associated with distributions prior to age 59 ½ which is highly favorable for Plan participants. Distributions will not be taxed as personal income if repaid to an individual's account. Plan participants have up to three years to repay all or part of the distribution should they choose to do so. Eligible Plan participants have also taken CRD loans as provided by the CARES Act and have the option to defer loan payments through the end of 2020.