Teachers' and State Employees' Retirement System of North Carolina

Principal Results of Actuarial Valuation as of December 31, 2025

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November 5, 2026, Board of Trustees Meeting



Gallagher

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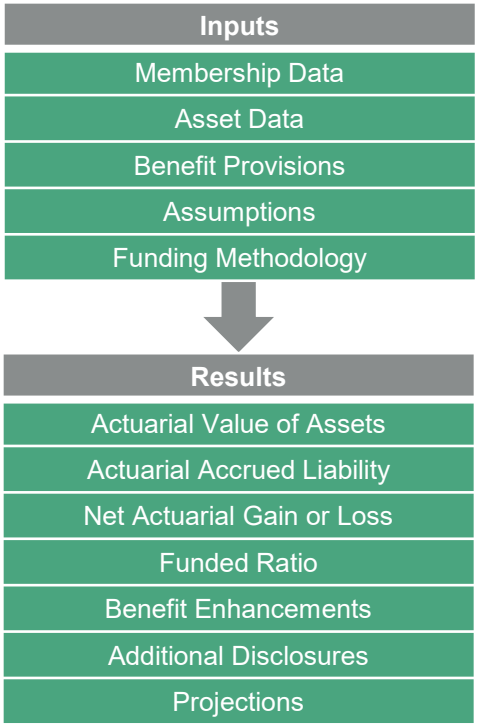
Purpose of the annual actuarial valuation

- As of the end of each calendar year:
  - An annual actuarial valuation is performed on TSERS
  - The actuary determines the amount of employer contributions to be made to TSERS during each member's career that, when combined with investment return and member contributions, are expected to be sufficient to pay for retirement benefits
- The annual actuarial valuation is performed to:
  - Determine the progress on funding TSERS
  - Explore why the results of the current valuation differ from the results of the valuation of the previous year
  - Satisfy regulatory and accounting requirements

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The valuation process

- The diagram to the right summarizes the inputs and results of the actuarial valuation process.
- A detailed summary of the valuation process and a glossary of actuarial terms are provided in the supplementary document, “State of North Carolina Retirement Systems Actuarial Valuation Report Process and Actuarial Terms Glossary” dated October 2026.
- Bars at the top of the page, consistent with the diagram to the right, will appear throughout the presentation to designate where we are in the valuation process. Some of the items on the bars at the top of the page are covered in the appendix to the presentation.



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Valuation input

Membership data

The table below provides a summary of the membership data used in this valuation compared to the prior valuation.

Number as of	12/31/2025	12/31/2024
Active members	293,205	298,000
Members currently receiving Disability Income Plan benefits	2,924	3,507
Terminated vested members and survivors of deceased members entitled to benefits but not yet receiving benefits	68,372	66,591
Terminated non-vested members and survivors of deceased members entitled to a refund of contributions	179,433	170,774
Retired members and survivors of deceased members currently receiving benefits	262,871	257,645
Total	806,805	796,517

The number of active members decreased by 1.6% from the previous valuation date.

The number of retired members and survivors of deceased members currently receiving benefits increased by 2.0% from the previous valuation.

The increase in retiree population is consistent with expectations.

A detailed summary of the membership data used in this valuation is provided in Section 2 and Appendix A.

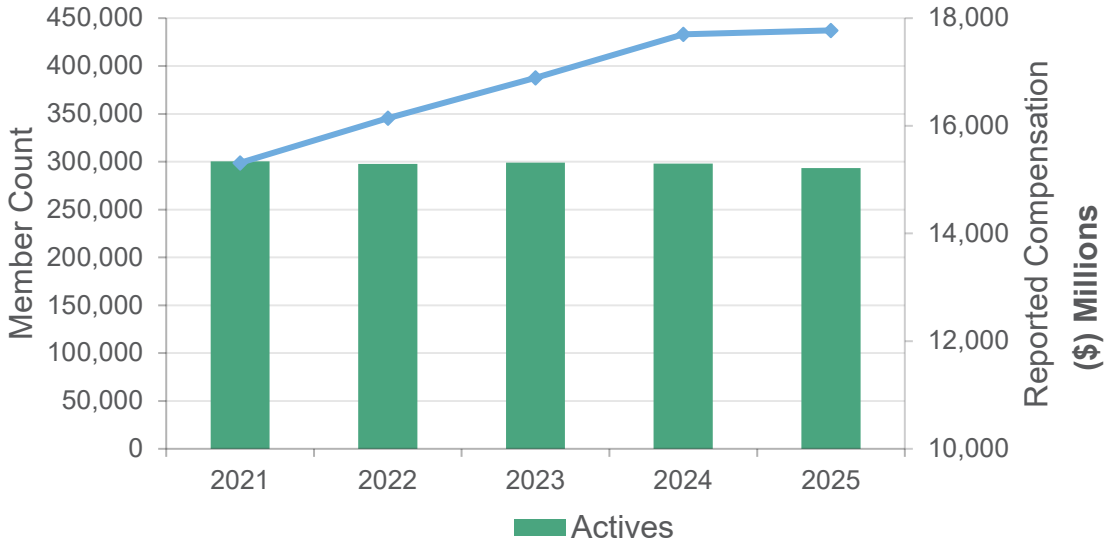
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Valuation input (continued)

Actives

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

The graph below provides a history of the number of active members and reported compensation over the past five years.



Reported compensation for active members for the year ending December 31, 2025 was $17.8 billion compared to $17.7 billion in the prior year, an increase of 0.4%.

Covered payroll was expected to increase annually by 3.25%.

Lower payroll results in lower benefits accruing than we anticipate, but also fewer contributions supporting the system. The immediate effect on the December 31, 2025 actuarial valuation is an increase in the funded ratio compared to those anticipated in prior projections.

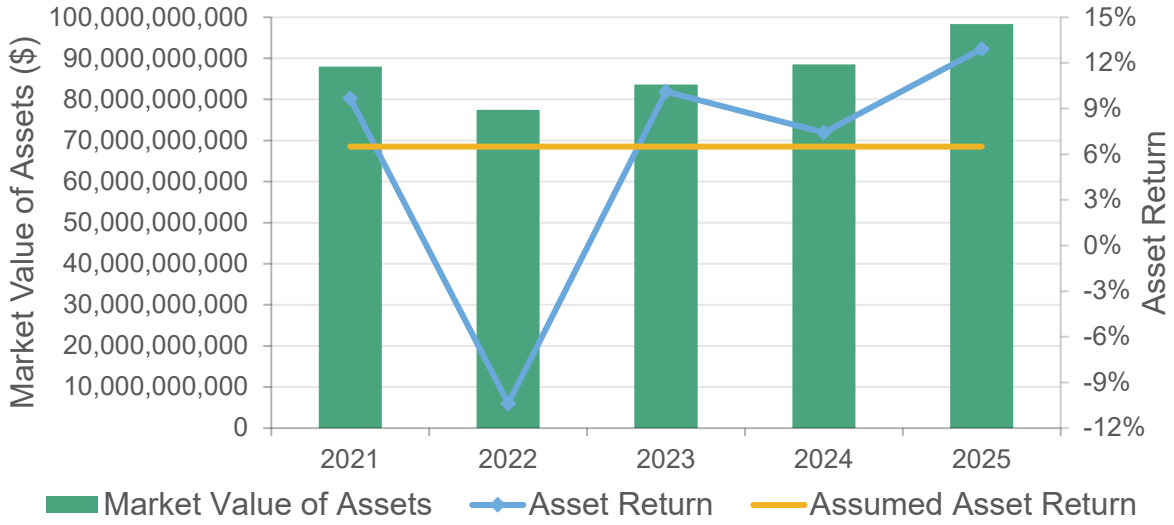
A detailed summary of the membership data used in this valuation is provided in Section 2 and Appendix A.

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Valuation input (continued)

Historical market value and returns

The graph below provides a history of the market value of assets and asset returns over the past five years.



The investment return for the market value of assets for 2025 was 12.92%, which was above the expected return of 6.50%.

The return on the actuarial value of assets, which is used to determine the contribution rates, was below the 6.50% expected return at 5.62%.

This resulted in an increase in the unfunded actuarial accrued liability (UAAL) of $0.8 billion.

Market value returns have exceeded expectations four times in the last five years.

The annual rates of return on the actuarial value of assets have varied between 4.53% and 9.18% for the past five years.

A detailed summary of the market value of assets is provided in Section 3.

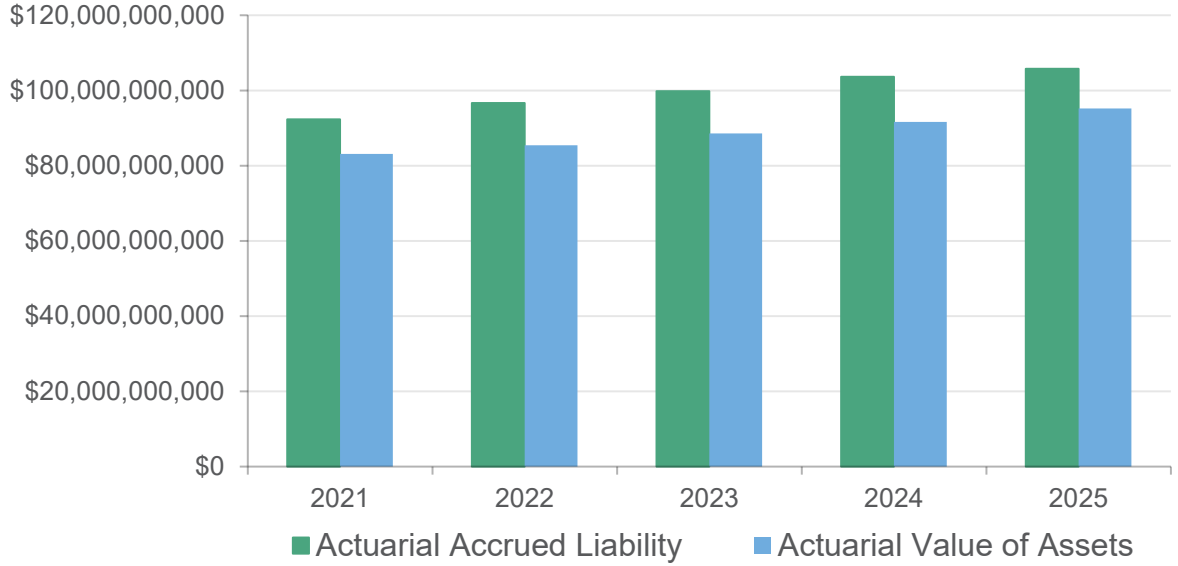
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Valuation results

Valuation results

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The graph below provides a history of the actuarial accrued liability and actuarial value of assets.



The difference in the actuarial accrued liability and the actuarial value of assets is known as the Unfunded Actuarial Accrued Liability (UAAL).

The UAAL is $10.6 billion as of 12/31/2025 and is to be paid off over a 15-year period.

Detailed summaries of the AVA and AAL are provided in Sections 3 and 4, respectively.

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Valuation results (continued)

Net actuarial gain or loss

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The table below provides a reconciliation of the prior year's unfunded actuarial accrued liability to the current year's unfunded actuarial accrued liability.

(in millions)		
Unfunded actuarial accrued liability (UAAL) as of 12/31/2024	$	12,006
Normal cost and administrative expense during 2025		2,157
Reduction due to actual contributions during 2025		(4,338)
Interest on UAAL, normal cost, and contributions		783
Asset (gain) / loss		798
Actuarial accrued liability (gain) / loss		(479)
Impact of assumption changes		(491)
Impact of benefit changes		140
Unfunded actuarial accrued liability (UAAL) as of 12/31/2025	$	10,576

During 2025, the UAAL increased due to the asset loss of $798 million.

Changes in the census data, primarily lower-than-expected salary increases for continuing active members, decreased the UAAL by $479 million.

Additionally, assumption changes following the experience study decreased the UAAL by $491 million.

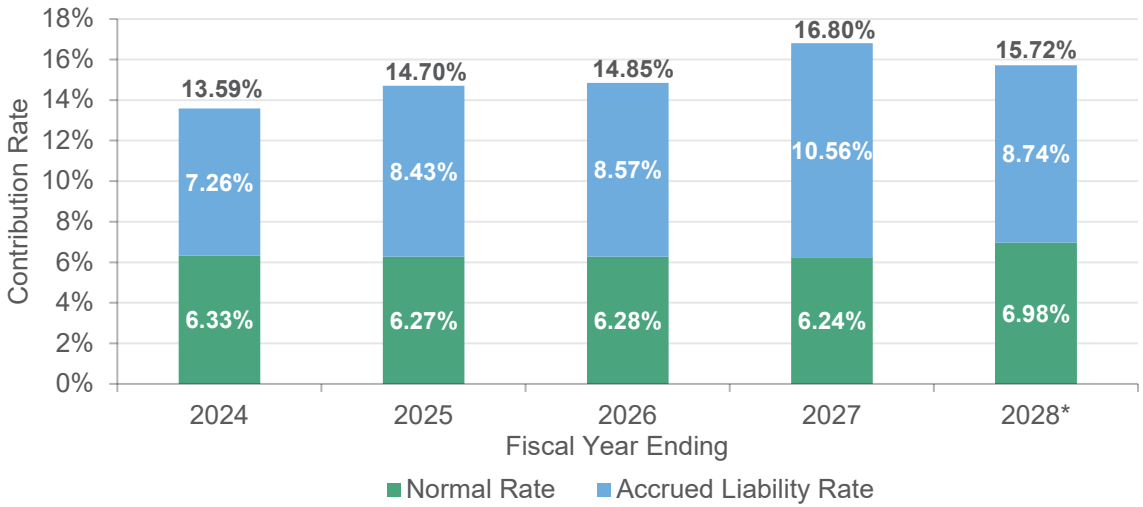
A detailed summary of the net actuarial gain or loss is provided in Section 4.

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Valuation results (continued)

Rates prior to application of ECRSP

The graph below provides a history of actuarially determined employer contribution rates over the past five years before applying funding policy minimums.



* Subject to the impact of future legislative changes effective before or during that fiscal year

The rates are split into the normal rate and the accrued liability rate.

The normal rate is the employer's portion of the cost of benefits accruing after reducing for the 6% of pay member contributions.

The accrued liability rate is the payment toward the unfunded liability.

The actuarially determined employer contribution rate prior to application of the ECRSP is the amount needed to pay for the cost of the benefits accruing and to pay off the unfunded liability over a 15-year period.

A detailed summary of the actuarially determined employer contribution rates is provided in Section 5.

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Valuation results (continued)

Employer contributions

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The table below provides a reconciliation of the actuarially determined employer contribution rate shown as a percentage of covered payroll before applying the funding policy minimum.

Fiscal year ending June 30, 2027 Preliminary ADEC (based on December 31, 2024 valuation)	16.07%
Impact of benefit changes	0.73%
Fiscal year ending June 30, 2027 ADEC Prior to ECRSP	16.80%
Change due to anticipated reduction in UAAL	(0.04%)
Change due to demographic (gain)/loss	0.13%
Change due to investment (gain)/loss	0.51%
Change due to contributions greater than ADEC	(0.45%)
Impact of assumption and method changes	(2.90%)
Impact of benefit changes	0.08%
Impact of direct rate smoothing	2.32%
Reversal of one-time benefit costs	(0.73%)
Fiscal year ending June 30, 2028 Preliminary ADEC (based on December 31, 2025 valuation)	15.72%

The change in rate due to investment loss is based on the actuarial value of assets return of 5.62%, which was less than the 6.50% assumed return.

The FY 2027 rate reflects the legislated one-time pension supplement of 2.5% payable in October 2026. We anticipate the ongoing impact of this benefit change (+0.08%) to be offset in measurements after the anticipated funding occurs in FY 2027.

The assumptions and methods used for the December 31, 2025, actuarial valuation are based on the experience study prepared as of December 31, 2024, and adopted by the Board of Trustees on January 29, 2026. The overall impact of these changes (-2.90%) is recognized over a five-year period with direct rate smoothing.

A detailed summary of the actuarially determined employer contribution rates is provided in Section 5.

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Valuation results (continued)

ECRSP

The Employer Contribution Rate Stabilization Policy (ECRSP) would result in a recommended contribution rate of 16.19% of payroll for fiscal year ending 2028 determined as:

- The preliminary ADEC from this most recent valuation of 15.72%,
- Not less than 16.19%, which is the actuary's projected ADEC from last January's Board meeting of 15.69%, plus 0.50%,
- Not less than the member contribution rate of 6.00%, and
- Not greater than the maximum ADEC of approximately 37.82%, which is the estimated ADEC using a discount rate equal to the long-term Treasury bond yield of 4.84%

The ECRSP adopted by the Board of Trustees on April 30, 2026, requires for a given year that the recommended contribution, in general, is determined by the greater of:

1) The preliminary ADEC rate developed in the current valuation, reflecting the plan's most recent experience, and
2) The projected ADEC provided to the Board in January of the year preceding the beginning of the contribution year, increased by 0.50% of payroll.

The full ECRSP policy is more complex and can be found in Appendix F of the December 31, 2025 valuation report.

A detailed summary of the actuarially determined employer contribution rates is provided in Section 5.

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Valuation results (continued)

Potential COLA considerations

Benefit Enhancements	Additional Disclosures	Projections

- Note that the TSERS Board can *recommend* COLAs to the General Assembly; the Board does not have the authority to grant COLAs
- G.S. 135-5(o) has various provisions related to COLAs, including a description of a permanent COLA limited to 4% or inflation (whichever is less) when the cost would not require an increase in the employer contribution rate.
- Types of potential benefit improvements
  - One-time supplement payable to TSERS beneficiaries (Supplement)
  - Cost-of-living increase in retirement allowances (COLA)
  - Increase in the statutory retirement formula multiplier
- Immediate or 15-year funding
  - Immediate funding recommended for supplement
  - 15-year funding could be considered for permanent increases
  - The contribution increase is added to the ECRSP rate per policy adopted at April 2026 Board meeting

A detailed summary of the cost of benefit enhancements is provided in Section 5.

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Valuation results (continued)

Potential COLAs for fiscal year ending 2028

Benefit Enhancements	Additional Disclosures	Projections

- The December 31, 2025, valuation indicates an actuarial investment loss was incurred during 2025, and there are no investment gains available from that year to support a recommendation of either a COLA or a Supplement.
- If granted by the General Assembly, the cost for a 1.00% COLA, effective July 1, 2027, would be $598.6M, or an increase of 0.35% in the ADEC, payable over 15 years.
- If granted by the General Assembly, the cost of a one-time 1.00% Supplement payment based on an assumed payment date of July 1, 2027, would be $58.4M, or an increase of 0.30% in the ADEC, payable over a single year.
- If the Board should consider estimated asset gains from calendar year 2026, then the following returns would be required to support a recommendation of either a COLA or a Supplement:
  - If calendar year 2026 market value returns exceed 11.17% (or about $10.9B for TSERS), the plan is estimated to have an actuarial investment gain (rather than a loss) for 2026 and a COLA or Supplement could be considered.
  - If calendar year 2026 market value returns exceed 14.24% (or about $13.9B for TSERS), the plan is estimated to have an actuarial investment gain (rather than a loss) for 2026 and such gain may be enough to consider recommending a 1.00% COLA effective July 1, 2027.
    - Estimated actuarial investment gain exceeding $598.6M
    - Estimated cost of 1.00% COLA payable to retirees effective July 1, 2027 of $598.6M.

Note: Gallagher cannot provide legal advice. Neither this slide, nor any other slide, should be interpreted as legal advice as to the Board's ability to provide a COLA to retirees or recommend a COLA to the legislature

A detailed summary of the cost of benefit enhancements is provided in Section 5.

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Valuation results (continued)

Projections

Benefit Enhancements	Additional Disclosures	Projections

- Projections of contribution requirements and funded status into the future can be helpful planning tools for stakeholders. This section provides such projections. The projections of the actuarial valuation are known as deterministic projections. Deterministic projections are based on one scenario in the future. The baseline deterministic projection is based on December 31, 2025 valuation results and assumptions.
- Key Projection Assumptions
  - Valuation interest rate of 6.50%
  - Direct-rate smoothing of the change in the employer contribution rate due to the changes in assumptions and methods over a 5-year period beginning July 1, 2027
  - 6.50% investment return on market value of assets
  - Actuarial assumptions and methods as described in Appendix C. All future demographic experience is assumed to be exactly realized.
  - The contribution rate under the Employer Contribution Rate Stabilization Policy (ECRSP) is contributed until fiscal year ending 2032.
  - The actuarially determined employer contribution rate is contributed for fiscal years ending 2033 and beyond.
  - The employer contribution shall not be less than the employee contribution, which is currently 6%.

A detailed summary of the deterministic projections is provided in Section 6.

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Valuation results (continued)

Projections

- Key Projection Assumptions (continued)
  - 0% increase in both the active population of TSERS and its subgroups: Teachers, Other Education, General Employees, and Law Enforcement Officers, except that no new hires of UNC Health Care System (UNC HC) will participate in TSERS
  - To replace those assumed to leave active service, the age, gender and salary of future members assumed to be hired into TSERS are based on the demographic information of new TSERS hires over the past three (3) valuations
  - Demographic profiles of new entrants for each subgroup are based on new hires specific to that subgroup over the past three (3) valuations
  - 75% of new entrants are assumed to have rounded service of 0 when first valued, and 25% are assumed to have rounded service of 1 when first valued
  - No cost-of-living adjustments granted
  - Future pay increases based on long-term salary increase assumptions
- The ECRSP contribution rate is the Stable Contribution rate shown in the projections. See Appendix F for more detail on the ECRSP.
- In addition, we have provided two alternate deterministic projections. The first alternate deterministic projection is based on the same assumptions as the baseline deterministic projection except that it assumes a 0.0% asset return for calendar year 2026. The second alternate deterministic projection is based on the same assumptions as the baseline deterministic projection except that it assumes a 13.0% asset return for calendar year 2026.

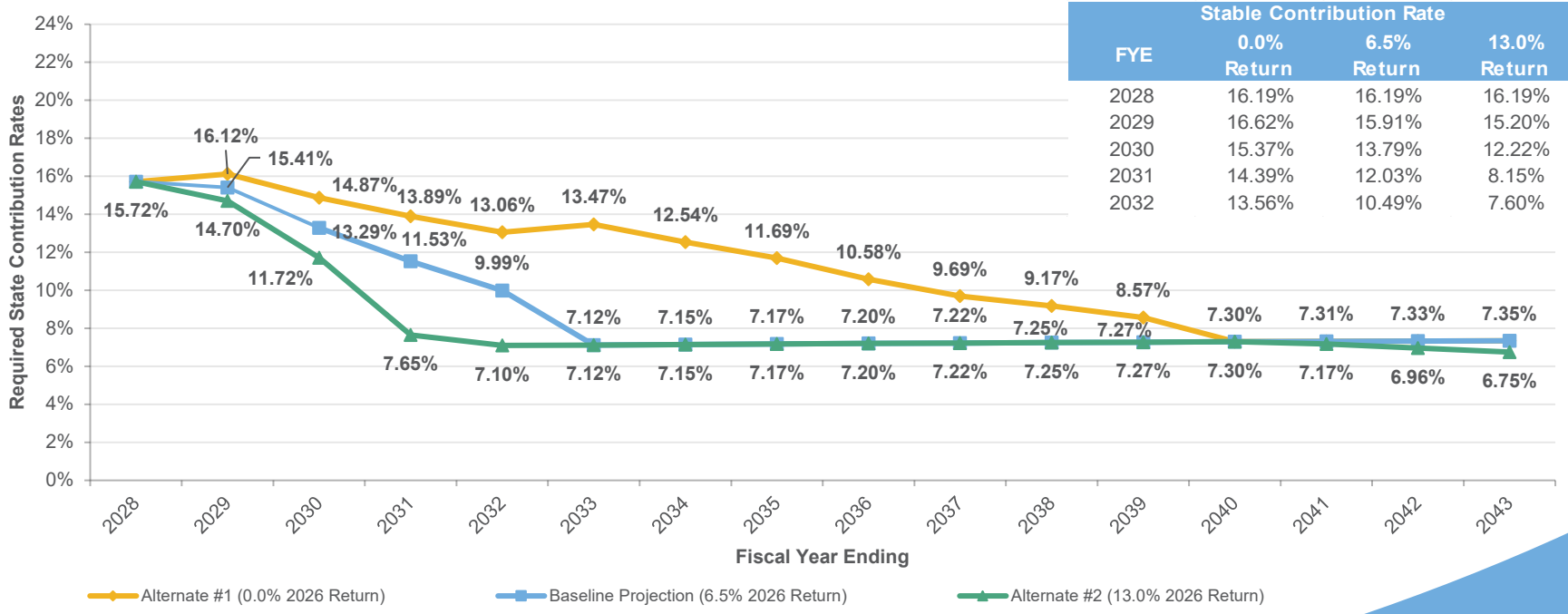
A detailed summary of the deterministic projections is provided in Section 6.

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Valuation results (continued)

Projected contribution rates

Benefit Enhancements | Additional Disclosures | Projections



FYE	Stable Contribution Rate 0.0% Return	6.5% Return	13.0% Return
2028	16.19%	16.19%	16.19%
2029	16.62%	15.91%	15.20%
2030	15.37%	13.79%	12.22%
2031	14.39%	12.03%	8.15%
2032	13.56%	10.49%	7.60%

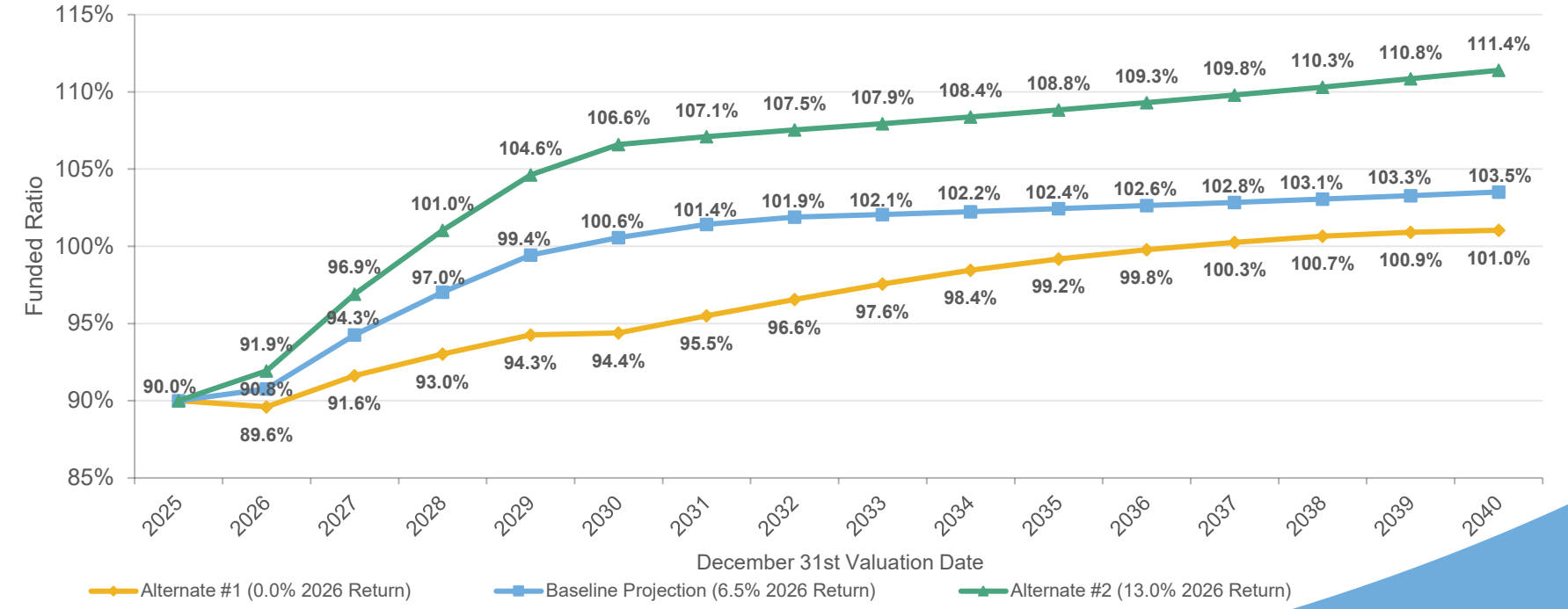
Note: lines for Alternate #1 and Baseline Projection converge on and after fiscal year ending 2040.
A detailed summary of the deterministic projections is provided in Section 6.

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Valuation results (continued)

Projected funded ratio

Benefit Enhancements | Additional Disclosures | Projections



A detailed summary of the deterministic projections is provided in Section 6.

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Key takeaways

- Key results of the December 31, 2025 valuation were:
  - Market value returns of 12.92% during calendar year 2025 compared to 6.50% assumed
  - Liabilities $0.5 billion lower than anticipated as of December 31, 2025, primarily from lower-than-expected salary increases for continuing active members
  - Liabilities decreased by $0.5 billion as a result of assumption changes from the experience study prepared as of December 31, 2024, and adopted by the Board of Trustees on January 29, 2026. The impact of assumption and method changes on the employer contribution rate is smoothed over a 5-year period beginning with the December 31, 2025 valuation

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Key takeaways (continued)

- When compared to the December 31, 2024 baseline projections, the above resulted in:
  - A higher funded ratio as of December 31, 2025 (90.0% in the valuation compared to 88.4% in the baseline projection)
  - A lower actuarially determined employer contribution rate prior to applying the Employer Contribution Rate Stabilization Policy (ECRSP) for fiscal year ending June 30, 2028 (15.72% in the valuation compared to 16.96% in the prior year's baseline projection)

The ADEC after application of the ECRSP for fiscal year ending June 30, 2028, and prior to any benefit changes enacted after the issuance of this report, is 16.19%. This rate is consistent with the projected ADEC from the January 2026 Board meeting (i.e., 15.69% plus 0.50%).

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Key takeaways (continued)

- TSERS is well funded compared to its peers. This is due to:
  - Stakeholders working together to keep TSERS well-funded since inception
  - A history of appropriating and contributing the recommended contribution requirements
  - Implementation of the ECRSP, which provides additional funding of the System
  - Assumptions that in aggregate are more conservative than peers
  - A funding policy that pays down the unfunded liability over a reasonable period
  - An ad hoc cost-of-living adjustment, which typically only provides benefit increases when certain financial conditions are met, supports the health of the system
  - Modest changes in benefits when compared to peers
- As has been done since the plan's inception, continued focus on these measures will be needed to maintain the sustainability of TSERS well into the future

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Certification

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Because of limited scope, Gallagher performed no analysis of the potential range of such future differences, except for some limited analysis in financial projections or required disclosure information.

The purpose of this presentation is to provide a summary of the actuarial valuation results to the Board at the November 5, 2026 meeting attended by the actuaries. Use of this report for any other purposes may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of this presentation for that purpose. This presentation should not be provided without a copy of the full valuation report. Because of the risk of misinterpretation of actuarial results, you should ask Gallagher Benefit Services, Inc. (hereinafter “Gallagher”) to review any statement you wish to make on the results contained in this presentation. Gallagher will not accept any liability for any such statement made without prior review.”

This presentation is considered part of the annual actuarial valuation report. Please see the report for full description of data, actuarial assumptions and methods, plan provisions, and other applicable disclosures.

This report was prepared under our supervision and in accordance with all applicable Actuarial Standards of Practice. We are Fellows of the Society of Actuaries, Enrolled Actuaries, Members of the American Academy of Actuaries, and Fellows of the Conference of Consulting Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. We are available to discuss this report with you at your convenience.

Michael A. Ribble, FSA, EA, MAAA, FCA

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Appendix I

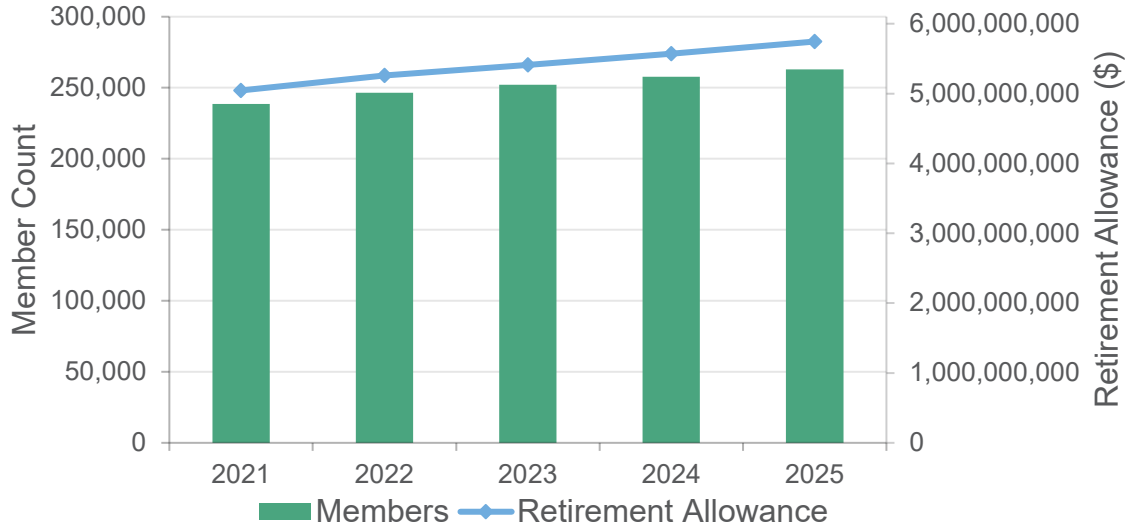
Supplemental Information

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Valuation input

Retirees and survivors receiving benefits

The graph below provides a history of the number of retired members and survivors of deceased members and benefit amounts payable over the past five years.



The number of retired members and survivors of deceased members and the benefits paid to these members have been increasing steadily, as expected based on plan assumptions.

A detailed summary of the membership data used in this valuation is provided in Section 2 and Appendix A.

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Valuation input (continued)

Market value

The table below provides details of the Market Value of Assets for the current and prior year's valuations.

Asset Data as of	12/31/2025	12/31/2024
Beginning of Year Market Value of Assets	$ 88,516,600,617	$ 83,642,776,867
Employer Contributions	3,197,767,054	3,245,895,693
Employee Contributions	1,139,864,392	1,132,437,503
Benefit Payments Other Than Refunds	(5,689,960,894)	(5,520,083,224)
Refunds	(139,631,727)	(126,234,924)
Administrative Expenses	(18,134,395)	(16,685,387)
Investment Income	11,339,718,710	6,158,494,089
Net Increase/(Decrease)	9,829,623,140	4,873,823,750
End of Year Market Value of Assets	$ 98,346,223,757	$ 88,516,600,617
Estimated Net Investment Return on Market Value	12.92%	7.42%

TSERS assets are held in trust and are invested for the exclusive benefit of plan members.

Incoming contributions currently cover over 70% of outgoing benefit payments and administrative expenses.

Over the long term, benefit payments and administrative expenses not covered by contributions are expected to be covered with investment income, illustrating the benefits of following actuarial pre-funding since inception.

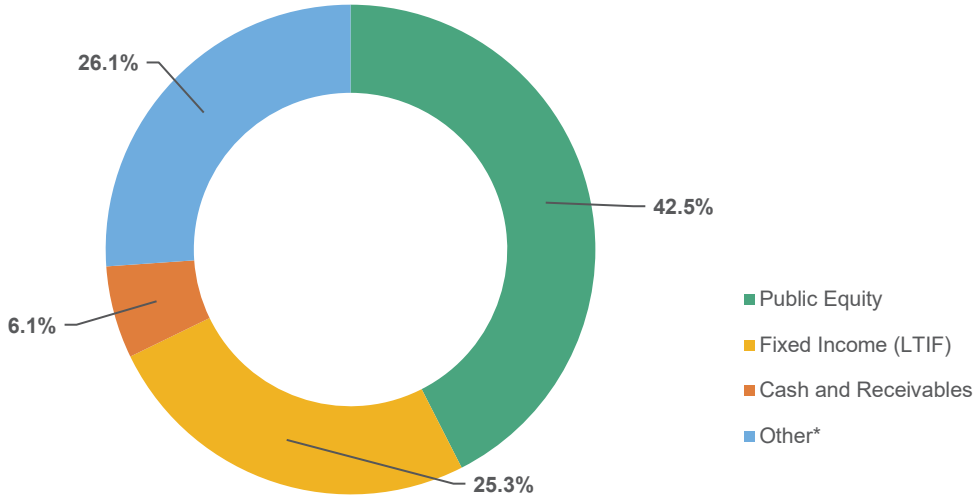
A detailed summary of the market value of assets is provided in Section 3.

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Valuation input (continued)

Asset allocation

The graph below provides the breakdown of the market value of assets on December 31, 2025 by asset category.



Based on historical market returns, the current asset allocation, the current investment policy, and the expectation of future asset returns, as reviewed in the recent experience study, the 6.50% discount rate used in this valuation is reasonable and appropriate.

*Real estate, alternatives, inflation, and credit

A detailed summary of the market value of assets is provided in Section 3.

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Valuation input (continued)

Benefit provisions

Benefit provisions are described in North Carolina General Statutes, Chapter 135, Article 1.

- This valuation reflects the provisions of S.L. 2026-41, which became law on July 7, 2026. In particular, the valuation reflects the one-time supplement for TSERS payees in pay status as of September 1, 2026 that is equal to 2.5% of their annual allowance and payable as a lump sum in October 2026. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.
- There have been no other significant changes in benefit provisions from the previous valuation.

Many Public Sector Retirement Systems in the United States have undergone pension reform where the benefits of members (active or future members) have been reduced.

Because of the well-funded status of TSERS due to the legislature contributing at least the actuarially determined employer contribution on the basis of an actuarially sound funding policy, benefit cuts have not been needed in North Carolina as they have been in most other states.

A detailed summary of the benefit provisions is provided in Appendix B.

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Valuation input (continued)

Actuarial Assumptions

Actuarial assumptions bridge the gap between the information that we know with certainty as of the valuation date and what may happen in the future. The assumptions used include the following:

- Demographic
  - Retirement
  - Termination
  - Disability
  - Death
- Economic
  - Interest rate – 6.50% per year
  - Salary increase (individual, varies by service and job type)
  - Inflation – 2.50%
  - Real wage growth – 0.75%

The assumptions used for the December 31, 2025, actuarial valuation are based on the experience study prepared as of December 31, 2024, and adopted by the Board of Trustees on January 29, 2026. Material assumptions and methods that were changed since the prior valuation:

- Withdrawal assumptions
- Retirement assumptions
- Mortality assumptions
- Salary merit increase assumptions
- Leave conversion assumptions
- Marriage assumption

A detailed summary of the actuarial assumptions and methods is provided in Appendix C.

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Valuation input (continued)

Actuarial cost method

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

The Funding Methodology is the payment plan for TSERS and is composed of the Actuarial Cost Method, the Asset Valuation Method and Amortization Method.

- Actuarial Cost Methods allocate costs to the actuarial accrued liability (i.e., the amount of money that should be in the fund) for past service and normal cost (i.e., the cost of benefits accruing during the year) for current service.
  - The Board of Trustees has adopted Entry Age Normal as its actuarial cost method
  - This method develops normal costs that stay level as a percent of payroll

The following "Objectives and Principles for Funding Public Sector Pension Plans" provides information on funding of Public Plans: https://www.actuary.org/sites/default/files/files/Public-Plans_IB-Funding-Policy_02-18-2014.pdf.

Page 13 of the following : https://www.ccactuaries.org/docs/default-source/papers/CCA-Actuarial-Funding-Policies-for-Public-Plans-2-Final-8-2024.pdf - denotes Entry Age Normal as a model practice for cost methods.

A detailed summary of the actuarial assumptions and methods is provided in Appendix C.

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Valuation input (continued)

Asset valuation method

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

The Funding Methodology is the payment plan for TSERS and is composed of the Actuarial Cost Method, the Asset Valuation Method and Amortization Method.

- Asset Valuation Methods smooth or average the market value returns over time to alleviate contribution volatility that results from market returns.
  - Asset returns in excess of or less than the expected return on market value of assets reflected over a five-year period
  - Assets corridor: not greater than 120% of market value and not less than 80% of market value

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https://www.ccactuaries.org/docs/default-source/papers/CCA-Actuarial-Funding-Policies-for-Public-Plans-2-Final-8-2024.pdf - denotes the policy being used is a model practice.

Almost all Public Sector Retirement Systems in the United States use asset valuation methods to alleviate contribution volatility. The use of a four- or five-year period is most common.

A detailed summary of the actuarial assumptions and methods is provided in Appendix C.

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Valuation input (continued)

Amortization method

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

The Funding Methodology is the payment plan for TSERS and is composed of the Actuarial Cost Method, the Asset Valuation Method and Amortization Method.

- Amortization Methods determine the payment schedule for unfunded actuarial accrued liability (i.e., the difference between the actuarial accrued liability and actuarial value of assets)
  - Payment level: the payment is determined as a level dollar amount, like a mortgage payment
  - Payment period: a 15-year closed amortization period was adopted for fiscal year ending 2028. The amortization period four outstanding bases established prior to December 31, 2025 is extended by 3 years effective with the actuarially determined contributions amounts beginning with the fiscal year ending in 2028. A new amortization base is created each year based on the prior years' experience.
- For fiscal years beginning after January 1, 2017, the sum of the "normal contribution" and the "accrued liability contribution" shall not be less than the employee contribution.

Pages 38-39 of the following -

https://www.ccactuaries.org/docs/default-source/papers/CCA-Actuarial-Funding-Policies-for-Public-Plans-2-Final-8-2024.pdf suggests the Amortization Method is an acceptable practice, with conditions.

Level dollar payments instead of payments designed to increase, which is more typical in the Public Sector

* NASRA, April 2022, *Overview of Public Pension Plan Amortization Policies*

A detailed summary of the actuarial assumptions and methods is provided in Appendix C.

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Valuation results

Actuarial value of assets

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The table below provides the calculation of the Actuarial Value of Assets (AVA) at the valuation date.

Asset data as of	12/31/2025
Beginning of year actuarial value of assets	$ 91,620,727,745
Beginning of year market value of assets	88,516,600,617
Total contributions	4,337,631,446
Benefit payments, refunds and administrative expenses	(5,847,727,016)
Net cash flow	(1,510,095,570)
Expected investment return	5,705,273,541
Expected end of year market value of assets	92,711,778,588
End of year market value of assets	98,346,223,757
Excess market value over expected market value of assets	5,634,445,169
80% of 2025 asset gain/(loss)	4,507,556,135
60% of 2024 asset gain/(loss)	457,684,863
40% of 2023 asset gain/(loss)	1,107,231,671
20% of 2022 asset gain/(loss)	(2,945,450,178)
Total deferred asset gain/(loss)	3,127,022,491
Preliminary end of year actuarial value of assets	95,219,201,266
Final end of year actuarial value of assets (not less than 80% and not greater than 120% of market value)	95,219,201,266
Estimated net investment return on actuarial value	5.62%

The actuarial value of assets smooths investment gains/losses, resulting in less volatility in the employer contribution.

The asset valuation recognizes asset returns in excess of or less than the expected return on the market value of assets over a five-year period.

Continued recognition of the 2022 asset loss resulted in a lower-than-expected return on the actuarial value of assets for calendar year 2025 of 5.62% and a recognized actuarial asset loss of $0.8 billion during 2025.

The assets at actuarial value were $10.6 billion less than the actuarial accrued liability as of December 31, 2025.

A detailed summary of the Actuarial Value of Assets is provided in Section 3.

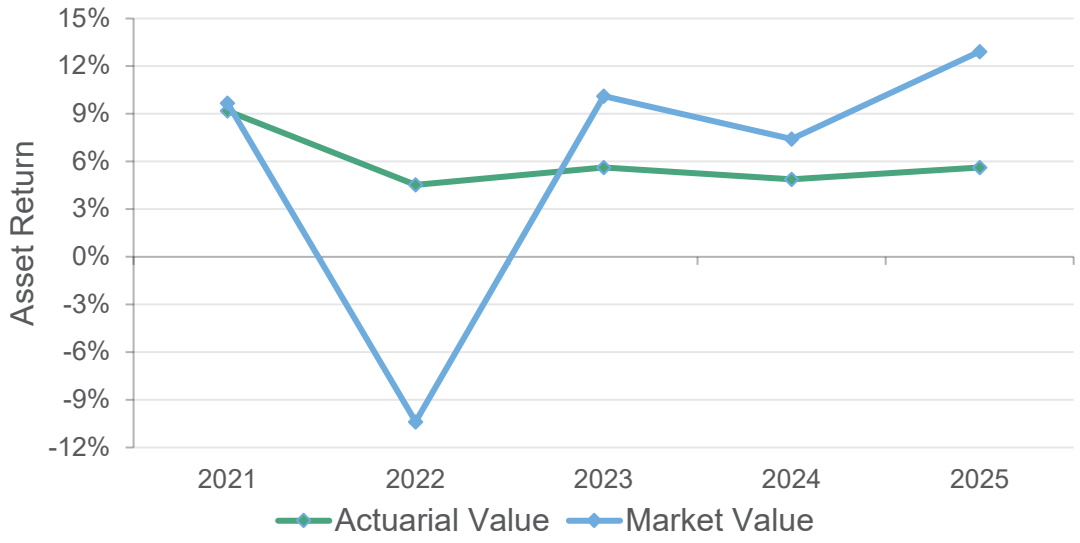
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Valuation results (continued)

Five-year return history

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The graph below provides a history of the market value and actuarial value of asset returns over the past five years.



The investment return for the market value of assets for calendar year 2025 was 12.92%.

The actuarial value of assets smooths investment gains and losses.

The lower-than-expected market return in 2022, partially offset by higher-than-expected market returns in 2021, 2023, 2024, and 2025, resulted in an actuarial value of asset return for calendar year 2025 of 5.62% and a recognized actuarial asset loss of $0.8 billion during 2025.

The assets at actuarial value were $10.6 billion less than the actuarial accrued liability as of December 31, 2025.

A detailed summary of the actuarial value of assets is provided in Section 3.

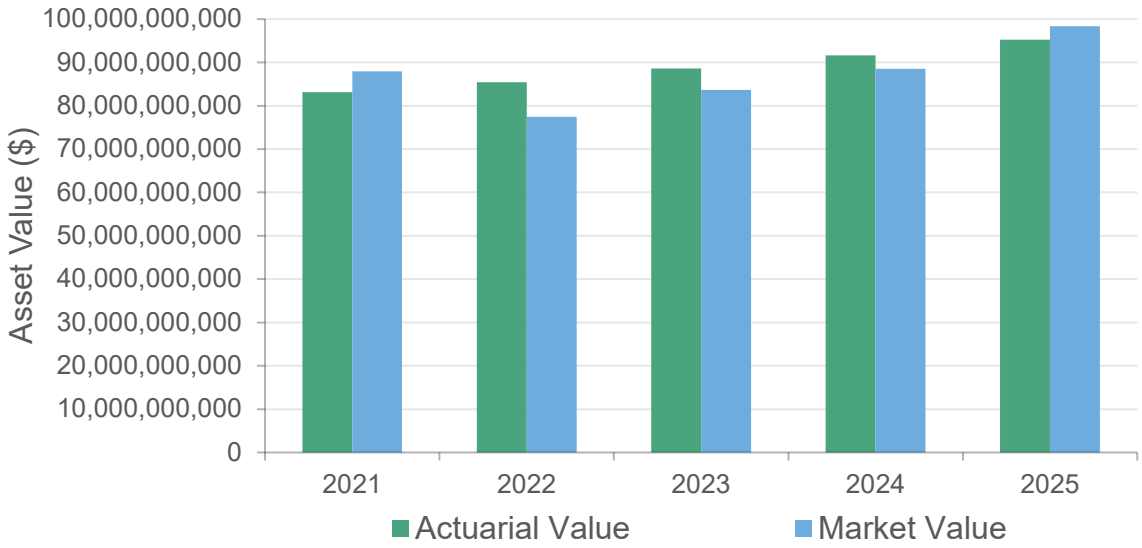
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Valuation results (continued)

Comparison to market values

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The graph below provides a history of the market value and actuarial value of assets over the past five years.



The market value of assets is higher than the actuarial value of assets, which is used to determine employer contributions.

This indicates that overall, there are unrecognized asset gains to be recognized in future valuations.

If the investments earn the expected 6.50% per year each year in the future, the following schedule of gains and losses would occur:

- A loss would be recognized next year
- A gain would be recognized the following three years
- Market value and actuarial value of assets would be in equilibrium thereafter (no gains or losses)

A detailed summary of the Actuarial Value of Assets is provided in Section 3.

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Valuation results (continued)

Comparison to market returns

Calendar Year	Expected Asset Return	Actuarial Value of Asset Return	Market Value of Asset Return	20 Year Average Market Return
2006	7.25%	8.94%	11.41%	NA
2007	7.25%	8.87%	8.38%	NA
2008	7.25%	2.89%	-19.50%	NA
2009	7.25%	4.74%	14.84%	NA
2010	7.25%	5.89%	11.47%	NA
2011	7.25%	5.15%	2.19%	NA
2012	7.25%	6.32%	11.82%	NA
2013	7.25%	7.43%	12.21%	NA
2014	7.25%	7.19%	6.21%	NA
2015	7.25%	5.87%	0.36%	6.86%
2016	7.25%	5.32%	6.22%	6.71%
2017	7.25%	6.56%	13.49%	6.49%
2018	7.20%	5.10%	-1.39%	5.60%
2019	7.00%	6.18%	14.85%	5.82%
2020	7.00%	8.80%	11.12%	6.25%
2021	6.50%	9.18%	9.68%	6.84%
2022	6.50%	4.53%	-10.38%	6.54%
2023	6.50%	5.63%	10.11%	6.16%
2024	6.50%	4.87%	7.42%	6.00%
2025	6.50%	5.62%	12.92%	6.29%
20-Yr Average	7.02%	6.24%	6.29%	NA
Range	0.75%	6.29%	34.35%	NA

The average investment return recognized for purposes of determining the annual change in contribution each year is the actuarial value of assets return.

Currently, the average actuarial return over the past 20 years of 6.24% compares with an average market return of 6.29%.

The range of returns is markedly more volatile in the market value of assets at 34.35% versus 6.29% for actuarial value.

Using the actuarial value of assets versus market value results in much lower employer contribution volatility, while ensuring that employer contributions remain adequate to fund TSERS obligations.

A detailed summary of the Actuarial Value of Assets is provided in Section 3.

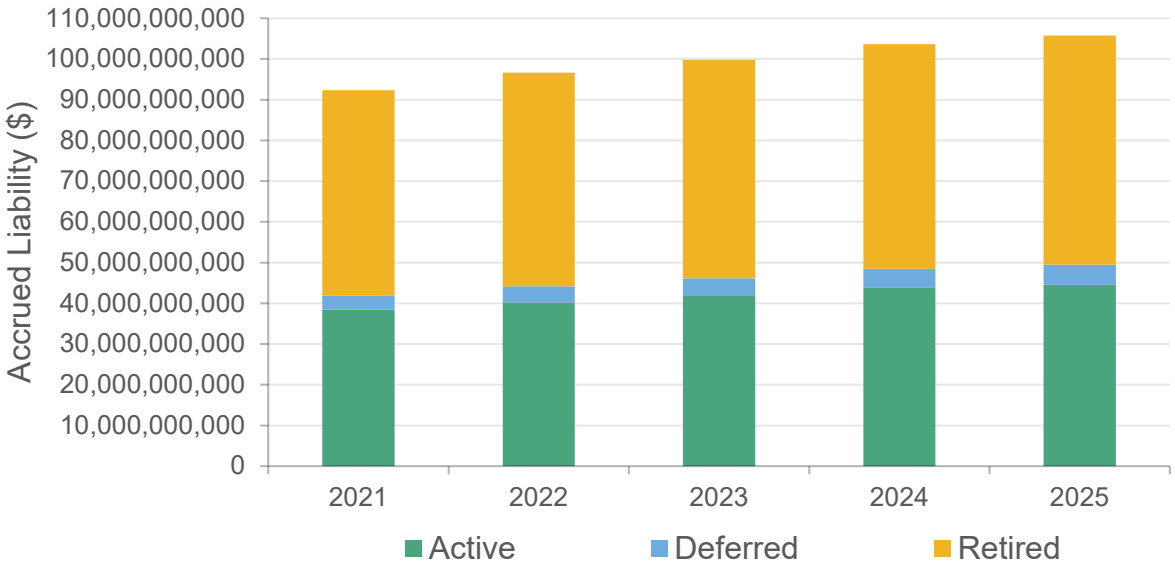
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Valuation results (continued)

Actuarial accrued liability

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The graph below provides a history of the actuarial accrued liability (AAL) over the past five years.



The AAL increased from $103.6 billion to $105.8 billion during 2025.

The Retirement System is an open plan, which means that new members enter the plan each year.

In an open plan, liabilities are expected to grow from one year to the next as more benefits accrue and the membership approaches retirement.

The AAL was $0.5 billion lower than expected, resulting primarily from lower-than-expected salary increases for continuing active members.

A detailed summary of the Actuarial Accrued Liability is provided in Section 4.

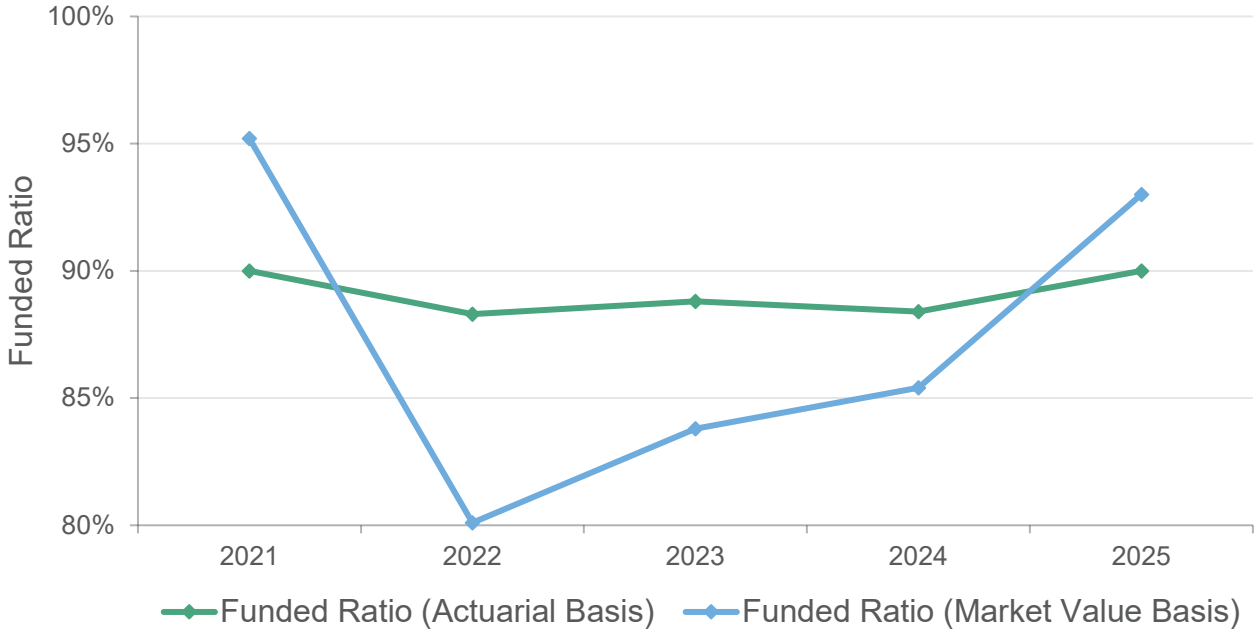
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Valuation results (continued)

Funded ratio

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

The graph below provides a history of the funded ratio on a market and actuarial basis over the past five years.



The ratio of assets to liabilities shows the health of the plan on an accrued basis.

The actuarial value of assets basis is used for computing contributions to alleviate contribution volatility.

The funded ratio on an actuarial basis increased from 88.4% on December 31, 2024 to 90.0% on December 31, 2025.

A detailed summary of the funded ratio is provided in Section 4.

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Valuation results (continued)

History of rates and appropriations

The table below provides a history of the actuarially determined employer contribution and the corresponding appropriated rate.

Valuation Date	Fiscal Year Ending	Normal Rate	Accrued Liability Rate	Effect of Direct Rate Smoothing	Legislated Benefit Cost*	ULSR Contribution G.S. 143C-4-10(e)	ADEC Prior to Applicable Funding Policy	ADEC under ECRSP	Appropriated Rate
12/31/2025	06/30/2028	6.98%	6.42%	2.32%	N/A	N/A	N/A	N/A	N/A
12/31/2024	06/30/2027	6.24%	9.83%	0.00%	0.73%	0.00%	16.80%	18.22%	18.22%
12/31/2023	06/30/2026	6.28%	9.17%	(0.60%)	0.00%	0.00%	14.85%	17.14%	17.14%
12/31/2022	06/30/2025	6.27%	9.63%	(1.20%)	0.00%	0.00%	14.70%	16.79%	16.79%
12/31/2021	06/30/2024	6.33%	7.85%	(1.79%)	1.20%	0.00%	13.59%	17.64%	17.64%
12/31/2020	06/30/2023	6.39%	11.13%	(2.39%)	1.24%	0.05%	16.42%	17.38%	17.38%

Session Law 2026-41, enacted in 2026, established an employer contribution rate of 18.22% for the fiscal year ending June 30, 2027.

The ADEC for fiscal year ending 2028 is 15.72% of payroll before applying the ECRSP and 16.19% of payroll after applying the ECRSP, without regard to any legislated changes to the rate.

* The change due to legislation for the contribution for fiscal year ending June 30, 2027 provided for a one-time supplement equal to 2.5% of the annual retirement allowance payable in October 2026. The change due to legislation for the contribution for fiscal year ending June 30, 2024 provided for a one-time supplement equal to 4% of the annual retirement allowance payable by November 2023. The change due to legislation for the contribution for fiscal year ending June 30, 2023 provided for a one-time supplement equal to 4% of the annual retirement allowance payable in October 2022.

A detailed summary of the actuarially determined employer contribution rates is provided in Section 5.

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Valuation results (continued)

Additional disclosures

Benefit Enhancements | **Additional Disclosures** | **Projections**

The table below illustrates the sensitivity of certain valuation results to changes in the discount rate on a market value of assets basis. All numbers rounded to billions*

Discount Rate	4.84%	5.67%	6.50%	7.33%	8.16%
Market Value of Assets	$ 98.35	$ 98.35	$ 98.35	$ 98.35	$ 98.35
Actuarial Accrued Liability	128.53	116.25	105.79	96.86	89.17
Unfunded Accrued Liability (UAAL)	$ 30.18	$ 17.90	$ 7.45	$ (1.48)	$ (9.17)
Funded Ratio	76.5%	84.6%	93.0%	101.5%	110.3%
20-Year Amortization of UAAL	$ 2.50	$ 1.61	$ 0.72	N/A	N/A
(as % of general state revenue)	5.2%	3.3%	1.5%	N/A	N/A

* Numbers may not add due to rounding.

Section 6(c) of Session Law 2016-108 requires that the actuarial valuation report provide the valuation results using a 30-year Treasury rate as of December 31 of the year of the valuation as the discount rate.

The 30-year Treasury rate is 4.84% as of December 31, 2025.

The difference between the UAAL measured at 6.50% and 4.84% is $22.73 billion on December 31, 2025.

A detailed summary of the additional disclosures is provided in Appendix D.

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Valuation results (continued)

Additional disclosures

Benefit Enhancements | **Additional Disclosures** | **Projections**

The table below provides an estimate of future market value of asset returns prepared by Gallagher and included in its Stress Testing and Sensitivity Analysis Report, which was presented to the TSERS Board of Trustees on July 25, 2024

Horizon	95% Chance (19 out of every 20 scenarios)	75% Chance (3 out of every 4 scenarios)	50% Chance (1 out of every 2 scenarios)	25% Chance (1 out of every 4 scenarios)	5% Chance (1 out of every 20 scenarios)
10 Years (2033)	2.3%	5.3%	7.1%	8.7%	11.1%
30 Years (2053)	4.0%	5.7%	6.8%	7.8%	9.2%

Gallagher analyzed expected future market value of asset returns in its Stress Testing and Sensitivity Analysis Report, which was presented to the TSERS Board of Trustees on July 25, 2024.

In that study, the lower bound of 4.84% return is between 75% to 95% likely to be achieved on average over the next 30 years, while the upper bound of 8.16% is more than 5% likely to be achieved on average over the next 30 years. For additional information regarding Gallagher's underlying Capital Market Assumptions and related assumptions, please refer to the TSERS Stress Testing and Sensitivity Analysis Report dated July 2024.

A detailed summary of the additional disclosures is provided in Appendix D.

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Appendix II

Graph Details

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Valuation input

Historical market value and returns

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

Market Value of Assets and Asset Return

	Market Value of Assets	Asset Return
2021	$ 87,966,352,518	9.68%
2022	77,445,236,928	-10.38%
2023	83,642,776,867	10.11%
2024	88,516,600,617	7.42%
2025	98,346,223,757	12.92%

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Valuation results

Five-year return history

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

Asset Returns

	Actuarial Value	Market Value
2021	9.18%	9.68%
2022	4.53%	-10.38%
2023	5.63%	10.11%
2024	4.87%	7.42%
2025	5.62%	12.92%

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Valuation results (continued)

Actuarial value of assets / actuarial accrued liability

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

Actuarial Accrued Liability and Actuarial Value of Assets

	Actuarial Accrued Liability	Actuarial Value of Assets
2021	$ 92,356,225,906	$ 83,139,458,098
2022	96,675,255,859	85,406,884,383
2023	99,809,701,710	88,619,071,210
2024	103,626,727,675	91,620,727,745
2025	105,794,792,867	95,219,201,266

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Valuation results (continued)

Rates prior to application of ECRSP

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

Actuarially Determined Employer Contribution Rates

Fiscal Year Ending	Normal Rate	Accrued Liability Rate	Total Rate
2024	6.33%	7.26%	13.59%
2025	6.27%	8.43%	14.70%
2026	6.28%	8.57%	14.85%
2027	6.24%	10.56%	16.80%
2028*	6.98%	8.74%	15.72%

* Subject to the impact of future legislative changes during that fiscal year

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Valuation results (continued)

Projected contribution rates

Projected Actuarially Determined Employer Contribution Rates

	Alternate #1 (0.0% 2026 Return)	Baseline Projection	Alternate #2 (13.0% 2026 Return)
2028	15.72%	15.72%	15.72%
2029	16.12%	15.41%	14.70%
2030	14.87%	13.29%	11.72%
2031	13.89%	11.53%	7.65%
2032	13.06%	9.99%	7.10%
2033	13.47%	7.12%	7.12%
2034	12.54%	7.15%	7.15%
2035	11.69%	7.17%	7.17%
2036	10.58%	7.20%	7.20%
2037	9.69%	7.22%	7.22%
2038	9.17%	7.25%	7.25%
2039	8.57%	7.27%	7.27%
2040	7.30%	7.30%	7.30%
2041	7.31%	7.31%	7.17%
2042	7.33%	7.33%	6.96%
2043	7.35%	7.35%	6.75%

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Valuation results (continued)

Projected funded ratio

Projected Funded Ratio

	Alternate #1 (0.0% 2026 Return)	Baseline Projection	Alternate #2 (13.0% 2026 Return)
2025	90.0%	90.0%	90.0%
2026	89.6%	90.8%	91.9%
2027	91.6%	94.3%	96.9%
2028	93.0%	97.0%	101.0%
2029	94.3%	99.4%	104.6%
2030	94.4%	100.6%	106.6%
2031	95.5%	101.4%	107.1%
2032	96.6%	101.9%	107.5%
2033	97.6%	102.1%	107.9%
2034	98.4%	102.2%	108.4%
2035	99.2%	102.4%	108.8%
2036	99.8%	102.6%	109.3%
2037	100.3%	102.8%	109.8%
2038	100.7%	103.1%	110.3%
2039	100.9%	103.3%	110.8%
2040	101.0%	103.5%	111.4%

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Valuation input

Actives

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

Active Members

	Active Member Count	Reported Compensation
2021	300,310	$ 15,312,224,584
2022	297,802	16,141,902,861
2023	299,037	16,889,491,503
2024	298,000	17,701,957,404
2025	293,205	17,772,557,157

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Valuation input (continued)

Retirees and survivors receiving benefits

Retired Members and Survivors of Deceased Members

	Retired and Survivors of Deceased Member Count		Retirement Allowance
2021	238,652	$	5,044,817,043
2022	246,374		5,258,568,393
2023	252,036		5,412,198,884
2024	257,645		5,572,291,750
2025	262,871		5,744,709,359

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Valuation results

Comparison to market values

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

Actuarial Value and Market Value of Assets

	Actuarial Value of Assets	Market Value of Assets
2021	$ 83,139,458,098	$ 87,966,352,518
2022	85,406,884,383	77,445,236,928
2023	88,619,071,210	83,642,776,867
2024	91,620,727,745	88,516,600,617
2025	95,219,201,266	98,346,223,757

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Valuation results (continued)

Actuarial accrued liability

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

Actuarial Accrued Liability

	Liability for Active Members	Liability for Deferred Members	Liability for Retired Members	Total Liability
2021	$ 38,402,155,212	$ 3,505,355,079	$ 50,448,715,615	$ 92,356,225,906
2022	40,197,454,923	3,957,962,360	52,519,838,576	96,675,255,859
2023	41,802,890,911	4,293,041,123	53,713,769,676	99,809,701,710
2024	43,906,212,823	4,582,514,260	55,138,000,592	103,626,727,675
2025	44,557,994,429	4,945,647,042	56,291,151,396	105,794,792,867

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Valuation results (continued)

Funded ratio

Actuarial Value of Assets	Actuarial Accrued Liability	Net Actuarial Gain or Loss	Funded Ratio	Employer Contributions

Funded Ratios

	Funded Ratio (Actuarial Basis)	Funded Ratio (Market Value Basis)
2021	90.0%	95.2%
2022	88.3%	80.1%
2023	88.8%	83.8%
2024	88.4%	85.4%
2025	90.0%	93.0%

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Teachers' and State Employees' Retirement System of North Carolina

Report on the Eighty-Third Actuarial Valuation
Prepared as of December 31, 2025

October 2026



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October 27, 2026

Board of Trustees
Teachers' and State Employees'
Retirement System of North Carolina
3200 Atlantic Avenue
Raleigh, NC 27604

Members of the Board:

We submit herewith our report on the eighty-third annual valuation of the Teachers' and State Employees' Retirement System of North Carolina (referred to as “TSERS”) prepared as of December 31, 2025. The report has been prepared in accordance with North Carolina General Statute 135-6(o).

The primary purpose of the valuation report is to determine the required member and employer contribution rates, to describe the current financial condition of TSERS, and to analyze changes in such condition. Use of this report for any other purposes or by anyone other than North Carolina Retirement Systems Division (RSD) or Department of State Treasurer staff may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. The attached pages should not be provided without a copy of this cover letter. Because of the risk of misinterpretation of actuarial results, you should ask Gallagher to review any statement you wish to make on the results contained in this report. Gallagher will not accept any liability for any such statement made without prior review.

The valuation is based upon membership data and financial information as furnished by RSD and the Financial Operations Division and as summarized in this report. Although we reviewed for reasonableness and consistency with the prior valuation, these elements have not been audited by Gallagher and we cannot certify as to the accuracy and completeness of the data supplied. The valuation is also based on benefit and contribution provisions as presented in this report. If you have reason to believe that the plan provisions are incorrectly described, that important plan provisions relevant to this valuation are not described, or that conditions have changed since the calculations were made, you should contact the authors of this actuarial report prior to relying on this information.

The valuation is further based on the actuarial valuation assumptions, approved by the Board of Trustees, as presented in this report. We believe that these assumptions are reasonable and comply with Actuarial Standard of Practice (“ASOP”) 27. In our professional judgment, the combined effect of the assumptions is expected to have no significant bias. We have prepared this valuation in accordance with the requirements of this standard and in accordance with all applicable ASOPs.

The assumptions used for the December 31, 2025 actuarial valuation are based on the experience study prepared as of December 31, 2024, and adopted by the Board of Trustees on January 29, 2026. All assumptions are discussed annually with the appropriate parties, and actuarial gain/loss experience is reviewed during each valuation, to see if any changes are needed. The economic assumptions with respect to investment yield, salary increase, and inflation have been based upon a review of the existing portfolio structure as well as recent and anticipated experience. All assumptions represent an estimate of future experience.

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ASOP 27 asks the actuary to disclose the information and analysis used to support the actuary's determination that the assumptions selected by the plan sponsor do not significantly conflict with what, in the actuary's professional judgment, are reasonable for the purpose of the measurement. In the case of the Board's selection of the investment return assumption, the signing actuaries have used economic information and tools provided by Gallagher's Financial Risk Management ("FRM") practice. A spreadsheet tool created by the FRM team converts averages, standard deviations, and correlations from Gallagher's Capital Markets Assumptions ("CMA") that are used for stochastic forecasting into approximate percentile ranges for the arithmetic and geometric average returns. It is intended to suggest possible reasonable ranges for the investment return assumption without attempting to predict or select a specific best estimate rate of return. It takes into account the duration (horizon) of investment and the target allocation of assets in the portfolio to various asset classes. Based on the actuaries' analysis, including consistency with other assumptions used in the valuation, the percentiles generated by the spreadsheet described above and review of actuarial gain/loss experience, the actuaries believe the assumptions, in the actuaries' professional judgment, are reasonable for the purpose of the measurement.

Where presented, references to "funded ratio" and "unfunded actuarial accrued liability" typically are measured on an actuarial value of assets basis. It should be noted that the same measurements using market value of assets would result in different funded ratios and unfunded actuarial accrued liabilities. Moreover, the funded ratio presented may be appropriate for evaluating the need and level of future contributions but makes no assessment regarding the funded status of the plan if the plan were to settle (i.e., purchase annuities) for a portion or all of its liabilities. In various places in the report the results also show funded ratios and unfunded liabilities based upon varying sets of assumptions as well as market values of assets as that is required for certain disclosure information required per accounting rules or statutes. Where this has been done it has been clearly indicated.

Actuarial Standard of Practice No. 56 ("ASOP 56") provides guidance to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models. In addition to the spreadsheet model discussed above, Gallagher uses third-party software in the performance of annual actuarial valuations and projections. The model is intended to calculate the liabilities associated with the provisions of the Plan using data and assumptions as of the measurement date under the accounting rules specified in this report. The output from the third-party vendor software is used as input to an internally developed model that applies applicable accounting rules to the liabilities derived and other inputs, such as Plan assets and contributions, to generate many of the exhibits found in this report. Gallagher has an extensive review process whereby the results of the liability calculations are checked using detailed sample output, changes from year to year are summarized by source, and significant deviations from expectations are investigated. Other accounting outputs and the internal model are similarly reviewed in detail and at a high level for accuracy, reasonability, and consistency with prior results. Gallagher also reviews the third-party model when significant changes are made to the software. The review is performed by experts within the company who are familiar with applicable accounting rules as well as the manner in which the model generates its output. If significant changes are made to the internal model, extra checking and review are completed. Significant changes to the internal model that are applicable to multiple clients are generally developed, checked, and reviewed by multiple experts within the company who are familiar with the details of the required changes.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: fund experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or

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applicable law. Such changes in law may include additional costs resulting from future legislated benefit improvements or cost-of-living pension increases or supplements, which are not anticipated in the actuarial valuation. Because of limited scope, Gallagher performed no analysis of the potential range of such future differences, except for some limited analysis in financial projections or required disclosure information.

This report was prepared under our supervision and in accordance with all applicable Actuarial Standards of Practice. We are Fellows of the Society of Actuaries, Enrolled Actuaries, Members of the American Academy of Actuaries, and Fellows of the Conference of Consulting Actuaries. We meet the Qualification Standards of the American Academy of Actuaries for Actuaries Issuing Statements of Actuarial Opinion in the United States to render the actuarial opinions contained herein. We are available to discuss this report with you at your convenience.

Respectfully submitted,

Gallagher Benefit Services, Inc. (“Gallagher”)

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Executive Summary

Overview

The North Carolina Retirement Systems Division (RSD) was established in 1941 to provide retirement benefits for public servants in the State of North Carolina. Today, under the management of the Department of State Treasurer, RSD administers seven public pension plans (defined benefit plans), three supplemental retirement plans (voluntary defined contributions plans), a health trust fund, a disability income plan, death benefit funds and a number of other benefit programs. As of December 31, 2025, the RSD defined benefit plans cover over one million current and prior public servants of the state of North Carolina. During the fiscal year ending June 30, 2026, RSD paid over $8.2 billion in pensions to more than 380,000 retirees and as of June 30, 2026, RSD's defined benefit plan assets were valued at over $147 billion.

Under the supplemental retirement plans, the amount of contributions in any given year is defined by law. The amount of benefits derived is dependent on the investment returns the individual achieves. Conversely, under the pension plans, the amount of the benefit paid to a member upon retirement, termination, death, or disability is defined by law. The amount of contributions needed to fund these benefits cannot be known with certainty. In North Carolina, like other states, these contributions are paid during a public servant's career so that upon retirement, termination, death, or disability, there are funds available to pay these benefits. These amounts are determined through an actuarial valuation. Actuarial valuations are performed for each of the pension plans administered by RSD and the results are contained in actuarial valuation reports like this.

In 1941, the Teachers' and State Employees' Retirement System (referred to as "TSERS") was established. TSERS provides benefits to all full-time teachers and state employees in all public-school systems, universities, departments, institutions, and agencies of the state. With over $98 billion in assets and over 800,000 members as of December 31, 2025, it is the largest pension plan within the NC Retirement Systems. This actuarial valuation report is our annual analysis of the financial health of TSERS. This report, prepared as of December 31, 2025, presents the results of the eighty-third annual valuation of TSERS.

Purpose

An actuarial valuation is performed on TSERS annually as of the end of the calendar year. The actuary determines the amount of contributions to be made to TSERS during each member's career that, when combined with investment return, will be sufficient to pay for retirement benefits.

In addition, the annual actuarial valuation is performed to:

- Determine the progress on funding TSERS,
- Explore why the results of the current valuation differ from the results of the valuation of the previous year, and
- Satisfy regulatory and accounting requirements.

A detailed summary of the valuation process and a glossary of actuarial terms are provided in the supplementary document, "State of North Carolina Retirement Systems Actuarial Valuation Report Process and Actuarial Terms Glossary" dated October 2026.

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Executive Summary (continued)

Actuary's Comments and Other Observations

Membership

As with any estimate, the actuary collects information that we know now. Under the actuarial valuation process, current information about TSERS members is collected annually by the Retirement Systems Division staff at the direction of the actuary. Membership data will assist the actuary in estimating benefits that could be paid in the future. Information about benefit provisions and assets held in the trust as of the valuation date is also collected.

The member information the actuary collects includes data elements such as current service, salary and benefit group identifier for members that have not separated service, and actual benefit amounts and form of payment for members that have separated service. Data elements such as gender and date of birth are used to determine when a benefit might be paid and for how long.

The table below provides a summary of the membership data used in this valuation compared to the prior valuation.

Number as of	12/31/2025	12/31/2024
Active members	293,205	298,000
Members currently receiving Disability Income Plan benefits	2,924	3,507
Terminated vested members and survivors of deceased members entitled to benefits but not yet receiving benefits	68,372	66,591
Terminated non-vested members and survivors of deceased members entitled to a refund of contributions	179,433	170,774
Retired members and survivors of deceased members currently receiving benefits	262,871	257,645
Total	806,805	796,517

The number of active members decreased 1.6% from the previous valuation date. The number of retired members and survivors of deceased members currently receiving benefits increased by 2.0% from the previous valuation date. The increase in retiree population is consistent with expectations.

Reported compensation for active members for the year ending December 31, 2025 was $17.8 billion compared to $17.7 billion in the prior year, an increase of 0.4%. Covered payroll was expected to increase by 3.25%. Lower payroll results in lower benefits accruing than we anticipate, but also fewer contributions supporting the system. The immediate effect on the December 31, 2025 actuarial valuation is an increase in the funded ratio compared to those anticipated in prior projections.

The number of retired members and survivors of deceased members and the benefits paid to these members have been increasing steadily, as expected based on plan assumptions.

A detailed summary of membership data can be found in Section 2 of this report.

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Executive Summary (continued)

Assets

TSERS assets are held in trust and are invested for the exclusive benefit of plan members. The Market Value of Assets is $98.3 billion as of December 31, 2025 and was $88.5 billion as of December 31, 2024. The estimated net investment return for the market value of assets for calendar year 2025 was 12.92%.

Market value returns during 2025 were higher than the 6.50% assumed rate of return. All else being equal, this resulted in lower required contributions and a higher funded ratio than anticipated in the December 31, 2024 baseline projections presented in the December 31, 2024 actuarial report.

The actuarial value of assets smooths investment gains and losses. The actuarial value of assets is $95.2 billion as of December 31, 2025 and was $91.6 billion as of December 31, 2024. The market value of assets is higher than the actuarial value of assets, which is used to determine employer contributions. This indicates that overall, there are unrecognized asset gains to be recognized in future valuations.

The lower-than-expected market return in 2022, partially offset by higher-than-expected market returns in 2021, 2023, 2024, and 2025 resulted in an actuarial value of asset return for calendar year 2025 of 5.62% and a recognized actuarial asset loss of $0.8 billion during 2025. The assets at actuarial value were $10.6 billion less than the actuarial accrued liability as of December 31, 2025.

Based on historical market returns, the current asset allocation, the current investment policy, and the expectation of future asset returns, as reviewed in the recent experience study, the 6.50% discount rate used in this valuation is reasonable and appropriate.

A detailed summary of asset information can be found in Section 3 of this report.

Benefit Provisions

Benefit provisions are described in North Carolina General Statutes, Chapter 135.

This valuation reflects the provisions of S.L. 2026-41, which became law on July 7, 2026. In particular, the valuation reflects the one-time supplement for TSERS payees in pay status as of September 1, 2026 that is equal to 2.5% of their annual allowance and payable as a lump sum in October 2026. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years. There have been no other significant changes in benefit provisions from the previous valuation.

Many public sector retirement systems in the United States have undergone pension reform where the benefits of members (active or future members) have been reduced. Because of the well-funded status of TSERS due to the legislature contributing at least the actuarially determined employer contribution on the basis of an actuarially sound funding policy, benefit cuts have not been needed in North Carolina as they have been in most other states. However, if North Carolina's investment policy shifts substantively, the system should review likely impacts of the shift and consider corresponding changes to actuarial assumptions, funding policy and/or benefit levels.

Cost-of-living increase recommendations to the General Assembly are periodically considered by the Board of Trustees to the extent that certain financial conditions are met. Specifically, benefit allowance increases are generally considered when the trust experiences sufficient investment gains to cover the additional actuarial accrued liabilities created by the cost-of-living adjustment. In addition to employers consistently contributing the actuary's recommended contribution, this benefit increase policy has helped keep costs manageable when compared to other public sector retirement systems in the United States. Post-retirement increases help to reduce the risk that the benefit will be eroded by inflation.

A detailed summary of the benefit provisions can be found in Appendix B of this report.

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Executive Summary (continued)

Actuarial Assumptions

Actuarial assumptions bridge the gap between the information that we know with certainty as of the valuation date (age, gender, service, pay, and benefits of the members) and what may happen in the future. The actuarial assumptions of TSERS are reviewed at least every five years. Based on this review, the actuary will make recommendations on the demographic and economic assumptions.

Demographic assumptions describe future events that relate to people such as retirement rates, termination rates, disability rates, and mortality rates. Economic assumptions describe future events that relate to the assets of TSERS such as the interest rate, salary increases, the real return, and payroll growth.

The assumptions used for the December 31, 2025 actuarial valuation are based on the experience study prepared as of December 31, 2024 and adopted by the Board of Trustees on January 29, 2026.

A detailed summary of actuarial assumptions, including a description of the material assumptions that were changed since the previous valuation, can be found in Appendix C of this report.

Funding Methodology

The contribution allocation procedure for TSERS, or the procedure used to calculate the actuarially determined employer contribution prior to application of the Employer Contribution Rate Stabilization Policy (ADEC*), was reviewed and adopted by the Board of Trustees on January 29, 2026, following the experience study prepared as of December 31, 2024. This procedure includes amortization of actuarial experience gains and losses over 15-year periods. The procedure also includes a policy regarding treatment of surplus assets. In particular, if the funded status exceeds 100% on an actuarial value of assets (AVA) basis, but is less than 110%, all prior amortization bases are considered fully amortized and no amortization contribution is due. If the funded status exceeds 110% on an AVA basis, a surplus credit is offset against the normal cost rate and is based on a 30-year, level dollar, rolling amortization of the portion of the AVA in excess of 110% of the actuarial accrued liability. In all cases, the minimum ADEC is 6%.

Additionally, on April 30, 2026, the Board of Trustees adopted an Employer Contribution Rate Stabilization Policy (ECRSP) for contributions during the five fiscal years ending 2028 through 2032. This ECRSP establishes how the Board will develop an annual appropriation amount to recommend to the General Assembly to fund TSERS and to establish the “required employer contribution rate” pursuant to G.S. 135-8(d)(3a).

A detailed summary of actuarial methods can be found in Appendix C of this report. The Employer Contribution Rate Stabilization Policy (ECRSP) can be found in Appendix F.

Liabilities

The Actuarial Accrued Liability (AAL) increased from $103.6 billion to $105.8 billion during 2025. The Retirement System is an open plan, which means that new members enter the plan each year. In an open plan, liabilities are expected to grow from one year to the next as more benefits accrue and the membership approaches retirement. The AAL was $0.5 billion lower than expected, resulting primarily from lower-than-expected salary increases for continuing active members.

A detailed summary of the actuarial accrued liability can be found in Section 4 of this report.

* Throughout this report, the term ADEC generally refers to the actuarially determined employer contribution before application of the Employer Contribution Rate Stabilization Policy (ECRSP), unless otherwise indicated. For purposes of the ECRSP, however, the actuarially determined employer contribution is the policy contribution rate described in Appendix F.

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Executive Summary (continued)

Funded Ratio

The funded ratio is a measure of the progress that has been made in funding the plan as of the valuation date. It is the ratio of how much money TSERS actually has in the fund to the amount TSERS should have in the fund.

The ratio of assets to liabilities shows the health of the plan on an accrued basis. The funded ratio on an actuarial basis increased from 88.4% at December 31, 2024 to 90.0% at December 31, 2025.

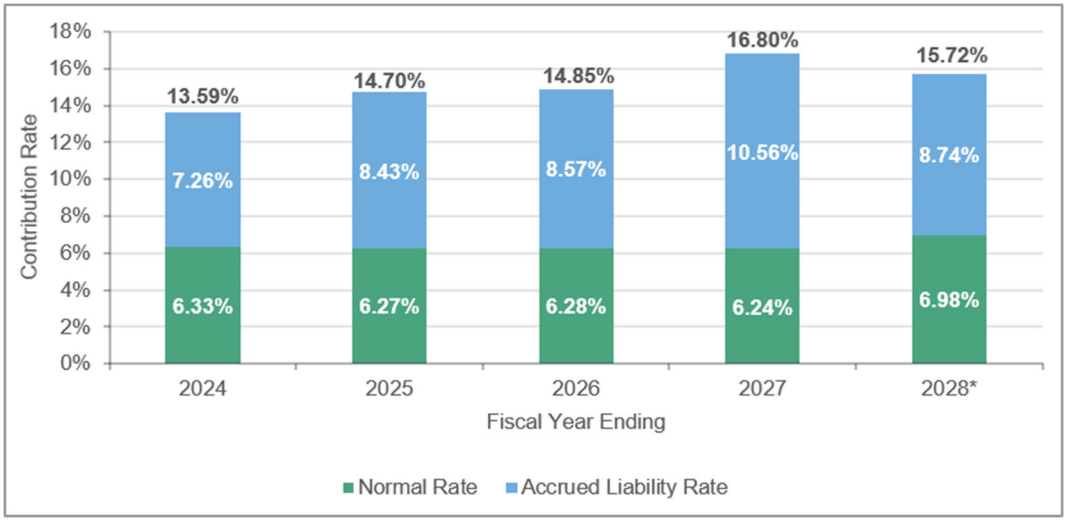
Unfunded Actuarial Accrued Liability

The unfunded actuarial accrued liability (UAAL) is the portion of actuarial accrued liability that is not covered by the assets of the Retirement System. The actuarial value of assets basis is used for computing contributions to alleviate contribution volatility. The difference in the actuarial accrued liability and the actuarial value of assets, if positive, is the amount of unfunded actuarial accrued liability to be paid off over a 15-year period.

The UAAL decreased from $12.0 billion at December 31, 2024 to $10.6 billion at December 31, 2025. A detailed reconciliation of the UAAL can be found in Section 4 of this report.

Actuarially Determined Employer Contribution Rates Before Applying Funding Policy Minimums

The graph below provides a history of actuarially determined employer contribution rates prior to application of the ECRSP over the past five years.



* Subject to the impact of future legislative changes effective during that fiscal year

The actuarially determined employer contribution rate prior to application of the ECRSP is the amount needed to pay for the cost of the benefits accruing and to pay off the unfunded actuarial accrued liability over a 15-year period, offset for the 6% of pay contribution the members make.

A detailed summary of the actuarially determined employer contribution rates is provided in Section 5 of this report.

Projections

Projections of contribution requirements and funded status into the future can be helpful planning tools for stakeholders. The projections of the actuarial valuation are known as deterministic projections. Deterministic projections are based on one scenario in the future. The baseline deterministic projection is based on December 31, 2025 valuation results and assumptions.

A detailed summary of the deterministic projections can be found in Section 6 of this report. The ECRSP can be found in Appendix F.

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Executive Summary (continued)

Risk

Measuring pension obligations and actuarially determined contributions requires the use of assumptions regarding future economic and demographic experience. Whenever assumptions are made about future events, there is risk that actual experience will differ from expected. Actuarial valuations include the risk that actual future measurements will deviate from expected future measurements due to actual experience that is different than the actuarial assumptions.

The primary areas of risk in this actuarial valuation are:

- Investment Risk – the potential that investment returns will be different than expected. Section 6 of this report demonstrates the sensitivity of future projected results to asset returns deviating from expected returns.
- Longevity and Other Demographic Risks – the potential that mortality or other demographic experience will be different than expected.
- Interest Rate Risk – To the extent market rates of interest affect the expected return on assets, there is a risk of change to the discount rate which determines the present value of liabilities and actuarial valuation results. Table D-1 of this report demonstrates the sensitivity of valuation results to differing discount rates.
- Contribution Risk – The potential that actual contributions are different than the actuarially determined contributions.

Annual actuarial valuations are performed for RSD which re-measure the assets and liabilities and compute a new actuarially determined contribution. RSD also has experience studies performed every five years to analyze the discrepancies between actuarial assumptions and actual experience and determine if the actuarial assumptions need to be changed. Annual actuarial valuations and periodic experience studies are practical ways to monitor and reassess risk.

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Executive Summary (continued)

Key Takeaways

The actuarial valuation is performed each year to replace the estimates the actuary assumed for the prior valuation with the actual events that happened. This past year, as expected, some of the assumptions used in the prior valuation were not realized. Key results of the December 31, 2025 valuation as compared to the December 31, 2024 valuation were:

- Market value returns of 12.92% during calendar year 2025 compared to 6.50% assumed
- Liabilities $0.5 billion lower than anticipated as of December 31, 2025, primarily from lower-than-expected salary increases for continuing active members
- Liabilities decreased by $0.5 billion as a result of assumption changes from the experience study prepared as of December 31, 2024, and adopted by the Board of Trustees on January 29, 2026. The impact of assumption and method changes on the employer contribution rate is smoothed over a 5-year period beginning with the December 31, 2025 valuation.

When compared to the December 31, 2024 projections, the above resulted in:

- A higher funded ratio as of December 31, 2025 (90.0% in the valuation compared to 88.4% in the baseline projection)
- A lower actuarially determined employer contribution rate prior to applying the Employer Contribution Rate Stabilization Policy (ECRSP) for fiscal year ending June 30, 2028 (15.72% in the valuation compared to 16.96% in the prior year's baseline projection)

The ADEC after application of the ECRSP for fiscal year ending June 30, 2028, and prior to any benefit changes enacted after the issuance of this report, is 16.19%. This rate is consistent with the projected ADEC from the January 2026 Board meeting (i.e., 15.69% plus 0.50%).

TSERS is well funded compared to its peers. This is due to:

- Stakeholders working together to keep TSERS well-funded since inception
- A history of appropriating and contributing a minimum of the recommended contribution requirements
- Implementation of the ECRSP, which provides additional funding of the System
- Assumptions that in aggregate are more conservative than peers
- A funding policy that pays down the unfunded liability over a reasonable period
- An ad hoc cost-of-living adjustment, which typically only provides benefit increases when certain financial conditions are met, that supports the health of the system
- Modest changes in benefits when compared to peers

As has been done since the plan's inception, continued focus on these measures will be needed to maintain the solid status of TSERS well into the future.

This report, prepared as of December 31, 2025, presents the results of the annual valuation of the system. The principal results of the valuation and a comparison with the preceding year's results are summarized in the following table.

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Section 1: Principal Results

This report, prepared as of December 31, 2025, presents the results of the eighty-third annual valuation of the system. The principal results of the valuation and a comparison with the preceding year's results are summarized below.

Table 1: Summary of Principal Results

Valuation results as of	12/31/2025	12/31/2024
Active Members		
Number	293,205	298,000
Reported Compensation	$ 17,772,557,157	$ 17,701,957,404
Valuation Compensation*	$ 19,253,218,967	$ 19,197,631,253
Retired Members and Survivors of Deceased Members Currently Receiving Benefits		
Number	262,871	257,645
Annual Allowances	$ 5,744,709,359	$ 5,572,291,750
Assets		
Actuarial Value (AVA)	$ 95,219,201,266	$ 91,620,727,745
Market Value (MVA)	$ 98,346,223,757	$ 88,516,600,617
Actuarial Accrued Liability (AAL)	$ 105,794,792,867	$ 103,626,727,675
Unfunded Actuarial Accrued Liability (AAL-AVA)	$ 10,575,591,601	$ 12,005,999,930
Funded Ratio (AVA/AAL)**	90.0%	88.4%
Results for Fiscal Year Ending	**6/30/2028**	**6/30/2027**
Actuarially Determined Employer Contribution (ADEC), as a percentage of payroll		
Normal Cost	6.98%	6.24%
Accrued Liability	6.42%	9.83%
Total Preliminary ADEC	13.40%	16.07%
Total Based on Direct Rate Smoothing	15.72%	16.07%
Impact of Benefit Changes***	Not Final	0.73%
ADEC Prior to Application of Funding Policy	Not Final	16.80%
Board of Trustees Recommended Contribution under the Employer Contribution Rate Stabilization Policy (ECRSP)****	16.19%	18.22%
Required Employer Contribution NCGS 135-8(d)	16.19%	18.22%
Appropriations Act for Fiscal Year Ending	**6/30/2028**	**6/30/2027*****
Employer Contribution Rate as a percentage of payroll		
Normal Cost	6.98%	6.24%
Accrued Liability	N/A	11.98%
Total	N/A	18.22%

* Reported compensation annualized for new hires and projected for valuation purposes
** The Funded Ratio on a Market Value of Assets basis is 93.0% at December 31, 2025
*** FY 2027 rate reflects the legislated one-time pension supplement of 2.5% payable in October 2026
**** See Appendix F for details on the application of the ECRSP
***** Session Law 2026-41, enacted in 2026, established an employer contribution rate of 18.22% for the fiscal year ending June 30, 2027

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Section 2: Membership Data

The Retirement Systems Division provided membership data as of the valuation date for each member of TSERS. The membership data assists the actuary in estimating benefits that could be paid in the future. The tables below provide a summary of the membership data used in this valuation. Detailed tabulations of data are provided in Appendix A.

Table 2: Summary of the Membership Data

Number as of	12/31/2025	12/31/2024
Active members	293,205	298,000
Members currently receiving Disability Income Plan benefits	2,924	3,507
Terminated vested members and survivors of deceased members entitled to benefits but not yet receiving benefits	68,372	66,591
Terminated non-vested members and survivors of deceased members entitled to a refund of contributions	179,433	170,774
Retired members and survivors of deceased members currently receiving benefits	262,871	257,645
Total	806,805	796,517

Table 3: Active Member Data

	Member Count	Average Age	Average Service	Reported Compensation
Teachers, Librarians and Counselors	142,065	44.40	10.94	$ 8,147,443,829
Other Education	51,300	49.36	11.44	2,909,159,685
General Employees	94,389	47.13	10.81	6,307,045,364
Law Enforcement Officers	5,451	39.49	10.72	408,908,279
Total	293,205	46.06	10.98	$ 17,772,557,157

The table above includes members not in receipt of benefits who were active at the end of 2025.

Table 4: Disabled Member Data (Receiving Benefits from the Disability Income Plan of North Carolina)

	Member Count	Average Age	Average Service	Valuation Compensation
Teachers, Librarians and Counselors	1,091	55.39	13.77	$ 45,357,138
Other Education	412	57.83	12.87	12,094,899
General Employees	1,405	56.58	13.37	57,127,183
Law Enforcement Officers	16	48.67	14.53	938,745
Total	2,924	56.27	13.46	$ 115,517,965

The table above includes members not in receipt of benefits who did not have reported compensation in 2025 and who were reported as disabled in the current or prior valuations and not subsequently reported as returned to work.

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Section 2: Membership Data (continued)

Table 5: Terminated Vested Member Data

	Member Count	Average Age	Average Service	Annual Deferred Retirement Allowances
Teachers, Librarians and Counselors	33,703	46.99	9.46	$ 287,737,560
Other Education	7,623	51.68	10.33	74,044,792
General Employees	26,267	52.54	9.27	224,212,766
Law Enforcement Officers	779	45.25	9.83	8,036,008
Total	68,372	49.63	9.49	$ 594,031,126

The table above includes vested members not in receipt of benefits who were not active at the end of 2025 and who were not valued as disabled members.

Table 6: Terminated Non-Vested Member Data

	Member Count	Average Age	Average Service	Accumulated Contributions
Teachers, Librarians and Counselors	75,953	41.85	1.84	$ 424,718,909
Other Education	22,974	46.00	1.53	82,133,713
General Employees	79,111	46.49	1.55	448,952,161
Law Enforcement Officers	1,395	40.40	2.10	10,683,524
Total	179,433	44.42	1.67	$ 966,488,307

The table above includes non-vested members not in receipt of benefits who were not active at the end of 2025 and who were not valued as disabled members.

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Section 2: Membership Data (continued)

Table 7: Data for Members Currently Receiving Benefits

	Member Count	Average Age	Annual Retirement Allowances
Retired Members (Healthy at Retirement)			
Teachers and Other Education	135,351	72.19	$ 3,244,863,491
General Employees	90,908	73.40	1,826,180,503
Law Enforcement Officers	4,186	65.57	142,174,833
Total	230,445	72.55	$ 5,213,218,827
Retired Members (Disabled at Retirement)*			
Teachers and Other Education	5,162	72.95	$ 96,227,436
General Employees	7,787	72.84	125,971,548
Law Enforcement Officers	148	70.83	3,685,582
Total	13,097	72.86	$ 225,884,566
Survivors of Deceased Members			
Teachers and Other Education	6,855	73.85	$ 128,700,684
General Employees	11,883	74.05	163,428,651
Law Enforcement Officers	591	73.79	13,476,631
Total	19,329	73.97	$ 305,605,966
Grand Total	262,871	72.67	$ 5,744,709,359

* Includes retired members reported as disabled in a prior valuation and not subsequently reported as returned to work.

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Section 3: Asset Data

Assets are held in trust and are invested for the exclusive benefit of TSERS members. The tables below provide the details of the Market Value of Assets for the current and prior year's valuations.

Table 8: Market Value of Assets

Asset Data as of	12/31/2025	12/31/2024
Beginning of Year Market Value of Assets	$ 88,516,600,617	$ 83,642,776,867
Employer Contributions	3,197,767,054	3,245,895,693
Employee Contributions	1,139,864,392	1,132,437,503
Benefit Payments Other Than Refunds	(5,689,960,894)	(5,520,083,224)
Refunds	(139,631,727)	(126,234,924)
Administrative Expenses	(18,134,395)	(16,685,387)
Investment Income	11,339,718,710	6,158,494,089
Net Increase/(Decrease)	9,829,623,140	4,873,823,750
End of Year Market Value of Assets	$ 98,346,223,757	$ 88,516,600,617
Estimated Net Investment Return on Market Value	12.92%	7.42%

Table 9: Allocation of Investments by Category of the Market Value of Assets

Asset Data as of	12/31/2025	12/31/2024
Allocation by Dollar Amount		
Public Equity	$ 41,822,526,180	$ 36,254,013,403
Fixed Income (LTIF)	24,893,447,639	21,343,612,954
Cash and Receivables	6,015,567,585	8,846,603,151
Other*	25,614,682,353	22,072,371,109
Total Market Value of Assets	$ 98,346,223,757	$ 88,516,600,617
Allocation by Percentage of Asset Value		
Public Equity	42.5%	41.0%
Fixed Income (LTIF)	25.3%	24.1%
Cash and Receivables	6.1%	10.0%
Other*	26.1%	24.9%
Total Market Value of Assets	100.0%	100.0%

* Real Estate, Alternatives, Inflation and Credit

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Section 3: Asset Data (continued)

In order to reduce the volatility that investment gains and losses can have on the required contributions and funded status of TSERS, the Board adopted an asset valuation method to determine the Actuarial Value of Assets used for funding purposes. The table below provides the calculation of the Actuarial Value of Assets at the valuation date.

Table 10: Actuarial Value of Assets

Asset Data as of	12/31/2025
Beginning of Year Actuarial Value of Assets	$ 91,620,727,745
Beginning of Year Market Value of Assets	$ 88,516,600,617
Contributions	4,337,631,446
Benefit Payments, Refunds and Administrative Expenses	(5,847,727,016)
Net Cash Flow	(1,510,095,570)
Expected Investment Return	5,705,273,541
Expected End of Year Market Value of Assets	$ 92,711,778,588
End of Year Market Value of Assets	$ 98,346,223,757
Excess of Market Value over Expected Market Value of Assets	5,634,445,169
80% of 2025 Asset Gain/(Loss)	4,507,556,135
60% of 2024 Asset Gain/(Loss)	457,684,863
40% of 2023 Asset Gain/(Loss)	1,107,231,671
20% of 2022 Asset Gain/(Loss)	(2,945,450,178)
Total Deferred Asset Gain/(Loss)	3,127,022,491
Preliminary End of Year Actuarial Value of Assets	$ 95,219,201,266
Final End of Year Actuarial Value of Assets (not less than 80% and not greater than 120% of Market Value)	$ 95,219,201,266
Estimated Net Investment Return on Actuarial Value	5.62%

Commentary The actuarial value of assets smooths investment gains/losses, resulting in less volatility in the employer contribution. The asset valuation method recognizes asset returns in excess of or less than the expected return on the market value of assets over a five-year period.

Continued recognition of the 2022 asset loss resulted in a lower-than-expected return on the actuarial value of assets for calendar year 2025 of 5.62% and a recognized actuarial asset loss of $0.8 billion during 2025. The assets at actuarial value were $10.6 billion less than the actuarial accrued liability as of December 31, 2025.

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Section 3: Asset Data (continued)

The valuation assumed that the funds will earn a 6.50% asset return in all future years. The table below provides a history of the Actuarial Value and Market Value of Asset returns.

Table 11: Historical Asset Returns

Calendar Year	Expected Asset Return	Actuarial Value of Asset Return	Market Value of Asset Return	20 Year Average Market Return
1996	7.50%	10.18%	9.39%	NA
1997	7.25%	10.18%	18.16%	NA
1998	7.25%	9.92%	16.66%	NA
1999	7.25%	10.60%	10.15%	NA
2000	7.25%	11.55%	2.50%	NA
2001	7.25%	8.51%	-1.87%	NA
2002	7.25%	5.66%	-5.21%	NA
2003	7.25%	7.98%	18.23%	NA
2004	7.25%	8.56%	10.73%	NA
2005	7.25%	8.26%	6.97%	NA
2006	7.25%	8.94%	11.41%	NA
2007	7.25%	8.87%	8.38%	NA
2008	7.25%	2.89%	-19.50%	NA
2009	7.25%	4.74%	14.84%	NA
2010	7.25%	5.89%	11.47%	NA
2011	7.25%	5.15%	2.19%	NA
2012	7.25%	6.32%	11.82%	NA
2013	7.25%	7.43%	12.21%	NA
2014	7.25%	7.19%	6.21%	NA
2015	7.25%	5.87%	0.36%	6.86%
2016	7.25%	5.32%	6.22%	6.71%
2017	7.20%	6.56%	13.49%	6.49%
2018	7.00%	5.10%	-1.39%	5.60%
2019	7.00%	6.18%	14.85%	5.82%
2020	7.00%	8.80%	11.12%	6.25%
2021	6.50%	9.18%	9.68%	6.84%
2022	6.50%	4.53%	-10.38%	6.54%
2023	6.50%	5.63%	10.11%	6.16%
2024	6.50%	4.87%	7.42%	6.00%
2025	6.50%	5.62%	12.92%	6.29%
20-Yr Average	7.02%	6.24%	6.29%	NA
20-Yr Range	0.75%	6.29%	34.35%	NA

Commentary: The average investment return recognized for purposes of determining the annual change in contribution each year is the actuarial value of assets return. Currently, the average actuarial return over the past 20 years of 6.24% compares with an average market return of 6.29%. The range of returns on market value of assets is markedly more volatile, 34.35% versus 6.29% for actuarial value of assets. Using the actuarial value of assets instead of market value results in much lower employer contribution volatility, while ensuring that employer contributions remain adequate to fund TSERS obligations.

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Section 4: Liability Results

Using the provided membership data, benefit provisions, and actuarial assumptions, the future benefit payments of TSERS are estimated. These projected future benefit payments are discounted into today's dollars using the assumed rate of investment return assumption to determine the Present Value of Future Benefits. The Present Value of Future Benefits is allocated to past, current and future service, respectively known as the actuarial accrued liability, normal cost and present value of future normal costs. The table below provides these liability numbers for the current and prior year's valuations.

Table 12: Liability Summary

Valuation Results as of	12/31/2025	12/31/2024
(a) Present Value of Future Benefits		
(1) Active Members	$ 63,822,639,216	$ 61,256,564,476
(2) Terminated Members	4,945,647,042	4,582,514,260
(3) Members Currently Receiving Benefits	56,291,151,396	55,138,000,592
(4) Total	$ 125,059,437,654	$ 120,977,079,328
(b) Present Value of Future Normal Costs		
(1) Employee Future Normal Costs	$ 9,037,654,609	$ 8,600,532,498
(2) Employer Future Normal Costs	10,226,990,178	8,749,819,155
(3) Total	$ 19,264,644,787	$ 17,350,351,653
(c) Actuarial Accrued Liability: (a4) - (b3)	$ 105,794,792,867	$ 103,626,727,675
(d) Actuarial Value of Assets	$ 95,219,201,266	$ 91,620,727,745
(e) Unfunded Actuarial Accrued Liability: (c) - (d)	$ 10,575,591,601	$ 12,005,999,930

The table below provides a reconciliation of the prior year's unfunded actuarial accrued liability to the current year's unfunded actuarial accrued liability.

Table 13: Reconciliation of Unfunded Actuarial Accrued Liability

(in millions)	
Unfunded Actuarial Accrued Liability (UAAL) as of 12/31/2024	$ 12,006
Normal Cost and Administrative Expense during 2025	2,157
Reduction due to Actual Contributions during 2025	(4,338)
Interest on UAAL, Normal Cost, and Contributions	783
Asset (Gain)/Loss	798
Actuarial Accrued Liability (Gain)/Loss	(479)
Impact of Assumption Changes	(491)
Impact of Benefit Changes	140
Unfunded Actuarial Accrued Liability (UAAL) as of 12/31/2025	$ 10,576

Commentary: During 2025, the UAAL increased due to the asset loss of $798 million. Changes in the census data, primarily lower-than-expected salary increases for continuing active members, decreased the UAAL by $479 million. Additionally, assumption changes following the experience study decreased the UAAL by $491 million.

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Section 5: Actuarially Determined Employer Contribution

The Actuarially Determined Employer Contribution prior to application of the Employer Contribution Rate Stabilization Policy (ADEC) as a percent of payroll consists of a normal cost rate, an accrued liability rate and an administrative expense rate. The normal cost rate is the employer's portion of the cost of benefits accruing during the year after reducing for the member contribution. The accrued liability rate is the payment toward the unfunded actuarial accrued liability in order to pay off the unfunded actuarial accrued liability over 15 years. The expense rate is the payment for expected administrative expenses.

The table below provides the calculation of the ADEC for the current and prior years' valuations.

The ADEC is compliant with the definition of a reasonable actuarially determined contribution under ASOP 4. When determining the smoothing period for the actuarial value of assets and the amortization period for the unfunded actuarial accrued liability, the following items were considered: (i) the balance among benefit security, intergenerational equity, and stability of actuarially determined contributions, (ii) the timing and duration of expected benefit payments, and (iii) the nature and frequency of plan amendments. Plan amendments are amortized over periods appropriate for the nature of the change or are funded at the time of the change based on decisions by the plan sponsor.

The Employer Contribution Rate Stabilization Policy (ECRSP) adopted by the Board of Trustees on April 30, 2026 requires for a given year that the recommended contribution, in general, is determined by comparing (1) the preliminary ADEC rate developed in the current valuation, reflecting the plan's most recent experience, with (2) the projected ADEC provided to the Board in January of the year preceding the beginning of the contribution year, increased by 0.50% of payroll.

The ECRSP would result in a recommended contribution rate of 16.19% of payroll for fiscal year ending 2028 determined as:

- The preliminary ADEC from this most recent valuation of 15.72%,
- Not less than 16.19%, which is the actuary's projected ADEC from last January's Board meeting of 15.69%, plus 0.50%,
- Not less than the member contribution rate of 6.00%, and
- Not greater than the maximum ADEC of approximately 37.82%, which is the estimated ADEC using a discount rate equal to the long-term Treasury bond yield of 4.84%

The ECRSP can be found in Appendix F.

Table 14: Calculation of the Actuarially Determined Employer Contribution (ADEC) Prior to ECRSP

Valuation Date	12/31/2025	12/31/2024
ADEC for Fiscal Year Ending	6/30/2028	6/30/2027**
Normal Cost Rate Calculation		
(a) Normal Cost Rate	6.88%	6.14%
(b) Expense Rate	0.10%	0.10%
(c) Total Normal Cost Rate	6.98%	6.24%
Accrued Liability Rate Calculation		
(d) Total Annual Amortization Payments*	$ 1,269,737,654	$ 1,946,566,024
(e) Projected Compensation	19,772,643,695	19,798,281,841
(f) Accrued Liability Rate: (d) / (e)	6.42%	9.83%
Total ADEC (c) + (f)	13.40%	16.07%
ADEC with Direct Rate Smoothing	15.72%	16.07%
Impact of Benefit Changes***	Not Final	0.73%
Final ADEC Prior to ECRSP	Not Final	16.80%

* See Table 17 for more detail
** Session Law 2026-41, enacted in 2026, established an employer contribution rate of 18.22% for the fiscal year ending June 30, 2027
*** FY 2027 rate reflects the legislated one-time pension supplement of 2.5% payable in October 2026

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Section 5: Actuarially Determined Employer Contribution (continued)

The table below provides a reconciliation of the actuarially determined employer contribution.

Table 15: Reconciliation of the Change in the ADEC Prior to ECRSP

Fiscal year ending June 30, 2027 Preliminary ADEC (based on December 31, 2024 valuation)	16.07%
Impact of Benefit Changes	0.73%
Fiscal year ending June 30, 2027 ADEC Prior to ECRSP	16.80%
Change Due to Anticipated Reduction in UAAL	(0.04%)
Change Due to Demographic (Gain)/Loss	0.13%
Change Due to Investment (Gain)/Loss	0.51%
Change Due to Contributions Greater than ADEC	(0.45%)
Impact of Assumption and Method Changes	(2.90%)
Impact of Benefit Changes	0.08%
Impact of Direct Rate Smoothing	2.32%
Reversal of one-time Benefit Costs	(0.73%)
Fiscal year ending June 30, 2028 Preliminary ADEC (based on December 31, 2025 valuation)	15.72%

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Section 5: Actuarially Determined Employer Contribution (continued)

Amortization methods determine the payment schedule for the unfunded actuarial accrued liability. Beginning with the fiscal year ending in 2028, the Board adopted a 15-year closed amortization period for fiscal year ending 2028. A new amortization base is created each year based on the prior years' experience. The tables below provide the calculation of the new amortization base and the amortization schedule for the current year's valuation.

Table 16: Calculation of the New Amortization Base

Calculation as of		12/31/2025	12/31/2024
(a)	Unfunded Actuarial Accrued Liability	$ 10,575,591,601	$ 12,005,999,930
(b)	Prior Years' Outstanding Balances	$ 10,988,073,813	$ 10,324,966,174
(c)	New Amortization Base: (a) - (b)	$ (412,482,212)	$ 1,681,033,756
(d)	New Amortization Payment	$ (46,719,681)	$ 219,431,544

Table 17: Amortization Schedule for Unfunded Actuarial Accrued Liability

Date Established	Original Balance	12/31/2025 Outstanding Balance	Annual Payment Effective 7/1/2027*
December 31, 2012	78,277,759	5,160,778	-
December 31, 2013	(114,027,863)	(21,794,898)	-
December 31, 2014	(206,952,282)	(63,740,343)	(7,553,495)
December 31, 2015	2,586,581,023	1,078,612,277	150,456,656
December 31, 2016	1,983,860,720	1,028,287,499	143,582,598
December 31, 2017	2,551,629,668	1,563,154,615	210,069,639
December 31, 2018	1,836,431,391	1,288,592,391	164,905,160
December 31, 2019	865,931,898	678,736,345	82,594,073
December 31, 2020	1,141,156,638	980,289,325	113,642,560
December 31, 2021	(1,707,468,366)	(1,593,221,259)	(176,491,771)
December 31, 2022	3,323,112,118	3,331,845,884	353,882,451
December 31, 2023	863,218,319	921,850,249	94,191,130
December 31, 2024	1,681,033,756	1,790,300,950	187,178,334
December 31, 2025	(412,482,212)	(412,482,212)	(46,719,681)
Total		$ 10,575,591,601	$ 1,269,737,654

* Reflects bases prior to December 31, 2025 being extended from 12 years to 15 years. See Appendix C for details.

Commentary: This is the payment schedule for the unfunded actuarial accrued liability of TSERS.

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Section 5: Actuarially Determined Employer Contribution (continued)

The table below provides a history of the actuarially determined employer contribution and the corresponding appropriated rate.

Table 18: History of Actuarially Determined Employer Contributions and Appropriated Rates

Valuation Date	Fiscal Year Ending	Normal Rate	Accrued Liability Rate	Effect of Direct Rate Smoothing	Legislated Benefit Cost*	ULSR Contribution G.S. 143C-4-10(e)	ADEC Prior to Applicable Funding Policy	ADEC under ECRSP	Appropriated Rate
12/31/2025	6/30/2028	6.98%	6.42%	2.32%	N/A	N/A	N/A	N/A	N/A
12/31/2024	6/30/2027	6.24%	9.83%	0.00%	0.73%	0.00%	16.80%	18.22%	18.22%
12/31/2023	6/30/2026	6.28%	9.17%	(0.60%)	0.00%	0.00%	14.85%	17.14%	17.14%
12/31/2022	6/30/2025	6.27%	9.63%	(1.20%)	0.00%	0.00%	14.70%	16.79%	16.79%
12/31/2021	6/30/2024	6.33%	7.85%	(1.79%)	1.20%	0.00%	13.59%	17.64%	17.64%
12/31/2020	6/30/2023	6.39%	11.13%	(2.39%)	1.24%	0.05%	16.42%	17.38%	17.38%

* The change due to legislation for the contribution for fiscal year ending June 30, 2027 provided for a one-time supplement equal to 2.5% of the annual retirement allowance payable in October 2026. The change due to legislation for the contribution for fiscal year ending June 30, 2024 provided for a one-time supplement equal to 4% of the annual retirement allowance payable in November 2023. The change due to legislation for the contribution for fiscal year ending June 30, 2023 provided for a one-time supplement equal to 4% of the annual retirement allowance payable in October 2022.

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Section 5: Actuarially Determined Employer Contribution (continued)

The following table shows estimates of the potential cost of three types of benefit improvements if they were enacted based on the results of the December 31, 2025 or December 31, 2024 valuations. The first benefit improvement is a permanent one-time cost-of-living increase and the second benefit improvement is a one-time supplement payment for retirees during the upcoming year ending December 31, 2026. The third benefit improvement is a 0.01% increase in the defined benefit formula and would include a corresponding increase in retirement allowances.

Table 19: Cost of Benefit Enhancements

Calculation as of	12/31/2025	12/31/2024
Increase in UAAL for a 1.00% COLA	$ 598,591,000	$ 586,739,000
Increase in ADEC for a 1.00% COLA	0.35%	0.39%
Increase in UAAL for a 1.00% Supplement	$ 58,388,000	$ 57,875,000
Increase in ADEC for a 1.00% Supplement	0.30%	0.29%
Increase in UAAL for a 0.01% Increase in the Defined Benefit Formula	$ 578,584,000	$ 566,958,000
Increase in ADEC for a 0.01% Increase in the Defined Benefit Formula	0.41%	0.45%

The 1.00% COLA in the December 31, 2025 column would be effective July 1, 2027 and includes expected costs of COLAs paid for retirements before June 30, 2027. The COLA would be paid in full to retired members and survivors of deceased members on the retirement roll on July 1, 2026 and would be prorated for retired members and survivors of deceased members who commence benefits after July 1, 2026 but before June 30, 2027. We are assuming that the cost of the COLA is amortized over a 15-year period as of December 31, 2025, and a 12-year period as of December 31, 2024.

The 1.00% Supplement in the December 31, 2025 column is based on an assumed payment date of July 1, 2027 and includes expected costs of the 1.00% July 1, 2027 supplements paid for retirements before June 30, 2027. The supplement would be equal to 1.00% of the annual allowances of retirees and other beneficiaries who commence retirement on or before July 1, 2027. We are assuming that the cost of the supplement is amortized over a one-year period.

The 0.01% increase in the defined benefit formula would include a corresponding increase in retirement allowances. We are assuming that the cost of the 0.01% benefit increase is amortized over a 15-year period as of December 31, 2025, and a 12-year period as of December 31, 2024.

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Section 6: Projections

Projections of contribution requirements and funded status into the future can be helpful planning tools for stakeholders. This section provides such projections. The projections of the actuarial valuation are known as deterministic projections. Deterministic projections are based on one scenario in the future. The baseline deterministic projection is based on December 31, 2025 valuation results and assumptions.

Key Projection Assumptions

- Valuation interest rate of 6.50%
- Direct-rate smoothing of the change in the employer contribution rate due to the changes in assumptions and methods over a 5-year period beginning July 1, 2027
- 6.50% investment return on market value of assets
- Actuarial assumptions and methods as described in Appendix C. All future demographic experience is assumed to be exactly realized
- The contribution rate under the Employer Contribution Rate Stabilization Policy (ECRSP) is contributed until fiscal year ending 2032
- The actuarially determined contribution rate is contributed for fiscal years ending 2033 and beyond
- The employer contribution shall not be less than the employee contribution, which is currently 6%
- 0% increase in both the active population of TSERS and its subgroups: Teachers, Other Education, General Employees, and Law Enforcement Officers, except that no new hires of UNC Health Care System (UNC HC) will participate in TSERS
- To replace those assumed to leave active service, the age, gender and salary of future members assumed to be hired into TSERS are based on the demographic information of new TSERS hires over the past three (3) valuations
- Demographic profiles of new entrants for each subgroup are based on new hires specific to that subgroup over the past three (3) valuations
- 75% of new entrants are assumed to have rounded service of 0 when first valued, and 25% are assumed to have rounded service of 1 when first valued
- No cost-of-living adjustments granted
- Future pay increases based on long-term salary increase assumptions

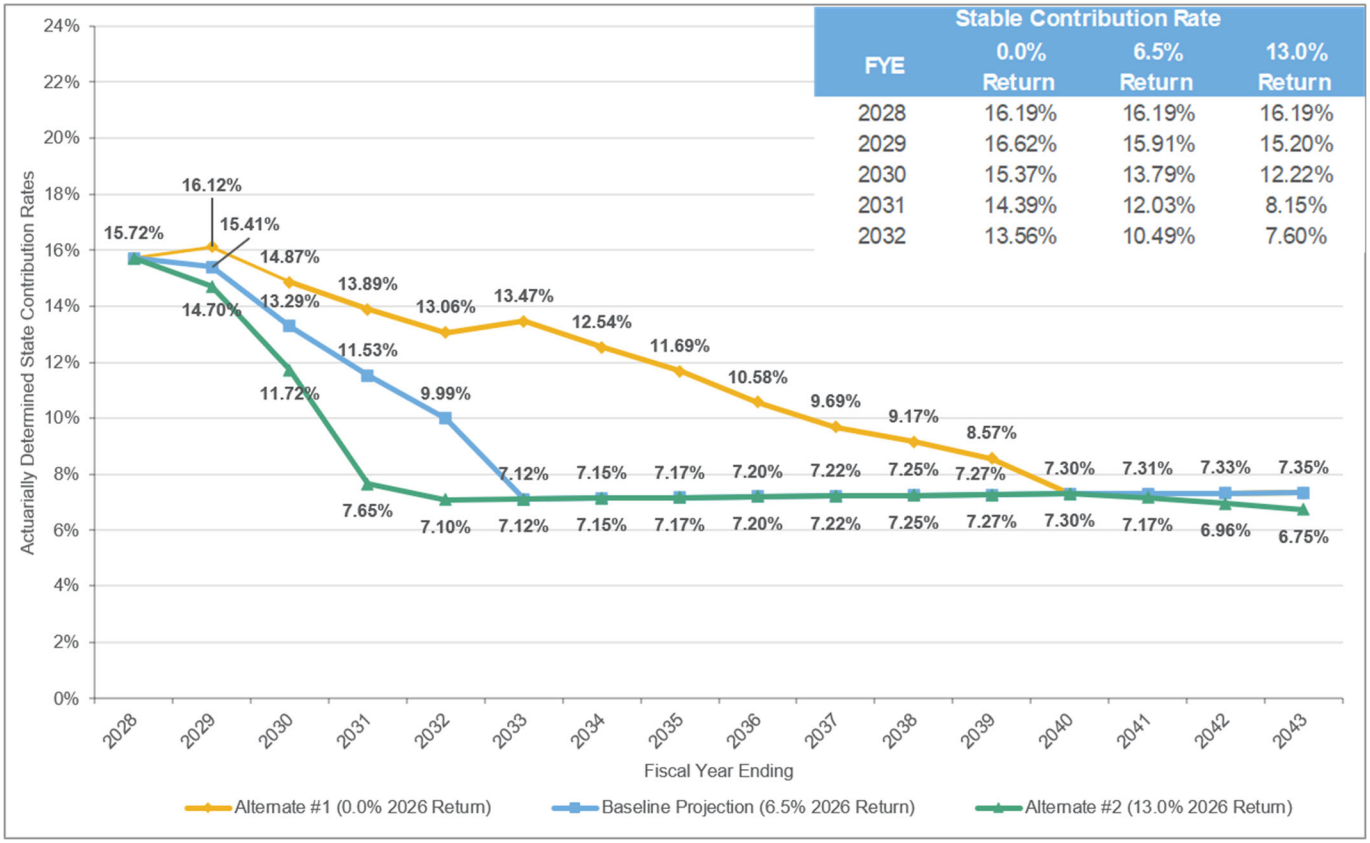
The ECRSP contribution rate is the Stable Contribution rate shown in the projections. The ECRSP can be found in Appendix F. In addition, we have provided two alternate deterministic projections. The first alternate deterministic projection is based on the same assumptions as the baseline deterministic projection except that it assumes a 0.0% asset return for calendar year 2026. The second alternate deterministic projection is based on the same assumptions as the baseline deterministic projection except that it assumes a 13.0% asset return for calendar year 2026.

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Section 6: Projections (continued)

The graph below provides the actuarially determined employer contribution rates projected for 15 years, as well as the board approved stable contribution under the Employer Contribution Rate Stabilization Policy.

Projected Actuarially Determined Employer Contribution Rates



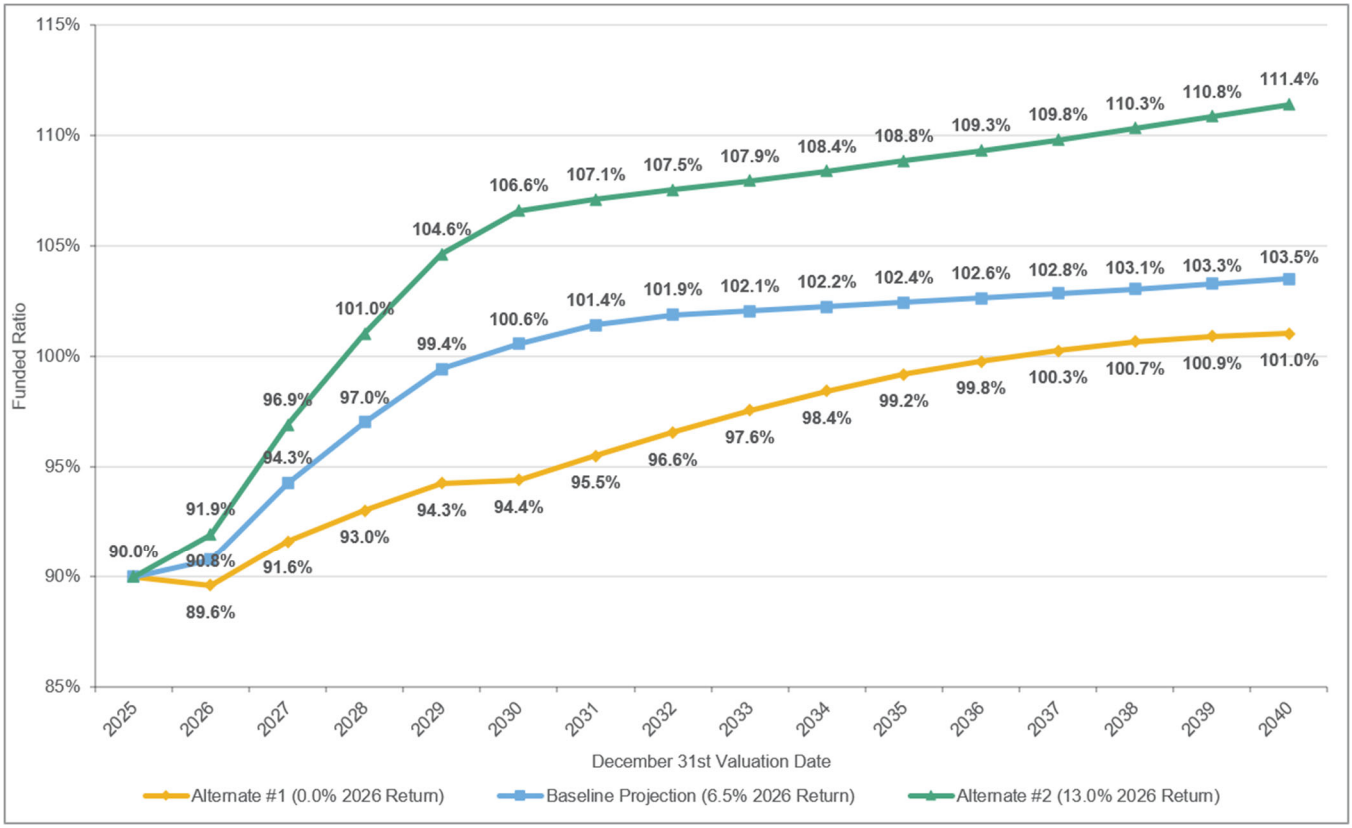
FYE	Stable Contribution Rate 0.0% Return	6.5% Return	13.0% Return
2028	16.19%	16.19%	16.19%
2029	16.62%	15.91%	15.20%
2030	15.37%	13.79%	12.22%
2031	14.39%	12.03%	8.15%
2032	13.56%	10.49%	7.60%

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Section 6: Projections (continued)

The graph below provides the funded ratio projected for 15 years.

Projected Funded Ratio



Absent unfavorable asset returns and other deviations from expectations resulting in losses to the plan's funded status (as shown in the 0% 2026 return scenario), funded ratios are expected to increase each year through the end of the projection period. Funded ratios are expected to increase to 100% by the end of the projection period under each scenario due to the 15-year amortization policy.

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Appendix A: Detailed Tabulations of Member Data

Table A-1: Number and Average Reported Compensation of Active Members Distributed by Age and Service as of December 31, 2025

Age	Years of Service										
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	Total
Under 25	4,336	5,696	34	0	0	0	0	0	0	0	10,066
	$19,852	$44,578	$48,753	$0	$0	$0	$0	$0	$0	$0	$33,941
25 to 29	3,714	16,070	4,017	10	0	0	0	0	0	0	23,811
	$21,555	$49,048	$55,385	$60,324	$0	$0	$0	$0	$0	$0	$45,833
30 to 34	2,720	11,026	10,204	3,190	10	0	0	0	0	0	27,150
	$22,085	$50,560	$58,727	$63,283	$68,478	$0	$0	$0	$0	$0	$52,278
35 to 39	2,566	10,133	8,261	9,719	2,826	26	0	0	0	0	33,531
	$22,287	$52,045	$61,334	$67,576	$71,574	$63,873	$0	$0	$0	$0	$58,213
40 to 44	2,183	9,198	7,629	6,778	8,982	3,525	36	0	0	0	38,331
	$23,392	$52,801	$62,875	$69,927	$74,107	$74,550	$73,395	$0	$0	$0	$63,172
45 to 49	1,812	7,988	6,895	6,175	6,441	9,076	3,191	9	0	0	41,587
	$24,321	$53,795	$62,575	$69,662	$74,951	$77,733	$79,970	$86,520	$0	$0	$66,839
50 to 54	1,607	7,119	6,640	5,885	6,289	6,470	7,499	825	1	0	42,335
	$25,200	$54,756	$61,667	$66,967	$72,224	$74,881	$81,415	$85,561	$80,903	$0	$67,409
55 to 59	1,421	6,358	5,928	5,599	6,367	5,990	4,867	1,747	217	1	38,495
	$25,005	$55,099	$60,503	$65,750	$69,830	$72,077	$76,552	$88,665	$89,674	$84,330	$65,879
60 to 64	818	4,233	4,409	3,892	4,353	3,900	2,332	906	455	89	25,387
	$23,316	$52,205	$59,562	$63,846	$66,262	$67,960	$71,228	$81,800	$87,874	$83,442	$62,719
65 to 69	296	1,483	1,672	1,437	1,422	1,119	737	336	195	156	8,853
	$22,265	$50,251	$60,685	$63,099	$71,296	$69,478	$75,522	$80,760	$93,571	$89,932	$64,097
70 & Up	144	827	582	544	558	377	223	167	94	143	3,659
	$19,247	$43,342	$53,205	$66,108	$66,086	$66,884	$70,473	$74,332	$79,964	$100,846	$59,497
Total	21,617	80,131	56,271	43,229	37,248	30,483	18,885	3,990	962	389	293,205
	$22,343	$51,339	$60,500	$67,102	$71,866	$73,949	$78,285	$85,194	$88,655	$92,445	$60,615

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-2: Number and Reported Compensation of Active Members Distributed by Age as of December 31, 2025

	Men		Women	
Age	Number	Compensation	Number	Compensation
18	5	$ 26,781	9	$ 56,002
19	73	1,161,457	50	679,472
20	166	4,466,517	155	2,876,617
21	251	7,929,694	302	6,559,750
22	388	11,904,432	760	19,448,935
23	664	22,472,389	1,801	54,276,194
24	942	36,393,843	2,454	90,506,513
25	1,219	50,506,625	3,084	125,861,717
26	1,364	61,332,637	3,338	142,797,270
27	1,455	69,392,155	3,450	153,748,039
28	1,444	70,282,057	3,304	150,287,978
29	1,484	75,687,181	3,300	154,387,567
30	1,507	79,748,147	3,376	162,804,694
31	1,609	87,258,582	3,433	166,842,257
32	1,583	88,772,044	3,550	175,356,955
33	1,691	97,762,649	3,788	191,097,029
34	1,812	104,770,219	4,196	218,838,092
35	1,919	115,292,063	4,424	234,182,717
36	1,971	120,374,505	4,494	245,835,960
37	2,021	126,939,365	4,723	262,109,137
38	1,968	126,317,239	4,696	264,363,691
39	2,013	132,606,978	4,923	283,376,512
40	2,105	143,943,782	5,081	293,119,627
41	2,167	148,345,141	5,199	308,773,154
42	2,157	150,241,111	5,292	319,860,325
43	2,275	159,797,834	5,511	336,930,034
44	2,329	165,287,778	5,741	353,929,089
45	2,289	165,817,942	5,781	360,117,638
46	2,438	177,777,982	5,871	368,833,294
47	2,317	172,798,162	5,887	374,722,604
48	2,428	180,972,414	6,013	384,274,334
49	2,387	179,441,167	6,154	397,543,821
50	2,287	175,658,645	5,707	367,860,042
51	2,404	181,391,390	6,089	394,675,060
52	2,450	183,795,313	5,882	379,249,429
53	2,485	185,714,462	5,962	377,583,477
54	2,578	194,463,290	6,062	389,427,251

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-2: Number and Reported Compensation of Active Members Distributed by Age as of December 31, 2025 (continued)

	Men		Women	
Age	Number	Compensation	Number	Compensation
55	2,737	$ 200,300,140	6,311	$ 402,614,804
56	2,412	186,280,382	5,919	375,750,881
57	2,375	180,247,143	5,533	346,526,982
58	2,227	168,594,556	5,105	312,366,766
59	2,072	151,572,390	4,909	298,195,302
60	2,036	144,201,710	4,573	274,447,675
61	1,955	135,535,576	4,034	236,974,987
62	1,740	121,814,778	3,765	225,146,649
63	1,558	109,854,226	3,119	184,177,641
64	1,302	89,942,025	2,744	160,315,305
65	1,101	79,635,500	2,248	136,058,461
66	824	57,318,510	1,537	94,304,051
67	648	48,143,189	1,173	71,482,050
68	547	38,044,046	873	50,062,909
69	465	33,458,550	748	42,659,703
70	381	24,414,604	568	33,010,968
71	315	22,275,860	388	21,371,454
72	267	18,402,277	345	18,888,511
73	198	12,793,201	251	12,767,519
74	174	11,188,488	162	8,911,067
75	137	8,229,440	151	8,245,498
76	96	6,193,328	99	5,217,767
77	82	5,433,986	83	3,855,160
78	69	4,682,170	58	3,060,923
79	49	3,064,977	46	2,225,349
80	32	1,643,354	28	1,520,369
81	22	1,440,031	18	1,070,461
82	15	1,006,084	18	986,401
83	20	1,221,151	16	610,711
84	9	587,584	6	307,842
85	5	389,239	2	151,469
86	4	468,469	6	326,218
87	2	62,307	2	159,147
88	1	33,371		
89	1	121,738	1	74,678
92			1	80,850
Total	88,523	$ 5,925,438,352	204,682	$ 11,847,118,805

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-3: Number and Reported Compensation of Active Members Distributed by Service as of December 31, 2025

	Men		Women	
Service	Number	Compensation	Number	Compensation
0	3,757	$ 56,094,841	8,745	$ 136,146,835
1	7,805	347,285,612	15,653	612,049,595
2	6,947	383,208,976	15,423	734,518,890
3	6,014	349,332,096	14,828	737,102,701
4	5,066	308,163,508	12,837	655,161,223
5	3,408	214,100,780	8,066	445,777,180
6	3,261	213,898,329	8,305	460,792,716
7	3,762	251,081,535	8,427	476,896,001
8	3,392	233,359,297	7,580	441,547,755
9	3,287	231,058,667	7,411	444,128,948
10	3,192	228,006,920	6,796	417,786,463
11	2,942	212,006,621	6,523	408,940,851
12	2,740	200,324,923	6,000	381,412,484
13	2,700	200,162,939	6,119	395,668,726
14	2,374	178,833,518	5,218	347,857,540
15	2,169	170,363,925	4,678	320,739,343
16	1,913	148,612,979	4,065	282,482,005
17	1,594	132,170,512	3,756	258,144,674
18	2,530	194,267,212	5,844	396,488,795
19	2,282	186,613,558	5,782	399,980,969
20	2,265	182,183,645	5,794	397,639,246
21	2,044	164,189,842	5,097	355,157,138
22	1,849	149,836,650	4,610	324,543,253
23	1,638	135,897,493	4,036	289,256,215
24	1,387	117,042,298	3,596	258,828,276
25	1,476	125,173,185	3,719	268,266,887
26	1,366	118,605,085	3,421	250,134,528
27	1,280	116,195,162	3,092	227,677,341
28	1,092	95,396,774	2,638	198,554,020
29	819	71,141,302	2,105	161,847,407
30	563	53,573,598	1,349	103,111,868
31	348	32,505,422	800	64,026,019
32	314	30,124,665	592	47,036,318
33	216	21,275,979	469	38,151,796
34	168	17,497,221	311	26,013,051
35	120	12,564,797	195	16,128,627
36	101	10,053,660	182	15,036,413
37	73	6,630,631	139	10,886,877
38	70	6,469,858	104	8,259,455
39	44	4,003,523	93	8,561,812

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-3: Number and Reported Compensation of Active Members Distributed by Service as of December 31, 2025 (continued)

	Men		Women	
Service	Number	Compensation	Number	Compensation
40	36	$ 3,276,648	54	$ 4,633,540
41	22	2,173,379	54	4,059,786
42	25	2,696,484	38	3,520,539
43	20	2,254,271	29	2,062,500
44	9	947,691	15	2,082,949
45	10	1,089,740	13	1,197,114
46	5	617,488	10	672,767
47	10	1,300,074	19	1,793,987
48	7	737,834	17	1,307,961
49	3	208,645	13	1,193,853
50	2	117,313	4	384,510
51	2	139,675	2	250,695
52	1	59,654	3	229,167
53	1	163,851	3	224,928
54			2	167,292
55			3	232,663
56			3	216,603
57	1	183,922		
58	1	164,145	1	66,860
70			1	80,850
Total	88,523	$ 5,925,438,352	204,682	$ 11,847,118,805

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-4: Number and Valuation Compensation of Disabled Members Distributed by Age as of December 31, 2025

	Men		Women	
Age	Number	Compensation	Number	Compensation
23	1	$ 8,638		
27			3	$ 48,145
28			5	141,053
29			2	90,717
30	1	51,618	1	8,934
31	1	8,638	2	17,276
32			2	82,199
33			5	204,279
34			2	65,580
35	1	37,162	1	40,243
36	5	188,829	4	109,572
37	2	95,063	6	257,784
38	1	50,847	10	411,671
39	4	154,315	7	241,157
40	4	169,136	6	325,044
41	4	218,012	13	461,378
42	4	109,333	12	420,473
43	7	218,389	22	885,599
44	7	232,227	20	805,984
45	7	280,398	18	725,374
46	13	559,888	31	1,072,114
47	9	411,493	39	1,449,891
48	18	613,429	54	2,219,524
49	15	678,769	52	2,083,938
50	23	920,563	69	2,853,227
51	30	1,306,264	74	3,094,255
52	33	1,377,473	66	2,691,161
53	33	1,452,334	85	3,290,899
54	24	935,756	116	4,545,881
55	28	1,069,733	118	4,544,392
56	43	1,784,346	115	4,728,870
57	50	2,242,257	116	4,657,385
58	58	2,284,168	137	5,264,873
59	54	2,220,279	165	6,506,179
60	59	2,655,491	154	5,814,109
61	45	1,893,173	123	4,736,819
62	48	2,811,166	131	4,914,738
63	62	2,563,967	129	4,973,929
64	56	2,227,703	127	4,254,025
65	25	944,527	82	2,957,659

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-4: Number and Valuation Compensation of Disabled Members Distributed by Age as of December 31, 2025 (continued)

	Men		Women	
Age	Number	Compensation	Number	Compensation
66	3	$ 115,301	9	$ 279,168
68	1	18,900		
70	1	8,638		
71	1	25,792	4	103,348
72			2	85,225
73	1	19,572		
74			2	26,200
79	1	64,107		
Total	783	$ 33,027,694	2,141	$ 82,490,271

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-5: Number and Deferred Annual Retirement Allowances of Terminated Vested Members Distributed by Age as of December 31, 2025

	Men		Women	
Age	Number	Allowances	Number	Allowances
24	1	$ 3,703		
25	1	3,654	1	$ 4,355
26	10	50,618	9	36,309
27	12	54,589	28	127,967
28	27	159,321	76	396,700
29	52	281,319	167	892,355
30	77	434,450	278	1,577,770
31	122	687,889	418	2,362,867
32	172	1,046,626	634	3,837,504
33	208	1,343,083	751	4,723,014
34	239	1,550,985	905	6,109,870
35	309	2,288,653	1,078	7,598,723
36	358	2,494,902	1,187	8,437,625
37	412	3,173,180	1,137	8,435,814
38	401	3,194,523	1,251	9,786,809
39	426	3,334,813	1,258	9,343,179
40	482	4,394,599	1,354	10,630,495
41	536	4,413,046	1,389	11,376,138
42	534	4,684,350	1,489	11,590,975
43	588	5,417,056	1,646	13,957,029
44	616	5,754,221	1,712	14,721,291
45	617	6,316,605	1,663	15,302,838
46	615	6,578,845	1,724	15,319,747
47	621	6,427,363	1,685	16,000,058
48	644	7,140,119	1,619	15,462,107
49	620	7,018,741	1,613	15,463,036
50	636	7,207,405	1,609	16,020,299
51	652	6,792,249	1,568	14,225,081
52	601	6,132,754	1,546	14,566,474
53	644	6,825,962	1,569	14,771,707
54	689	7,474,547	1,626	15,140,465
55	735	7,658,852	1,785	16,264,648
56	706	7,480,238	1,799	16,388,392
57	608	6,399,791	1,757	16,545,980
58	566	6,291,425	1,592	13,516,878
59	604	5,907,898	1,563	13,982,012
60	534	5,679,525	1,361	11,809,913
61	491	4,713,388	1,203	9,402,258
62	405	3,806,163	1,073	8,116,952
63	390	3,357,190	960	7,183,246
64	309	2,773,058	886	6,434,270
65	284	2,635,273	726	5,262,746
66	214	2,309,706	468	3,000,810
67	167	1,317,035	384	2,639,944

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-5: Number and Deferred Annual Retirement Allowances of Terminated Vested Members Distributed by Age as of December 31, 2025 (continued)

	Men		Women	
Age	Number	Allowances	Number	Allowances
68	111	$ 762,220	289	$ 1,818,162
69	101	663,459	244	1,577,442
70	86	683,752	181	1,055,918
71	64	415,232	164	958,986
72	42	239,352	157	952,746
73	50	300,810	100	555,411
74	36	301,464	66	437,827
75	12	71,462	46	351,451
76	9	70,715	17	71,365
77	10	46,258	12	97,014
78	7	42,863	8	37,434
79	8	32,758	7	131,300
80	10	151,234	3	38,438
81	4	184,541	6	16,775
82	4	29,788	3	18,250
83	2	33,001	4	20,997
84	1	9,259	6	24,059
85	1	3,504	5	8,129
86	1	819	1	4,917
87	2	5,853	1	1,416
88	3	14,316	3	6,065
89			1	2,902
91			1	2,628
99	1	2,472		
Total	18,500	$ 177,074,844	49,872	$ 416,956,282

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-6: Number and Accumulated Contributions of Terminated Non-Vested Members Distributed by Age as of December 31, 2025

	Men		Women	
Age	Number	Contributions	Number	Contributions
19	11	$ 8,144	9	$ 6,622
20	37	51,845	55	47,877
21	92	152,345	100	127,138
22	178	325,453	245	361,637
23	239	515,314	465	855,279
24	346	806,273	881	1,980,742
25	561	1,461,411	1,506	4,382,205
26	774	2,418,874	1,963	6,684,977
27	946	3,197,045	2,370	9,334,773
28	1,076	3,967,336	2,703	11,574,485
29	1,127	4,388,565	2,881	13,073,379
30	1,288	5,264,098	3,068	14,175,532
31	1,365	5,815,912	3,289	15,628,011
32	1,523	6,496,265	3,380	16,464,609
33	1,591	6,644,798	3,448	17,508,551
34	1,622	7,206,504	3,561	17,776,785
35	1,692	7,806,800	3,798	19,658,547
36	1,691	8,036,180	3,847	20,004,848
37	1,622	8,091,726	3,800	20,514,554
38	1,662	8,183,410	3,791	20,181,958
39	1,603	8,215,298	3,562	19,943,836
40	1,524	7,562,714	3,641	20,874,096
41	1,616	8,472,743	3,759	21,294,077
42	1,420	7,768,196	3,786	22,101,972
43	1,619	8,752,346	3,679	21,055,230
44	1,490	8,100,621	3,705	21,748,027
45	1,442	8,209,977	3,574	21,679,651
46	1,459	7,983,103	3,547	21,229,675
47	1,357	7,572,397	3,353	20,408,712
48	1,331	8,053,338	3,193	20,572,826
49	1,344	8,485,649	3,132	19,158,801
50	1,161	6,819,455	2,863	17,440,038
51	1,181	7,082,824	2,946	17,415,847
52	1,194	7,209,283	2,634	16,285,227
53	1,192	7,485,540	2,641	15,993,886
54	1,230	7,194,959	2,666	16,549,248
55	1,295	7,938,354	2,832	17,398,749
56	1,180	7,240,461	2,730	16,694,686
57	1,061	6,873,868	2,295	13,793,194
58	1,040	6,617,700	2,114	12,619,569
59	989	6,006,482	1,989	11,741,297
60	924	5,580,180	1,787	10,748,257
61	816	5,017,211	1,635	9,388,519
62	750	4,644,492	1,546	9,111,801

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-6: Number and Accumulated Contributions of Terminated Non-Vested Members Distributed by Age as of December 31, 2025 (continued)

	Men		Women	
Age	Number	Contributions	Number	Contributions
63	696	$ 4,112,371	1,446	$ 8,091,461
64	659	3,543,256	1,386	7,705,036
65	643	3,577,408	1,171	6,895,342
66	473	2,771,150	932	5,560,350
67	436	2,687,795	779	4,706,187
68	411	2,372,457	705	4,173,120
69	382	2,201,617	662	3,796,764
70	344	2,204,378	569	3,166,083
71	302	1,585,602	490	2,708,466
72	265	1,534,534	431	2,474,324
73	218	1,163,340	399	2,498,615
74	167	832,596	229	1,427,079
75	93	343,452	118	498,189
76	56	271,772	76	397,098
77	45	181,405	43	183,229
78	35	171,796	44	166,148
79	24	48,164	34	131,905
80	14	41,896	19	112,357
81	24	160,166	15	44,825
82	16	54,710	12	81,197
83	6	53,507	10	52,628
84	9	22,632	8	34,778
85	8	29,066	5	22,852
86	6	16,319	7	9,702
87	6	41,987	6	1,755
88	5	33,292	6	32,875
89	4	32,117	4	21,824
90	3	6,614	2	20,690
91	6	17,225	3	5,428
92	2	3,202	1	400
93	2	10,466	2	269
94	2	933	2	167
95	1	5,242	3	1,334
96	1	209		
97	2	6,395	2	401
98	1			
99			4	6,068
100			1	231
101			1	7
102	1	2,078	1	5
104	1	371	2	242
105	1	149	1	345
106			1	250
108	1	1,393		
Total	55,032	$ 285,868,551	124,401	$ 680,619,756

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-7: Number and Annual Retirement Allowances of Retired Members (Healthy at Retirement) and Survivors of Deceased Members Distributed by Age as of December 31, 2025

	Men		Women	
Age	Number	Allowances	Number	Allowances
<20	9	$ 92,097	5	$ 46,071
20	2	12,409	2	23,731
21	4	56,763	1	3,566
22	1	33,297	3	37,030
23	7	71,966	3	58,871
24	1	5,191	2	40,059
25	3	58,740	6	81,427
26	4	31,125	6	45,484
27	11	130,069	3	19,274
28	9	151,158	7	93,415
29	10	81,981	11	167,019
30	11	158,022	7	102,054
31	4	51,893	13	131,153
32	11	139,740	13	163,784
33	8	105,005	16	198,933
34	14	249,091	17	181,157
35	15	210,032	19	178,151
36	20	211,230	31	327,067
37	28	250,801	24	259,137
38	19	296,912	22	264,299
39	19	173,473	35	473,512
40	19	201,153	31	376,923
41	18	252,791	23	283,319
42	31	310,999	26	240,755
43	29	383,368	32	360,899
44	36	308,486	37	444,491
45	29	417,461	43	382,199
46	26	324,412	42	496,247
47	36	398,094	44	534,879
48	41	668,933	50	596,363
49	71	1,878,728	66	878,693
50	108	3,368,692	105	2,173,477
51	186	6,087,205	312	7,852,883
52	302	10,019,115	483	14,910,844
53	392	13,708,906	726	22,632,694
54	599	21,272,414	1,037	32,701,587
55	736	26,227,883	1,406	45,194,810
56	849	30,530,221	1,568	51,530,802
57	872	30,646,435	1,720	54,380,162
58	944	32,862,825	1,743	54,095,606
59	1,000	34,304,331	1,911	59,497,694
60	1,142	38,064,158	2,107	62,004,495
61	1,341	41,010,448	2,989	81,083,086
62	1,662	47,942,385	3,520	87,192,644
63	1,947	51,808,171	4,246	94,230,037

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-7: Number and Annual Retirement Allowances of Retired Members (Healthy at Retirement) and Survivors of Deceased Members Distributed by Age as of December 31, 2025 (continued)

	Men		Women	
Age	Number	Allowances	Number	Allowances
64	2,080	$ 53,786,131	4,805	$ 106,449,535
65	2,321	57,764,485	5,438	114,156,388
66	2,518	58,398,984	6,208	127,122,601
67	2,758	62,775,579	6,587	129,194,055
68	2,867	65,393,361	7,103	146,046,034
69	2,981	66,576,470	7,438	151,234,493
70	3,052	68,120,486	7,477	152,655,353
71	3,140	70,181,821	7,649	155,378,640
72	3,150	70,337,061	7,992	163,656,455
73	3,216	73,532,021	8,144	168,148,118
74	3,235	74,324,432	7,990	165,638,480
75	3,184	72,165,965	7,580	156,597,879
76	3,052	70,399,624	7,206	144,429,384
77	3,076	70,774,786	6,980	138,857,345
78	3,003	69,846,135	6,765	132,412,502
79	3,135	75,520,075	7,071	138,507,937
80	2,116	50,266,133	4,730	89,934,403
81	2,025	47,868,296	4,335	81,606,150
82	1,773	42,147,586	4,171	78,558,011
83	1,712	42,370,186	4,021	75,801,476
84	1,324	32,342,379	3,222	59,676,431
85	1,137	27,486,369	2,763	50,546,636
86	974	24,724,474	2,444	44,784,104
87	864	21,732,066	2,108	37,699,854
88	740	18,096,133	1,928	34,212,190
89	570	14,485,158	1,568	28,470,086
90	499	12,608,724	1,380	25,352,227
91	387	9,970,238	1,283	21,968,547
92	327	8,197,963	958	16,476,424
93	249	6,231,151	784	13,642,600
94	204	5,237,902	651	12,042,508
95	131	3,593,159	474	8,712,751
96	115	3,150,648	397	6,930,751
97	70	2,103,934	275	4,689,928
98	39	830,126	193	3,284,392
99	36	818,080	142	2,156,351
100+	61	1,034,854	254	4,061,407
Total	74,747	$ 1,850,761,584	175,027	$ 3,668,063,209

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-8: Number and Annual Retirement Allowances of Retired Members (Healthy at Retirement) and Survivors of Deceased Members Distributed by Annuity Type as of December 31, 2025

	Men		Women	
Annuity Type	Number	Allowances	Number	Allowances
Maximum	24,909	$ 596,241,113	93,663	$ 1,934,157,367
Option 1	191	6,173,735	693	13,723,988
Option 2	16,363	410,373,587	13,412	249,241,305
Option 3	3,665	110,217,762	5,080	115,613,864
Option 4	8,452	211,407,436	24,160	543,565,223
Option 5-2	38	1,262,625	22	197,075
Option 5-3	16	490,457	17	355,312
Option 6-2	11,838	319,085,845	15,189	343,935,536
Option 6-3	3,953	123,777,784	8,783	233,382,310
Other			1	16,503
Survivors of Deceased Members	5,322	71,731,240	14,007	233,874,726
Total	74,747	$1,850,761,584	175,027	$ 3,668,063,209

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-9: Number and Annual Retirement Allowances of Retired Members (Disabled at Retirement) Distributed by Age as of December 31, 2025

	Men		Women	
Age	Number	Allowances	Number	Allowances
50			2	$ 34,571
51			2	$ 33,539
52	3	72,956	6	$ 99,508
53	7	169,857	9	$ 213,711
54	11	255,602	27	$ 712,705
55	21	500,887	28	$ 689,407
56	17	408,290	49	$ 1,228,127
57	28	621,490	48	$ 1,157,485
58	28	635,728	55	$ 1,321,351
59	38	798,140	59	$ 1,411,034
60	46	960,396	101	$ 2,098,237
61	81	1,664,132	161	$ 3,238,938
62	77	1,656,481	183	$ 3,338,118
63	86	1,726,144	185	$ 3,586,737
64	109	1,991,336	224	$ 4,114,367
65	125	2,265,872	347	$ 5,775,053
66	152	2,658,499	345	$ 5,496,458
67	182	2,780,888	366	$ 5,749,383
68	189	3,228,410	405	$ 6,594,617
69	190	3,126,151	387	$ 6,020,937
70	168	2,812,201	435	$ 7,175,213
71	164	2,735,432	412	$ 6,799,487
72	180	3,110,542	468	$ 7,851,445
73	188	3,197,509	466	$ 8,321,716
74	190	3,418,068	499	$ 8,869,544
75	184	3,321,907	535	$ 9,513,679
76	184	3,153,954	439	$ 7,628,297

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-9: Number and Annual Retirement Allowances of Retired Members (Disabled at Retirement) Distributed by Age as of December 31, 2025 (continued)

	Men		Women	
Age	Number	Allowances	Number	Allowances
77	180	3,126,914	425	$ 7,724,393
78	209	3,819,175	418	$ 7,194,933
79	177	3,433,972	410	$ 7,146,921
80	119	2,215,425	285	$ 4,897,192
81	97	1,641,630	283	$ 4,538,452
82	84	1,453,124	246	$ 3,573,372
83	81	1,309,991	229	$ 3,737,325
84	51	965,717	167	$ 2,558,658
85	40	542,278	137	$ 1,846,213
86	41	608,054	92	$ 1,293,737
87	23	323,787	102	$ 1,290,504
88	20	345,186	79	$ 1,033,089
89	14	184,968	41	$ 573,395
90	8	168,511	35	$ 455,308
91	6	130,261	15	$ 199,933
92	2	70,757	18	$ 191,415
93	4	168,662	12	$ 121,473
94	8	123,294	8	$ 102,817
95	5	57,733	14	$ 150,355
96			4	$ 37,271
97			4	$ 45,192
98			6	$ 64,920
99			1	$ 22,832
100			4	$ 23,234
101			1	$ 6,606
102			1	$ 21,051
Total	3,817	$ 67,960,311	9,280	$ 157,924,255

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-10: Number and Annual Retirement Allowances of Retired Members (Disabled at Retirement) Distributed by Annuity Type as of December 31, 2025

	Men		Women	
Annuity Type	Number	Allowances	Number	Allowances
Maximum	1,801	$ 33,737,610	6,326	$ 110,406,339
Option 1	26	$ 546,449	99	$ 1,497,689
Option 2	909	$ 13,863,652	961	$ 13,679,029
Option 3	168	$ 3,279,239	305	$ 4,687,545
Option 4	121	$ 2,615,446	389	$ 7,127,354
Option 5-2	1	$ 20,506		
Option 5-3				
Option 6-2	621	$ 10,390,190	796	$ 12,998,414
Option 6-3	170	$ 3,507,219	403	$ 7,506,923
Other			1	$ 20,962
Total	3,817	$ 67,960,311	9,280	$ 157,924,255

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-11: Number and Annual Retirement Allowances of Retired Members and Survivors of Deceased Members Distributed by Amount of Annual Retirement Allowance as of December 31, 2025

Amount of Annual Retirement Allowances	Number of Retired Members and Survivors	Sum of Annual Retirement Allowances
$0 -$ 4,999	31,299	$ 96,301,525
$5,000 - $9,999	42,015	313,096,920
$10,000 - $14,999	37,024	461,109,615
$15,000 - $19,999	29,780	517,809,246
$20,000 - $24,999	25,495	574,160,398
$25,000 - $29,999	24,694	678,358,486
$30,000 - $34,999	23,774	770,980,555
$35,000 - $39,999	17,608	657,341,641
$40,000 -$ 44,999	10,881	460,250,655
$45,000 - $49,999	6,661	314,979,104
$50,000 & over	13,640	900,321,214
Total	262,871	$ 5,744,709,359

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Appendix B: Summary of Main Benefit and Contribution Provisions

A summary of the main benefit provisions of the Retirement System and of the sources of revenue from which benefits are paid is presented in the following digest. Items in parentheses in the text are the provisions applicable to law enforcement officers.

Average final compensation

The average annual compensation during the four consecutive years of membership service that afford the highest such average

Membership service

Service represented by regular contributions

Creditable service

Membership service, which may also include certain non-contributory or purchased service

Membership

Membership in TSERS is automatic for eligible employees who are permanent, full-time teachers or employees of a state-supported board of education or community college, a permanent employee of the state (or any of its agencies, departments, bureaus or institutions) and work at least 30 hours per week for nine months per year, a permanent employee of a charter school that participates in TSERS and works at least 30 hours per week for nine months per year, or a community college President hired after June 30, 2018. Faculty members, administrators or other eligible employees at a state institution of higher education as well as community college presidents hired on or before June 30, 2018 may join the ORP instead of TSERS.

Agricultural Extension Service employees and members of the Federal Employees' Retirement System, new employees of the University of North Carolina Health Care System hired on or after Jan. 1, 2024, and employees of the Medical Faculty Practice Plan or ECU Dental School Clinical hired on or after Jan. 1, 2024 are not eligible for membership in TSERS.

Benefits

Unreduced Retirement Allowance

Condition for Allowance

An unreduced retirement allowance is payable to any member who retires from service:

(a) after age 65 (55) and completion of five years of creditable service.

(b) after age 60 and completion of 25 years of creditable service (not applicable to law enforcement officers); or

(c) after completion of 30 years of creditable service.

Amount of Allowance

1.82% of average final compensation multiplied by the number of years of creditable service.

In no event will a member whose creditable service commenced on or before June 30, 1963 receive a smaller retirement allowance than he would have received under the benefit provisions of the system in effect on that date.

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Appendix B: Summary of Main Benefit and Contribution Provisions (continued)

Reduced Retirement Allowance

Condition for Allowance

A reduced retirement allowance is payable to any member who retires from service prior to becoming eligible for an unreduced retirement allowance but after age 60 and completion of five years of membership service (age 55 and five years of creditable service).

Amount of Allowance

The member's reduced retirement allowance is equal to 1.82% of average final compensation multiplied by the number of years of creditable service at date of retirement reduced by 1/4 of 1% for each month by which the member's age at retirement is less than age 65.

In no event will a member whose creditable service commenced on or before June 30, 1963 receive a smaller retirement allowance than he would have received under the benefit provisions of the system in effect on that date.

OR

Condition for Allowance

A reduced retirement allowance is payable to any member who retires from service after age 50 and completion of 20 (15) years of creditable service but prior to becoming eligible for a reduced or unreduced retirement allowance.

Amount of Allowance

The member's reduced retirement allowance is equal to 1.82% of average final compensation multiplied by the number of years of creditable service at date of retirement reduced by the lesser of:

(i) 5/12 (1/3) of 1% for each month by which his or her age is less than 60 (55), plus, if the member is not a law enforcement officer, 1/4 of 1% for each month by which his or her age is less than 65.

(ii) 5% times the difference between 30 years and his or her creditable service at retirement.

OR

Condition for Allowance

A reduced retirement allowance is payable to any law enforcement officer who retires from service at any age with 25 years of service (15 years as an officer), but prior to becoming eligible for a reduced or unreduced retirement allowance.

Amount of Allowance

The member's reduced retirement allowance is equal to 1.82% of average final compensation multiplied by the number of years of creditable service at date of retirement reduced by the lesser of:

(i) 1/3 of 1% for each month by which his or her age is less than 55,

(ii) 5% times the difference between 30 years and creditable service at retirement plus 4% times the difference between age 50 and the member's age at retirement.

Deferred Retirement Allowance

Any member who separates from service after completing five or more years of membership service prior to becoming eligible for an unreduced or reduced retirement allowance and who leaves his or her total accumulated contributions in the system may receive a deferred retirement allowance, beginning at age 60 (55), computed in the same way as a reduced retirement allowance, or, if the member has 20 (15) or more years of service, at age 50 computed in the same way as a reduced service retirement allowance, on the basis of creditable service and compensation to the date of separation.

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Appendix B: Summary of Main Benefit and Contribution Provisions (continued)

Return of Contributions

Upon the withdrawal of a member without a retirement allowance and upon his or her request, the member's contributions are returned, together with accumulated regular interest.

Upon the death of a member before retirement, his or her contributions, together with the full accumulated regular interest thereon, are paid to his or her estate or to person(s) designated by the member unless the designated beneficiary, if eligible, elects the survivor's alternate benefit described below.

The current interest rate on member contributions is 4%.

Survivor's Alternate Benefit

Upon the death of a member in service who has met conditions (a) or (b) below, his or her designated beneficiary may elect to receive a benefit equal to that which would have been payable under the provisions of Option 2 had the member retired on the first day of the month following his or her death and elected such option, in lieu of the member's accumulated contributions, provided the member had not instructed the Board of Trustees in writing that he or she did not wish the alternate benefit to apply.

a) age 60 (55) and completion five years of membership (creditable) service; or

b) completion of 20 years of creditable service.

Members receiving a benefit from the Disability Income Plan are eligible for this benefit.

Death After Retirement

Upon the death of a beneficiary who did not retire under an effective election of Option 2, 3, 5 or 6, an amount equal to the excess if any, of the member's accumulated contributions at retirement over the retirement allowance payments received is paid to a designated person or to the beneficiary's estate.

Upon the death of the survivor of a beneficiary who retired under an effective election of Option 2, 3, 5 or 6, an amount equal to the excess, if any, of the beneficiary's accumulated contributions at retirement over the total retirement allowance payments received is paid to such other person designated by the beneficiary or to the beneficiary's estate.

Upon the death of a beneficiary, a benefit may be provided by the Retirees' Contributory Death Benefit Plan.

Other Death Benefits

Upon the death of a member in service, other benefits may be provided by the Death Benefit Plan or Separate Insurance Benefit Plan for Law Enforcement Officers.

Optional Arrangements at Retirement

In lieu of the full retirement allowance, any member may elect to receive a reduced retirement allowance equal in value to the full allowance, with the provision that:

Option 1 A member retiring prior to July 1, 1993, may elect that at his or her death within 10 years from his or her retirement date, an amount equal to his or her accumulated contributions at retirement, less 1/120 for each month he has received a retirement allowance, is paid to his or her estate, or to a person(s) designated by the member, or

Option 2 At the death of the member his or her allowance shall be continued throughout the life of such other person as the member shall have designated at the time of his or her retirement, or

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Appendix B: Summary of Main Benefit and Contribution Provisions (continued)

Option 3 At the death of the member one-half of his or her allowance shall be continued throughout the life of such other person as the member shall have designated at the time of his or her retirement.

Option 4 A member may elect to receive a retirement allowance in such an amount that, together with his or her Social Security benefit, he or she will receive approximately the same income per annum before and after the earliest age at which he or she becomes eligible to receive the Social Security benefit.

Option 5 A member retiring prior to July 1, 1993 may elect to receive a reduced retirement allowance under the provisions of Option 2 or Option 3 in conjunction with the provisions of Option 1.

Option 6 A member may elect either Option 2 or Option 3 with the added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option.

Post-Retirement Increases in Allowances

Future increases in allowances may be granted at the discretion of the State.

Service Reciprocity

For the purpose of determining eligibility for a deferred, reduced or unreduced service retirement allowance, the membership and creditable service of a member shall include such prior service earned as a member of the Local Governmental Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS), or the Legislative Retirement System (LRS). In addition, if the member's accumulated contributions and reserves are transferred from the prior System to this System, the creditable service earned as a member of the prior System may be included for purposes of determining the amount of benefits payable under this System.

Military Service

For periods of active duty in the United States military may be counted as creditable service if the member was an employee upon entering the military and returned to employment within two years of discharge or for a period of 10 additional years.

Service Purchases

Additional creditable service may include service that the member purchased to restore a period of service for which the member:

1) received a refund of contributions,
2) had a leave of absence for educational purposes, extended illness or parental or maternity reasons,
3) had full-time temporary or part-time local or State government employment,
4) was in a probationary or waiting period with a unit of the LGERS,
5) had a leave of absence under Workers' Compensation,
6) performed service with a unit of local government not covered by LGERS,
7) performed service with the federal government or to another state not covered by any other retirement system,
8) performed service with a public community service entity funded entirely with federal funds,
9) performed service as a member of the General Assembly,
10) performed service as a member of a charter school not participating in the system,
11) was employed by The University of North Carolina and participated in the Optional Retirement Program but not eligible to receive any benefits from that program, or
12) performed service which was omitted by reason of error.

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Appendix B: Summary of Main Benefit and Contribution Provisions (continued)

Unused Sick Leave

Unused sick leave counts as creditable service at retirement. Sick leave which was converted from unused vacation leave is also creditable. One month of credit is allowed for each 20 days of unused sick leave, plus an additional month for any part of 20 days left over.

Transfer of Defined Contribution Balances (Special Retirement Allowances)

A member may make a one-time election to transfer any portion of their eligible accumulated contributions to this plan on or after retirement. Eligible accumulated contributions are those from the Supplemental Retirement Income Plan or Public Employee Deferred Compensation Plan, not including Roth after-tax contributions. A member who became a member of the Supplemental Retirement Income Plan prior to retirement and who remains a member of the Supplemental Retirement Income Plan may also make a one-time election to transfer eligible balances, not including any Roth after-tax contributions, from any of the following plans to the Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement System:

1) A plan participating in the North Carolina Public School Teachers' and Professional Educators' Investment Plan.
2) A plan described in section 403(b) of the Internal Revenue Code.
3) A plan described in section 457(b) of the Internal Revenue Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.
4) An individual retirement account or annuity described in Section 408(a) or 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income.
5) A tax-qualified plan described in section 401(a) or 403(a) of the Internal Revenue Code.

The member may elect to convert the accumulated contributions to a life annuity with or without annual increases equal to the annual increase in the U.S. Consumer Price Index. Any ad-hoc COLA increases granted will not apply to benefits under this section. A member may elect Options 2, 3, or 6 under the Plan and may also elect either a guaranteed number of months of payments or a guarantee of total payments at least equal to the amount of contributions transferred to the Plan. In addition, any transfer may be paid in whole or in part with employer contributions paid directly to the Retirement System at the time of transfer.

Contributions

Member Contributions

Each member contributes 6% of his or her compensation.

Employer Contributions

Employers make annual contributions consisting of a normal contribution and an accrued liability contribution. The normal contribution covers the liability on account of current service and is determined by the actuary after each valuation.

The accrued liability contribution covers the past service liability that exceeds the actuarial value of assets.

The minimum total employer contribution rate is 6.00%.

Changes Since Prior Valuation

The December 31, 2025, valuation reflects a one-time supplement for TSERS payees in pay status as of September 1, 2026 that is equal to 2.5% of their annual retirement allowance payable as of that date, with such supplement to be paid in October 2026.

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Appendix C: Actuarial Assumptions and Methods

Assumptions are based on the experience investigation prepared as of December 31, 2024 and adopted by the Board of Trustees on January 29, 2026 for use beginning with the December 31, 2025 annual actuarial valuation.

Interest Rate

6.50% per annum, compounded annually.

Price Inflation

2.50% per annum, compounded annually.

Real Wage Growth

0.75% per annum.

Payroll Growth

3.25% per annum.

Separations From Active Service

Representative values of the assumed rates of separation from active service are as follows:

Rates of Withdrawal

Up to five years of membership

	General Employees		Teachers, Librarians, and Counselors		Law Enforcement Officers		Other Education	
Service	Male	Female	Male	Female	Male	Female	Male	Female
0	0.1500	0.1600	0.1375	0.1100	0.1200	0.1200	0.1600	0.1500
1	0.1700	0.1850	0.1675	0.1600	0.1100	0.1100	0.1825	0.1725
2	0.1400	0.1550	0.1500	0.1500	0.1000	0.1000	0.1625	0.1425
3	0.1125	0.1325	0.1300	0.1275	0.0900	0.0900	0.1325	0.1225
4	0.0950	0.1075	0.1050	0.1125	0.0800	0.0800	0.1100	0.1050

After five years of membership

	General Employees		Teachers, Librarians, and Counselors		Law Enforcement Officers		Other Education	
Age	Male	Female	Male	Female	Male	Female	Male	Female
25	0.1500	0.1800	0.2500	0.2200	0.0600	0.0600	0.2100	0.1800
30	0.1100	0.1150	0.0900	0.1000	0.0600	0.0600	0.0900	0.1350
35	0.0675	0.0850	0.0625	0.0550	0.0350	0.0350	0.0550	0.0675
40	0.0450	0.0500	0.0400	0.0300	0.0200	0.0200	0.0400	0.0400
45	0.0350	0.0400	0.0300	0.0300	0.0200	0.0200	0.0350	0.0400
50	0.0350	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
55	0.0350	0.0400	0.0400	0.0400			0.0400	0.0400
60	0.0350	0.0400	0.0400	0.0400			0.0400	0.0400

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Appendix C: Actuarial Assumptions and Methods (continued)

Annual Rates of Mortality for Employees

(Base rates using Pub-2016 Amount weighted)

	General Employees		Teachers, Librarians, and Counselors		Law Enforcement Officers		Other Education	
Age	Male	Female	Male	Female	Male	Female	Male	Female
25	0.00042	0.00013	0.00024	0.00008	0.00034	0.00016	0.00042	0.00013
30	0.00048	0.00019	0.00028	0.00013	0.00040	0.00022	0.00048	0.00019
35	0.00052	0.00028	0.00035	0.00020	0.00047	0.00031	0.00052	0.00028
40	0.00069	0.00041	0.00047	0.00032	0.00059	0.00045	0.00069	0.00041
45	0.00099	0.00061	0.00070	0.00048	0.00079	0.00067	0.00099	0.00061
50	0.00147	0.00092	0.00109	0.00073	0.00116	0.00100	0.00147	0.00092
55	0.00226	0.00137	0.00174	0.00107	0.00180	0.00150	0.00226	0.00137
60	0.00341	0.00207	0.00271	0.00159	0.00291	0.00226	0.00341	0.00207
65	0.00493	0.00313	0.00410	0.00256	0.00472	0.00343	0.00493	0.00313
70	0.00729	0.00476	0.00627	0.00427	0.00874	0.00521	0.00729	0.00476
74	0.01048	0.00665	0.00891	0.00643	0.01431	0.00729	0.01048	0.00665

Annual Rates of Disability

Active Members with 5 or more years of service as of January 1, 1988

	General Employees		Teachers, Librarians, and Counselors		Law Enforcement Officers		Other Education	
Age	Male	Female	Male	Female	Male	Female	Male	Female
25	0.00020	0.00024	0.00006	0.00018	0.00330	0.00330	0.00020	0.00024
30	0.00040	0.00040	0.00012	0.00026	0.00430	0.00430	0.00040	0.00040
35	0.00100	0.00100	0.00030	0.00060	0.00600	0.00600	0.00100	0.00100
40	0.00300	0.00180	0.00066	0.00102	0.00790	0.00790	0.00300	0.00180
45	0.00500	0.00320	0.00138	0.00178	0.01100	0.01100	0.00500	0.00320
50	0.00840	0.00500	0.00234	0.00316	0.01760	0.01760	0.00840	0.00500
55	0.01440	0.00880	0.00474	0.00554	0.03070	0.03070	0.01440	0.00880
60	0.02400	0.01380	0.00768	0.01020	0.06010	0.06010	0.02400	0.01380
64	0.03160	0.01780	0.01124	0.01392	0.11210	0.11210	0.03160	0.01780

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Appendix C: Actuarial Assumptions and Methods (continued)

Retirements

Representative values of the assumed rates of retirement from active service are as follows:

Annual Rates of Retirement for Active Members

General Employees

Male	Service						
Age	5	10	15	20	25	30	35
50				0.0325	0.0400	0.4000	0.4000
55				0.0325	0.0525	0.2800	0.2800
60	0.0825	0.0650	0.0775	0.0900	0.2500	0.2300	0.2300
65	0.1725	0.2325	0.2600	0.2850	0.3100	0.2750	0.2750
70	0.1725	0.2325	0.2350	0.2500	0.2000	0.2750	0.2750
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Female	Service						
Age	5	10	15	20	25	30	35
50				0.0375	0.0425	0.3250	0.3250
55				0.0425	0.0425	0.2350	0.2350
60	0.0775	0.0925	0.0925	0.0950	0.2500	0.2350	0.2350
65	0.2200	0.2625	0.2950	0.3100	0.3350	0.2600	0.2600
70	0.1950	0.2300	0.2250	0.2400	0.3350	0.2800	0.2800
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Teachers, Librarians, and Counselors

Male	Service						
Age	5	10	15	20	25	30	35
50				0.0325	0.0400	0.7000	0.7000
55				0.0475	0.0400	0.3500	0.3500
60	0.0775	0.0900	0.1100	0.1100	0.3600	0.2500	0.2500
65	0.2000	0.2200	0.2500	0.3500	0.3600	0.2500	0.2500
70	0.2000	0.2500	0.2500	0.2500	0.2750	0.2500	0.2500
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Female	Service						
Age	5	10	15	20	25	30	35
50				0.0500	0.0425	0.5500	0.5500
55				0.0500	0.0575	0.3500	0.3500
60	0.0950	0.1050	0.1300	0.1300	0.3500	0.3500	0.3500
65	0.2500	0.3000	0.3000	0.3900	0.4500	0.3500	0.3500
70	0.2500	0.2500	0.2700	0.3400	0.2750	0.3000	0.3000
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

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Appendix C: Actuarial Assumptions and Methods (continued)

Law Enforcement Officers

	Service						
Age	5	10	15	20	25	30	35
50			0.0550	0.0500	0.1800	0.6000	0.6000
55	0.2500	0.1500	0.4000	0.4500	0.6000	0.5000	0.5000
60	0.1000	0.1500	0.2000	0.3000	0.2700	0.4500	0.4500
65	0.1775	0.3500	0.4000	0.3000	0.3000	0.4000	0.4000
70	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Other Education

Male	Service						
Age	5	10	15	20	25	30	35
50				0.0350	0.0375	0.4000	0.4000
55				0.0400	0.0550	0.2750	0.2750
60	0.0800	0.0700	0.0900	0.0900	0.2250	0.2400	0.2400
65	0.2000	0.2300	0.2900	0.3000	0.3750	0.2750	0.2750
70	0.1500	0.2300	0.2500	0.2300	0.3000	0.3000	0.3000
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Female	Service						
Age	5	10	15	20	25	30	35
50				0.0450	0.0475	0.3750	0.3750
55				0.0550	0.0700	0.2750	0.2750
60	0.0850	0.0900	0.1000	0.1000	0.3000	0.2500	0.2500
65	0.2500	0.2750	0.2750	0.3500	0.3400	0.3000	0.3000
70	0.1750	0.2100	0.2300	0.2500	0.4000	0.2750	0.2750
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Assumed Retirement Age for Deferred Vested Members

Not Law Enforcement Officers:

Current and future deferred vested members are assumed to retire at age 60 with 5 years of service and less than 20 years of service or age 50 if they have 20 or more years of service.

Law Enforcement Officers:

Current and future deferred vested members are assumed to retire at age 55 with 5 years of service and less than 15 years of service and at age 50 if they have 15 or more years of service for members in Law Enforcement.

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Appendix C: Actuarial Assumptions and Methods (continued)

Salary Merit Increases

Total assumed salary increases are these merit rates combined with the wage inflation assumption of 3.25% (2.50% price inflation plus 0.75% real wage growth)[1]. Representative values of the assumed annual rates of salary merit increases are as follows:

Service	General Employees	Teachers, Librarians and Counselors	Law Enforcement Officers	Other Education
0	4.00%	5.00%	5.75%	4.75%
5	2.50%	3.25%	3.90%	3.30%
10	1.60%	2.00%	2.00%	2.30%
15	0.75%	1.00%	1.25%	1.70%
20	0.60%	0.55%	1.25%	1.20%
25	0.40%	0.50%	1.00%	0.80%
30	0.00%	0.50%	0.40%	0.45%
>=35	0.00%	0.00%	0.00%	0.00%

Post-Decrement Mortality

Representative values of the assumed post-decrement mortality rates as of 2016 prior to any mortality improvements are as follows:

Annual Rates of Post-Decrement Mortality (healthy members)

	General Employees		Teachers, Librarians, and Counselors		Law Enforcement Officers		Other Education	
Age	Male	Female	Male	Female	Male	Female	Male	Female
55	0.00418	0.00285	0.00309	0.00244	0.00314	0.00268	0.00418	0.00285
60	0.00619	0.00361	0.00455	0.00292	0.00479	0.00428	0.00619	0.00361
65	0.00877	0.00516	0.00691	0.00419	0.00785	0.00709	0.00877	0.00516
70	0.01366	0.00892	0.01136	0.00734	0.01420	0.01236	0.01366	0.00892
75	0.02392	0.01730	0.02058	0.01469	0.02672	0.02232	0.02392	0.01730
80	0.04426	0.03377	0.04082	0.03102	0.04927	0.04068	0.04426	0.03377

[1] The salary merit increase rates listed in the table are multiplicative. This results in a maximum increase rate of 9.19%.

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Appendix C: Actuarial Assumptions and Methods (continued)

Annual Rates of Post-Decrement Mortality (survivors and disabled members)

	Contingent Survivors and Alternate Payees		Disabled Members			
			Non - Law Enforcement Officers		Law Enforcement Officers	
Age	Male	Female	Male	Female	Male	Female
55	0.00989	0.00650	0.01783	0.01204	0.01334	0.01126
60	0.01310	0.00937	0.02722	0.01834	0.02036	0.01715
65	0.01800	0.01378	0.03248	0.02024	0.02430	0.01893
70	0.02607	0.02088	0.03822	0.02436	0.02859	0.02279
75	0.03992	0.03272	0.05513	0.03703	0.04125	0.03463
80	0.06411	0.05335	0.08702	0.06201	0.06510	0.05799

Mortality Assumption

All mortality rates use Pub-2016 amount-weighted tables.

Mortality Projection

All mortality rates are projected from 2016 using generational improvement with Scale MP-2021.

Deaths After Termination/Retirement (General Employees and Other Education)

Mortality rates are based on the General Mortality Table for Retirees, with adjustments as follows:

Age	Male Factor	Female Factor	Age	Male Factor	Female Factor
< 72	99%	94%	81	99%	103%
72	99%	95%	82	100%	105%
73	99%	96%	83	101%	107%
74	99%	97%	84	102%	109%
75	98%	98%	85	103%	109%
76	98%	99%	86	104%	109%
77	98%	100%	87	105%	107%
78	98%	101%	88	105%	105%
79	98%	101%	89	105%	103%
80	98%	101%	>= 90	105%	101%

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Appendix C: Actuarial Assumptions and Methods (continued)

Deaths After Termination/Retirement (Teachers)

Mortality rates are based on the Below-median Teachers Mortality Table for Retirees, with adjustments as follows:

Age	Male Factor	Female Factor
<73	94%	99%
73	94%	101%
74	94%	103%
75	95%	105%
76	96%	107%
77	97%	109%
78	98%	111%
79	99%	111%
80	100%	111%
81	101%	111%
82	102%	111%

Age	Male Factor	Female Factor
83	103%	112%
84	104%	112%
85	105%	112%
86	105%	109%
87	105%	106%
88	105%	103%
89	105%	100%
90	105%	97%
91	105%	94%
>= 92	105%	93%

Deaths After Termination/Retirement (Law Enforcement Officers)

Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 106%.

Deaths of Contingent Survivors (before and after death of original member) and Alternate Payees

Mortality rates are based on the Below-median General Mortality Table for Contingent Survivors, with adjustments as follows:

Age	Male Factor	Female Factor
< 81	109%	126%
81	109%	124%
82	109%	122%
83	109%	120%
84	109%	118%
85	109%	116%
86	109%	114%
87	109%	112%
88	109%	110%
>= 89	109%	108%

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Appendix C: Actuarial Assumptions and Methods (continued)

Deaths After Disablement

Mortality rates are based on the General Mortality Table for Disabled Retirees. Rates for male members not in Law Enforcement are multiplied by 135% for all ages, while male members in Law Enforcement are multiplied by 101% for all ages. Rates for female members not in Law Enforcement are multiplied by 108% for all ages, while female members in Law Enforcement are multiplied by 101% for all ages.

Deaths Prior to Termination/Retirement

Mortality rates for the general and other education groups are based on the General Mortality Table for Employees. Mortality rates for teachers are based on the Teachers Mortality Table for Employees. Mortality rates for law enforcement officers are based on the Safety Mortality Table for Employees.

Timing of Assumptions

All withdrawals, deaths, disabilities, retirements and salary increases are assumed to occur July 1 of each year. The timing of retirement changes from mid-year to beginning of year at and after the 100% retirement age.

Leave Conversions

Sick leave can be converted to increase creditable service and used to meet the eligibility requirements for retirement. Unused vacation leave can be converted to increase creditable service or compensation but does not add to the eligibility service. The assumed impact of these conversions is shown in the table below.

		General Employees		Teachers, Librarians and Counselors		Law Enforcement Officers		Other Education	
		Male	Female	Male	Female	Male	Female	Male	Female
Increase in AFC (percentage) – Unused Vacation Leave		2.70%	2.70%	2.20%	2.20%	3.00%	3.00%	2.40%	2.40%
Increase in Service (yrs) – Unused Sick Leave	Credited	0.75	0.50	0.80	0.60	1.50	1.25	0.90	0.70
	Eligibility	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Liability for Inactive Members

For inactive members with five or more years of service without actual deferred benefit amounts, a deferred benefit amount is estimated based on available data and contribution balances projecting backwards assuming 4% salary growth and 4% interest on contribution balances where necessary. For inactive members with less than five years of service the liability is equal to the member's accumulated contributions.

Administrative Expenses

0.10% of payroll added to the normal cost rate.

Marriage Assumption

100% married with male spouses two years older than female spouses.

Missing Gender Code

For members reported on the data without a gender code, we use the prior year's code where available or assign a code based on inspection.

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Appendix C: Actuarial Assumptions and Methods (continued)

Reported Compensation

Calendar year compensation as furnished by the system's office.

Valuation Compensation

Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date and the probability of decrement during the year.

Compensation for members receiving DIPNC benefits

Compensation earned as of the disability benefit effective date is increased by inflation to the valuation date.

Compensation Limits

No compensation limits are applied.

Actuarial Cost Method

Entry age normal cost method. Under this method, the actuarial value of projected benefits for each individual participant is allocated as a level percentage of compensation over the working lifetime of the participant between the date of employment and assumed date of exit.

Normal Cost

Normal cost rate reflects the impact of new entrants during the year.

Amortization Method

15-year closed, level-dollar amount. The amortization period for outstanding bases established prior to December 31, 2025 is extended by 3 years effective with the actuarially determined employer contributions amounts beginning with the fiscal year ending in 2028. The first amortization base was created for the contribution payable for fiscal year ending 2012.

Additionally, if the funded status exceeds 100% on an actuarial value of assets (AVA) basis, but is less than 110%, all prior amortization bases are considered fully amortized and no amortization contribution is due. If the funded status exceeds 110% on an AVA basis, a surplus credit is offset against the normal cost rate and is based on a 30-year, level dollar, rolling amortization of the portion of the AVA in excess of 110% of the actuarial accrued liability. In all cases, the minimum ADEC is 6%.

Asset Valuation Method

Actuarial value, as developed in Table 10. The actuarial value of assets is based upon a smoothed market value method. Under this method, asset returns in excess of or less than the expected return on market value of assets will be reflected in the actuarial value of assets over a five-year period. The Actuarial Value of Assets was reset to the market value of assets at December 31, 2014. The calculation of the Actuarial Value of Assets is based on the following formula:

$MV - 80\% \times G/(L)_1 - 60\% \times G/(L)_2 - 40\% \times G/(L)_3 - 20\% \times G/(L)_4$

MV = the market value of assets as of the valuation date

$G/(L)_i$ = the asset gain or (loss) for the i-th year preceding the valuation date

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Appendix C: Actuarial Assumptions and Methods (continued)

Direct Rate Smoothing

Assumption and method changes proposed in the experience study prepared as of December 31, 2024, and adopted by the Board of Trustees on January 29, 2026, decreased the actuarially determined contribution requirements of TSERS by 2.90% of payroll. The impact of these assumption and method changes will be smoothed over a five-year period so that 20% of the impact is recognized for each valuation starting with the December 31, 2025 valuation, and will be fully recognized in the December 31, 2029 valuation.

The Total Preliminary ADEC shown in Table 1 is the actuarially determined contribution prior to any direct rate smoothing and before reflection of the ECRSP.

Changes in Assumptions and Methods Since Prior Valuation:

The assumptions and methods used for the December 31, 2025, actuarial valuation are based on the experience study prepared as of December 31, 2024, and adopted by the Board of Trustees on January 29, 2026. Material assumptions and methods that were changed since the prior valuation:

- The withdrawal assumptions, retirement assumptions, mortality assumptions, salary merit increase assumptions, leave conversion assumptions, and marriage assumption were changed
- The amortization method used in the calculation of actuarially determined contributions was changed to be based on 15-year periods instead of 12-year periods, and a policy regarding treatment of surplus assets was established

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Appendix D: Additional Disclosures

Table D-1 illustrates the sensitivity of certain valuation results to changes in the discount rate on a market value of assets basis. Table D-2 provides an estimate of future market value of asset returns based on the current portfolio structure as summarized in Gallagher's Stress Testing and Sensitivity Analysis Report, which was presented to the TSERS Board of Trustees on July 25, 2024.

Section 6(c) of Session Law 2016-108 requires that the actuarial valuation report provide the valuation results using a 30-year treasury rate as of December 31 of the year of the valuation as the discount rate. This is 4.84% at December 31, 2025 and has been used as the lower bound of the sensitivity analysis presented. The range between the current discount rate (6.50%) and the 30-year treasury rate (4.84%) was used to establish an upper bound for sensitivity analysis (8.16%). Gallagher analyzed expected future market value of asset returns in its Stress Testing and Sensitivity Analysis Report, which was presented to the TSERS Board of Trustees on July 25, 2024. In that study, the lower bound of 4.84% returns is between 75% to 95% likely to be achieved on average over the next 30 years, while the upper bound of 8.16% is more than 5% likely to be achieved on average over the next 30 years. For additional information regarding Gallagher's underlying Capital Market Assumptions and related assumptions, please refer to the TSERS Stress Testing and Sensitivity Analysis Report dated July 2024.

TSERS invests in a diversified portfolio with the objective of maximizing investment returns at a reasonable level of risk. However, Actuarial Standard of Practice No. 4 ("ASOP 4") requires the actuary to disclose a Low-Default-Risk Obligation Measure ("LDROM") of plan liabilities and provide commentary to help intended users of this report understand the significance of the measure with respect to funded status, contributions, and participant benefit security.

The LDROM is to be based on "discount rates derived from low-default-risk fixed income securities whose cash flows are reasonably consistent with the pattern of benefits expected to be paid in the future." Note that the actuarial accrued liability shown in Table D-1 using the 30-year treasury rate of 4.84% as of December 31, 2025 represents the LDROM of plan liabilities. Please note that the interest rate used for the LDROM is based on 30-year Treasury rates as of the measurement and will therefore vary for different measurement dates. All other assumptions are the same as those used for funding purposes as shown in this report.

The LDROM shown here represents an estimate of what the TSERS actuarial accrued liability would be if TSERS invested its assets solely in 30-year Treasury bonds. Consequently, the difference between the LDROM and the Actuarial Accrued Liability can be thought of as representing the expected taxpayer savings / (cost) from investing in the plan's diversified portfolio compared to investing only in 30-year Treasury bonds. It may also be thought of as the cost of reducing investment risk.

Actuaries play a role in helping determine funding methods and policies that can achieve affordable and appropriate contributions and risk management. The funded status based on actuarial accrued liability and the actuarially determined contributions are determined using the expected return on assets, which reflects the actual investment portfolio. Since the assets are not invested in an all-bond portfolio, the LDROM does not indicate TSERS' funded status or progress, nor does it provide information on necessary plan contributions.

With respect to security of participant benefits, if this plan were to be funded on an LDROM basis, participant benefits currently accrued as of the measurement date may be considered more secure as investment risk may be significantly reduced. However, the assets being invested in a diversified portfolio does not mean the participant benefits are not secure. Security of participant benefits relies on a combination of the assets in the plan, the investment returns generated on those assets, and the promise of future contributions from the plan sponsors.

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Appendix D: Additional Disclosures (continued)

Table D-1: Sensitivity of Valuation Results as of December 31, 2025

Discount Rate	4.84%	5.67%	6.50%	7.33%	8.16%
Market Value of Assets	$ 98,346,223,757	$ 98,346,223,757	$ 98,346,223,757	$ 98,346,223,757	$ 98,346,223,757
Actuarial Accrued Liability	$ 128,526,805,734	$ 116,245,347,211	$ 105,794,792,867	$ 96,861,479,322	$ 89,174,388,051
Unfunded Actuarial Accrued Liability	$ 30,180,581,977	$ 17,899,123,454	$ 7,448,569,110	$ (1,484,744,435)	$ (9,171,835,706)
Funded Ratio	76.5%	84.6%	93.0%	101.5%	110.3%
20-Year Amortization of UAAL	$ 2,504,641,504	$ 1,605,100,583	$ 719,940,630	N/A	N/A
(as % of general state revenue)	5.2%	3.3%	1.5%	N/A	N/A

Other than the discount rate, these results are based on the other economic and demographic assumptions presented in the report. For purposes of simplicity in this disclosure, no adjustments to the valuation assumption for inflation were reflected in the sensitivities above. The statute also requires that the actuarial valuation report show the results using a market value of assets basis. The “funded ratio” and “unfunded actuarial accrued liability” in Table D-1 are based upon the market value of assets. To alleviate volatility, future employer contributions are determined based on the actuarial value of assets, which smooths market value returns.

None of the liability amounts shown are intended to imply the amount that might represent the cost of any settlement of the plan’s obligations. The various caveats, constraints, and discussions presented earlier in the report apply to these results as well.

Table D-2: Statistical Likelihood of Minimum Future Asset Returns (Gallagher)

Horizon	95% Chance (19 out of every 20 scenarios)	75% Chance (3 out of every 4 scenarios)	50% Chance (1 out of every 2 scenarios)	25% Chance (1 out of every 4 scenarios)	5% Chance (1 out of every 20 scenarios)
10 Years (2033)	2.3%	5.3%	7.1%	8.7%	11.1%
30 Years (2053)	4.0%	5.7%	6.8%	7.8%	9.2%

This analysis was included in Gallagher’s Stress Testing and Sensitivity Analysis Report, which was presented to the TSERS Board of Trustees on July 25, 2024.

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Appendix E: Participating Employers

Employer	Employer Code	Employer	Employer Code
A Childs Garden Charter (AKA Cross Creek Charter)	33501	Carteret County Schools	31600
Academy of Moore County	36301	Caswell County Schools	31700
Administrative Office of the Courts	10800	Catawba County Schools	31800
Alamance Community College	30105	Catawba Valley Community College	31805
Alamance Community School	32915	Central Carolina Community College	35305
Alamance County Schools	30100	Central Park Sch for Children	33202
Alexander County Schools	30200	Central Piedmont Community College	36005
Alleghany County Schools	30300	Chapel Hill - Carrboro City Schools	36810
American Renaissance Mid School	34901	Charlotte Secondary Charter	36009
Anson County Schools	30400	Charlotte-Mecklenburg County Schools	36000
Appalachian State University	20100	Chatham County Schools	31900
Arapahoe Charter School	36901	Cherokee County Schools	32000
Arts Based Elementary Charter	33402	Clay County Schools	32200
Ashe County Schools	30500	Cleveland Community College	32305
Asheboro City Schools	37610	Cleveland County Schools	32300
Asheville City Schools	31110	Clinton City Schools	38210
Asheville-Buncombe Technical College	31105	Clover Garden Charter School	30102
Avery County Schools	30600	Coastal Carolina Community College	36705
Barber Examiners, State Board Of	18600	College of the Albemarle	37005
Bear Grass Charter School	33206	Columbus County Schools	32400
Beaufort County Community College	30705	Community Colleges Administration	19005
Beaufort County Schools	30700	Community School of Davidson	36003
Bertie County Schools	30800	Cornerstone Academy	33027
Bethany Community Middle School	37901	Corvian Community Charter School	36004
Bladen Community College	30905	Craven Community College	32505
Bladen County Schools	30900	Cumberland County Schools	32600
Blue Ridge Community College	34505	Currituck County Schools	32700
Brevard Academy Charter School	38801	Dare County Schools	32800
Brunswick Community College	31005	Davidson County Schools	32900
Brunswick County Schools	31000	Davidson-Davie Community College	32905
Buncombe County Schools	31100	Davie County Schools	33000
Burke County Schools	31200	Department of Administration	10900
Cabarrus County Schools	31300	Department of Adult Corrections	19120
Caldwell Community College	31405	Department of Commerce	12510
Caldwell County Schools	31400	Department of Justice	10400
Camden County Schools	31500	Department of Natural and Cultural Resources	10700
Cape Fear Community College	36505	Department of Public Instruction	22000
Cape Fear Ctr for Inquiry	36501	Department of Public Safety	19100
Carolina International School	31301	Department Of State Highway Patrol	19110
Carteret Community College	31605	Dept of Agriculture & Consumer Svcs.	18400

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Appendix E: Participating Employers (continued)

Employer	Employer Code	Employer	Employer Code
Discovery Charter	32904	Henderson Collegiate Charter School	39401
Duplin County Schools	33100	Henderson County Schools	34500
Durham Public Schools	33200	Hertford County Schools	34600
Durham Technical Institute	33205	Hickory City Schools	31810
East Carolina University	20300	Highway - Administrative	51000
East Wake First Academy	39208	Hoke County Schools	34700
Eastern N.C. School For The Deaf - Wilson	21150	Hyde County Schools	34800
Edenton-Chowan County Schools	32100	Information Technology Services	10930
Edgecombe County Schools	33300	Insurance Department	12600
Edgecombe Technical College	33305	Invest Collegiate Charter (Buncombe)	33207
Elizabeth City and Pasquotank County Schools	37000	Iredell-Statesville Schools	34900
Elizabeth City State University	20400	Isothermal Community College	38105
Elkin City Schools	38620	Jackson County Schools	35000
Endeavor Charter School	39201	James Sprunt Technical College	33105
Evergreen Community Charter School	31102	Johnston County Schools	35100
F Delany New School for Children	31101	Johnston Technical College	35105
Fayetteville State University	20600	Jones County Schools	35200
Fayetteville Technical Community College	32605	Kannapolis City Schools	31320
Forsyth Technical Communiity College	33405	Labor Department	12700
Franklin County Schools	33500	Lake Norman Charter School	36006
Gaston College	33605	Lee County Board of Education	35300
Gaston County Schools	33600	Lenoir County Community College	35405
Gates County Schools	33700	Lenoir County Schools	35400
General Assembly	12160	Lexington City Schools	32910
Governor Morehead School - Raleigh	21400	Lincoln County Schools	35500
Governor's Office	12100	Lt Governor's Office	12150
Graham County Schools	33800	Macon County Schools	35600
Granville County Public Schools	33900	Madison County Schools	35700
Gray Stone Day School	38402	Martin Community College	35805
Greene County Schools	34000	Martin County Schools	35800
Guilford County Schools	34100	Mayland Technical College	36105
Guilford Technical Community College	34105	Mcdowell County Schools	35900
Halifax Community College	34205	Mcdowell Technical College	35905
Halifax County Schools	34200	Millennium Charter Academy	38602
Haliwa-Saponi Tribal Charter	39301	Mitchell Community College	34905
Harnett County Schools	34300	Mitchell County Schools	36100
Haywood County Schools	34400	Montgomery Community College	36205
Haywood Technical College	34405	Montgomery County Schools	36200
Health and Human Svcs	12220	Moore County Schools	36300
Healthy Start Academy	33203	Mooresville City Schools	34910

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Appendix E: Participating Employers (continued)

Employer	Employer Code	Employer	Employer Code
Mount Airy City Schools	38610	Pitt County Schools	37400
Mountain Community School	34501	Polk County Schools	37500
Mtn Discovery Charter	38701	Randolph Community College	37605
N.E. Academy of Aerospace & Adv.Tech	37001	Randolph County Schools	37600
N.E. Regional School for Biotechnology	33001	Revenue Department	13500
Nash Community College	36405	Richmond County Schools	37700
Nash County Public Schools	36400	Richmond Technical College	37705
NC A&T University	20700	River Mill Academy Charter	30103
NC Auctioneers Licensing Board	18740	Roanoke Rapids City Schools	34220
NC Brd of Examiners of Practicing Psycologists	18780	Roanoke-Chowan Community College	34605
NC Central University	20800	Robeson Community College	37805
NC Department of Military & Veterans Affairs	11050	Robeson County Schools	37800
NC Dept of Environmental Quality	11300	Rockingham Community College	37905
NC Housing Finance Agency	11310	Rockingham County Schools	37900
NC School For The Deaf	21350	Rowan-Cabarrus Community College	38005
NC School of Science & Mathematics	10950	Rowan-Salisbury School System	38000
NC School of the Arts	20200	Roxboro Community School	37301
NC State University	21300	Rutherford County Schools	38100
Neuse Charter School	35106	Sampson Community College	38205
New Bern Craven County Board of Education	32500	Sampson County Schools	38200
New Hanover County Schools	36500	Sandhills Community College	36305
Newton-Conover City Schools	31820	Scotland County Schools	38300
North Carolina Board of Opticians	18640	Secretary of State	13700
North Carolina Education Lottery	10200	Socrates Academy	36007
Northampton County Schools	36600	South Piedmont Community College	30405
Office of Administrative Hearing	10850	Southeastern Academy Charter School	37801
Office of State Budget & Management	10910	Southeastern Community College	32405
Office of State Controller	10940	Southern Wake Academy	39204
Onslow County Schools	36700	Southwestern Community College	35005
Orange Charter School	36802	Stanly Community College	38405
Orange County Schools	36800	Stanly County Schools	38400
Pamlico Community College	36905	Stars Charter School	36302
Pamlico County Schools	36900	State Auditor	10500
Pender County Schools	37100	State Board of Elections	11900
Perquimans County Schools	37200	State Bureau of Investigation	11000
Person County Schools	37300	State Treasurer	14300
Piedmont Community College	37305	Stokes County Schools	38500
Pine Lake Prep Charter	36008	Success Institute	34903
Pinnacle Classical Academy	39703	Surry Community College	38605
Pitt Community College	37405	Surry County Schools	38600

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Appendix E: Participating Employers (continued)

Employer	Employer Code	Employer	Employer Code
Swain County Schools	38700	Warren County Schools	39300
The Hawbridge School	30104	Washington County Schools	39400
The North Carolina Leadership Academy	36303	Watauga County Schools	39500
Thomasville City Schools	32920	Wayne Community College	39605
Transylvania County Schools	38800	Wayne County Schools	39600
Tri-County Community College	32005	Weldon City Schools	34230
Two Rivers Comm School	39501	Western Carolina University	21800
Tyrrell County Schools	38900	Western Piedmont Comm College	31205
UNC - Pembroke	21200	Whiteville City Schools	32410
UNC Health Care System	21550	Wildlife Resources Commission	11600
UNC-Chapel Hill Cb1260	21520	Wilkes Community College	39705
UNC-System Office	21525	Wilkes County Schools	39700
Union County Schools	39000	Wilmington Prep Academy	36502
University of North Carolina at Asheville	23000	Wilson Community College	39805
University of North Carolina at Charlotte	23100	Wilson County Schools	39800
University of North Carolina at Greensboro	20900	Winston-Salem State University	21900
University of North Carolina at Wilmington	23200	Winston-Salem-Forsyth County Schools	33400
University of North Carolina Press	21570	Yadkin County Schools	39900
Uwharrie Charter Academy	37601	Yancey County Schools	30000
Vance Charter School	39101	Zeca School of the Arts and Technology	36701
Vance County Schools	39100		
Vance-Granville Community College	39105		
Voyager Academy	33204		
Wake County Public Schools System	39200		
Wake Technical College	39205		

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Appendix F: Employer Contribution Rate Stabilization Policy (ECRSP)

Teachers' and State Employees' Retirement System Board of Trustees

Employer Contribution Rate Stabilization Policy for the Teachers' and State Employees' Retirement System

This ECRSP was adopted by the TSERS Board of Trustees at its meeting on April 30, 2026.

I. Policy Purpose

This policy provides for continued operation of an Employer Contribution Rate Stabilization Policy (ECRSP) for the Teachers' and State Employees' Retirement System (TSERS). On January 21, 2016, the Board of Trustees (Board) of TSERS approved an ECRSP to be in place for fiscal years ending 2017 through 2022. On April 29, 2021, the Board adopted an ECRSP for fiscal years ending 2023 through 2027. Having adopted the Experience Study of the 2020-2024 calendar years on January 29, 2026, which will be effective for plan funding purposes for fiscal years ending 2028 and later, the Board wishes to institute an ECRSP effective for contributions during the five fiscal years ending 2028 through 2032.

II. Policy Objectives

This policy establishes how the Board will develop an annual appropriation amount to recommend to the General Assembly to fund TSERS and to establish the "required employer contribution rate" pursuant to G.S. 135-8(d)(3a).

III. Definitions

- Actuarial Measurement
  The result of an analysis by the Board's consulting actuary, presented in a public report, based on actuarial assumptions and methods adopted by the Board for purposes of funding of TSERS.
- Policy Contribution Rate
  The percentage of eligible member compensation that the Board recommends be contributed to TSERS by employers each year in accordance with this policy.
- Underlying Actuarially Determined Employer Contribution (Underlying ADEC)
  A rate of compensation calculated by the Board's consulting actuary, and disclosed in the consulting actuary's annual valuation report, representing a minimally sufficient funding level according to the Board's actuarial assumptions and methods before applying this policy.

IV. Annual Appropriation Recommendation

Prior to the beginning of each fiscal year covered by this policy ("Contribution Year"), the Board should receive a projection from its consulting actuary of the Underlying ADECs for at least the next five years. This projection is typically provided to the Board at its January meeting. This projection should be based on the best estimate of the prior calendar year's actual rate of investment return, as provided by the N.C. Investment Authority (NCIA) to the Retirement Systems Division; the actuarial assumptions and methods adopted by the Board for funding purposes as of the date of the projection report; and the benefits enacted by the General Assembly as of the date of the projection report.

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Appendix F: Employer Contribution Rate Stabilization Policy (ECRSP) (continued)

Under this policy, the Policy Contribution Rate is the total of items A. through E. below, but no less than 6% of compensation:

A. Projection of Underlying ADEC for the Contribution Year, from Prior January Meeting
   - Calculation:
     - Item A. is the projection of the Underlying ADEC for the Contribution Year, taken from the consulting actuary's projection provided to the Board one year before the meeting when the Board is making its recommendation.
   - Comment:
     - This allows for advance planning and budgeting, for example, for an entire biennium. See the example timeline in Appendix 1.
     - Item A. is determined without regard to the statutory minimum rate (member contribution rate) under G.S. 135-8(d)(1a).

B. Increase Equal to 0.50% of Compensation
   - Calculation:
     - Item B. is equal to 0.50% of compensation.
   - Comment:
     - The adjustment in item B. is intended to ensure that the recommended contribution rate will at least be equal to the Underlying ADEC, so that in most circumstances, no adjustment under Item E. will be necessary.

C. Increase or Decrease for Intervening Changes in Benefits
   - Calculation:
     - Item C. is to adjust for the effect of any benefit change enacted by the General Assembly before the end of the Contribution Year that was not incorporated in the consulting actuary's projections from the previous year (item A.). The adjustment should equal the Actuarial Measurement of the effect on the Underlying ADEC for the Contribution Year, presented in the legislative actuarial note.

D. Increase or Decrease for Intervening Changes in Actuarial Assumptions or Methods
   - Calculation
     - Item D. is to adjust for the effect of any changes in actuarial assumptions or methods adopted by the Board that were not incorporated in the consulting actuary's projections from the previous year (item A.). The adjustment should equal the Actuarial Measurement of the effect on the Underlying ADEC for the Contribution Year.

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Appendix F: Employer Contribution Rate Stabilization Policy (ECRSP) (continued)

E. Increase to Underlying ADEC if Necessary
   - Calculation
     - Item E. is equal to the Underlying ADEC from the consulting actuary's annual valuation report defining the Underlying ADEC for the Contribution Year (typically published in October about 8 months before the Contribution Year begins), minus the total of items A. through D., with the result being no less than zero.
     - If the General Assembly enacts a benefit change before the end of the Contribution Year that was not incorporated in the actuarial valuation report, the Underlying ADEC used in item E. is to be adjusted by the Actuarial Measurement of the effect of the benefit change on the Underlying ADEC for the Contribution Year, presented in the legislative actuarial note.
   - Comment:
     - Pursuant to G.S. 135-8(d)(3a), this policy may adjust the ADEC "higher" when determining the required employer contribution rate. It cannot recommend a rate less than the Underlying ADEC.
     - If the total of items A. through D. above is less than the Underlying ADEC, item E. is intended to ensure this policy does not recommend less than the Underlying ADEC.
     - Note that item B. above is intended to ensure that under most circumstances, no adjustment under item E. will be necessary. However, an adjustment under item E. may become necessary if the most recent annual actuarial valuation report shows very significant actuarial losses due to unforeseen changes in employee salaries or other observations of the TSERS population.

The Policy Contribution Rate may be greater than the Underlying ADEC indicated by actuarial valuation reports. For avoidance of doubt, the Board considers the Policy Contribution Rate to be the annual actuarially determined employer contribution (ADEC) for funding purposes, and the Board considers the Policy Contribution Rate to be the "required employer contribution rate" for TSERS pursuant to G.S. 135-8(d)(3a) as in effect at the date of adoption of this policy.

V. Benefit Improvement Recommendations by the Board

TSERS benefits are established by the General Assembly. The Board has discretion to recommend or not recommend that the General Assembly improve benefits. If the Board recommends benefit improvements, they may include, for example, a cost-of-living increase in retirement allowances, a one-time supplement payable to TSERS beneficiaries, or an increase in the statutory retirement formula multiplier that is 1.82% as of the adoption of this policy.

It is the intent of this policy that the Board may consider, but will not necessarily make, a recommendation of a benefit improvement if there have been gains on the actuarial value of assets, greater than or equal to the immediate increase in unfunded actuarial accrued liabilities arising from the contemplated benefit improvement. The Board may recommend a benefit improvement even if the Policy Contribution Rate is decreasing year-over-year.

As of the adoption of this policy, the actuarial value of assets is a measurement that gradually recognizes gains and losses (returns above or below the assumption of 6.5% per year) over five years. Gains or losses are measured as of December 31 and documented in an actuarial valuation report published the following October. As such, when the Board meets in January, the precise gain or loss on the actuarial value of assets as of the immediately preceding December 31 will not yet be determined, but an estimate may be available from the consulting actuary.

Before the Board recommends any benefit improvement, the Retirement Systems Division should obtain an Actuarial Measurement of the contemplated benefit improvement.

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Appendix F: Employer Contribution Rate Stabilization Policy (ECRSP) (continued)

Along with recommending any benefit improvement to the General Assembly, the Board should recommend that the General Assembly's appropriation for the Contribution Year be adjusted for the Actuarial Measurement of the recommended benefit improvement, to the extent the recommended benefit improvement is adopted, consistent with Section IV, items C. and E., above.

VI. Recommendation in Absence of Specific Board Action

If the Board does not make a specific recommendation for the Contribution Year, then Retirement Systems Division is directed to communicate to the General Assembly that the recommended employer contribution rate is the Policy Contribution Rate described in Section IV above, with the presumption that the Board has not recommended a benefit improvement as described in Section V above.

VII. Policy Effective Date

This policy is effective through the fiscal year ending June 30, 2032. The Board may vote to extend it for any period of time.

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Appendix F: Employer Contribution Rate Stabilization Policy (ECRSP) (continued)

Appendix 1: Example Timeline and Calculation

This Appendix illustrates a timeline and example of a particular year's recommendation of a Policy Contribution Rate under this policy. The example illustrated in this Appendix is the fiscal year ending 2028, which is the first year of this policy.

- January 2026: Consulting actuary provides a projection of Underlying ADECs for at least five years. This includes a projected Underlying ADEC for fiscal year ending 2028.
    - As of the date of the adoption of this policy, this has already occurred. The consulting actuary presented this information at the Board's January 29, 2026 meeting. The projected Underlying ADEC for fiscal year ending 2028 was 15.69% of compensation.
- October 2026: Consulting actuary provides the annual actuarial valuation report.
    - The actuarial valuation report will present the Underlying ADEC for fiscal year ending 2028. As of the date of the adoption of this policy, this has not yet occurred. This Appendix assumes for illustrative purposes only that the Underlying ADEC will be 16.01% of compensation.
    - The actuarial valuation report will also present the calculation of gains or losses on the actuarial value of assets during 2025, measured as of December 31, 2025. This has not yet occurred. This Appendix assumes for illustrative purposes only that the report will show a loss on the actuarial value of assets during 2025.
- January 2027: Board meets to make a recommendation. Under this policy, and in the scenario described above, the Board would recommend that the General Assembly establish the employer contribution rate for fiscal year ending 2028 as follows:
    - Item A.: 15.69%.
    - Item B.: 0.50%.
    - Items C. and D.: The consulting actuary will instruct the Board as to whether there have been any enacted benefit changes, or changes in actuarial assumptions or methods, since the January 2026 projection that require adjustment under Items C and D. For illustrative purposes in this Appendix, there are none assumed.
    - Item E: Zero. (Calculated as 16.01%, minus [15.69% + 0.50% = 16.19%], but no less than zero.) Note that in this scenario, the 0.50% adjustment under Item B. means that no adjustment under Item E. is necessary. If the Underlying ADEC published in October 2026 were greater than 16.19%, an adjustment would be necessary.
    - Based on the illustrative scenario, the Board would not consider recommending a benefit improvement under Section V unless there had been a gain in the actuarial value of assets greater than or equal to the immediate increase in unfunded actuarial accrued liabilities arising from the recommended benefit improvement.
    - Policy Contribution Rate: 16.19%. (Sum of items A. through E., no less than 6%.)
- Also in January 2027: Consulting actuary provides a projection of Underlying ADECs for at least five years. This includes a projected Underlying ADEC for fiscal year ending 2029, which will be used in Item A. for fiscal year ending 2029. This supports reliable planning and budgeting for fiscal year ending 2029 (and hence, the entire 2027-2029 State biennium). However, it will not be until 2028 that the Board makes its recommendations to the General Assembly with respect to fiscal year ending 2029.

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