

Disability Income Plan of North Carolina

Principal Results of Actuarial Valuation as of December 31, 2025

Barry J. Goldberg, ASA, MAAA, FCA
Christian Hershey, ASA, MAAA

November 2026, Board of Trustees Meeting

Gallagher

Insurance | Risk Management | Consulting

© 2026 Arthur J. Gallagher & Co.

Disability Income Plan

Principal December 31, 2025 Actuarial Valuation Results

Valuation results as of	December 31, 2025	December 31, 2024
Active Members		
Teachers' and State Employees' Retirement System (TSERS)	293,205	298,000
Optional Retirement Program (ORP)	23,375	23,613
Total	316,580	321,613
Reported Compensation		
TSERS	$17,772,557,157	$17,701,957,404
ORP	2,641,538,426	2,537,806,772
Total	$20,414,095,583	$20,239,764,176
Valuation Compensation[1]		
TSERS	$19,253,218,967	$19,189,065,108
ORP	2,814,106,877	2,753,677,320
Total	$22,067,325,844	$21,942,742,428
Number of beneficiaries receiving extended short-term or long-term disability benefits	2,845	3,257
Annual reported benefits	$23,619,154	$26,339,898

[1] Reported compensation adjusted to reflect the assumed rate of pay increase prior to the valuation date.

© 2026 Arthur J. Gallagher & Co.

Disability Income Plan (continued)

Principal December 31, 2025 Actuarial Valuation Results

Asset and Liabilities as of	December 31, 2025	December 31, 2024
Assets		
Actuarial Value	$ 275,068,997	$ 281,012,126
Market Value	$ 272,390,572	$ 258,468,913
Liability for currently disabled members	$ 85,808,115	$ 125,316,918
Deficit/(Surplus)versus Actuarial Value	$ (189,260,882)	$ (155,695,208)
ADC Rate for Fiscal Year Ending (FYE)	**June 30, 2028**	**June 30, 2027**
Preliminary Actuarially Determined Contribution (ADC) Rate		
Normal Cost	0.01%	0.06%
Accrued Liability	N/A	N/A
Total	0.01%	0.06%
ADC Rate with Direct Rate Smoothing	0.05%	0.06%
Impact of Legislative Changes	N/A	0.00%
Final ADC Rate[1]	N/A	0.06%

[1] For FYE 2028, the final ADC Rate may be adjusted to reflect Plan changes or legislation that occurs after the date of this report.

© 2026 Arthur J. Gallagher & Co.

Disability Income Plan (continued)

Employer Contribution Rate History

Valuation Date	Fiscal Year Ending	Preliminary ADC Rate	Change Due to Legislation	Final ADC Rate	Appropriated Rate
12/31/2025	6/30/2028	0.05%[1]	N/A	N/A	N/A
12/31/2024	6/30/2027	0.06%	0.00%	0.06%	0.06%
12/31/2023	6/30/2026	0.07%	0.00%	0.07%	0.07%
12/31/2022	6/30/2025	0.11%	0.00%	0.11%	0.13%
12/31/2021	6/30/2024	0.11%	0.00%	0.11%	0.11%
12/31/2020	6/30/2023	0.10%	0.00%	0.10%	0.10%

[1] This ADC Rate is a preliminary rate that will become the final ADC Rate if no legislation is enacted after the date that this report is issued that would affect the determination of the ADC Rate for the fiscal year ending in 2028.

© 2026 Arthur J. Gallagher & Co.

Disability Income Plan (continued)

Reconciliation of the Actuarially Determined Contribution

Fiscal Year Ending June 30, 2027 Preliminary ADC Rate (Based on the December 31, 2024 Valuation)	0.06%
Impact of Legislative Changes	0.00%
Fiscal Year Ending June 30, 2027 Final ADC Rate	0.06%
Change Due to Demographic (Gain)/Loss	(0.01%)
Change Due to Changes in Assumptions	(0.05%)
Change Due to Investment (Gain)/Loss	0.01%
Change Due to Contribution (Greater)/Less than ADC	0.00%
Preliminary ADC Rate	0.01%
Impact of Direct Rate Smoothing	0.04%
Impact of Legislative Changes	0.00%
Fiscal Year Ending June 30, 2028 Final ADC Rate (Based on the December 31, 2025 Valuation)	0.05%

© 2026 Arthur J. Gallagher & Co.

Certification

The funded status measurements included in this report are based on the assumptions and methods used to determine the Plan's obligations and asset values as of the valuation and/or measurement date. Funded status measurements for financial accounting purposes may not be appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations. Likewise, funded status measurements for financial accounting purposes may not be appropriate for assessing the need for or the amount of future actuarially determined contributions. Funded status measurements would also be different if the market value of assets was used in these calculations instead of an actuarial value of assets.

Gallagher Benefit Services, Inc. (hereinafter "Gallagher") , does not provide legal, investment, or accounting advice. Thus, the information in this report is not intended to supersede or supplant the advice and interpretations of the System, OSC, or their legal, investing, or accounting partners.

The undersigned are familiar with the near-term and/or long-term aspects of other postemployment benefit plan valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained in this report. All sections of this report, including any appendices and attachments, are considered an integral part of the actuarial opinions.

This report has been prepared in accordance with Actuarial Standard of Practice No. 6, as well as all other applicable Actuarial Standards of Practice, and we are available to answer questions about it.

Barry J. Goldberg, ASA, MAAA, FCA

Christian Hershey, ASA, MAAA

© 2026 Arthur J. Gallagher & Co.

© Copyright 2026 Arthur J. Gallagher & Co. and subsidiaries. All rights reserved: No part of this document may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, whether electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of Arthur J. Gallagher & Co.

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc. is a licensed insurance agency that does business in California as “Gallagher Benefit Services of California Insurance Services” and in Massachusetts as “Gallagher Benefit Insurance Services.” Neither Arthur J. Gallagher & Co., nor its affiliates provide accounting, legal or tax advice.



Gallagher

Insurance | Risk Management | Consulting

© 2026 Arthur J. Gallagher & Co.

Disability Income Plan of North Carolina

Actuarial Valuation Report

Prepared as of December 31, 2025

October 2026



Gallagher

Insurance | Risk Management | Consulting

110 West Berry Street
Suite 1300
Fort Wayne IN 46835 USA

www.ajg.com

Gallagher

Insurance | Risk Management | Consulting

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:

This report presents the results of the actuarial valuation of the Disability Income Plan of North Carolina (referred to as “DIPNC”, “Disability Income Plan”, or “Plan”), prepared as of December 31, 2025. Information contained in our report for plan years prior to December 31, 2021, is based upon valuations performed by the prior actuarial firm.

The primary purpose of the valuation report is to provide the actuarially determined employer contribution rates for DIPNC during the fiscal year ending on June 30, 2028, to describe the current financial condition of DIPNC, to analyze changes in such condition, and to summarize the census data, financial information, assumptions, methods, and plan provisions used to prepare these results.

Additional Information and Disclosures

The information contained in this report is intended to be used by the Board of Trustees for the Teachers' and State Employees' Retirement System of North Carolina (System) for Plan funding purposes for the fiscal year ending on June 30, 2028, and its use for other purposes may not be appropriate. Calculations for purposes other than funding the DIPNC benefits described in this report may produce significantly different results.

This report may also be used in conjunction with other materials for the purposes of auditing the Plan. However, the use of this report for any other purposes or by any parties other than the System and its auditors may not be appropriate and may result in mistaken conclusions because of a failure to appreciate the limitations of census and financial data, understand applicable assumptions and methods, or correctly identify situations that would render the report inappropriate for a given 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 Benefit Services, Inc. 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 results contained in this report were prepared by qualified actuaries according to generally accepted actuarial principles and practices, and in compliance with Actuarial Standards of Practice issued by the Actuarial Standards Board. Our understanding is that the System has made no changes to the Plan’s funding policy since the prior valuation. Thus, actuarially determined employer contribution (ADC) rates as of the valuation date were developed based on the contribution allocation procedure described in GASB Statement Nos. 43 and 45, as approved by the System during prior periods.

© 2026 Arthur J. Gallagher & Co.

The measurement of Plan obligations used as the basis for much of the information presented in this report was performed as of December 31, 2025 (“the valuation date”) based on the following information provided by the System for valuation purposes:

- Census data for active and disabled members as of December 31, 2025
- Current plan provisions, including changes since December 31, 2024; and,
- Pertinent financial information as of December 31, 2025.

This information is summarized throughout this report. We did not audit the supplied information, but it was reviewed for reasonableness and consistency. In certain situations, the supplied information was adjusted to account for normal differences in collection dates and/or methods. As a result, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it is reliable for the purposes stated herein. The results and conclusions contained in this report depend on the integrity of this information, and if any of the supplied information or analyses change, our results and conclusions may be different, and this report may need to be revised. Likewise, this report may need to be revised to reflect any significant event that affects the Plan after the valuation date.

Valuation results as of December 31, 2025 are based on the assumptions and methods adopted by the Board on January 29, 2026, and prescribed for use in the Plan’s December 31, 2025 annual actuarial valuation, which are summarized in various sections of this report. We have evaluated the assumptions and methods prescribed by the Board and believe that they are reasonable for the purposes of preparing the measurements described above. We will continue to monitor material assumptions. In our professional judgement, the combined effect of the assumptions is expected to have no significant bias.

The plan sponsor selected the assumptions used for the accounting results in this letter. We believe that these assumptions are reasonable and comply with the Actuarial Standard of Practice (ASOP) 27. We prepared this letter in accordance with the requirements of this standard.

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 plan sponsor’s selection of expected return on assets (EROA), the signing actuaries have used economic information and tools provided by the Financial Risk Management (FRM) practice at Gallagher. 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 EROA 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 actuary’s analysis, including consistency with other assumptions used in the valuation and the percentiles generated by the spreadsheet described above, the actuary believes the EROA, in the actuary’s professional judgment, is reasonable for the purpose of the measurement.

The actuarial cost method and the asset valuation method used for funding purposes were selected by the System during prior periods and prescribed for use beginning with the Plan’s December 31, 2020 annual actuarial valuation. We believe that these methods are appropriate for funding purposes. Actuarial methods such as the actuarial cost methods, asset valuation methods, and amortization methods used in the contribution allocation procedure are designed to recognize changes in an orderly fashion over a period of years. In certain situations, the actuarial methods used in an allocation procedure may have the effect of deferring changes in contributions or costs into later years. Likewise, the use of these methods

© 2026 Arthur J. Gallagher & Co.

could produce deferred gains or losses if any material underlying assumption is not met over a long period of time.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, we have not performed an analysis of the potential range of such future differences. This report does not consider all possible scenarios.

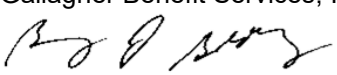
Actuarial Standard of Practice No. 56 (ASOP 56) provides guidance to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models. Gallagher uses in-house and third-party software in the performance of annual actuarial valuations and projections. The models are intended to calculate the liabilities associated with the provisions of the plan using data and assumptions as of the measurement date under the accounting standards specified in this report. Further, the models apply those accounting standards to the liabilities derived and other inputs, such as plan assets and contributions, to generate the calculations 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 are similarly reviewed in detail and at a high level for accuracy, reasonability and consistency with prior results. Gallagher also reviews the models 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 models generate their output.

The funded status measurements included in this report are based on the assumptions and methods used to determine the Plan's obligations and asset values as of the valuation and/or measurement date. Funded status measurements would be different if the market value of assets was used in these calculations instead of an actuarial value of assets.

Gallagher does not provide legal, investment, or accounting advice. Thus, the information in this report is not intended to supersede or supplant the advice and interpretations of the System or its legal, investing, or accounting partners.

The undersigned are familiar with the near-term and/or long-term aspects of other postemployment benefit plan valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained in this report. All sections of this report, including any appendices and attachments, are considered an integral part of the actuarial opinions. We are available to answer questions about this report or the information provided herein.

Respectfully submitted,
Gallagher Benefit Services, Inc. (hereinafter "Gallagher")



Barry J. Goldberg, ASA, MAAA, FCA
Principal, Health



Christian Hershey, ASA, MAAA
Sr. Actuarial Consultant, Health

© 2026 Arthur J. Gallagher & Co.

Table of Contents

Section 1: Introduction 1

Section 2: Principal Results 2

Section 3: Membership Data 6

Section 4: Assets 7

Section 5: Condition of the Plan 8

Section 6: Experience 9

Appendices

A Detailed Tabulations of Active Member Data 10

B Detailed Tabulations of Disabled Member Data 15

C Development of the Actuarial Value of Assets 19

D Summary of Actuarial Assumptions and Methods 20

E Summary of Main Benefit Provisions 32

© 2026 Arthur J. Gallagher & Co.

Section 1: Introduction

This report presents the results of the actuarial valuation of the Disability Income Plan of North Carolina, prepared as of December 31, 2025. The purpose of the valuation is to determine the present value of future payments to disabled members as of December 31, 2025, to determine the expected cost of new claims for 2025, and to provide the actuarially determined employer contribution (ADC) rate based on the System's funding policy, which is centered on the guidance provided in GASB Statements No. 43 and 45.

Appendix A presents detailed tabulations of the active membership of the Plan as of the valuation date.

Appendix B presents detailed tabulations of the disabled membership of the Plan as of the valuation date.

Appendix C presents the development of the Actuarial Value of Assets.

Appendix D provides the full set of actuarial assumptions and methods employed for funding purposes.

The valuation was based on provisions of the Plan as amended through December 31, 2025. A summary of the main Plan provisions used for valuation purposes appears in Appendix E.

© 2026 Arthur J. Gallagher & Co.

Section 2: Principal Results

The table below provides the principal results of the valuation and a comparison with the preceding year's results.

Table 1: Summary of Principal Results

Valuation Results as of	December 31, 2025	December 31, 2024
Active Members		
Teachers' and State Employees' Retirement System (TSERS)	293,205	298,000
Optional Retirement Program (ORP)	23,375	23,613
Total	316,580	321,613
Reported Compensation		
TSERS	$ 17,772,557,157	$ 17,701,957,404
ORP	2,641,538,426	2,537,806,772
Total	$ 20,414,095,583	$ 20,239,764,176
Valuation Compensation*		
TSERS	$ 19,253,218,967	$ 19,189,065,108
ORP	2,814,106,877	2,753,677,320
Total	$ 22,067,325,844	$ 21,942,742,428
Number of beneficiaries receiving extended short term or long-term disability benefits	2,845	3,257
Annual reported benefits	$ 23,619,154	$ 26,339,898

Asset and Liabilities as of	December 31, 2025	December 31, 2024
Assets		
Actuarial Value	$ 275,068,997	$ 281,012,126
Market Value	$ 272,390,572	$ 258,468,913
Liability for currently disabled members	$ 85,808,115	$ 125,316,918
Deficit/(Surplus) versus Actuarial Value	$ (189,260,882)	$ (155,695,208)

ADC Rate for Fiscal Year Ending (FYE)	June 30, 2028	June 30, 2027
Preliminary Actuarially Determined Contribution (ADC) Rate		
Normal Cost	0.01%	0.06%
Accrued Liability	N/A	N/A
Total	0.01%	0.06%
ADC Rate with Direct Rate Smoothing**	0.05%	0.06%
Impact of Legislative Changes	N/A	0.00%
Final ADC Rate***	N/A	0.06%

* Reported compensation adjusted to reflect the assumed rate of pay increase prior to the valuation date.

** Assumption and method changes first reflected in the December 31, 2025 actuarial valuation are phased into the ADC rate using 5-year direct rate smoothing. The direct rate smoothing increase for FY 2028, FY 2029, FY 2030, FY 2031, and FY 2032 is 0.04%, 0,03%, 0.02%, 0.01%, and 0.00% respectively.

***For FYE 2028, the final ADC Rate may be adjusted to reflect Plan changes or legislation that occurs after the date of this report.

© 2026 Arthur J. Gallagher & Co.

Section 2: Principal Results (continued)

Table 2: Reconciliation of Change in Actuarially Determined Contribution (ADC)

Fiscal Year Ending June 30, 2027 Preliminary ADC Rate (Based on the December 31, 2024 Valuation)	0.06%
Impact of Legislative Changes	0.00%
Fiscal Year Ending June 30, 2027 Final ADC Rate	0.06%
Change Due to Demographic (Gain)/Loss	(0.01%)
Change Due to Changes in Assumptions	(0.05%)
Change Due to Investment (Gain)/Loss	0.01%
Change Due to Contribution (Greater)/Less than ADC	0.00%
Preliminary ADC Rate	0.01%
Impact of Direct Rate Smoothing	0.04%
Impact of Legislative Changes	0.00%
Fiscal Year Ending June 30, 2028 Final ADC Rate (Based on the December 31, 2025 Valuation)	0.05%

© 2026 Arthur J. Gallagher & Co.

Section 2: Principal Results (continued)

Table 3: History of Actuarially Determined contribution (ADC) Rates and Appropriated Rates

Valuation Date	Fiscal Year Ending	Preliminary ADC Rate	Change Due to Legislation	Final ADC Rate	Appropriated Rate
12/31/2025	6/30/2028	0.05%*	N/A	N/A	N/A
12/31/2024	6/30/2027	0.06%	0.00%	0.06%	0.06%
12/31/2023	6/30/2026	0.07%	0.00%	0.07%	0.07%
12/31/2022	6/30/2025	0.11%	0.00%	0.11%	0.13%**
12/31/2021	6/30/2024	0.11%	0.00%	0.11%	0.11%
12/31/2020	6/30/2023	0.10%	0.00%	0.10%	0.10%

* This ADC Rate is a preliminary rate that will become the final ADC Rate if no legislation is enacted after the date that this report is issued that would affect the determination of the ADC Rate for the fiscal year ending in 2028.

** This Fiscal Year Ending 6/30/2025 Appropriated Rate was 0.13% as specified in S.L. 2024-55.

© 2026 Arthur J. Gallagher & Co.

Section 2: Principal Results (continued)

The table below provides the schedule of funding progress, which presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The aggregate cost method used for Plan funding purposes does not identify or separately amortize unfunded liabilities. Thus, information about the Plan's funded status and funding progress has been prepared using the entry age normal (level percentage of pay) actuarial cost method as an approximation.

Table 4: Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
12/31/14	450,598,573	503,060,332	52,461,759	89.6%	14,459,666,607	0.36%
12/31/15	439,955,539	395,950,392	(44,005,147)	111.1%	14,718,736,311	(0.30%)
12/31/16	442,086,171	392,674,478	(49,411,693)	112.6%	15,178,136,876	(0.33%)
12/31/17	424,219,638	383,166,480	(41,053,158)	110.7%	15,763,887,688	(0.26%)
12/31/18	389,599,221	345,399,709	(44,199,512)	112.8%	16,329,558,053	(0.27%)
12/31/19	361,335,426	326,431,066	(34,904,360)	110.7%	16,933,847,753	(0.21%)
12/31/20	340,568,712	323,115,513	(17,453,199)	105.4%	17,481,355,002	(0.10%)
12/31/21	321,657,532	320,183,088	(1,474,444)	100.5%	17,343,086,942	(0.01%)
12/31/22	300,151,811	294,445,719	(5,706,092)	101.9%	18,314,307,283	(0.03%)
12/31/23	288,113,114	223,036,899	(65,076,215)	129.2%	19,204,112,835	(0.34%)
12/31/24	281,012,126	203,945,694	(77,066,432)	137.8%	20,239,764,176	(0.38%)
12/31/25	275,068,997	139,552,458	(135,516,539)	197.1%	20,414,095,583	(0.66%)

Please note that the funded status measures shown above do not indicate whether or not the Plan would have sufficient assets if it were terminated, nor do they indicate what level of future contributions would be required.

© 2026 Arthur J. Gallagher & Co.

Section 3: Membership Data

Data for 293,205 active members of the Teachers' and State Employees' Retirement System with reported compensation of $17,772,557,157. 23,375 members of the Optional Retirement Program with reported compensation of $2,641,538,426 were furnished by the Retirement Systems Division as of December 31, 2025. The number and reported compensation of active members distributed by age and service as of December 31, 2025, are shown in Appendix A.

The contributory membership service requirement for short-term disability benefits under the Plan is one year and the contributory membership service requirement for long-term disability benefits under the Plan is five years. Additionally, the contributory membership service requirement must have occurred during certain time periods, as specified in G.S. 135-105(a) and G.S. 135-106(a).

The Retirement Systems Division also supplied data for 2,845 disabled employees in receipt of annual extended short-term and long-term disability benefits totaling $23,619,154 as of the valuation date. Of this number, 34 disabled employees are grandfathered under all provisions of the prior Disability Salary Continuation Plan and 2,811 are receiving extended short-term and long-term disability benefits under the provisions of this Plan. Appendix B presents a comparison of the number and annual amount of benefits payable as of the current and previous valuation dates.

© 2026 Arthur J. Gallagher & Co.

Section 4: Assets

Asset information taken into account in this valuation is based principally on information reported by the Retirement Systems Division. The tables below provide the details of the Market Value of Assets for the current and prior years' valuations.

Table 5: Market Value of Assets

Asset Data as of	12/31/2025	12/31/2024
Beginning of Year Market Value of Assets	$ 258,468,913	$ 260,369,590
Employer Contributions	21,739,471	25,592,648
Benefit Payments	(23,651,097)	(29,175,467)
Administrative Expenses	(1,255,033)	(1,177,681)
Investment Income	17,088,318	2,859,823
Net Increase/(Decrease)	13,921,659	(1,900,677)
End of Year Market Value of Assets	$ 272,390,572	$ 258,468,913
Estimated Net Investment Return on Market Value	6.65%	1.11%

The Actuarial Value of Assets for the Plan is $275,068,997 as of the valuation date based on the "five-year smoothed value" asset valuation method selected by the System. Under this method, investment gains and losses are recognized in equal portions over a five-year period. The development of the Actuarial Value of Assets as of the valuation date is provided in Appendix C.

The following table shows an allocation of investments by category as of December 31, 2025.

Table 6: Allocation of Investments by Category as of December 31, 2025

Cash and Receivables	9.1%
Fixed income (LTIF)	90.9%
Public Equity	0.0%
Other*	0.0%
Total	100.0%

* Real Estate, Alternatives, Inflation, and Credit.

© 2026 Arthur J. Gallagher & Co.

Section 5: Condition of the Plan

The following table shows the assets and liabilities of the Plan as of the current valuation date of December 31, 2025. The items shown in the table, other than the actuarial value of assets, are present values actuarially determined as of the valuation date.

Table 7: Statement of Condition of the Plan as of December 31, 2025

Present value of prospective benefits payable to all disabled members as of the valuation date for:		
Extended STD and LTD approved claims	$	63,412,894
LTD incurred but not reported claims		22,395,221
STD incurred but not reported claims		0
Total claim liability	$	85,808,115
Actuarial Valuation of Assets at end of year	$	275,068,997
Deficit/(Surplus) as of December 31, 2025	$	(189,260,882)
Prospective present value of benefits for current active members	$	169,001,095
Present value of benefits not covered by Actuarial Value of Assets	$	(20,259,787)
Present value of future compensation for active members		$195,203,877,045
Level contribution as a percentage of compensation to fund present value of benefits not covered by Actuarial Value of Assets		0.00%
Estimated administrative expenses		0.01%
Preliminary actuarially determined contribution rate as of December 31, 2025		0.01%
Actuarially determined contribution rate as of December 31, 2025 with Direct Rate Smoothing		0.05%

Claim liabilities are equal to the present value of future claim payments that the Plan is obligated to make to members who are disabled as of the valuation date. The claim liabilities are separated into two classifications, which reflect the status of each claim as of the valuation date.

(a) Approved claim liabilities are for extended short-term and long-term disabilities which have occurred, have been approved, and are in payment status as of the valuation date.

(b) LTD incurred but not reported liabilities are for disabilities which have occurred but are not in payment status as of the valuation date. These liabilities are estimated based on the one-year term cost for expected disablements during the year following the valuation date and a reserve of 14/12 of the term cost is added to account for the time after disability to receive LTD benefits.

The method of determining claim liabilities and the assumptions used are described in Appendix D.

© 2026 Arthur J. Gallagher & Co.

Section 6: Experience

Section 5 shows that the surplus under the Plan has increased by $33,565,674 from $155,695,208 to $189,260,882 since the previous valuation date.

The following table shows a detailed reconciliation of the change in the Plan's Deficit / (Surplus) – the difference between the Total Claim Liability and the Actuarial Value of Assets – since the prior valuation.

Table 8: Reconciliation of Change in Deficit/(Surplus) Since the Prior Valuation

Prior Year Deficit/(Surplus)	$ (155,695,208)
Actual Contributions During the Period	(21,739,471)
Receivable Contributions	0
Interest Adjustment	(4,994,539)
IBNR Experience	(9,339,690)
Demographic Experience[1]	(6,740,006)
Asset Loss/(Gain)[2]	11,159,685
Assumption Changes	(30,671,440)
Term Cost for One Year	28,759,787
Current Year Deficit/(Surplus)	$ (189,260,882)

[1] Demographic experience includes a gain of $5.6 M from gross benefit increasing less than expected, a loss of less than $0.1M from Social Security offsets increasing less than expected, a loss of $0.6M from benefit payments higher than expected, a loss of $1.8M from mortality and recovery different than expected, and a gain of $3.5M from other sources.

[2] The Plan's Actuarial Value of Assets is the basis for the asset (gain)/loss reported above.

© 2026 Arthur J. Gallagher & Co.

Appendix A: Detailed Tabulation of Active Member Data

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

	Creditable Service										
Age	Under 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over	Total
Under 25	4,605	6,133	35	-	-	-	-	-	-	-	10,773
	$ 20,304	$ 45,394	$ 49,891								$ 34,684
25 - 29	4,180	17,913	4,220	11	-	-	-	-	-	-	26,324
	$ 23,539	$ 50,293	$ 56,001	$ 60,766							$ 46,964
30 - 34	3,138	12,715	11,090	3,318	13	-	-	-	-	-	30,274
	$ 25,766	$ 55,395	$ 60,095	$ 63,766	$ 71,089						$ 54,970
35 - 39	2,910	11,651	9,520	10,219	2,875	27	-	-	-	-	37,202
	$ 27,238	$ 60,342	$ 67,638	$ 68,946	$ 72,054	$ 63,835					$ 62,891
40 - 44	2,367	10,109	8,777	7,526	9,194	3,584	39	-	-	-	41,596
	$ 27,260	$ 58,392	$ 71,465	$ 76,031	$ 75,114	$ 75,204	$ 74,957				$ 67,731
45 - 49	1,923	8,524	7,576	6,861	6,991	9,262	3,262	9	-	-	44,408
	$ 27,664	$ 57,752	$ 68,423	$ 77,256	$ 81,079	$ 78,676	$ 80,295	$ 86,520			$ 70,981
50 - 54	1,686	7,432	6,986	6,295	6,835	6,882	7,670	850	4	-	44,640
	$ 27,953	$ 57,242	$ 64,969	$ 72,209	$ 78,708	$ 79,194	$ 82,274	$ 86,482	$ 86,211		$ 70,987
55 - 59	1,447	6,548	6,136	5,841	6,709	6,505	5,278	1,848	234	1	40,547
	$ 26,164	$ 57,343	$ 63,019	$ 68,899	$ 73,421	$ 78,097	$ 81,632	$ 90,012	$ 90,405	$ 150,150	$ 69,588
60 - 64	824	4,356	4,519	4,041	4,558	4,223	2,673	1,100	493	95	26,882
	$ 25,111	$ 54,830	$ 61,424	$ 66,554	$ 69,919	$ 73,302	$ 82,612	$ 92,918	$ 91,777	$ 84,531	$ 67,354
65 - 69	289	1,472	1,765	1,520	1,532	1,260	899	535	291	173	9,736
	$ 25,551	$ 52,544	$ 63,195	$ 67,498	$ 76,116	$ 78,706	$ 89,513	$ 118,531	$ 121,482	$ 97,056	$ 72,994
70 & over	135	793	620	605	620	440	298	238	192	257	4,198
	$ 95,863	$ 44,049	$ 56,186	$ 69,948	$ 71,771	$ 74,744	$ 93,418	$ 102,686	$ 139,580	$ 146,747	$ 76,037
Total	23,504	87,646	61,244	46,237	39,327	32,183	20,119	4,580	1,214	526	316,580
	$ 25,346	$ 55,009	$ 64,636	$ 71,154	$ 75,669	$ 77,513	$ 82,304	$ 94,038	$ 106,175	$ 119,173	$ 64,483

© 2026 Arthur J. Gallagher & Co.

Appendix A: Detailed Tabulation of Active Member Data (continued)

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

	Male		Female	
Age	Number	Compensation	Number	Compensation
Under 19	34	$ 433,469	23	$ 208,973
19	121	2,703,295	104	1,842,589
20	208	6,328,001	225	4,334,070
21	317	9,759,892	456	10,875,510
22	515	16,258,089	1,295	34,581,971
23	902	33,004,445	2,377	83,861,130
24	1,154	46,922,996	3,042	122,534,652
25	1,432	63,009,867	3,517	149,978,187
26	1,541	73,126,962	3,735	166,390,040
27	1,630	79,476,151	3,762	173,976,511
28	1,635	83,560,920	3,659	174,261,913
29	1,675	89,496,150	3,738	183,007,718
30	1,711	94,496,821	3,742	187,692,087
31	1,829	105,362,857	3,809	196,353,312
32	1,880	112,470,173	4,090	215,016,040
33	1,925	117,477,449	4,420	239,765,085
34	2,141	135,634,589	4,727	259,882,532
35	2,242	147,273,723	4,995	289,136,918
36	2,250	150,354,214	5,100	299,876,174
37	2,268	157,696,618	5,201	310,652,017
38	2,316	168,371,711	5,156	314,885,698
39	2,342	174,713,014	5,332	326,700,292
40	2,417	180,634,190	5,551	347,678,141
41	2,452	183,686,756	5,621	356,282,472
42	2,480	192,977,870	5,729	366,678,812
43	2,643	203,808,200	6,049	387,766,558
44	2,524	199,148,641	6,130	398,659,737
45	2,673	211,010,552	6,150	407,105,899
46	2,622	211,352,589	6,324	418,728,110
47	2,590	211,637,726	6,135	410,162,518
48	2,634	211,839,945	6,492	438,441,114
49	2,572	215,713,262	6,216	416,127,782
50	2,532	210,194,198	6,109	412,030,927
51	2,708	218,445,421	6,263	421,553,957
52	2,674	218,575,214	6,162	410,307,421
53	2,771	221,606,098	6,157	404,641,135
54	2,830	227,492,920	6,434	424,005,028
55	2,874	234,787,696	6,441	426,201,115
56	2,587	209,470,921	5,960	390,068,333
57	2,505	205,695,013	5,511	356,304,779

© 2026 Arthur J. Gallagher & Co.

Appendix A: Detailed Tabulation of Active Member Data (continued)

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

	Male		Female	
Age	Number	Compensation	Number	Compensation
58	2,315	189,215,730	5,207	328,001,330
59	2,248	176,640,318	4,899	305,191,496
60	2,224	173,869,061	4,422	273,267,409
61	2,042	159,987,202	4,176	257,641,227
62	1,795	144,996,680	3,541	217,578,613
63	1,644	128,263,783	3,050	188,843,802
64	1,327	101,489,007	2,661	164,668,421
65	1,136	97,783,829	1,934	127,992,467
66	842	72,927,413	1,429	91,495,874
67	690	61,231,690	1,056	66,874,946
68	599	52,376,650	850	52,753,083
69	496	42,349,941	704	44,887,545
70	420	33,724,575	533	33,971,438
71	349	30,907,162	377	22,241,540
72	266	22,690,110	329	19,817,843
73	217	29,571,509	209	11,652,314
74	202	16,573,093	179	10,806,201
75	145	13,073,122	134	8,932,977
76	120	11,181,446	99	5,140,104
77	100	8,573,580	68	3,656,278
78	66	6,083,707	60	3,628,591
79	54	4,441,897	42	2,554,200
80	44	4,895,205	21	1,134,521
81	26	2,834,703	18	1,088,889
82	23	2,222,766	20	1,023,706
83	23	2,017,101	13	579,599
84	11	1,444,282	3	212,860
85	4	470,331	5	244,165
86	4	310,819	5	433,772
87	4	664,288	-	-
88	1	33,371	1	74,678
89	1	121,738	-	-
90	-	-	-	-
91	-	-	1	80,850
92	-	-	-	-
93	-	-	-	-
94	-	-	-	-
95	1	92,868	-	-
Over 95	-	-	-	-
Total	98,595	$ 7,229,067,592	217,985	$ 13,185,027,991

© 2026 Arthur J. Gallagher & Co.

Appendix A: Detailed Tabulation of Active Member Data (continued)

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

	Male		Female	
Service	Number	Compensation	Number	Compensation
0	8,048	$ 242,868,300	15,456	$ 352,867,002
1	8,358	489,808,751	17,211	850,210,578
2	7,281	447,768,908	16,191	831,138,288
3	6,288	409,241,202	15,295	811,944,906
4	4,795	313,547,917	12,227	667,615,203
5	3,481	247,457,147	8,172	477,525,784
6	4,190	304,753,682	9,392	551,840,326
7	3,982	295,479,262	8,807	530,746,284
8	3,657	273,690,261	8,007	499,151,436
9	3,716	283,439,643	7,840	494,489,021
10	3,383	264,309,500	7,037	462,676,358
11	3,102	241,299,166	6,800	443,492,931
12	3,010	241,797,085	6,371	432,940,186
13	2,943	237,948,889	6,387	428,943,484
14	2,294	191,620,086	4,910	344,899,765
15	2,481	206,947,958	5,026	358,617,759
16	1,627	139,717,776	3,985	286,833,381
17	2,599	225,755,279	5,681	402,668,249
18	2,761	236,093,124	6,307	446,197,367
19	2,589	224,117,367	6,271	448,894,281
20	2,333	202,158,188	5,516	396,262,818
21	2,135	186,526,415	5,147	371,021,802
22	1,912	168,639,191	4,409	322,256,902
23	1,552	140,177,379	3,743	279,527,234
24	1,623	148,860,363	3,813	279,165,278
25	1,560	144,701,331	3,676	274,731,240
26	1,484	144,467,723	3,405	259,598,497
27	1,268	122,270,688	2,890	221,539,688
28	1,040	97,304,009	2,348	183,710,328
29	708	70,089,918	1,740	137,458,746
30	487	49,729,514	1,043	82,787,316
31	402	43,992,732	694	58,511,225
32	316	37,411,562	539	45,218,752
33	256	32,357,921	445	39,696,515
34	177	21,966,814	221	19,020,384

© 2026 Arthur J. Gallagher & Co.

Appendix A: Detailed Tabulation of Active Member Data (continued)

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

	Male		Female	
Service	Number	Compensation	Number	Compensation
35	161	19,898,839	209	20,785,902
36	128	16,315,786	181	14,808,302
37	85	10,572,064	133	11,782,774
38	82	9,516,882	111	10,613,464
39	59	7,885,629	65	6,716,488
40	52	6,753,995	72	6,428,887
41	37	4,876,609	46	4,652,167
42	34	5,618,356	39	3,256,942
43	31	4,985,080	22	2,690,572
44	14	2,456,552	19	1,701,310
45	18	2,870,324	5	341,783
46	7	733,009	17	1,330,219
47	13	2,046,063	17	1,605,415
48	13	2,453,639	15	1,063,537
49	5	900,403	9	881,413
50	5	988,622	6	807,704
51	6	905,471	3	229,167
52	-	-	3	224,928
53	2	220,008	1	64,392
54	-	-	3	299,568
55	1	136,080	5	396,035
56	1	100,858	-	-
57	2	348,067	1	66,860
58	1	170,206	-	-
59	-	-	-	-
Over 59	-	-	1	80,850
Total	98,595	$ 7,229,067,592	217,985	$ 13,185,027,991

© 2026 Arthur J. Gallagher & Co.

Appendix B: Detailed Tabulation of Disabled Member Data

Table B–1: Number and Annual Amount of Disability Benefits Reported for Each Disability Group

Disability Group	As of December 31, 2025		As of December 31, 2024	
	Number	Annual Reported Benefits	Number	Annual Reported Benefits
Disabled Prior to January 1, 1988	34	$ 84,488	37	$ 79,908
Disabled after December 31, 1987	2,811	$ 23,534,666	3,220	$ 26,259,990
Total	2,845	$ 23,619,154	3,257	$ 26,339,898

© 2026 Arthur J. Gallagher & Co.

Appendix B: Detailed Tabulation of Disabled Member Data (continued)

Table B–2: Number and Annual Long-Term Disability Benefits of Members Disabled Prior to January 1, 1988, by Age and Gender as of December 31, 2025

	Male		Female	
Age	Number	Allowances	Number	Allowances
Under 65	0	$ 0	0	$ 0
65	0	0	2	20,680
66	0	0	0	0
67	0	0	0	0
68	0	0	0	0
69	0	0	2	7,254
70	0	0	4	7,899
71	1	471	1	2,172
72	0	0	1	4,770
73	2	3,393	3	7,031
74	0	0	0	0
75	1	2,073	1	176
76	0	0	1	472
77	0	0	2	6,240
78	0	0	1	4,338
79	1	2,047	2	4,057
80	0	0	0	0
81	0	0	1	722
82	1	2,203	0	0
83	0	0	1	353
84	0	0	1	120
85	1	723	1	1,166
86	0	0	0	0
87	0	0	0	0
88	0	0	1	1,764
89	0	0	0	0
90	0	0	0	0
91	0	0	0	0
92	0	0	0	0
93	0	0	0	0
94	0	0	0	0
95	0	0	0	0
Over 95	0	0	2	4,363
Total	7	$ 10,911	27	$ 73,577

© 2026 Arthur J. Gallagher & Co.

Appendix B: Detailed Tabulation of Disabled Member Data (continued)

Table B–3: Number and Annual Disability Benefits of Members Disabled After December 31, 1987, by Age and Gender as of December 31, 2025

	Male		Female	
Age	Number	Allowances	Number	Allowances
Under 29	1	$ 25,926	0	$ 0
29	1	16,873	0	0
30	0	0	0	0
31	1	26,508	0	0
32	0	0	3	71,775
33	0	0	0	0
34	1	25,217	3	75,001
35	3	39,203	5	97,008
36	2	64,943	2	43,568
37	3	70,108	7	130,279
38	2	26,151	7	86,730
39	4	101,535	7	118,355
40	3	72,253	4	74,095
41	5	39,204	12	222,885
42	5	70,155	13	94,563
43	8	114,703	13	114,857
44	8	124,854	17	155,480
45	12	241,343	23	207,059
46	11	161,997	28	216,954
47	16	221,571	47	590,660
48	19	248,979	51	549,256
49	21	246,106	69	915,819
50	25	162,371	72	780,258
51	35	265,355	69	792,382
52	27	124,831	79	744,099
53	31	220,961	89	883,821
54	34	354,918	104	845,859
55	35	290,351	124	1,359,069
56	44	460,946	109	1,049,853
57	42	236,210	144	1,398,219
58	62	249,577	142	1,073,943
59	63	405,672	164	1,193,288
60	36	248,126	111	812,684
61	47	412,621	112	685,571

© 2026 Arthur J. Gallagher & Co.

Appendix B: Detailed Tabulation of Disabled Member Data (continued)

Table B–3: Number and Annual Disability Benefits of Members Disabled After December 31, 1987, by Age and Gender as of December 31, 2025 (continued)

	Male		Female	
Age	Number	Allowances	Number	Allowances
62	57	214,240	113	612,764
63	57	311,819	111	587,043
64	57	164,825	141	594,144
65	0	0	0	0
66	2	37,904	2	54,876
67	2	38,790	2	24,245
68	0	0	2	6,350
69	1	788	1	3,085
70	3	8,304	1	9,114
71	0	0	1	12,834
72	1	120	1	12,552
73	0	0	0	0
74	1	4,309	2	29,279
75	1	3,914	1	4,738
76	0	0	2	1,155
77	0	0	1	120
78	0	0	3	13,042
79	0	0	0	0
80	1	120	1	15,087
81	0	0	1	5,413
82	0	0	0	0
83	0	0	1	5,167
84	0	0	0	0
85	0	0	0	0
86	0	0	0	0
87	2	5,160	0	0
88	0	0	1	288
89	0	0	0	0
90	0	0	0	0
91	0	0	1	120
92	0	0	0	0
93	0	0	0	0
94	0	0	0	0
95	0	0	0	0
Over 95	0	0	0	0
Total	792	$ 6,159,858	2,019	$ 17,374,808

© 2026 Arthur J. Gallagher & Co.

Appendix C: Development of the Actuarial Value of Assets

The Actuarial Value of Assets is determined using a method that attempts to "flatten" the peaks and valleys inherent in market values of assets. Under the "five-year smoothed value" asset valuation method selected by the System, investment gains and losses are recognized in equal portions over a five-year period. The calculation of the Actuarial Value of Assets is based on a formula that is mathematically equivalent to the process described above:

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

where,

MV is the market value of assets as of the valuation date; and,

$G/(L)_i$ is the asset gain or (loss) for the i^{th} year preceding the valuation date.

However, the resulting Actuarial Value of Assets cannot be less than 80% or more than 120% of the market value of assets as of the measurement date. The development of the Actuarial Value of Assets as of December 31, 2025, is shown in the table below:

Development of the Actuarial Value of Assets for the Year Ending	December 31, 2025
Market Value of Assets, Beginning of Year	$ 258,468,913
Employer Contributions	$ 21,739,471
Employer Contributions Receivable	0
Benefit Payments and Administrative Expenses	(24,906,130)
Net Cash Flow	$ (3,166,659)
Expected Investment Return	$ 7,706,919
Expected Market Value of Assets, End of Year	$ 263,009,173
Market Value of Assets, End of Year	$ 272,390,572
Excess Market Value over Expected Market Value of Assets	$ 9,381,399
80% of 2025 Asset Gain/(Loss)	$ 7,505,119
60% of 2024 Asset Gain/(Loss)	(2,928,231)
40% of 2023 Asset Gain/(Loss)	1,934,119
20% of 2022 Asset Gain/(Loss)	(9,189,432)
Total Deferred Asset Gain/(Loss)	$ (2,678,425)
Preliminary Actuarial Value of Assets, End of Year (not less than 80% and not greater than 120% of Market Value)	$ 275,068,997
Final End-of-Year Actuarial Value of Assets	$ 275,068,997
Estimated Net Investment Return on Actuarial Value	(0.99%)

© 2026 Arthur J. Gallagher & Co.

Appendix D: 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.

Economic Assumptions

Discount Rate

4.50% per year, compounded annually.

Expected Rate of Return on Assets

4.50% per year, net of expenses.

Price Inflation

2.50% per annum, compounded annually.

Real Wage Growth

0.75% per annum.

Payroll Growth

For disability events that first occur on or after January 1, 1988, extended STD and LTD benefits (before reductions) are assumed to increase 3.25% per annum. Otherwise, no increases have been assumed.

Long-term National Average Payroll Growth

3.25% per annum for the purpose of calculating Social Security benefits.

Future Increases in Social Security Benefits

For disability events that first occur on or after January 1, 1988, Social Security disability benefits are assumed to increase by 2.50% per annum. Otherwise, no increases have been assumed.

Demographic Assumptions

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

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

After five years of Membership								
	General Employees		Teachers, Librarians, and Counselors		Law Enforcement Officers		Other Education	
Service	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

Annual Rates of Mortality for Employees

Representative values of the assumed pre-retirement mortality rates as of 2016 (the most recent developed Public Pension mortality tables) prior to any mortality improvements are as follows:

Annual Rates of Mortality for Employees (Base rates using Pub-2016 Amount Weighted)								
	General Employees		Teachers, Librarians, and Counselors		Law Enforcement Officers		Other Education	
Service	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

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

Annual Rates of Disability

Active Members with less than 5 years of service as of January 1, 1988

Age	Male	Female
25	0.00059	0.00052
30	0.00085	0.00202
35	0.00153	0.00203
40	0.00194	0.00304
45	0.00255	0.00398
50	0.00425	0.00670
55	0.00425	0.00670
60	0.00590	0.00610
64	0.00477	0.00404

Retirements

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

Annual Rates of Retirement for Active Members

General Employees - Males							
	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

General Employees - Females							
	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

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

Annual Rates of Retirement (continued)

Teachers, Librarians, and Counselors - Males							
	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

Teachers, Librarians, and Counselors - Females							
	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

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 Employees - Males							
	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

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

Annual Rates of Retirement (continued)

Other Education Employees - Females							
	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

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). 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 (the most recent developed Public Pension mortality tables) prior to any mortality improvements are as follows:

Annual Rates of Post-Retirement Mortality (Healthy Members at Retirement)								
	General Employees		Teachers, Librarians, and Counselors		Law Enforcement Officers		Other Education	
Service	Male	Female	Male	Female	Male	Female	Male	Female
55	0.00422	0.00285	0.00309	0.00246	0.00314	0.00268	0.00422	0.00285
60	0.00625	0.00361	0.00455	0.00295	0.00479	0.00428	0.00625	0.00361
65	0.00886	0.00516	0.00691	0.00423	0.00785	0.00709	0.00886	0.00516
70	0.01380	0.00892	0.01136	0.00741	0.01420	0.01236	0.01380	0.00892
75	0.02441	0.01730	0.02058	0.01483	0.02672	0.02232	0.02441	0.01730
80	0.04516	0.03377	0.04082	0.03102	0.04927	0.04068	0.04516	0.03377

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

Annual Rates of Post-Decrement Mortality						
	Contingent Survivors of Deceased Members		Members Disabled at Retirement			
	All Survivors		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
<72	99%	94%
72	99%	95%
73	99%	96%
74	99%	97%
75	98%	98%
76	98%	99%
77	98%	100%
78	98%	101%
79	98%	101%
80	98%	101%

Age	Male Factor	Female Factor
81	99%	103%
82	100%	105%
83	101%	107%
84	102%	109%
85	103%	109%
86	104%	109%
87	105%	107%
88	105%	105%
89	105%	103%
>=90	105%	101%

© 2026 Arthur J. Gallagher & Co.

Appendix D: 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%

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

Deaths After Disablement (Disabled Members at Retirement)

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.

Disability Claim Termination Rates

Monthly select disability claim termination rates were used for the first 24 months of disability. These rates were annualized for use in the valuation, accounting for mid-year timing of decrements. The following tables contain age-at-disability and gender-based rates of disability claim termination per 1,000 lives for sample durations of disability:

Male	Age at Disability								
Disability Duration (months)	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 – 49	50 - 54	55 - 59	60 - 64
5	180.5	157.8	141.5	125.3	111.6	98.5	85.0	75.2	67.4
10	86.6	73.7	62.8	53.9	46.6	40.5	34.1	29.8	26.6
15	62.1	53.6	44.1	37.2	31.5	27.2	22.2	19.1	17.0
20	42.9	36.9	31.1	26.3	22.2	19.2	15.4	13.4	12.1
24	44.9	38.9	32.7	27.7	23.1	19.6	15.4	13.3	11.7

Female	Age at Disability								
Disability Duration (months)	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 – 49	50 - 54	55 - 59	60 - 64
5	166.2	146.0	128.8	116.2	105.8	97.4	87.9	81.0	74.0
10	79.0	68.6	60.8	54.4	49.7	45.4	40.2	36.1	32.2
15	58.1	49.8	43.0	37.6	33.2	29.5	25.3	22.4	19.6
20	41.3	35.0	30.2	26.1	22.6	20.1	16.8	14.9	13.2
24	43.3	36.8	31.5	27.1	23.1	20.1	16.5	14.4	12.6

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

Annual select and ultimate disability claim termination rates were used after the first 24 months of disability, with select rates effective from 5 to 25 years. The following tables contain age-at-disability and gender-based rates of disability claim termination per 1,000 lives for sample durations of disability:

Males

Disability Duration (years)	Age at Disability								
	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 – 49	50 - 54	55 - 59	60 - 64
5	136.1	119.0	102.7	89.1	78.0	69.6	57.1	57.8	56.5
10	59.6	57.7	51.4	44.5	40.1	40.6	43.5	47.3	52.1
15	42.3	39.3	38.8	36.9	38.0	42.5	46.6	53.1	60.7
20	35.2	35.4	39.4	42.2	46.8	54.8	61.8	78.4	96.4
25	39.7	39.2	45.2	47.0	49.4	68.6	78.1	115.9	169.0

Females

Disability Duration (Years)	Age at Disability								
	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 – 49	50 - 54	55 - 59	60 - 64
5	132.3	110.7	93.5	79.6	68.7	61.5	51.1	51.4	49.0
10	59.0	52.7	42.6	35.9	31.3	30.4	31.5	34.9	40.2
15	42.5	38.2	31.7	28.5	27.7	29.4	33.0	33.9	49.0
20	37.5	32.7	30.1	28.7	31.7	36.2	40.9	55.9	80.3
25	40.2	36.4	34.9	32.3	36.7	55.6	56.1	104.1	167.7

Dates of Disability

The date of disability is the calendar month, day, and year on which a claimant meets the definition of disability under Plan. This date is used to estimate the member's age-at-disability and the duration of the member's disability, which are used in the determination of the applicable monthly select, and annual select and ultimate, disability claim termination rates described above.

The Retirement Systems Division (RSD) did not provide date of disability or age-at-disability for members who are receiving extended short-term and long-term disability benefits under the Plan as of December 31, 2025. We assumed that dates of disability for these members occurred 14 months before their benefit start dates.

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

Assumed Social Security Disability Benefit Approval Rates

Future Disabled Members

60% of members who had less than five years of service as of July 31, 2007 are assumed to receive approval for Social Security disability benefits from the conclusion of the waiting period and prior to the completion of four years of disability. Approval is assumed to occur one year after the conclusion of the waiting period. All other members are assumed to receive approval for Social Security disability benefits.

Current Disabled Members

Actual Social Security disability benefit approval information is used where available. If actual Social Security disability decisions are not available, 50% of currently disabled members who had less than five years of service as of July 31, 2007 are assumed to receive approval for Social Security disability benefits. Approval is assumed to occur one year after the benefit start date. Otherwise, all other currently disabled members are assumed to receive approval for Social Security disability benefits.

Other Assumptions and Methods

Gross Benefit Adjustments

Our understanding is that the gross benefit amounts provided by the RSD as of December 31, 2025, reflect the multipliers and/or limits applicable to the disability program in which the claimant is enrolled, as reported on the census data. For the purposes of projecting benefits for participants receiving extended short-term disability beyond the first year, gross benefit amounts payable to members who are currently receiving extended short-term disability benefits were adjusted to reflect the multipliers used under the long-term disability program. However, if “unlimited” gross benefits were not provided on the census data, we assumed that claimants would have the highest allowable gross benefit under the Plan’s long-term disability provisions if the highest allowable extended short-term gross benefit was provided on the census data.

Social Security Benefit Offsets

Future Disabled Members

Estimated projected Social Security benefits for future disabled members are based on expected long-term National Average Wage growth assumptions, assumptions about future increases in Social Security benefits, valuation salaries from age at entry to future decrement dates, and the Social Security benefit determination rules applicable to the law year in effect on future decrement dates.

Estimated projected Social Security retirement benefits were adjusted to reflect reductions/increases for early/late commencement.

Current Disabled Members

Social Security benefit offsets were not provided for some claimants – for example, members who are currently receiving extended short-term disability benefits – as of December 31, 2025. We estimated Social Security benefits for affected claimants based on the relevant assumptions listed above, wages at termination projected backward reflecting relative changes in National Average Wages to member aged 20, and the Social Security benefit determination rules applicable to the 2025 law year. The RSD provided the estimated Social Security benefits that are used to offset gross benefits for claimants with more than three years of disability. These were used to offset the benefits for claimants with more than three years of disability who had over 5 years of service in 2007 and were denied or did not receive approval for Social Security disability benefits.

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

Other Offsets

No additional offsets – including but not limited to Worker's Compensation, VA benefits, and Outside Earnings – other than those reported, have been assumed.

Administrative Expenses

0.01% 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.

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 Limits

No compensation limits are applied.

Valuation Date

December 31, 2025

Benefits Not Valued

None.

Actuarial Cost Method

Aggregate cost method. Under this method, the actuarial value of projected postemployment benefits for all active participants and currently disabled members in excess of the Actuarial Value of Assets is allocated as a level percentage of compensation for all active participants between the valuation date and the assumed date of exit of the last employee.

The actuarial cost method was prescribed by the System for the purposes of preparing the actuarially determined employer contribution rate for the Plan as of December 31, 2025.

Normal Cost

The annual normal cost is the share of the total actuarial value of projected postemployment benefits for all active participants and currently disabled members in excess of the Actuarial Value of Assets as a percentage of all future compensation, multiplied by total compensation of all active participants during the valuation year. The normal cost prior to administrative expenses and direct rate smoothing adjustments is no less than zero.

© 2026 Arthur J. Gallagher & Co.

Appendix D: Actuarial Assumptions and Methods (continued)

Amortization Period

The Aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. Actuarial gains (losses) reduce (increase) future normal costs as they occur.

Asset Valuation Method

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

The AVA cannot be less than 80% or more than 120% of the market value of assets.

The asset valuation method was prescribed by the System for the purposes of preparing the actuarially determined employer contribution rate for the Plan as of December 31, 2025.

Incurred But Not Reported Claims (IBNR)

For long-term disability, a reserve of 14/12 of the one-year term cost for expected disablements during the year is added to account for the waiting time after disability to receive LTD benefits.

Funding Policy

The actuarial cost method, asset valuation method, and other components of the contribution allocation procedure were considered and approved by the Board during the most recent experience study. ADC rates as of the valuation date were developed based on the Plan's Normal Cost as a percent of pay plus an allowance for administrative expenses, as approved by the System.

Direct Rate Smoothing

Assumption and method changes adopted by the experience study prepared as of December 31, 2024 are expected to decrease the actuarially determined contribution requirements of DIPNC by 0.05% 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.

Other Assumptions and Methods

Please see the December 31, 2024 actuarial valuation report for additional information about the data, assumptions, methods, and plan provisions used to prepare results as of the December 31, 2024 measurement date. Likewise, additional information concerning historical results can be found in the relevant actuarial valuation report for each valuation date. Please keep in mind that any information that may be included in this report for periods prior to December 31, 2021, was produced by other actuarial consulting firms.

Changes in Funding Assumptions and Methods Since the Prior Valuation

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. There were no other material assumptions or methods that were changed since the prior valuation.

© 2026 Arthur J. Gallagher & Co.

Appendix E: Summary of Main Benefit Provisions

This summary of main benefit provisions is intended to describe only the principal features of the Disability Income Plan of North Carolina (DIPNC, or the Plan), a cost-sharing, multiple employer defined benefit OPEB plan sponsored by the Teachers' and State Employees' Retirement System of North Carolina (the System) as interpreted for valuation purposes. All actual eligibility requirements and benefit amounts will be determined in accordance with the Plan document and any System practices, processes, and procedures.

Overview of the Plan

The Disability Income Plan of North Carolina became effective January 1, 1988. The Plan replaced the Disability Salary Continuation Plan for Teachers and State Employees of North Carolina (DSC Plan). Those beneficiaries disabled prior to January 1, 1988, continue to be covered under the provisions of the DSC Plan as in effect December 31, 1987. Beneficiaries disabled on or after January 1, 1988, are covered under the provisions of the Disability Income Plan.

Membership in the Plan

All teachers and other employees who are in active service and are members of the Teachers' and State Employees' Retirement System (TSERS) or the UNC Optional Retirement Program (ORP) on or after January 1, 1988, are eligible to participate in the Plan.

Definition of Disability

The mental or physical incapacity for the further performance of duty of a beneficiary; provided that such incapacity was not the result of terrorist activity, of active participation in a riot, of the commission or attempt to commit a felony, or of the intentional self-infliction of an injury.

Definition of Base Rate of Compensation

The regular monthly rate of compensation not including pay for shift premiums, overtime, or other types of extraordinary pay as determined by the Board of Trustees.

Definition of Annual Longevity Payment

Full-time and part-time (20 hours or more) permanent, probationary, and time-limited employees are eligible for annual longevity payments, whereas, part-time (less than 20 hours) and temporary employees are not eligible for these payments.

Annual longevity pay amounts are based on the length of total State service and a percentage of the eligible employee's annual base rate of compensation on the date of eligibility. Longevity pay amounts are determined by multiplying the eligible employee's annual base rate of compensation by the appropriate percentage from the following table:

Years of Total State Service	Longevity Pay Percentage
Under 10 years	0.00%
10 but less than 15 years	1.50%
15 but less than 20 years	2.25%
20 but less than 25 years	3.25%
25 or more years	4.50%

© 2026 Arthur J. Gallagher & Co.

Appendix E: Summary of Main Benefit Provisions (continued)

Short-Term Disability Benefits

Short-Term Disability benefits are paid by the employer and not by DIPNC. However, they are summarized in this report because of their administrative connection to Extended Short-Term Disability benefits and Long-Term Disability benefits, which are paid by DIPNC.

Eligibility for Short-Term Disability Benefits

Prior to June 25, 2018, any participant who becomes disabled and is no longer able to perform his usual occupation after at least 365 calendar days succeeding his date of initial employment and at least one year of contributing membership service in the System may be eligible for STD benefits.

Effective June 25, 2018, any participant who becomes disabled and is no longer able to perform his or her usual occupation may be eligible for STD benefits provided all of the following conditions are met:

(1) Application for the benefit occurs at least 365 calendar days succeeding the participant's date of initial employment as a teacher or employee;
(2) The participant has at least one year of contributing membership service earned within 36 calendar months immediately preceding the date of disability. Salary continuation (see below) used during the period shall count toward this one-year requirement;
(3) The member applies for short-term disability within one year of the end of the waiting period;
(4) The participant's employer and attending physician certify that the participant is mentally or physically incapacitated for the further performance of duty; and,
(5) The participant's incapacity was incurred at the time of active employment and has been continuous thereafter.

Waiting Period

A beneficiary shall receive no benefits from the Plan for a period of 60 continuous calendar days from the onset of disability determined as the last actual day of service, the day that the physician certified the disability, or the day succeeding at least 365 calendar days after the commencement of service as a teacher or employee, whichever is later.

Salary Continuation Benefits

During the waiting period, a beneficiary may be paid such salary continuation as provided by an employer through the use of sick leave, vacation leave or any other salary continuation.

A disabled beneficiary may elect to receive any such salary continuation in lieu of STD benefits provided such election shall not extend the 365 days duration of the STD period.

Commencement of STD Benefits

The STD benefit commences on the first day succeeding the waiting period.

Monthly STD Benefit Amounts

50% of $1/12^{th}$ of the annual base rate of compensation last payable to the beneficiary prior to the beginning of the STD period plus 50% of $1/12^{th}$ of the annual longevity payment to which the beneficiary would be eligible, to a maximum of $3,000 per month, reduced by any other benefits that are payable to the beneficiary including but not limited to:

(1) Monthly temporary total Workers' Compensation payments by any employer*;
(2) Monthly Veterans Administration (VA) disability payments for the same (or for a related) disability;

* However, STD benefits are not offset by permanent, partial Workers' Compensation benefits.

© 2026 Arthur J. Gallagher & Co.

Appendix E: Summary of Main Benefit Provisions (continued)

(3) Monthly benefits payable under other Federal or certain statutory disability plans;

(4) Monthly wages or other income paid by public or private employers in excess of the participant's earnable allowance. If a beneficiary has earnings in excess of the STD benefit, the STD benefit shall be also reduced on a dollar-for-dollar basis by the amount that exceeds the STD benefit; and,

(5) Monthly severance pay as a result of a reduction-in-force from the State.

Post Disability Benefit Adjustments

The compensation upon which the STD benefit is calculated may be increased by any percentage across-the-board salary increases granted by the General Assembly.

Duration of STD Benefits

STD benefits are payable for up to 365 days following the waiting period.

Extended Short-Term Disability Benefits

Eligibility for Extended Short-Term Disability Benefits

Any beneficiary who completes 365 days of short-term disability benefits may be eligible to receive extended STD benefits if the disability is expected to end during the extended period, and the extension is approved by the Medical Board.

Waiting Period

There is no waiting period for extended STD benefits. However, a member must exhaust STD benefits before extended STD benefits can be paid.

Salary Continuation Benefits

Same as for STD benefits.

Commencement of Extended STD Benefits

The extended STD benefit commences on the first day succeeding the conclusion of the short-term disability period.

Monthly Extended STD Benefit Amounts

Same as STD benefit amounts.

Post Disability Benefit Adjustments

Same as for STD benefits.

Duration of Extended STD Benefits

Extended STD benefits are payable for up to an additional 365 days beyond the initial 365 day short- term period. During this extended period, STD benefits are paid directly from the trust.

© 2026 Arthur J. Gallagher & Co.

Appendix E: Summary of Main Benefit Provisions (continued)

Long-Term Disability Benefits

Eligibility for Long-Term Disability Benefits

Any beneficiary who has five or more years of contributing membership service in the System, earned within the 96 calendar months prior to becoming disabled or the cessation of continuous salary continuation payments, whichever is later, may be eligible to receive LTD benefits from the Plan upon approval by the Board of Trustees provided that the disability is likely to be permanent, and the beneficiary or participant withdraws from active service by terminating employment as a teacher or State employee.

Waiting Period

There is no waiting period for LTD benefits. However, a member must exhaust STD benefits before LTD benefits can be paid.

Salary Continuation Benefits

A disabled beneficiary may elect to receive any such salary continuation in lieu of LTD benefits provided such election shall not extend the first 36 consecutive calendar months of the LTD period.

Commencement of LTD Benefits

Benefits commence on the first day succeeding the conclusion of the short-term disability period provided the beneficiary makes application for such benefits within 180 days after the short-term disability period ceases or after salary continuation payments cease, whichever is later.

Monthly LTD Benefit Amounts

65% of 1/12th of the annual base rate of compensation last payable to the beneficiary prior to the beginning of the STD benefit period plus 65% of 1/12th of the annual longevity payment to which the beneficiary would be eligible, to a maximum of $3,900 per month, reduced by any other benefits that are payable to the beneficiary including but not limited to:

(1) Monthly primary Social Security disability benefits*;
(2) Monthly temporary total or partial Workers' Compensation payments by any employer;
(3) Monthly Veterans Administration (VA) disability payments for the same (or for a related) disability; Monthly benefits payable under other Federal or certain statutory disability plans;
(4) Monthly benefits payable from TSERS, or other retirement systems supported by the State;
(5) Monthly benefits payable through other insurance plans to which the State contributes;
(6) Monthly wages or other income paid by public or private employers in excess of the participant’s earnable allowance; and,
(7) Monthly severance pay as a result of a reduction-in-force from the State.

However, in any event, the monthly LTD benefit payable after all offsets have been deducted cannot be less than $10 per month.

* For members with less than five years of service as of July 31, 2007, LTD benefits terminate after 36 months if the member has not been approved for Social Security disability benefits. For members with five or more years of service as of July 31, 2007 who have not been approved for Social Security benefits after 36 months, the beneficiary's benefit shall be reduced by an amount – as determined by the Board of Trustees – equal to the primary Social Security disability benefit to which the beneficiary might have been entitled had the beneficiary been awarded Social Security disability benefits. This amount was provided in the December 31, 2025 census data.

© 2026 Arthur J. Gallagher & Co.

Appendix E: Summary of Main Benefit Provisions (continued)

Post Disability Benefit Adjustments

The compensation upon which the long-term disability benefit is calculated may be increased by any percentage across-the-board salary increases granted by the General Assembly. Benefits shall be reduced by future increases granted by the Social Security Administration.

Duration of LTD Benefits

Under N.C. G.S. § 135-112, some participants who were actively employed on January 1, 1988, and started receiving LTD benefits before completing 5 years of contributory membership service will receive lifetime benefits in lieu of service accruals under the System.

For all other participants, the LTD benefit is payable until the earliest date at which the beneficiary is eligible for an unreduced service retirement allowance from TSERS, or the termination of disability, whichever occurs first.

Please see the actuarial valuation report for TSERS presented concurrently with this report for a complete description of the eligibility requirements related to TSERS' unreduced service retirement allowances for various employee groups.

DSC Plan Long-Term Disability Benefits

Eligibility for DSC Plan Long-Term Disability Benefits

Only participants who were first disabled prior to January 1, 1988, and are currently receiving LTD payments are eligible for LTD benefits under the predecessor Disability Salary Continuation Plan (DSC Plan).

Monthly DSC Plan LTD Benefit Amounts

60% of monthly salary to a maximum of $1,000 per month reduced by benefits payable from other plans including but not limited to:

(1) Social Security benefits payable:
Before July 1, 1974 – full family benefits.
On or after July 1, 1974 – primary benefits only;
(2) Workers' Compensation, and other Federal and certain statutory disability benefits;
(3) Benefits payable from TSERS, or other retirement systems supported by the State;
(4) Benefits payable through other insurance plans to which the State contributes; and,
(5) Wages or other income paid by public or private employers in excess of the participant's earnable allowance.

Post Disability Benefit Adjustments

DSC Plan LTD benefits shall not be increased by future across-the-board salary increases granted by the General Assembly nor decreased by any future increases granted by the Social Security Administration.

Duration of DSC Plan LTD Benefits

The LTD benefit under the DSC Plan is payable until the termination of disability.

© 2026 Arthur J. Gallagher & Co.

Appendix E: Summary of Main Benefit Provisions (continued)

Termination of Disability Benefits

Disability benefits will end – and all future disability benefits will be forfeited – if a beneficiary receives a refund of his or her contributions or, in the case of STD benefits, starts receiving a retirement benefit from the System. Disability benefits can also be terminated by member request.

Plan benefits may be terminated by the System for reasons including but not limited to:

(1) The beneficiary returns to a contributing membership position with TSERS or ORP;
(2) Beneficiary earnings consistently exceed his or her earnable allowance;
(3) A medical professional does not continue to certify the beneficiary's disability when a reexamination is requested by the Medical Board;
(4) The Medical Board certifies that the beneficiary is no longer disabled;
(5) The beneficiary did not have 5 years of service as of July 31, 2007, and was denied or did not receive approval for Social Security disability benefits after receiving 36 months of LTD payments;
(6) The beneficiary becomes eligible (or would have become eligible) for a TSERS unreduced service retirement benefit while he or she is receiving LTD benefits; or
(7) The beneficiary dies.

Contributions

The Plan is funded solely through contributions made by the State and/or employing units. Participants do not contribute.

Changes in Benefit Provisions Since the Prior Valuation

Gallagher reviewed legislative changes with RSD and no material changes since the prior valuation were identified.

© 2026 Arthur J. Gallagher & Co.

© 2026 Arthur J. Gallagher & Co.

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc. is a licensed insurance agency that does business in California as “Gallagher Benefit Services of California Insurance Services” and in Massachusetts as “Gallagher Benefit Insurance Services.” Neither Arthur J. Gallagher & Co., nor its affiliates provide accounting, legal or tax advice.



Gallagher

Insurance | Risk Management | Consulting