North Carolina Firefighters' and Rescue Squad Workers' Pension Fund

Principal Results of Actuarial Valuation as of December 31, 2025

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November 5, 2026, Board of Trustees Meeting



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Valuation input

Membership data

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

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	25,597	25,343
Lapsed members	21,127	20,233
Members eligible for deferred pensions*	101	101
Retired members and survivors of deceased members killed in the Line of Duty currently receiving benefits	15,695	15,487
Total	62,520	61,164

*Includes disabled members and deceased in the line of duty members whose survivors are due a future pension.

The number of fully active members increased by 1.0% from the previous valuation date.

The number of retired members increased by 1.3% from the previous valuation date.

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

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Valuation results

Net actuarial gain or loss

Membership Data	Asset Data	Benefit Provisions	Assumptions	Funding Methodology

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	$	(29.9)
Normal Cost and Administrative Expenses during 2025		8.3
Reduction due to Actual Contributions during 2025		(23.4)
Interest on UAAL, normal cost, and contributions		(2.3)
Asset (Gain) / Loss		4.7
Actuarial Accrued Liability (Gain) / Loss		(3.7)
Impact of Experience Study		(1.1)
Impact of Legislative Changes		25.1
Unfunded Actuarial Accrued Liability (UAAL) as of 12/31/2025	$	(22.3)

During 2025, the UAAL decreased by $23.4 million due to SCRSP contributions, which exceeded the actuarially determined contribution.

The UAAL increased by $25.1 million due to the increase in monthly benefit from $175 to $184 effective January 1, 2027.

Assumption changes due to the experience study decreased the UAAL by $1.1 million.

Additionally, the UAAL increased due to the asset loss of $4.7 million.

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

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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.

Fiscal year ending June 30, 2027 Preliminary ADEC (estimated based on December 31, 2024 valuation)	$	353,544
Impact of Legislative Changes		0
Fiscal year ending June 30, 2027 Final ADEC	$	353,544
Change Due to Demographic (Gain)/Loss		(481,856)
Change Due to Payoff of Unfunded Liability Base established in December 31, 2013, valuation		1,519,055
Change Due to Investment (Gain)/Loss		761,414
Change Due to Contributions Greater than ADEC		(2,472,937)
Impact of Plan Changes		279,781
Impact of Assumption Changes		(1,237,776)
Impact of Amortization Method Changes		4,980,893
Impact of Direct Rate Smoothing		(2,994,494)
Fiscal year ending June 30, 2028 Preliminary ADEC (estimated based on December 31, 2025 valuation)	$	707,624

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

The change in the ADEC due to investment loss is based on the actuarial value of assets return of 5.65%, which was less than the 6.50% assumed return.

Change due to Contributions Greater than ADEC is due to application of the SCRSP.

The Impact of Amortization Method Changes is due to reflecting the new amortization policy, which considers all prior amortization bases fully amortized when the plan is over 100% funded.

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Valuation results (continued)

State Contribution Rate Stabilization Policy

Benefit Enhancements	Additional Disclosures	Projections

- Session Law 2016-108 requires that the Board develop a State Contribution Rate Stabilization Policy (SCRSP) for the FRSWPF
- Below is a summary of the SCRSP that the Board adopted on July 30, 2026
- State Contributions
  - For fiscal year ending 2028, the Policy Contribution Without Benefit Increase is the higher of the underlying ADEC or $25,000,000
  - For subsequent fiscal years, the Policy Contribution Without Benefit Increase is the greater of (1) the underlying ADEC or (2) the prior fiscal year's recommendation plus $1 million
  - SCRSP Minimum Contribution Rate for FYE 2028 is $25,000,000 (Greater of ADEC of $707,624 and $25,000,000)
- Board considerations for Benefit and Member Contribution Increases:
  - Recommended benefit increase is no greater than the CPI-U increase
  - Sufficient funding is available to meet the Benefit Improvement Funding Requirement (BIFR)
  - With a goal of a 50/50 split between member and state contributions toward the normal cost portion of the annual contribution, the Board will recommend that monthly member contributions be set at the $5 increment closest to a 50/50 share of the Fund's normal cost, along with any recommendation to provide a benefit increase.
  - See next slides for metrics the Board must use to recommend benefit and/or member contribution increases

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

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Valuation results (continued)

State Contribution Rate Stabilization Policy (continued)

Benefit Enhancements | Additional Disclosures | Projections

Metrics the Board must consider to recommend a benefit increase to the General Assembly based on the results of the December 31, 2025 valuation:

- The most recent June-over-June increase in the CPI-U is 3.53%. Consequently, the maximum benefit improvement[1] is $6.
- The increase in the AAL and Normal Cost for certain proposed benefit improvements:

	$ Improvement					
	$1	$2	$3	$4	$5	$6
Increase in AAL	$ 2,970,259	$ 5,940,519	$ 8,910,778	$ 11,881,038	$ 14,851,297	$ 17,821,556
% increase in AAL	0.53%	1.07%	1.60%	2.13%	2.67%	3.20%
Increase in Normal Cost	$ 29,586	$ 59,173	$ 88,759	$ 118,345	$ 147,931	$ 177,518

- The BIFR for certain proposed benefit improvements:

	$ Improvement					
	$1	$2	$3	$4	$5	$6
(1) Full Actuarial Cost of Proposed Benefit Improvement	$ 2,999,846	$ 5,999,691	$ 8,999,537	$ 11,999,383	$ 14,999,228	$ 17,999,074
(2) FRSWPF Actuarial Accrued Liability as of 12/31/2025	556,500,874	556,500,874	556,500,874	556,500,874	556,500,874	556,500,874
(3) FRSWPF Actuarial Value of Assets as of 12/31/2025	578,790,111	578,790,111	578,790,111	578,790,111	578,790,111	578,790,111
(4) Underlying ADEC for FYE 6/30/2028	707,624	707,624	707,624	707,624	707,624	707,624
(5) Policy Contribution without Benefit Increase FYE 6/30/2028	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
(6) Total Adjustment (2)-(3)+(4)-(5), only if less than $0	(46,581,613)	(46,581,613)	(46,581,613)	(46,581,613)	(46,581,613)	(46,581,613)
BIFR: (1) + (6), not less than $0	$ -	$ -	$ -	$ -	$ -	$ -

- As the current member contribution rate is close to a 50% share of the normal cost, no benefit improvements will trigger a member contribution increase.
  - The $15 per month member contribution as of 1/1/2025 is sufficient to pay for the increase in normal cost for permissible improvement
  - This decreases the member percent share of total normal cost from 52.39% to 52.18% for a $1 improvement or from 52.39% to 51.15% for the maximum $6 improvement, inclusive of benefit and member contribution increases

[1]An increase in the monthly benefit, from the current $184 monthly benefit as of 1/1/2027, for participants who are already retired as well as those who retire in the future.

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Valuation results (continued)

State Contribution Rate Stabilization Policy (continued)

Benefit Enhancements	Additional Disclosures	Projections

Metrics the Board must use in recommending benefit improvements and member contribution increases based on the December 31, 2025 valuation are as follows:

		$ Improvement					
	Valuation	$1	$2	$3	$4	$5	$6
Normal cost for benefits	6,302,069	6,331,655	6,361,242	6,390,828	6,420,414	6,450,000	6,479,587
Normal cost rate	295.51	296.90	298.29	299.67	301.06	302.45	303.84
Expense rate	48.04	48.04	48.04	48.04	48.04	48.04	48.04
Total normal cost rate	343.55	344.94	346.33	347.71	349.10	350.49	351.88
State's rate	163.55	164.94	166.33	167.71	169.10	170.49	171.88
Employee rate ($15 per month)	180.00	180.00	180.00	180.00	180.00	180.00	180.00
Employee rate as a % of the total rate	52.39%	52.18%	51.97%	51.77%	51.56%	51.36%	51.15%
Increase in EE rate to get close to a 50/50							
State/EE split in the rate ($15 per month)		180.00	180.00	180.00	180.00	180.00	180.00
EE cont as a % of the total rate		52.18%	51.97%	51.77%	51.56%	51.36%	51.15%

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Key takeaways

- Key results of the December 31, 2025 valuation were:
  - Market value returns of 12.99% during calendar year 2025 compared to 6.5% assumed.
  - Liabilities decreased by $1.1 million as a result of assumption changes from the experience study.
  - Surplus Policy adopted with experience study
    - Since funded status of FRSWPF of 104.0% is between 100% and 110%, all prior amortization bases are considered fully amortized.
    - If funded status exceeds 110% in the future, a surplus credit will offset the normal cost, based on a 30-year level dollar rolling amortization of the portion of AVA in excess of 110% of actuarial accrued liability.
  - The impact of assumption and method changes on the actuarially determined employer contribution (ADEC) is smoothed over a 5-year period beginning with the December 31, 2025 valuation.
  - Employer contributions under the State Contribution Rate Stabilization Policy (SCRSP) significantly exceeded the ADEC.
  - Effective January 1, 2027, monthly benefits were increased from $175 to $184
    - This change increased liabilities by $25.1M

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Key takeaways (continued)

- When compared to the December 31, 2024 actuarial valuation, this valuation resulted in:
  - A lower funded ratio (104.0% in the December 31, 2025 valuation compared to 105.7% in the December 31, 2024 valuation)
  - A higher actuarially determined employer contribution ($707,624 for fiscal year ending June 30, 2028 compared to $353,544 for fiscal year ending June 30, 2027)
- Recommended contribution without benefit increase under the State Contribution Rate Stabilization Policy (SCRSP) of $25,000,000 for FYE 2028, which is the greater of:
  - The ADEC of $707,624 and
  - $25,000,000

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Key takeaways (continued)

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

- Stakeholders working together to keep FRSWPF well-funded since inception
- A history of appropriating and contributing the recommended contribution requirements
- Implementation of SCRSP, which provides additional funding
- Assumptions that in aggregate are more conservative than peers
- A surplus policy that only reduces normal cost contributions when funded status reaches 110%
- Modest changes in benefits when compared to peers

Continued focus on these measures will be needed to maintain the solid status of FRSWPF well into the future.

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Certification

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 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.

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 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.

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Appendix

Supplemental information

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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	$ 539,557,589	$ 511,322,140
Employer Contributions	20,577,208	20,314,708
Employee Contributions	2,854,643	2,640,895
Benefit Payments Other than Refunds	(32,764,188)	(31,342,171)
Refunds	(242,982)	(200,711)
Administrative Expenses	(1,087,436)	(1,007,998)
Investment Income	69,422,072	37,830,726
Net Increase / (Decrease)	58,759,317	28,235,449
End of Year Market Value of Assets	$ 598,316,906	$ 539,557,589
Estimated Net Investment Return on Market Value (Annualized)	12.99%	7.47%

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

Incoming contributions currently cover over 68% of the 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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North Carolina Firefighters' and Rescue Squad Workers' Pension Fund

Report on the Actuarial Valuation

Prepared as of December 31, 2025

October 2026



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October 27, 2026

Board of Trustees
Local Governmental Employees'
Retirement System of North Carolina
3200 Atlantic Avenue
Raleigh, NC 27604

Members of the Board:

We submit herewith our report on the annual valuation of the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund (referred to as "FRSWPF") prepared as of December 31, 2025. The report has been prepared in accordance with North Carolina General Statute 58-86-1 through 58-86-101.

The primary purpose of the valuation report is to determine the required member and employer contribution rates, to describe the current financial condition of FRSWPF, 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. Sometimes assumptions are made by Gallagher to interpret membership data that is imperfect. 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 the Actuarial Standard of Practice ("ASOP") 27. In our professional judgment, the combined effect of the assumptions is expected to have no significant bias. We 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 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 analysis, 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 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 applicable law. Such changes in law may include additional costs resulting from future

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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.

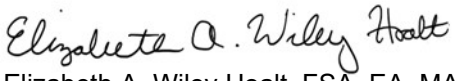
This report was prepared under our supervision and in accordance with all applicable Actuarial Standards of Practice. We are Fellows of the Society of Actuaries, Enrolled Actuaries, Members of the American Academy of Actuaries, and Fellows of the Conference of Consulting Actuaries. We meet the Qualification 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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Senior Vice President, Public Sector Retirement



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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 contribution 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.

The Firefighters' and Rescue Squad Workers' Pension Fund ("FRSWPF") provides benefits to all paid and volunteer certified firefighters and rescue squad workers who elect to participate and make the voluntary member contributions. FRSWPF has over $598 million in assets and over 62,000 members as of December 31, 2025. This actuarial valuation report is our annual analysis of the financial health of FRSWPF. This report, prepared as of December 31, 2025, presents the results of the actuarial valuation of the Retirement System.

Purpose

An actuarial valuation will be performed on FRSWPF annually as of the end of the calendar year. The actuary determines the amount of contributions to be made to FRSWPF 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 FRSWPF,
- 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)

Actuarial Comments and Observations

Membership

As with any estimate, the actuary collects information that we know now. Under the actuarial valuation process, current information about FRSWPF members is collected annually by 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	25,597	25,343
Lapsed members	21,127	20,233
Members eligible for deferred pensions*	101	101
Retired members and survivors of deceased members killed in the Line of Duty currently receiving benefits	15,695	15,487
Total	62,520	61,164

*Includes disabled members and deceased in the line of duty members whose survivors are due a future pension.

The total number of fully active members increased approximately 1.0% overall from the previous valuation date. The number of retired members increased 1.3% from the previous valuation date.

Members who are not in receipt of benefits and who have not received a refund of employee contributions are split into active members and lapsed members. Lapsed members include members who did not contribute or accrue a year of service in the past year. The return to service assumption assumes that a lapsed member returns to active service at a rate based on the number of years that the member has been lapsed.

The number of retired 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 of this report.

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Executive Summary (continued)

Assets

FRSWPF assets are held in trust and are invested for the exclusive benefit of plan members. The market value of assets is $598.3 million as of December 31, 2025 and $539.6 million as of December 31, 2024. The estimated net investment return for the market value of assets for calendar year 2025 was 12.99%.

Market value returns during 2025 were higher than the 6.50% assumed rate of return, resulting in a higher funded ratio than anticipated.

The actuarial value of assets smooths investment gains and losses. The actuarial value of assets is $578.8 million as of December 31, 2025 and $558.2 million as of December 31, 2024. The market value of assets is greater 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.

Lower than expected market returns 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 5.65% and a recognized actuarial asset loss of $4.7 million during 2025. After recognizing this loss, the assets at actuarial value were $22.3 million more 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 last experience study, the 6.50% discount rate used in this valuation is reasonable and appropriate.

A detailed summary of asset information is provided in Section 3 of this report.

Benefit Provisions

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 the Retirement System due to the legislature contributing the actuarially required contribution, 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.

Section 41.29 of Session Law 2026-41 was enacted July 7, 2026 and increased the monthly benefit from $175 to $184 effective January 1, 2027. This legislative change has been reflected in this valuation.

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

Actuarial Assumptions

Actuarial assumptions bridge the gap between the information that we know with certainty as of the valuation date (age, gender, service, and benefits of the members) and what may happen in the future. The actuarial assumptions of the Retirement System 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 Retirement System's assets such as the interest rate and the real return.

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 and methods, including a description of the material assumptions and methods that were changed since the previous valuation, can be found in Appendix C of this report.

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Executive Summary (continued)

Funding Methodology

The contribution allocation procedure for FRSWPF, or the procedure used to calculate the actuarially determined employer contribution (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 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.

Additionally, on July 30, 2026, the Board of Trustees adopted a State Contribution Rate Stabilization Policy (SCRSP) for contributions during the five fiscal years ending 2028 – 2032. This SCRSP establishes how the Board will develop an annual appropriation amount to recommend to the General Assembly to fund FRSWPF and the conditions under which the Board will consider or recommend benefit improvements for the FRSWPF.

A detailed summary of the actuarial methods is provided in Appendix C of this report.

Liabilities

The actuarial accrued liability (AAL) increased from $528.3 million to $556.5 million during 2025. FRSWPF 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 $3.7 million, or 0.7%, lower than the expected AAL as a result of demographic experience. Liabilities decreased by $1.1 million 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. In addition, the AAL increased by $25.1 million as a result of benefit changes described in Session Law 2026-41.

A detailed summary of the AAL is provided in Section 4 of this report.

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 the Retirement System actually has in the fund to the amount the FRSWPF 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 decreased from 105.7% at December 31, 2024 to 104.0% 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 increased from $(29.9) million as of December 31, 2024 to $(22.3) million as of December 31, 2025. A detailed reconciliation of the UAAL can be found in Section 4 of this report.

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Executive Summary (continued)

Contributions

The December 31, 2024 valuation suggested that the preliminary total employer contribution be set at $353,544 for the fiscal year ending June 30, 2027 subject to the SCRSP (which would suggest a contribution of at least $21,102,208) and the impact of any future legislative changes effective during that fiscal year. As a result of the December 31, 2025 valuation, the preliminary actuarially determined employer contribution is $707,624 for the fiscal year ending June 30, 2028, subject to the SCRSP (which would suggest a contribution of at least $25,000,000) and the impact of any future legislative changes effective during that fiscal year.

Based on the December 31, 2024 valuation, the current SCRSP minimum contribution rate for FYE 2027 of $21,102,208 appears to provide sufficient funding to meet the Benefit Improvement Funding Requirement (BIFR) required in the funding policy to account for the potential impact of Session Law 2026-41. In other words, no additional funding beyond the current SCRSP minimum contribution rate is required for FYE 2027. The SCRSP minimum contribution rate for FYE 2028 is determined on the basis of this December 31, 2025 valuation, which reflects such benefit improvements.

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

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.
- 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.
- 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 were:

- Market value returns of 12.99% during calendar year 2025 compared to 6.50% assumed.
- Liabilities decreased by $1.1 million 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 is smoothed over a 5-year period beginning with the December 31, 2025 valuation.
- Employer contributions under the State Contribution Rate Stabilization Policy (SCRSP) significantly exceeded the actuarially determined employer contribution (ADEC).
- Recommended contribution under SCRSP of $25,000,000 for FYE 2028, which is the greater of:
  - The ADEC of $707,624 and
  - $25,000,000.
- In addition, effective January 1, 2027, monthly benefits are increased from $175 to $184, which increased liabilities by $25.1 million. This change has been reflected in this valuation.

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

- A lower funded ratio (104.0% in the December 31, 2025 valuation compared to 105.7% in the December 31, 2024 valuation)
- A higher actuarially determined employer contribution ($707,624 for fiscal year ending June 30, 2028 compared to $353,544 for fiscal year ending June 30, 2027)

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

- Stakeholders working together to keep FRSWPF well-funded
- A history of appropriating and contributing a minimum of the recommended contribution requirements
- Implementation of SCRSP, which provides additional funding
- Assumptions that in aggregate are more conservative than peers
- A surplus policy that only reduces normal cost contributions when funded status reaches 110%
- Modest changes in benefits when compared to peers

Continued focus on these measures will be needed to maintain the solid status of FRSWPF 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 actuarial 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		
Non-lapsed Members	25,597	25,343
Lapsed Members	21,127	20,233
Retired Members and Survivors of Deceased Members Killed in the Line of Duty Currently Receiving Benefits		
Number	15,695	15,487
Annual Allowances*	$ 32,959,500	$ 32,522,700
Number of Deferred Members**	101	101
Assets		
Actuarial Value (AVA)	$ 578,790,111	$ 558,225,078
Market Value	$ 598,316,906	$ 539,557,589
Actuarial Accrued Liability (AAL)	$ 556,500,874	$ 528,294,472
Unfunded Accrued Liability (AAL-AVA)	$ (22,289,237)	$ (29,930,606)
Funded Ratio*** (AVA/AAL)	104.0%	105.7%
Results for Fiscal Year Ending	**6/30/2028**	**6/30/2027**
Actuarially Determined Employer Contribution (ADEC)		
Normal Cost	$ 3,702,118	$ 4,476,390
Accrued Liability	-	(4,122,846)
Total Preliminary ADEC	$ 3,702,118	$ 353,544
Total Based on Direct Rate Smoothing	$ 707,624	$ 353,544
Impact of Legislative Changes	Not Final	Not Final
Final ADEC	Not Final	Not Final
SCRSP Minimum Contribution Rate	$ 25,000,000	$ 21,102,208
Appropriations Act for Fiscal Year Ending	**6/30/2028**	**6/30/2027**
Legislative Appropriation	Not Final	Not Final

* Does not reflect increase from $175 per month to $184 per month effective January 1, 2027.
** Includes disabled members and deceased in the line of duty members whose survivors are due a future pension.
***The Funded Ratio on a Market Value of Assets basis is 107.5% as of December 31, 2025.

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Section 2: Membership Data

The RSD provided membership data as of the valuation date for each member of the Retirement System. 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 Member Data

Number as of	12/31/2025	12/31/2024
Active members	25,597	25,343
Lapsed members	21,127	20,233
Members eligible for deferred pensions*	101	101
Retired members and survivors of deceased members killed in the Line of Duty currently receiving benefits	15,695	15,487
Total	62,520	61,164

* Includes disabled members and deceased in the line of duty members whose survivors are due a future pension.

Table 3: Active Member Data

	Member Count	Average Age	Average Service
Lapsed Members	21,127	43.63	5.83
Active Members	25,597	39.47	11.07
Total	46,724	41.35	8.70

The table above includes members who are not in receipt of benefits and who have not received a refund of employee contributions. Lapsed members include members who did not contribute or accrue a year of service in the past year.

Table 4: Data for Members Currently Receiving Benefits

Member Count	Average Age	Annual Retirement Allowances*
15,695	69.55	$ 32,959,500

* Does not reflect increase from $175 per month to $184 per month effective January 1, 2027.

Table 5: Data for Disabled Members Eligible for Deferred Pensions

Member Count*	Average Age	Annual Retirement Allowances**
101	50.98	$ 212,100

* Includes disabled members and deceased in the line of duty members whose survivors are due a future pension.

** Does not reflect increase from $175 per month to $184 per month effective January 1, 2027.

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Section 3: Asset Data

Assets are held in trust and are invested for the exclusive benefit of FRSWPF members. The tables below provide the details of the market value of assets for the current and prior years' valuations.

Table 6: Market Value of Assets

Asset Data as of	12/31/2025	12/31/2024
Beginning of Year Market Value of Assets	$ 539,557,589	$ 511,322,140
Employer Contributions	20,577,208	20,314,708
Employee Contributions	2,854,643	2,640,895
Benefit Payments Other than Refunds	(32,764,188)	(31,342,171)
Refunds	(242,982)	(200,711)
Administrative Expenses	(1,087,436)	(1,007,998)
Investment Income	69,422,072	37,830,726
Net Increase/(Decrease)	58,759,317	28,235,449
End of Year Market Value of Assets	$ 598,316,906	$ 539,557,589
Estimated Net Investment Return on Market Value (Annualized)	12.99%	7.47%

Table 7: Allocation of Investments by Category of the Market Value of Assets

Category	12/31/2025	12/31/2024
Allocation by Dollar Amount		
Public Equity	$ 255,593,014	$ 222,122,356
Fixed Income (LTIF)	152,133,118	130,768,793
Cash and Receivables	36,801,131	54,239,420
Other*	153,789,643	132,427,020
Total Market Value of Assets	$ 598,316,906	$ 539,557,589
Allocation by Percentage of Asset Value		
Public Equity	42.7%	41.2%
Fixed Income (LTIF)	25.4%	24.2%
Cash and Receivables	6.2%	10.1%
Other*	25.7%	24.5%
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 FRSWPF, 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 8: Actuarial Value of Assets

Asset Data as of	12/31/2025
Beginning of Year Actuarial Value of Assets	$ 558,225,078
Beginning of Year Market Value of Assets	$ 539,557,589
Contributions	$ 23,431,851
Benefit Payments, Refunds and Administrative Expenses	(34,094,606)
Net Cash Flow	$ (10,662,755)
Expected Investment Return	$ 34,730,159
Expected End of Year Market Value of Assets	$ 563,624,993
End of Year Market Value of Assets	$ 598,316,906
Excess of Market Value over Expected Market Value of Assets	$ 34,691,913
80% of 2025 Asset Gain/(Loss)	$ 27,753,530
60% of 2024 Asset Gain/(Loss)	2,941,034
40% of 2023 Asset Gain/(Loss)	6,875,818
20% of 2022 Asset Gain/(Loss)	(18,043,587)
Total Deferred Asset Gain/(Loss)	$ 19,526,795
Preliminary End of Year Actuarial Value of Assets	$ 578,790,111
Final End of Year Actuarial Value of Assets (not less than 80% and not greater than 120% of Market Value)	$ 578,790,111
Estimated Net Investment Return on Actuarial Value	5.65%

Commentary: The actuarial value of assets smooths investment gains/losses, resulting in less volatility in the actuarially determined 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 5.65% and a recognized actuarial asset loss of $4.7 million during 2025. The assets at actuarial value were $22.3 million greater than the actuarial accrued liability as of December 31, 2025.

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Section 3: Asset Data (continued)

The valuation assumes 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 9: Historical Asset Returns

Year	Actuarial Value of Asset Return	Market Value of Asset Return
2006	8.63%	7.24%
2007	9.98%	14.85%
2008	7.43%	(1.92%)
2009	3.09%	(14.15%)
2010	4.47%	12.09%
2011	6.88%	18.47%
2012	5.96%	2.25%
2013	7.43%	12.42%
2014	7.42%	6.24%
2015	5.87%	0.35%
2016	5.33%	6.24%
2017	6.54%	13.33%
2018	5.08%	(1.40%)
2019	6.19%	14.87%
2020	8.80%	11.22%
2021	9.18%	9.72%
2022	4.56%	(10.40%)
2023	5.65%	10.17%
2024	4.90%	7.47%
2025	5.65%	12.99%
Average	6.44%	6.26%
Range	6.89%	32.62%

* Asset returns for years prior to 2013 are the returns for the year ending on June 30 of the applicable year. The 2013 asset return is the annualized return for the 18-month period from June 30, 2012 to December 31, 2013. Asset returns for years after 2013 are for the calendar year.

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 last 20 years of 6.44% compares with an average market return of 6.26%. But the range of returns on market value is markedly more volatile, 32.62% versus 6.89%. This results in much lower actuarially determined employer contribution volatility using the actuarial value of assets versus market, while ensuring that the actuarial needs of FRSWPF are met.

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Section 4: Liability Results

Using the provided membership data, benefit provisions, and actuarial assumptions, future benefit payments of FRSWPF 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 years' valuations.

Table 10: Liability Summary

Valuation Results as of	12/31/2025	12/31/2024
(a) Present Value of Future Benefits		
(1) Active Members*	$ 266,633,780	$ 271,438,311
(2) Members Currently Receiving Benefits and Members with Deferred Benefits	330,714,207	308,821,688
(3) Total	$ 597,347,987	$ 580,259,999
(b) Present Value of Future Normal Costs		
(1) Employee Future Normal Costs	$ 24,346,269	$ 27,302,601
(2) Employer Future Normal Costs	16,500,844	24,662,926
(3) Total	$ 40,847,113	$ 51,965,527
(c) Actuarial Accrued Liability: (a3) - (b3)	$ 556,500,874	$ 528,294,472
(d) Actuarial Value of Assets	$ 578,790,111	$ 558,225,078
(e) Unfunded Accrued Liability: (c) - (d)	$ (22,289,237)	$ (29,930,606)

* Includes present value of future benefits for lapsed members whose service did not increase during 2025.

The table below provides an allocation of the total present value of future benefits by funding source.

Table 11: Funding Allocation

	12/31/2025	12/31/2024
Allocation by Dollar Amount		
Assets (Actuarial Value)	$ 578,790,111	$ 558,225,078
Future Employee Contributions	24,346,269	27,302,601
Future Normal Contributions	16,500,844	24,662,926
Present Value of Funded Benefits	$ 619,637,224	$ 610,190,605
Present Value of Unfunded Benefits	(22,289,237)	(29,930,606)
Total Present Value of Benefits	$ 597,347,987	$ 580,259,999
Allocation by Percentage of Present Value of Future Benefits		
Assets (Actuarial Value)	96.9%	96.2%
Future Employee Contributions	4.1%	4.7%
Future Normal Contributions	2.8%	4.3%
Present Value of Funded Benefits	103.8%	105.2%
Present Value of Unfunded Benefits	(3.8%)	(5.2%)
Total Present Value of Future Benefits	100.0%	100.0%

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Section 4: Liability Results (continued)

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 12: Reconciliation of Unfunded Actuarial Accrued Liability (in millions)

(in millions)		
Unfunded Actuarial Accrued Liability (UAAL) as of 12/31/2024	$	(29.9)
Normal Cost and Administrative Expenses during 2025		8.3
Reduction due to Actual Contributions during 2025		(23.4)
Interest on UAAL, Normal Cost, and Contributions		(2.3)
Asset (Gain)/Loss		4.7
Actuarial Accrued Liability (Gain)/Loss		(3.7)
Impact of Experience Study		(1.1)
Impact of Legislative Changes		25.1
Unfunded Actuarial Accrued Liability (UAAL) as of 12/31/2025	$	(22.3)

Commentary: The 12/31/2025 UAAL is greater than expected due to an asset loss during 2025 that increased the UAAL by $4.7 million and legislative changes that increased the UAAL by $25.1 million, offset by a gain of $23.4 due to SCRSP contributions, which exceeded the actuarially determined contribution, and a demographic experience gain of $3.7 million.

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Section 5: Actuarially Determined Employer Contribution

The actuarially determined employer contribution (ADEC) consists of a normal cost contribution and an accrued liability contribution. The normal cost contribution is the employer's portion of the cost of benefits accruing during the year after reducing for the member contribution. The accrued liability rate, in case there is an unfunded actuarial accrued liability, is the payment toward the unfunded actuarial accrued liability in order to pay off the unfunded actuarial accrued liability over 15 years. 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 of the plan exceeds 110% on an AVA basis, prior amortization bases are eliminated and a credit is applied to the actuarially determined employer contribution equal to a 30-year, level dollar, rolling amortization of the portion of the AVA in excess of 110% of the actuarial accrued liability.

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 State Contribution Rate Stabilization Policy (SCRSP) adopted by the Board of Trustees on July 30, 2026, requires that recommended contributions for a given fiscal year will be the greater of:

(1) The underlying actuarially determined employer contribution rate for the fiscal year, or

(2) For fiscal year ending 2028, $25 million, and for the following years, the appropriation that the Board recommended for the prior fiscal year plus $1 million

Appendix E contains a full description of the SCRSP.

The table below provides the calculation of the actuarially determined employer contribution for the current and prior years' valuations.

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Section 5: Actuarially Determined Employer Contribution (continued)

Table 13: Calculation of Actuarially Determined Employer Contribution (ADEC) Payable per Active Member

Valuation Date	12/31/2025	12/31/2024
ADEC for Fiscal Year Ending	6/30/2028	6/30/2027
Normal Cost Rate Calculation		
(a) Total Normal Rate	$ 295.51	$ 333.69
(b) Employee Normal Cost	180.00	180.00
(c) Employer Normal Cost: (a) - (b)	$ 115.51	$ 153.69
(d) Expenses Rate*	48.04	44.67
(e) Total Normal Cost Rate: (c) + (d)	$ 163.55	$ 198.36
Accrued Liability Rate Calculation		
(f) Total Annual Amortization Payments**	$ -	$ (4,122,846)
(g) Active Member Count***	22,636	22,567
(h) Accrued Liability Rate: (f) / (g)	$ -	$ (182.69)
Total ADEC (e) + (h)	$ 163.55	$ 15.67

* Based on actual expenses during the previous year.

** Per the experience study adopted by the Board, effective December 31, 2025, in accordance with the surplus policy, since the funded status of the plan is greater than 100%, all previous amortization bases have been considered fully amortized.

*** The active member count reflects the number of currently active or lapsed members who are expected to accrue additional benefits in the next year.

Table 14: Actuarially Determined Employer Contribution (ADEC)

The tables below provide the calculation of the actuarially determined employer contribution (ADEC) for the current and prior years' valuations.

Valuation Date	12/31/2025	12/31/2024
ADEC for Fiscal Year Ending	6/30/2028	6/30/2027
(a) Current Active Member Count*	22,636	22,567
(b) Normal Cost Rate	$ 163.55	$ 198.36
(c) Normal Cost Contribution: (a) x (b)	$ 3,702,118	$ 4,476,390
(d) Accrued Liability Contribution	-	(4,122,846)
(e) Total ADEC: (c) + (d)	$ 3,702,118	$ 353,544
(f) ADEC: Direct Rate Smoothing	$ 707,624	$ 353,544
Impact of Legislative Changes	N/A	0
Final ADEC	N/A	$ 353,544
SCRSP Minimum Contribution	$ 25,000,000	$ 21,102,208

* The active member count reflects the number of currently active or lapsed members who are expected to accrue additional benefits in the next year.

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Section 5: Actuarially Determined Employer Contribution (continued)

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

Table 15: Reconciliation of the Change in the ADEC

Fiscal year ending June 30, 2027 Preliminary ADEC (estimated based on December 31, 2024 Valuation)	353,544
Impact of Legislative Changes	0
Fiscal year ending June 30, 2027 Final ADEC	353,544
Change Due to Demographic (Gain)/Loss	(481,856)
Change Due to Payoff of Unfunded Liability Base established in December 31, 2013, valuation	1,519,055
Change Due to Investment (Gain)/Loss	761,414
Change Due to Contributions Greater than ADEC	(2,472,937)
Impact of Plan Changes	279,781
Impact of Assumption Changes	(1,237,776)
Impact of Amortization Method Changes	4,980,893
Impact of Direct Rate Smoothing	(2,994,494)
Fiscal year ending June 30, 2028 Preliminary ADEC (estimated based on December 31, 2025 Valuation)	707,624

Amortization methods determine the payment schedule for the unfunded actuarial accrued liability or surplus. Beginning with fiscal year ending in 2028, the Board adopted a policy such that unfunded actuarial accrued liability bases are amortized over a 15-year closed amortization period. At the same time, the Board adopted a surplus policy such that if the funded status exceeds 100% on an actuarial value of assets (AVA) basis, all prior amortization bases are considered fully amortized, and no amortization contribution is due.

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

Table 16: History of Actuarially Determined Employer Contributions and Appropriated Rates

Valuation Date	Fiscal Year Ending	Preliminary ADEC	Subsequent Changes to ADEC	Final ADEC	Appropriated Rate
12/31/2025	6/30/2028	$ 707,624	Not Final	Not Final	Not Final
12/31/2024	6/30/2027	353,544	-	Not Final	Not Final
12/31/2023	6/30/2026	1,843,962	-	$ 1,843,962	$20,752,208
12/31/2022	6/30/2025	2,350,959	-	2,350,959	20,402,208
12/31/2021	6/30/2024	3,253,378	-	3,253,378	20,052,208

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Appendix A: Detailed Tabulations of Member Data

Table A-1: The Number of Active and Lapsed Members Distributed by Age and Service as of December 31, 2025

	Years of Service										
Age	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	471	2,216	224	0	0	0	0	0	0	0	2,911
25 to 29	642	2,634	1,669	215	0	0	0	0	0	0	5,160
30 to 34	698	2,604	1,901	1,308	209	2	0	0	0	0	6,722
35 to 39	659	2,297	1,587	1,335	1,187	164	3	0	0	0	7,232
40 to 44	452	1,814	1,282	1,006	986	993	110	3	0	0	6,646
45 to 49	311	1,451	987	792	718	923	651	97	0	0	5,930
50 to 54	238	1,128	819	635	634	906	759	555	68	2	5,744
55 to 59	153	856	641	527	444	338	160	103	47	0	3,269
60 to 64	98	494	394	316	278	117	47	16	5	4	1,769
65 to 69	42	219	168	135	135	49	15	5	2	1	771
70 & Up	45	168	122	87	100	37	6	4	1	0	570
Total	3,809	15,881	9,794	6,356	4,691	3,529	1,751	783	123	7	46,724

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Appendix A: Detailed Tabulations of Member Data (continued)

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

Age	Active Members Number	Lapsed Members Number
18	13	
19	154	
20	325	11
21	412	49
22	460	70
23	532	119
24	584	182
25	649	221
26	656	300
27	669	349
28	643	424
29	757	492
30	758	561
31	740	596
32	726	586
33	704	631
34	759	661
35	772	680
36	793	721
37	789	685
38	761	621
39	745	665
40	787	605
41	769	617
42	679	579
43	713	620
44	691	586
45	672	547
46	601	558
47	628	544
48	600	576
49	649	555
50	536	551
51	578	549
52	613	545
53	594	587
54	591	600
55	428	562
56	261	399
57	230	370

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Appendix A: Detailed Tabulations of Member Data (continued)

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

Age	Active Members Number	Lapsed Members Number
58	214	323
59	188	294
60	162	287
61	140	261
62	133	219
63	119	182
64	86	180
65	84	132
66	55	115
67	55	95
68	66	61
69	38	70
70	44	45
71	40	43
72	25	41
73	27	31
74	17	31
75	19	29
76	15	15
77	13	21
78	7	13
79	7	7
80	8	7
81	3	6
82	5	10
83	3	8
84	1	5
85	2	2
86		5
87		3
88		6
90		1
91		1
92		1
93		1
94		2
Total	25,597	21,127

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Appendix A: Detailed Tabulations of Member Data (continued)

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

Service	Active Members Number	Lapsed Members Number
0	794	3,015
1	1,999	3,249
2	1,725	2,528
3	1,625	2,014
4	1,236	1,506
5	1,125	1,261
6	1,056	990
7	1,053	793
8	1,204	692
9	999	622
10	917	525
11	885	459
12	887	385
13	962	335
14	690	310
15	786	265
16	723	225
17	686	186
18	866	143
19	674	136
20	703	200
21	556	245
22	489	211
23	404	166
24	425	130
25	344	99
26	361	77
27	234	87
28	239	61
29	190	59
30	190	50
31	127	36
32	132	33
33	107	12
34	86	10
35	55	6
36	31	3
37	11	2
38	10	
39	5	
41	1	
43	2	1
44	2	
50	1	
Total	25,597	21,127

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-4: The Number and Annual Retirement Allowances of Retired Members Distributed by Age as of December 31, 2025

Age	Number	Allowances*
55	279	$ 585,900
56	497	1,043,700
57	530	1,113,000
58	559	1,173,900
59	540	1,134,000
60	520	1,092,000
61	561	1,178,100
62	626	1,314,600
63	589	1,236,900
64	614	1,289,400
65	623	1,308,300
66	572	1,201,200
67	621	1,304,100
68	532	1,117,200
69	610	1,281,000
70	542	1,138,200
71	608	1,276,800
72	577	1,211,700
73	568	1,192,800
74	516	1,083,600
75	515	1,081,500
76	461	968,100
77	421	884,100
78	424	890,400
79	408	856,800
80	295	619,500
81	309	648,900
82	281	590,100
83	287	602,700
84	201	422,100
85	186	390,600
86	168	352,800
87	134	281,400
88	108	226,800
89	89	186,900
90	97	203,700
91	75	157,500
92	48	100,800
93	34	71,400
94	22	46,200
95	20	42,000
96	14	29,400
97	6	12,600
98	3	6,300
99	2	4,200
100	2	4,200
104	1	2,100
Total	15,695	$ 32,959,500

* Does not reflect increase from $175 per month to $184 per month effective January 1, 2027.

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Appendix A: Detailed Tabulations of Member Data (continued)

Table A-5: The Number and Annual Retirement Allowances of Members Eligible for Deferred Pensions Distributed by Age as of December 31, 2025*

Age	Number	Allowances*
33	2	$ 4,200
36	1	2,100
37	1	2,100
39	1	2,100
40	5	10,500
41	1	2,100
42	3	6,300
43	4	8,400
44	1	2,100
45	3	6,300
46	2	4,200
47	5	10,500
48	2	4,200
49	2	4,200
50	9	18,900
51	6	12,600
52	10	21,000
53	5	10,500
54	11	23,100
55	5	10,500
56	6	12,600
57	3	6,300
58	3	6,300
60	1	2,100
61	3	6,300
62	1	2,100
63	1	2,100
65	1	2,100
66	1	2,100
67	1	2,100
75	1	2,100
Total	101	$ 212,100

* Includes disabled members and deceased in the line of duty members whose survivors are due a future pension.

** Does not reflect increase from $175 per month to $184 per month effective January 1, 2027.

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Appendix B: Summary of Main Benefit and Contribution Provisions

All regular and volunteer firefighters of the State of North Carolina whose qualifications are certified by their departments are eligible to be members of the Fund. All rescue squad workers who are members of rescue squads eligible for membership in the North Carolina Association of Rescue Squads, Inc. and meet training requirements are eligible to be members of the Fund. Credit for prior service (that is, service rendered prior to July 1, 1959) is granted to firefighters who were eligible on July 1, 1959 and became members on or before June 30, 1961. Credit may also be given for certain special purchased service.

Benefits

Service Retirement Pension

Condition for Pension

A member who retires after he or she attained age 55 and has credit for 20 years of service as a firefighter or rescue squad worker in North Carolina is entitled to a monthly pension.

Amount of Pension

The amount of the pension is equal to $175 ($184 effective January 1, 2027).

Deferred Early Retirement Pension

Condition for Pension

A member whose service is terminated after the member has credit for 20 years of service as a firefighter or rescue squad worker in North Carolina but before the member has attained age 55 is eligible to receive a deferred retirement pension, starting at age 55, provided the member continues to make regular contributions until age 55 or until the member has contributed for a total of 20 years, whichever event occurs earlier. Any member who is totally and permanently disabled while in the discharge of official duties and leaves service as a result of such disability is eligible for a deferred retirement pension commencing at age 55 without continuing to make contributions. Any member who becomes totally and permanently disabled for any cause, other than line of duty, after 10 years of credited service under the Pension Fund may continue to make monthly contributions until he or she has contributed for 240 months into the Fund and receive a pension upon attainment of age 55.

Amount of Pension

The deferred pension is $175 per month ($184 effective January 1, 2027).

Return of Contributions

Upon the death (not in the line of duty) or withdrawal of a member prior to retirement, the member's aggregate contributions are refunded in a lump sum.

Upon the death (not in the line of duty) of a retired member, the excess, if any, of his or her aggregate contributions over the total of the pension payments he or she has received is refunded.

Line of Duty Death Benefit

Upon the death (in the line of duty) of a retired or active member, an amount of $175 ($184 effective January 1, 2027) per month is payable to the member's beneficiary, if living, beginning the month following the month the member would have attained age 55, or if the member had already attained age 55, beginning the month following the member's death, payable until the beneficiary's death.

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

Contributions

By Members

Each member contributes $15 per month until retirement or until the member has contributed for a total of 20 years, whichever event occurs earlier.

By State

The State makes annual contributions sufficient, with the members' contributions, to meet the cost of the benefits under the Fund.

Changes Since Prior Valuation

Section 41.29 of Session Law 2026-41 was enacted July 7, 2026 and increased the monthly benefit from $175 to $184 as of January 1, 2027. This legislative change has been reflected in this valuation.

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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.

Separations from Active Service

Representative values of the assumed annual rates of withdrawal and vesting, retirement, death, and disability are as follows:

Annual Rates of Withdrawal

	Service		
Age	<5	5-19	20+
< 55	0.070	0.035	1.000
55-59	0.110	0.075	1.000
> 60	0.110	0.075	1.000

Annual Rates of Retirement

	Service		
Age	<20	20	21+
55	0.000	0.750	0.850
56-69	0.000	0.550	0.400
70	0.000	1.000	1.000

Annual Rates of Base Mortality and Disability

	Base Mortality*		Disability
Age	Male	Female	
25	.00034	.00016	.0005
30	.00040	.00022	.0005
35	.00047	.00031	.0008
40	.00059	.00045	.0010
45	.00079	.00067	.0022
50	.00116	.00100	.0024
55	.00180	.00150	.0035
60	.00291	.00226	.0061
65	.00472	.00343	
69	.00684	.00441	

* Base mortality rates using Pub-2016 Safety Amount-Weighted mortality table

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Appendix C: Actuarial Assumptions and Methods (continued)

Return to Service

The assumed rates in which a lapsed member returns to active service are based on the number of years that the member has been lapsed. These rates are as follows:

Number of Years Member has been Lapsed	Percentage of Members Assumed to Return to Active Service*	Number of Years Member has been Lapsed	Percentage of Members Assumed to Return to Active Service*
1 Year	35.0%	5 Years	6.5%
2 Years	21.5%	6 Years	4.5%
3 Years	14.5%	7 Years	3.0%
4 Years	10.5%	8+ Years	0.0%

* Members who are assumed to return to service are assumed to do so at the valuation date. Members who are assumed to not return to service (and have not yet attained 20 years of service) are assumed to receive a refund of contributions at age 55.

Post-Decrement Mortality

Representative values of the assumed post-decrement mortality rates are based on the Pub-2016 Safety Retirees Amount-Weighted mortality table for healthy members and the Pub-2016 General Disabled Retirees Amount-Weighted mortality table for disabled members, prior to any mortality improvements, are as follows:

Annual Rate of Death after Decrement				
	Healthy Members		Disabled Members	
Age	Male	Female	Male	Female
55	.00314	.00268	.01334	.01126
60	.00479	.00428	.02036	.01715
65	.00785	.00709	.02430	.01893
70	.01420	.01236	.02859	.02279
75	.02672	.02232	.04125	.03463
80	.04927	.04068	.06510	.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 (Healthy Members)

Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 106%. Because the retiree tables have no rates prior to age 45, the Safety Mortality Table for Employees is used for ages less than 45.

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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 all members are multiplied by 101%.

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%

Deaths Prior to Termination/Retirement

Mortality rates are based on the Pub-2016 Safety Employees Amount-Weighted Mortality Table.

Line of Duty Death Assumption

50% of pre-retirement deaths are assumed to be in the line of duty.

Designated Beneficiary Assumption

100% of members are assumed to have a designated beneficiary. Male members are assumed to have a female beneficiary that is two years younger, and female members are assumed to have a male beneficiary that is two years older.

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.

Timing of Assumptions

All withdrawals, deaths, disabilities, and retirements 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.

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Appendix C: Actuarial Assumptions and Methods (continued)

Future Expenses

Equal to prior year actual administrative expenses added to Normal Cost.

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 dollar amount over the working lifetime of the participant between the date of employment and assumed date of exit.

Amortization Period

15-year closed, level-dollar amount.

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.

Asset Valuation Method

Actuarial value, as developed in Table 8. 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 as of 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

Direct Rate Smoothing

Assumption and method changes adopted by the experience study prepared as of December 31, 2024, increased the actuarially determined contribution requirements of the Fund by $3,743,117. The impact of these assumption and method changes will be smoothed over a five-year period so that 20% of the impact has been 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 SCRSP.

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Appendix C: Actuarial Assumptions and Methods (continued)

Changes 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 assumptions for withdrawal, return to service, retirement, mortality assumptions, line of duty death, and designated beneficiary were updated based on the experience study prepared as of December 31, 2024 and adopted by the Board of Trustees on January 29, 2026.
- 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

FRSWPF 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.

As of December 31, 2025 the LDROM is $681,035,851. 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.” 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. As of December 31, 2025 the 30-year Treasury rate used to calculate the LDROM is 4.84%. All other assumptions are the same as those used for funding purposes as shown in this report.

The LDROM shown here represents what the FRSWPF actuarial accrued liability would be if FRSWPF 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 FRSWPF 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 E: State Contribution Stabilization Policy (SCRSP)

Local Governmental Employees' Retirement System Board of Trustees

State Contribution Rate Stabilization Policy for the Firefighters' and Rescue Squad Workers' Pension Fund

I. Policy Purpose

This policy provides for the continued operation of a State Contribution Rate Stabilization Policy (SCRSP) for the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF). The SCRSP was first adopted by the Local Governmental Employees' Retirement System (LGERS) Board of Trustees (Board) on January 26, 2017, as required by Section 5 of S.L. 2016-108, and was effective through fiscal year ending 2022. The SCRSP effective for fiscal years ending 2023 through 2027 was adopted on April 29, 2021. 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 adopt an SCRSP 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 the FRSWPF, and the conditions under which the Board will consider or recommend benefit improvements for the FRSWPF.

III. Definitions

Actuarial Measurement: The result of an analysis by the Board's consulting actuary, presented to the Board in a public report, based on actuarial assumptions and methods adopted by the Board for purposes of funding of the FRSWPF, without regard to any "direct rate smoothing" of changes in the Board's assumptions and methods.

Benefit Improvement Funding Requirement: An amount equal to

(1) the Actuarial Measurement of the full increase in the FRSWPF actuarial accrued liability and normal cost expected from a proposed benefit increase, plus

(2) the FRSWPF actuarial accrued liability according to the most recently accepted valuation report of the consulting actuary, less

(3) the FRSWPF actuarial value of assets according to the most recently accepted valuation report of the consulting actuary, plus

(4) the Underlying ADEC for the upcoming fiscal year subject to the exception that if item (3) is greater than item (2), then this item (4) is to include only the normal cost component of the Underlying ADEC, less

(5) the Policy Contribution Without Benefit Increase for the upcoming fiscal year.

However, the Benefit Improvement Funding Requirement will be no less than $0, and no greater than the amount in part (1) of the definition prior to adjustment for parts (2) through (5). The intention of parts (2) through (5) is to provide for a possible reduction in the Benefit Improvement Funding Requirement if there is a funding surplus (parts (2) and (3)) or if the Board's appropriation recommendation under this policy will exceed the Underlying ADEC (parts (4) and (5)).

Policy Contribution Without Benefit Increase: The State appropriation to be recommended by the Board under this policy, prior to any increase for the cost of benefit improvements that the Board may recommend under this policy.

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Appendix E: State Contribution Stabilization Policy (SCRSP) (continued)

Local Governmental Employees' Retirement System Board of Trustees

State Contribution Rate Stabilization Policy for the Firefighters' and Rescue Squad Workers' Pension Fund (continued)

Target Member Contribution Rate: The member contribution rate that would result in the total member contributions being closest to 50% of the Actuarial Measurement of the FRSWPF normal cost for the upcoming fiscal year, subject to the constraint that the monthly member contribution rate should be a multiple of $5.

Underlying Actuarially Determined Employer Contribution (Underlying ADEC): The amount developed annually by the Board's consulting actuary, representing a funding requirement according to the Board's actuarial assumptions and methods before applying this policy.

IV. Annual Appropriation Recommendation

Changes in the Underlying ADEC from year to year can result in roller-coaster appropriations which are difficult for budget and appropriation planning. In particular, "V"-shaped underlying ADEC patterns create incentives within the appropriations process for programs that compete with FRSWPF over a limited pool of revenue to increase their recurring funding requirements, even though a reduction to the FRSWPF would effectively be nonrecurring due to the "V" shape. To avoid a roller-coaster pattern, this policy provides for continuing the pattern of minimum recommended increases to the annual recommended appropriation. This may result in an appropriation recommendation exceeding the Underlying ADEC.

Accordingly:

- **For the fiscal year ending in 2028, the Policy Contribution Without Benefit Increase recommended by the Board should be $25 million, or the Underlying ADEC for that fiscal year if greater.**
- **For each subsequent year that this policy is in effect, the Policy Contribution Without Benefit Increase recommended by the Board for an upcoming fiscal year should be the greater of (1) the appropriation that the Board recommended for the current fiscal year plus $1 million[1], or (2) the Underlying ADEC for the upcoming fiscal year.**

In developing Parts (1) and (2) of this definition for fiscal years ending in 2029 and later, this policy provides the following guidance:

- In Part (1), the appropriation that was recommended for the current fiscal year should exclude any portion of the Board's recommendation specifically intended to cover a one-year payment of the costs of a benefit improvement, as described below under "Further Increase to Fund Benefit Improvement."

[1] The 2017 and 2021 SCRSPs described a similar increase in the amount of $350,000 per year. The annual increase is being adjusted to $1 million under this policy to keep pace with the current level of gross property insurance premium tax collections under G.S. 105-228.5(d)(3). Four other programs benefitting firefighters and rescue squad workers – namely, the Local Firefighters' Relief Funds program under G.S. 58-84-25, the Firefighters' Cancer Insurance Program under G.S. 58-86A, the Volunteer Fire Department Fund under G.S. 58-87-1, and the Workers' Compensation Fund under G.S. 58-87-10 – receive distributions directly out of the proceeds of this tax, with the remainder being transferred to the General Fund to partially offset the cost of the FRSWPF. The combined percentage of the tax proceeds to be distributed to the other four programs will total no more than 60% under current statutory provisions. The remainder to be transferred to the General Fund will therefore be at least 40% of the tax proceeds. Using the total proceeds of this tax from FY ending 2025, which were approximately $64 million, combined with a pattern of increasing property tax premiums and population growth in North Carolina, it is reasonable to assume that 40% of the tax proceeds will be at least $25 million and growing for the fiscal year ending 2028. An annual increase in the amount recommended under this policy, equal to $1 million per year, is within the amount expected to be available throughout the five years of the SCRSP.

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Appendix E: State Contribution Stabilization Policy (SCRSP) (continued)

Local Governmental Employees' Retirement System Board of Trustees

State Contribution Rate Stabilization Policy for the Firefighters' and Rescue Squad Workers' Pension Fund (continued)

- In Part (1), the appropriation that was recommended for the current fiscal year should be adjusted (increased) to include the cost of any benefit improvements enacted by the General Assembly, for which the General Assembly did not appropriate funding during the current fiscal year at least equal to the Benefit Improvement Funding Requirement. This increase should be equal to the Benefit Improvement Funding Requirement, reduced for any funding appropriated by the General Assembly during the current fiscal year toward the enacted benefit improvement.
- In Part (1), the appropriation that was recommended for the current fiscal year should be adjusted (either increased or reduced) for the effect of any changes in actuarial assumptions or methods adopted by the Board that were not incorporated in the Board's recommendation for the current fiscal year. The adjustment should be equal to the Actuarial Measurement of the effect on the Underlying ADEC, except that it may include direct rate smoothing to the extent the Board adopted direct rate smoothing of the relevant assumption or method change for FRSWPF funding purposes.
- In Part (1), the appropriation that was recommended for the current fiscal year should be adjusted (reduced) for the effect of any increase to member contributions ($15 per month as of July 2026) that was not incorporated in the Board's recommendation for the current fiscal year, but has since been enacted. The reduction should be equal to the Actuarial Measurement of the decrease in the State's share of FRSWPF normal cost that would have been incorporated in the Board's recommendation for the current fiscal year had it been enacted.
- In Part (2), the Underlying ADEC for the upcoming fiscal year should exclude any portion attributable to a one-year payment of costs of a benefit improvement.

Further Increase to Fund Benefit Improvement: The appropriation recommended by the Board for the upcoming fiscal year will be further adjusted if the Board recommends to the General Assembly a benefit improvement as described in Section V of this policy. Such adjustment will be at least equal to the Benefit Improvement Funding Requirement. It may be further increased by an amount to account for any prospective change to the statutory terms for tax on gross property insurance. Under such a recommendation, the full actuarial cost of any benefit improvement would be funded within one year through the upcoming year's appropriation, rather than amortized over multiple years.

The Policy Contribution Without Benefit Increase, added to the Benefit Improvement Funding Requirement associated with any benefit improvement enacted by the General Assembly effective for a fiscal year, will be deemed by the Board to be the annual actuarially determined employer contribution (funding ADEC) for the FRSWPF.

V. Recommended Increases to Benefit Formula

Based on statutory provisions as of July 2026, the FRSWPF pension amount will increase from $175 to $184 per month effective January 1, 2027. This section of the policy describes the conditions under which the Board may consider a recommendation of further improvements to the benefit amount. The intent of the policy is that the satisfaction of all of the conditions described below would not require the Board to recommend a benefit improvement, but rather, would allow the Board to consider recommending a benefit improvement.

Under this policy, the Board may consider a recommendation to the General Assembly that the benefit amount be improved, provided that all of the following conditions are met:

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Appendix E: State Contribution Stabilization Policy (SCRSP) (continued)

Local Governmental Employees' Retirement System Board of Trustees

State Contribution Rate Stabilization Policy for the Firefighters' and Rescue Squad Workers' Pension Fund (continued)

1. The increase in the benefit amount is not greater than the most recent June-over-June one-year change in the Consumer Price Index for all Urban Consumers (CPI-U), U.S. City Average, all items, not seasonally adjusted, standard reference base, as published by the Bureau of Labor Statistics of the U.S. Department of Labor.

   If the Board recommends a benefit improvement to be effective during the first year of a State budget biennium, but the General Assembly does not enact the recommendation by the time the Board is making recommendations for the second year of the biennium, then the Board's recommended increase effective during the second year of the biennium may incorporate the prior recommendation as a starting point; however, the recommended increase should be no greater than the prior recommendation increased by the most recent June-over-June increase in the CPI-U.[1]

2. The Benefit Improvement Funding Requirement is included in the appropriation recommended by the Board for the upcoming fiscal year.

3. Together with any recommended benefit improvement, the Board recommends to the General Assembly that the member contribution rate (which is $15 per month as of July 2026) be increased or maintained at an amount at least equal to the Target Member Contribution Rate as calculated using the recommended benefit amount.

4. If there has been a change to the tax on gross property insurance from the statutory terms effective July 30, 2026, the Board has considered the anticipated effect on the funding of FRSWPF and recommends additional funding if necessary to account for the effect of this change.

VI. Policy Effective Date

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

[1] For example: Suppose the CPI-U increase from June 2025 to June 2026 is 3.0%; the Board recommends in January 2027 that the benefit be improved from $184 to $189 per month effective in the fiscal year ending 2028; and the General Assembly does not enact the recommendation before January 2028. Suppose also that the CPI-U increase from June 2026 to June 2027 is 3.5%. When the Board is considering its alternatives under this policy in January 2028 for the fiscal year ending 2029, which is the second year of a State budget biennium, the Board could recommend under this policy that the benefit be improved from $184 to $195 per month effective in the fiscal year ending 2029. In this example, the policy would allow the $195 recommendation because it is no greater than $189 (the previously recommended, but not yet enacted, amount) increased by 3.5%. The recommended increase from $184 to $195 should still be reviewed to ensure it meets the other criteria (2 through 4) specified in this section. In this same example, when the Board is considering its alternatives under this policy in January 2029, for the fiscal year ending 2030, any prior recommendations that were not enacted should be disregarded, because the fiscal year ending 2030 is the first year of a new State budget biennium.

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