North Carolina State Health Plan

Governmental Accounting Standards Board Statement No. 74 Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2026



This valuation report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

© 2026 by The Segal Group, Inc. All rights reserved.

Segal

2727 Paces Ferry Road SE, Building One Suite 1400
Atlanta, GA 30339-4053
segalco.com
T 678.306.3100

August 27, 2026

Tom Friedman
Executive Director
State Health Plan of North Carolina
3200 Atlantic Ave.
Raleigh, North Carolina 27604

Dear Mr. Friedman:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 74 (GASB 74) Actuarial Valuation of Other Postemployment Benefits (OPEB) Measured as of June 30, 2026 for the North Carolina State Health Plan. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Liability (NOL), and analyzes the preceding year's experience. In addition, we have calculated the Actuarially Determined Contribution.

The actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Committee. The actuarial valuation is based on the plan of benefits verified by the State and reliance on participant, premium, claims and expense data provided by the Department of the State Treasurer or from vendors employed by the Department of the State Treasurer. Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience or rates of return on assets differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. The scope of the assignment did not include performing an analysis of the potential change of such future measurements except where noted.

The actuarial calculations were completed under the supervision of Robert Burrell, ASA, FCA, MAAA, EA, Vice President and Consulting Actuary. The heathcare cost assumptions were developpped under the supervision of Peter Wang, PhD, ASA, FCA, MAAA, Senior Actuary. We are members of the American Academy of Actuaries and collectively meet the Qualification Standards of

the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The demographic assumptions were prescribed by the OPEB Valuation Committee to be consistent with the TSERS pension valuation where assumptions overlap. In our opinion, the assumptions are reasonable and take into account the experience of the State Health Plan of North Carolina Retiree Health Benefit Fund and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The State Health Plan is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

Sincerely,

Segal

Robert Burrell, ASA, FCA, MAAA, EA
Vice President and Consulting Actuary
Certifying Liability Calculations

Peter Wang, PhD, ASA, FCA, MAAA
Senior Actuary
Certifying Claims and Medical Trend Calculations

Table of Contents

Section 1: Actuarial Valuation Summary 6
- Purpose and basis 6
- Highlights of the valuation 6
- Summary of key valuation results (in thousands) 8
- Important information about actuarial valuations 9

Section 2: GASB Information 11
- General information about the OPEB plan 11
- Exhibit A: Net OPEB Liability (in thousands) 13
- Exhibit B: Sensitivity (in thousands) 15
- Exhibit C: Total OPEB Liability by Status and Payment Age (in thousands) 16
- Exhibit D: Schedule of changes in Net OPEB Liability – Last two fiscal years (in thousands) 17
- Exhibit E: Expected Net Benefit Payments (in thousands) 20
- Exhibit F: Schedule of employer contributions – last ten fiscal years (in thousands) 21
- Exhibit G: Actuarially Determined Contribution (in thousands) 23
- Exhibit H: Statement of Plan Fiduciary Net Position (in thousands) 24

Appendices 25
- Appendix A: Summary of participant data 25
- Appendix A: Summary of participant data (continued) 26
- Appendix B: Statement of actuarial assumptions, methods and models 27
- Appendix C: Summary of plan provisions 50
- Appendix D: Sensitivity of Valuation Results as of December 31, 2025 (in thousands) 58
- Appendix E: Definition of terms 59

Section 1: Actuarial Valuation Summary

Purpose and basis

This report presents the results of our actuarial valuation of the North Carolina State OPEB plan as of June 30, 2026, required by Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here.

Highlights of the valuation

Accounting and financial reporting

- The Net OPEB Liability (NOL) as of June 30, 2026, is $24.04 billion, an increase of $2.06 billion, from the prior valuation NOL of $21.98 billion. Net unfunded plan obligations had been expected to increase to $22.81 billion due to normal plan operations. The difference between actual and prior actuarial accrued liabilities was the net effect of several factors:
  - An actuarial experience gain decreased the NOL by $0.14 billion. This was the net result of (1) a liability loss (less than $0.01 billion), the result of demographic changes and actual 2025 benefit payments that were different from expected, and (2) an asset gain ($0.14 billion), the result of fund investment performance. We have taken these actuarial gains and losses into account in reviewing our assumptions for the current valuation.
  - Valuation assumption changes increased the NOL by $1.38 billion. This was the net result of (1) a decrease in obligations due to updating demographic assumptions resulting from an experience study conducted for the five year period ended December 31, 2024 ($0.48 billion), (2) an increase in obligations due to updating the valuation-year per capita health costs ($0.19 billion), (3) an increase in obligations due to updating future trends ($0.41 billion), (4) a decrease in obligations due to updating the migration assumption ($0.06 billion), (5) a decrease in obligations due to updating the Medicare Advantage/Prescription Drug rates ($0.55 billion), and (6) an increase in obligations due to decreasing the discount rate ($1.86 billion).
  - A Plan change decreased the NOL by less than $0.01 billion. Effective January 1, 2026, Stelara was removed from the list of covered drugs. These changes and the current plan of benefits are summarized in Appendix C.
  - During the year ended June 2026, a total of less than $0.01 billion was transferred to the Retiree Health Benefit Trust Fund (RHBTF), which reduced the NOL.

Section 1: Actuarial Valuation Summary

- As of June 30, 2026, the ratio of assets to the Total OPEB Liability (the funded ratio) is 16.17%. This is based on the market value of assets at this point in time.

Summary of key valuation results (in thousands)

Valuation Result	Current	Prior
Measurement date	June 30, 2026	June 30, 2025
Disclosure elements for fiscal year ending June 30:		
• Total OPEB Liability	$28,681,165	$26,221,665[1]
• Plan Fiduciary Net Position (Assets)	4,637,850	4,242,260
• Net OPEB Liability	24,043,315	21,979,405
• Plan Fiduciary Net Position as a percentage of Total OPEB Liability	16.17%	16.18%
• Service cost at beginning of year	$792,401	$1,430,998
• Total payroll	21,589,807	21,807,134
Schedule of contributions for fiscal year ending June 30:		
• Actuarially Determined Contributions	$1,911,013	$1,726,096
• Actual contributions	1,064,378	1,524,319
• Contribution deficiency / (excess)	846,635	201,777
• Benefit payments	1,087,380	1,280,654

[1] The GASB 74 TOL measured as of June 30, 2025, has been updated to match the GASB 75 TOL measured as of the same date. The GASB 75 TOL measured as of June 30, 2025, differs from GASB 74 TOL measured as of the same date due to adjustments made after receipt of the Employer Contribution breakout from the State. The adjustments resulted in the inclusion of additional employers, 316 additional actives being valued, and an increase in the TOL of approximately $26 million (0.10% of the TOL)

Important information about actuarial valuations

An actuarial valuation is a tool to measure future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for the State to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the market value of assets as of the valuation date, as provided by the State.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared for use by the State's Finance Department. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.
- Segal does not provide investment, legal, accounting, or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The State should look to their other advisors for expertise in these areas.
- If the State is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the State upon delivery and review. The State should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB Information

General information about the OPEB plan

Plan administration. The State administers the OPEB plan – a multiple employer cost-sharing OPEB plan that is used to provide postemployment benefits other than pensions for permanent full-time general employees. Management of the OPEB plan is governed by North Carolina General Statutes.

Plan membership. Plan membership consisted of the following:

Category of membership	Number as of December 31, 2025	Number as of December 31, 2024
Retirees	228,335	226,125
Spouses	27,570	27,158
Surviving spouses	3,315	3,169
Inactive vested	59,669	58,068
Actives	224,118	241,646[2]
Total	**543,007**	**556,166**

Benefits provided. The Plan benefits employees and former employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the financial reporting entity also participate.

Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Board of Trustees. Plan benefits received by retired employees and disabled employees are other postemployment benefits (OPEB). The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees, a choice between the self-funded Plus and Standard Preferred Provider Organization (PPO) Plans. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options or the self-funded Standard PPO plan option that is also offered to non-Medicare members. If the Standard Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

[2] The active count for the June 30, 2025, measurement was adjusted due to timing issues and adjustments to the contributing employers that were identified following the publication of the June 30, 2025, GASB 74 report.

Section 2: GASB Information

State Contributions. The Plan is funded by both employer contributions and premiums charged to retirees and their spouses and dependents. A percent of pay is charged to each participating employer; the rate was 6.99% for fiscal 2025 and 4.93% for fiscal 2026. Premiums are charged to retirees and vary based on the coverage selected. The premiums for spouses are much higher than the premiums for retirees. Additional contributions of $0.3 million and $0.2 million were made in FY 2025 and FY 2026 and are not assumed to recur in the future. The RHBTF may also be funded through the Unfunded Liability Solvency Reserve as stated in G.S 143C-4-10.

Exhibit A: Net OPEB Liability (in thousands)

Components of the Net OPEB Liability	Current	Prior
Measurement date	June 30, 2026	June 30, 2025
Total OPEB Liability	$28,681,165	$26,221,665
Plan Fiduciary Net Position	4,637,850	4,242,260
Net OPEB Liability	24,043,315	21,979,405
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability[3]	16.17%	16.18%

The Net OPEB Liability was measured as of June 30, 2026, and 2025. Plan Fiduciary Net Position (plan assets) was valued as of the measurement dates and the Total OPEB Liability was determined from actuarial valuations using data as of December 31, 2025, and 2024, respectively.

Actuarial assumptions. The Total OPEB Liability was measured by an actuarial valuation as of December 31, 2025, and rolled forward to June 30, 2026, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Assumption Type	Assumption
Inflation	2.50%
Salary increases	Teachers: 8.41% grading down to 3.25% Law Enforcement Officers: 9.19% grading down to 3.25% General Employees: 7.38% grading down to 3.25% Other Education Employees: 8.15% grading down to 3.25%
Discount rate	4.67% for fiscal 2026, 5.20% for fiscal 2025
Health care cost trend rates	
• Medical (Non-MA)	6.00% grading down to 5.00% by 2028
• Prescription drug (Non-MA)	9.50% grading down to 5.00% by 2035
• Prescription drug (Non-MA) rebates	9.50% in 2026, -6.78% in 2027, then 8.50% grading down to 5.00% by 2035

[3] These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

Section 2: GASB Information

Assumption Type	Assumption
• Medicare Advantage Base	Rates for 2026 and 2027 reflect MA premium rates that were provided by the State. Rates beyond 2027 reflect an ultimate level increase in MA rates of 5.00%.
• Medicare Advantage Enhanced	Rates for 2026 and 2027 reflect MA premium rates that were provided by the State. Rates beyond 2027 reflect an ultimate level increase in MA rates of 5.00%.
• Administrative costs	0.92% in 2026, then an ultimate level of 3.00%
Mortality rates	Pub-2016 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2021

The actuarial assumptions used in the June 30, 2026, measurement were based on the results of an actuarial experience study performed by Gallagher for the period January 1, 2020, to December 31, 2024.

The Plan does not have a funding policy that covers both the Normal Cost and a payment toward the unfunded liability. The plan is funded based on contributions set each year to target the projected benefit payments for the year and investment returns and current plan assets do not fund a material portion of long-term projected benefits. As such, we have not calculated a blended discount rate.

Detailed information regarding all actuarial assumptions can be found in Appendix B.

Exhibit B: Sensitivity (in thousands)

The following presents the NOL of the State as well as what the State's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (3.67%) or 1-percentage-point higher (5.67%) than the current rate. Also, shown is the NOL as if it were calculated using health care cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current health care trend rates.

Item	1% Decrease (3.67%)	Current Discount Rate (4.67%)	1% Increase (5.67%)
Net OPEB Liability (Asset)	$28,114,754	$24,043,315	$20,679,926

Item	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability (Asset)	$20,038,420	$24,043,315	$29,082,005

Exhibit C: Total OPEB Liability by Status and Payment Age (in thousands)

The following presents a breakdown of Total OPEB Liability as of June 30, 2026, by participant status (active, retired, etc.) and payment age (pre-65 and post-65).

Total OPEB Liability (in thousands)

Status	Pre-65	Post-65	Total
Active	$10,482,930	$5,358,364	$15,841,294
Vested	1,858,412	1,600,892	3,459,304
Retired	2,896,528	6,088,478	8,985,006
Beneficiary	7,831	9,678	17,509
Disabled	118,903	259,149	378,052
Total	**$15,364,604**	**$13,316,561**	**$28,681,165**

Exhibit D: Schedule of changes in Net OPEB Liability – Last two fiscal years (in thousands)

Components of the Net OPEB Liability	Current	Prior
Measurement date	June 30, 2026	June 30, 2025
Total OPEB Liability		
Service cost	$792,401	1,430,998
Interest	1,376,819	1,513,034
Change of benefit terms	(5,823)	(862,521)
Differences between expected and actual experience	3,040	9,712
Changes of assumptions	1,380,443	(12,291,618)
Benefit payments, including refunds of member contributions	(1,087,380)	(1,280,654)
Net change in Total OPEB Liability	**$2,459,500**	**($11,481,049)**
Total OPEB Liability – beginning	26,221,665	37,702,714
Total OPEB Liability – ending	**$28,681,165**	**$26,221,665**
Plan Fiduciary Net Position		
Contributions – employer	$1,064,378	$1,524,319
Contributions – employee	0	0
Non-employer contribution	179	294
Net investment income	418,584	308,345
Benefit payments, including refunds of member contributions	(1,087,380)	(1,280,654)
Administrative expense	(171)	(169)
Net change in Plan Fiduciary Net Position	**$395,590**	**$552,135**
Plan Fiduciary Net Position – beginning	4,242,260	3,690,125
Plan Fiduciary Net Position – ending	**$4,637,850**	**$4,242,260**

Section 2: GASB Information

Components of the Net OPEB Liability	Current	Prior
Net OPEB Liability		
Net OPEB Liability – ending	$24,043,315	$21,979,405
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	16.17%	16.18%
Covered payroll[4]	$21,589,807	$21,807,134
Plan Net OPEB Liability as percentage of covered payroll	111.36%	100.79%

Notes to Schedule:

- **Benefit changes**:
  - **Reflected in the June 30, 2026, Net OPEB Liability**
    - Effective January 1, 2026, Non-Medicare 70/30 Plan is renamed as Standard plan and Non-Medicare 80/20 Plan is renamed as Plus plan
    - Effective January 1, 2027, Medicare Advantage Base and Enhanced are changed. See details on the 2027 Medicare Advantage plan description page.
    - Effective January 1, 2026, Stelara was removed from the list of covered drugs. The current plan of benefits is summarized in Appendix C.
  - **Reflected in the June 30, 2025, Net OPEB Liability**
    - Effective January 1, 2026, Out-of-Pocket maximums for the MA Base and MA Enhanced plans will be increased from $2,000 to $2,100, and several plan changes for the 70/30 and 80/20 Plans will also be implemented.
- **Changes of assumptions:**
  - **Reflected in the June 30, 2026, Net OPEB Liability**
    - The discount rate was updated, changing from 5.20% to 4.67%, based on changes in the Bond Buyer 20-year GO index rate, as selected by the State's OPEB Valuation Committee.
    - The medical, prescription drug and administrative starting claims cost were updated based on the most recent experience.
    - Medical, prescription drug, prescription drug rebates, and administrative trend rates were updated to current schedule.
    - Enrollment assumptions were updated to model expected migrations among plan options over the next three years.
    - 2027 Medicare Advantage premiums were updated.

[4] Covered payroll represents total compensation basis for OPEB contributions. This amount is estimated for 2025 and 2026, based on the reported employer contributions divided by the employer contribution rate in effect for the measurement year.

- The following demographic and economic assumptions were updated based on the results of an actuarial experience study of the North Carolina Retirement Systems covering the period ended December 31, 2024. These assumption changes were adopted by the Board of Trustees in October 2025:
  - Base mortality tables and related mortality improvement scales, to reflect updated mortality experience and longevity expectations.
  - Turnover rates, to reflect actual termination experience.
  - Disability incidence rates, to reflect actual disability experience.
  - Retirement rates, to reflect actual retirement experience.
  - Salary increase assumptions, to reflect actual salary growth experience and future expectations.
  - Assumed age difference between spouses, to reflect observed dependent demographics.

– **Reflected in the June 30, 2025, Net OPEB Liability**

- The discount rate was updated, changing from 3.93% to 5.20%, based on changes in the Bond Buyer 20-year GO index rate, as selected by the State's OPEB Valuation Committee.
- The medical, prescription drug and administrative starting claims cost were updated based on the most recent experience.
- Medical, prescription drug, prescription drug rebates, and administrative trend rates were updated to current schedule.
- Enrollment assumptions were updated to model expected migrations among plan options over the next four years.
- The Medicare Advantage Prescription Drug (MA-PD) rates were updated.
- The expected participant contribution rates were updated to reflect the rates adopted by the Board in August 2025.

Exhibit E: Expected Net Benefit Payments (in thousands)

Year Ended December 31	Projected Net Claims	Year Ended December 31	Projected Net Claims	Year Ended December 31	Projected Net Claims	Year Ended December 31	Projected Net Claims
2026	$909,664	2051	$2,655,474	2076	$1,078,464	2101	$19,485
2027	965,859	2052	2,612,947	2077	1,024,796	2102	13,713
2028	1,168,904	2053	2,557,712	2078	968,538	2103	9,443
2029	1,268,634	2054	2,476,527	2079	910,135	2104	6,357
2030	1,370,427	2055	2,370,885	2080	850,033	2105	4,182
2031	1,474,534	2056	2,254,045	2081	788,739	2106	2,688
2032	1,577,336	2057	2,138,748	2082	726,810	2107	1,687
2033	1,682,710	2058	2,030,466	2083	664,816	2108	1,035
2034	1,776,495	2059	1,918,462	2084	603,368	2109	621
2035	1,850,396	2060	1,811,971	2085	543,150	2110	364
2036	1,906,337	2061	1,715,627	2086	484,761	2111	210
2037	1,975,561	2062	1,619,105	2087	428,714	2112	119
2038	2,059,199	2063	1,530,500	2088	375,464	2113	66
2039	2,139,942	2064	1,480,048	2089	325,411	2114	36
2040	2,216,525	2065	1,451,178	2090	278,894	2115	19
2041	2,306,105	2066	1,428,686	2091	236,183	2116	10
2042	2,381,919	2067	1,408,166	2092	197,477	2117	5
2043	2,459,101	2068	1,386,006	2093	162,897	2118	2
2044	2,531,772	2069	1,360,525	2094	132,466	2119	1
2045	2,592,609	2070	1,331,248	2095	106,111	2120	0
2046	2,641,207	2071	1,298,118	2096	83,662	2121	0
2047	2,664,002	2072	1,261,240	2097	64,868	2122	0
2048	2,677,825	2073	1,220,723	2098	49,418	2123	0
2049	2,687,171	2074	1,176,662	2099	36,958	2124	0
2050	2,678,722	2075	1,129,179	2100	27,108	2125	0

Exhibit F: Schedule of employer contributions – last ten fiscal years (in thousands)

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$2,728,064	$950,813	$1,777,251	$16,365,112	5.81%
2018	2,613,258	1,018,693	1,594,565	16,837,901	6.05%
2019	2,971,069	1,104,902	1,866,167	17,622,035	6.27%
2020	2,823,873	1,162,967	1,660,906	17,974,758	6.47%
2021	3,049,625	1,214,750	1,834,875	18,184,883	6.68%
2022	2,084,130	1,197,278	886,869	19,034,634	6.29%
2023	2,240,057	1,366,928	873,129	19,839,303	6.89%
2024	2,652,649	1,483,995	1,168,654	20,784,240	7.14%
2025	1,726,096	1,524,319	201,777	21,807,134	6.99%
2026	1,911,013	1,064,378	846,635	21,589,807	4.93%

See accompanying notes to this schedule on next page.

Section 2: GASB Information

Notes to Schedule:

Methods and assumptions used to establish "actuarially determined contribution" rates:

Method or Assumption	Description
Valuation Date	December 31 prior to the fiscal year end
Actuarial Cost Method	Projected Unit Credit (for years ended June 30, 2017, and earlier) Entry Age Normal (for years ended June 30, 2018, and after)
Amortization Method	Open 30-year level pay
Remaining Amortization Period	30 years
Asset Valuation Method	Market value
Discount Rate	4.25% (for years ended June 30, 2016, and earlier) Bond Buyer 20-Year GO Index Rate as of fiscal year end (for years ended June 30, 2017, and after)
Timing and Payroll Adjustment	This includes interest, rounding, and an adjustment for the difference between valuation payroll and covered payroll (not applicable for years ended June 30, 2017, and earlier) Beginning with June 30, 2022, calculation, the payroll adjustment no longer applies, as valuation payroll excludes hires after January 1, 2021
Payroll Increase Assumption	3.50% (for years ending June 30, 2020, and earlier) 3.25% (for years ending June 30, 2021, and later)

Exhibit G: Actuarially Determined Contribution (in thousands)

Item	July 1, 2025 - June 30, 2026	% of Payroll	July 1, 2024 - June 30, 2025	% of Payroll
Normal Cost as of preceding December 31	$950,621	4.40%	$790,851	3.63%
Actuarial Accrued Liability as of preceding December 31	28,008,400	129.73%	25,541,158	117.12%
Assets as of preceding December 31	4,293,915	19.89%	3,949,025	18.11%
Unfunded Actuarial Accrued Liability as of preceding December 31	23,714,485	109.84%	21,592,133	99.01%
Amortization of Unfunded Actuarial Accrued Liability	$956,925	4.43%	$931,787	4.27%
Timing Adjustment	3,467	0.02%	3,458	0.02%
Total Actuarially Determined Contribution	$1,911,013	8.85%	$1,726,096	7.92%
Covered Payroll	$21,589,807		$21,807,134	

Exhibit H: Statement of Plan Fiduciary Net Position (in thousands)

Item	Amounts as of June 30, 2026	Amounts as of June 30, 2025
Assets		
Cash and deposits	**$1,198,986**	**$1,245,923**
Receivables		
• Accounts receivable	633	618
• Interest receivable	0	4,433
• Contributions receivable	59,847	72,474
• **Total receivables**	**$60,480**	**$77,525**
Investments	**$3,378,384**	**$2,918,812**
Total assets	**$4,637,850**	**$4,242,260**
Net position restricted for OPEB	**$4,637,850**	**$4,242,260**

Appendices

Appendix A: Summary of participant data

Statistic	Amount as of December 31, 2025	Amount as of December 31, 2024
Number of retirees	228,335	226,125
Average age of retirees	72.5	72.2
Number of spouses	27,570	27,158
Average age of spouses	71.1	70.8
Number of surviving spouses	3,315	3,169
Average age	79.6	79.6
Number inactive vested	59,669	58,068
Average age	49.9	49.6
Number of actives	224,118	241,646[5]
Average age	49.1	48.5
Average service	14.8	14.0

[5] The active count for the June 30, 2025, measurement was adjusted due to timing issues and adjustments to the contributing employers that were identified following the publication of the June 30, 2025, GASB 74 report.

Appendix A: Summary of participant data (continued)

Active Employees Valued as of December 31, 2025 - Count and Average Pay by Age and Service

Years of Service

Age on 12/31/2024	0	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over	Total
Under 25	2	34	23	-	-	-	-	-	-	-	59
	$9,750	$39,674	$48,619	$0	$0	$0	$0	$0	$0	$0	$42,147
25 - 29	19	828	5,085	37	-	-	-	-	-	-	5,969
	$36,024	$39,512	$53,145	$61,003	$0	$0	$0	$0	$0	$0	$51,248
30 - 34	96	1,102	10,888	4,188	35	-	-	-	-	-	16,309
	$45,700	$39,561	$57,388	$62,813	$65,798	$0	$0	$0	$0	$0	$57,526
35 - 39	130	1,237	9,236	10,799	3,298	45	-	-	-	-	24,745
	$50,494	$39,387	$64,197	$66,862	$71,054	$64,694	$0	$0	$0	$0	$64,963
40 - 44	140	1,050	9,119	8,525	9,302	4,432	63	-	-	-	32,631
	$57,312	$40,891	$68,553	$74,660	$74,739	$74,654	$69,613	$0	$0	$0	$71,804
45 - 49	154	1,118	7,140	7,248	6,909	9,806	3,821	16	-	-	36,212
	$68,218	$41,690	$65,084	$74,465	$80,420	$78,066	$80,748	$86,810	$0	$0	$74,356
50 - 54	141	1,090	6,887	6,728	6,583	6,805	8,214	1,395	5	-	37,848
	$74,804	$42,126	$62,230	$70,767	$78,532	$79,261	$81,719	$84,933	$72,383	$0	$74,181
55 - 59	152	848	6,234	6,101	6,859	6,865	5,817	2,041	297	3	35,217
	$70,747	$43,189	$60,951	$67,267	$72,508	$77,087	$80,881	$91,013	$91,377	$59,341	$72,347
60 - 64	101	576	4,586	4,550	4,570	4,453	2,733	1,129	506	105	23,309
	$73,687	$39,434	$59,548	$65,019	$69,872	$72,416	$83,203	$92,699	$91,929	$84,000	$69,855
65 - 69	47	253	1,642	1,560	1,453	1,205	935	568	311	190	8,164
	$99,270	$36,536	$62,540	$66,285	$74,363	$79,941	$87,036	$116,233	$123,800	$99,449	$77,068
70 & over	31	248	629	629	607	452	312	259	200	288	3,655
	$64,439	$32,803	$52,100	$67,622	$71,903	$71,420	$92,003	$102,098	$131,497	$148,608	$78,143
Total	1,013	8,384	61,469	50,365	39,616	34,063	21,895	5,408	1,319	586	224,118
	$64,750	$40,382	$61,756	$69,331	$75,040	$76,885	$81,851	$92,964	$105,245	$120,636	$70,446

Appendix B: Statement of actuarial assumptions, methods and models

Data

Detailed census data, premium rates, claim experience, and summary plan descriptions for OPEB were provided by the State. Active participants hired after January 1, 2021, were excluded based on “Membership Begin Date” provided in the data file.

Actuarial cost method

Entry Age, Level Percentage of Pay. Decrements are assumed to occur mid-year.

Asset valuation method

Market Value

Basis for demographic assumptions

The demographic assumptions are based on a study performed by Gallagher for the period ending December 31, 2024. The study was presented to the Board of Trustees for the Teachers' and State Employees' Retirement System (TSERS) of North Carolina on October 30, 2025, and was approved for use shortly thereafter. Participants in the Consolidated Judicial Retirement System, the Legislative Retirement System, the University Employees’ Optional Retirement Program, and eligible local governments are valued using the General Employees’ assumptions. All demographic assumptions were prescribed by the OPEB Valuation Committee to be consistent with the TSERS pension valuation.

Census valuation date

December 31, 2025. Employees that become participants after the valuation date are excluded. Participating employers for sake of the valuation are determined at the beginning of the fiscal year (i.e., included in the total OPEB liability). Allocations to employers are determined based on whether the employer has made contributions during the fiscal year and prior to the valuation date.

Measurement date

Liabilities were rolled forward to June 30, 2026. The Entry Age Actuarial Accrued Liability was adjusted from the Valuation Date to the Measurement Date using compound interest adjustments to half the service cost, half the interest cost, and half the expected benefit payments. Financial data was collected as of the Measurement Date

Appendices

Allocations to employers

Pro rata allocation of the NOL based on the Present Value of Future Salaries for employers that made contributions to the Trust during the fiscal year.

Discount rate

4.67%. The discount rate is based on the Bond Buyer 20-year GO index as of June 30, 2026.

The Plan is funded essentially on a “pay-as-you-go” basis, and any prefunding that results from employer and retiree contributions in excess of benefit payments is not material. The additional contribution of $0.2 million in FY 2026 was not assumed to recur. As such, a blended discount rate is not applicable.

Salary increases based on service

Teachers: 8.41% grading down to 3.25%

Law Enforcement Officers: 9.19% grading down to 3.25%

General Employees: 7.38% grading down to 3.25%

Other Education Employees: 8.15% grading down to 3.25%

Payroll increases

3.25%

Investment return

6.50%. This rate is provided by the State and the Building Blocks table used for GASB disclosures is provided by the Investment Management Division of the Department of the State Treasurer.

Pre-Retirement mortality

Teachers use the Pub-2016 Teachers table. General and other education employees use the Pub-2016 General table. Law enforcement officers use the Pub-2016 Safety table.

Appendices

Post-Disability mortality

Non-safety participants use the Pub-2016 General Disabled Retirees Amount-Weighted table, adjusted by a factor of 135% for males and 108% females

Safety participants use the Pub-2016 General Disabled Retirees Amount-Weighted table, adjusted by a factor of 101% for both males and females

Post-Retirement mortality

Retirees	Mortality Table and adjustments
Male General and Other Education	Pub-2016 General Retirees Table, adjusted by a factor grading from 99% for ages 74 and below to 98% for age 80, then to 105% for ages 87 and above
Female General and Other Education	Pub-2016 General Retirees Table, adjusted by a factor grading from 94% for ages 71 and below to 109% for age 86, then to 101% for ages 90 and above.
Male Teachers	Pub-2016 Teachers Below Median Table, adjusted by a factor grading from 94% for ages 74 and below to 105% for ages 85 and above
Female Teachers	Pub-2016 Teachers Below Median Table, adjusted by a factor grading from 99% for ages 72 and below to 112% for age 85, then to 93% for ages 92 and above.
Law Enforcement	Pub-2016 Safety Retirees, adjusted by a factor of 106% for both males and females
Male Spouse	Pub-2016 General Contingent Survivors Below Median Table, adjusted by a factor of 109%
Female Spouse	Pub-2016 General Contingent Survivors Below Median Table, adjusted by a factor grading from 126% for ages 80 and below to 108% for ages 89 and above

Mortality projection scale

MP-2021

Disability rates

Age	Male	Female
20-24	0.059%	0.052%
25-29	0.059%	0.052%
30-34	0.085%	0.202%
35-39	0.153%	0.203%
40-44	0.194%	0.304%
45-49	0.255%	0.398%
50-55	0.425%	0.670%
56-61	0.590%	0.610%
62-64	0.477%	0.404%

These rates are the non-grandfathered rates used in the DIPNC valuation. The number of members eligible for transitional disability coverage provisions under G.S. 135-112 (“grandfathered”) is a relatively small group of individuals.

Turnover rates

Teachers – Male:

	Years of Service					
Age	**0**	**1**	**2**	**3**	**4**	**>=5**
25	13.75%	16.75%	15.00%	13.00%	10.50%	25.00%
30	13.75%	16.75%	15.00%	13.00%	10.50%	9.00%
35	13.75%	16.75%	15.00%	13.00%	10.50%	6.25%
40	13.75%	16.75%	15.00%	13.00%	10.50%	4.00%
45	13.75%	16.75%	15.00%	13.00%	10.50%	3.00%
50	13.75%	16.75%	15.00%	13.00%	10.50%	4.00%

Teachers – Female:

	Years of Service					
Age	**0**	**1**	**2**	**3**	**4**	**>=5**
25	11.00%	16.00%	15.00%	12.75%	11.25%	22.00%
30	11.00%	16.00%	15.00%	12.75%	11.25%	10.00%
35	11.00%	16.00%	15.00%	12.75%	11.25%	5.50%
40	11.00%	16.00%	15.00%	12.75%	11.25%	3.00%
45	11.00%	16.00%	15.00%	12.75%	11.25%	3.00%
50	11.00%	16.00%	15.00%	12.75%	11.25%	4.00%

Turnover rates (continued)

General – Male:

Years of Service

Age	0	1	2	3	4	>=5
25	15.00%	17.00%	14.00%	11.25%	9.50%	15.00%
30	15.00%	17.00%	14.00%	11.25%	9.50%	11.00%
35	15.00%	17.00%	14.00%	11.25%	9.50%	6.75%
40	15.00%	17.00%	14.00%	11.25%	9.50%	4.50%
45	15.00%	17.00%	14.00%	11.25%	9.50%	3.50%
50	15.00%	17.00%	14.00%	11.25%	9.50%	3.50%

General – Female:

Years of Service

Age	0	1	2	3	4	>=5
25	16.00%	18.50%	15.50%	13.25%	10.75%	18.00%
30	16.00%	18.50%	15.50%	13.25%	10.75%	11.50%
35	16.00%	18.50%	15.50%	13.25%	10.75%	8.50%
40	16.00%	18.50%	15.50%	13.25%	10.75%	5.00%
45	16.00%	18.50%	15.50%	13.25%	10.75%	4.00%
50	16.00%	18.50%	15.50%	13.25%	10.75%	4.00%

Turnover rates (continued)

Other – Male:

Years of Service

Age	0	1	2	3	4	>=5
25	16.00%	18.25%	16.25%	13.25%	11.00%	21.00%
30	16.00%	18.25%	16.25%	13.25%	11.00%	9.00%
35	16.00%	18.25%	16.25%	13.25%	11.00%	5.50%
40	16.00%	18.25%	16.25%	13.25%	11.00%	4.00%
45	16.00%	18.25%	16.25%	13.25%	11.00%	3.50%
50	16.00%	18.25%	16.25%	13.25%	11.00%	4.00%

Other – Female:

Years of Service

Age	0	1	2	3	4	>=5
25	15.00%	17.25%	14.25%	12.25%	10.50%	18.00%
30	15.00%	17.25%	14.25%	12.25%	10.50%	13.50%
35	15.00%	17.25%	14.25%	12.25%	10.50%	6.75%
40	15.00%	17.25%	14.25%	12.25%	10.50%	4.00%
45	15.00%	17.25%	14.25%	12.25%	10.50%	4.00%
50	15.00%	17.25%	14.25%	12.25%	10.50%	4.00%

Turnover rates (continued)

Law Enforcement – Male and Female

Years of Service

Age	0	1	2	3	4	>=5
25	12.00%	11.00%	10.00%	9.00%	8.00%	6.00%
30	12.00%	11.00%	10.00%	9.00%	8.00%	6.00%
35	12.00%	11.00%	10.00%	9.00%	8.00%	3.50%
40	12.00%	11.00%	10.00%	9.00%	8.00%	2.00%
45	12.00%	11.00%	10.00%	9.00%	8.00%	2.00%
50	12.00%	11.00%	10.00%	9.00%	8.00%	4.00%

Active retirement rates

Teachers – Male:

Years of Service

Age	<=4	5 to 9	10 to 14	15 to 19	20 to 23	24	25	26 to 28	29	>=30
<=48	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
49	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	55.00%	70.00%
50	0.00%	0.00%	0.00%	0.00%	3.25%	2.50%	4.00%	6.00%	55.00%	70.00%
51	0.00%	0.00%	0.00%	0.00%	3.25%	2.50%	4.00%	7.00%	55.00%	50.00%
52	0.00%	0.00%	0.00%	0.00%	3.25%	2.50%	4.00%	7.00%	55.00%	50.00%
53	0.00%	0.00%	0.00%	0.00%	3.25%	2.50%	4.00%	8.00%	40.00%	50.00%
54	0.00%	0.00%	0.00%	0.00%	3.25%	3.00%	4.00%	8.00%	40.00%	35.00%
55	0.00%	0.00%	0.00%	0.00%	4.75%	4.00%	4.00%	8.00%	40.00%	35.00%
56	0.00%	0.00%	0.00%	0.00%	4.75%	4.00%	4.00%	8.00%	40.00%	27.50%
57	0.00%	0.00%	0.00%	0.00%	4.75%	4.00%	4.00%	8.00%	40.00%	27.50%
58	0.00%	0.00%	0.00%	0.00%	4.75%	4.00%	4.00%	11.00%	40.00%	27.50%
59	0.00%	0.00%	0.00%	0.00%	4.75%	6.50%	6.00%	16.00%	40.00%	27.50%
60	0.00%	7.75%	9.00%	11.00%	11.00%	30.00%	36.00%	40.00%	40.00%	25.00%
61	0.00%	9.00%	10.00%	11.00%	11.00%	37.00%	36.00%	27.00%	30.00%	25.00%
62	0.00%	11.50%	13.00%	16.50%	20.00%	37.00%	36.00%	30.00%	30.00%	35.00%
63	0.00%	12.00%	13.00%	16.50%	20.00%	37.00%	36.00%	23.00%	32.00%	35.00%
64	0.00%	13.00%	14.50%	16.50%	20.00%	40.00%	36.00%	23.00%	32.00%	25.00%
65	0.00%	20.00%	22.00%	25.00%	35.00%	30.00%	36.00%	23.00%	32.00%	25.00%
66	0.00%	20.00%	22.00%	25.00%	35.00%	30.00%	36.00%	30.00%	32.00%	25.00%
67	0.00%	20.00%	22.00%	25.00%	25.00%	30.00%	27.50%	30.00%	20.00%	25.00%
68	0.00%	20.00%	22.00%	25.00%	25.00%	25.00%	27.50%	25.00%	20.00%	25.00%
69	0.00%	20.00%	22.00%	25.00%	25.00%	25.00%	27.50%	20.00%	20.00%	25.00%
70	0.00%	20.00%	25.00%	25.00%	25.00%	25.00%	27.50%	20.00%	20.00%	25.00%
71	0.00%	20.00%	25.00%	25.00%	30.00%	25.00%	27.50%	25.00%	20.00%	25.00%
72	0.00%	20.00%	20.00%	25.00%	30.00%	25.00%	27.50%	25.00%	20.00%	20.00%
73	0.00%	20.00%	20.00%	25.00%	30.00%	25.00%	27.50%	25.00%	20.00%	15.00%
74	0.00%	20.00%	20.00%	25.00%	30.00%	25.00%	27.50%	25.00%	20.00%	15.00%
>=75	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Active retirement rates (continued)

Teachers – Female:

Years of Service

Age	<=4	5 to 9	10 to 14	15 to 19	20 to 23	24	25	26 to 28	29	>=30
<=48	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
49	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	45.00%	55.00%
50	0.00%	0.00%	0.00%	0.00%	5.00%	4.75%	4.25%	6.00%	45.00%	55.00%
51	0.00%	0.00%	0.00%	0.00%	5.00%	4.75%	4.25%	7.00%	45.00%	55.00%
52	0.00%	0.00%	0.00%	0.00%	5.00%	4.75%	4.25%	7.00%	40.00%	55.00%
53	0.00%	0.00%	0.00%	0.00%	5.00%	4.75%	4.25%	7.00%	40.00%	45.00%
54	0.00%	0.00%	0.00%	0.00%	5.00%	4.75%	5.75%	7.00%	40.00%	37.00%
55	0.00%	0.00%	0.00%	0.00%	5.00%	4.75%	5.75%	9.00%	40.00%	35.00%
56	0.00%	0.00%	0.00%	0.00%	5.50%	4.75%	5.75%	9.00%	40.00%	35.00%
57	0.00%	0.00%	0.00%	0.00%	5.50%	6.00%	5.75%	9.00%	40.00%	35.00%
58	0.00%	0.00%	0.00%	0.00%	7.50%	6.50%	5.75%	10.00%	40.00%	35.00%
59	0.00%	0.00%	0.00%	0.00%	7.50%	9.00%	10.00%	15.00%	40.00%	35.00%
60	0.00%	9.50%	10.50%	13.00%	13.00%	27.00%	35.00%	37.00%	50.00%	35.00%
61	0.00%	9.50%	10.50%	13.00%	15.00%	42.00%	40.00%	37.00%	40.00%	35.00%
62	0.00%	13.25%	17.25%	18.00%	22.50%	42.00%	45.00%	37.00%	40.00%	35.00%
63	0.00%	13.25%	17.50%	18.00%	22.50%	42.00%	45.00%	37.00%	40.00%	35.00%
64	0.00%	13.25%	19.00%	21.00%	25.00%	42.00%	45.00%	37.00%	40.00%	35.00%
65	0.00%	25.00%	30.00%	30.00%	39.00%	42.00%	45.00%	37.00%	40.00%	35.00%
66	0.00%	25.00%	30.00%	38.00%	39.00%	42.00%	45.00%	37.00%	40.00%	35.00%
67	0.00%	25.00%	25.00%	33.00%	34.00%	42.00%	45.00%	37.00%	45.00%	35.00%
68	0.00%	25.00%	25.00%	27.00%	34.00%	33.00%	45.00%	37.00%	45.00%	27.00%
69	0.00%	25.00%	25.00%	27.00%	34.00%	33.00%	35.00%	27.00%	35.00%	27.00%
70	0.00%	25.00%	25.00%	27.00%	34.00%	33.00%	27.50%	27.00%	50.00%	30.00%
71	0.00%	25.00%	25.00%	27.00%	27.00%	33.00%	30.00%	27.00%	50.00%	30.00%
72	0.00%	25.00%	25.00%	27.00%	27.00%	30.00%	30.00%	40.00%	50.00%	25.00%
73	0.00%	25.00%	25.00%	27.00%	27.00%	30.00%	30.00%	40.00%	50.00%	25.00%
74	0.00%	25.00%	25.00%	30.00%	27.00%	30.00%	30.00%	40.00%	50.00%	25.00%
>=75	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Active retirement rates (continued)

General – Male:

Years of Service

Age	<=4	5 to 9	10 to 14	15 to 19	20 to 23	24	25	26 to 28	29	>=30
<=48	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
49	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	50.00%	50.00%
50	0.00%	0.00%	0.00%	0.00%	3.25%	4.25%	4.00%	8.75%	50.00%	40.00%
51	0.00%	0.00%	0.00%	0.00%	3.25%	4.25%	4.00%	8.75%	35.00%	35.00%
52	0.00%	0.00%	0.00%	0.00%	3.25%	4.25%	4.00%	8.75%	35.00%	35.00%
53	0.00%	0.00%	0.00%	0.00%	3.25%	4.25%	4.00%	8.75%	35.00%	35.00%
54	0.00%	0.00%	0.00%	0.00%	3.25%	4.25%	4.00%	8.75%	30.00%	28.00%
55	0.00%	0.00%	0.00%	0.00%	3.25%	4.25%	5.25%	8.75%	30.00%	28.00%
56	0.00%	0.00%	0.00%	0.00%	3.25%	4.25%	5.25%	8.75%	30.00%	28.00%
57	0.00%	0.00%	0.00%	0.00%	5.50%	4.25%	5.25%	8.75%	30.00%	28.00%
58	0.00%	0.00%	0.00%	0.00%	5.50%	4.25%	5.25%	8.75%	30.00%	23.00%
59	0.00%	0.00%	0.00%	0.00%	5.50%	7.25%	8.75%	8.75%	30.00%	23.00%
60	0.00%	8.25%	6.50%	7.75%	9.00%	20.00%	25.00%	30.00%	30.00%	23.00%
61	0.00%	10.25%	6.50%	9.00%	11.50%	25.00%	25.00%	25.00%	35.00%	23.00%
62	0.00%	10.25%	17.00%	16.25%	22.50%	32.00%	31.00%	25.00%	35.00%	27.50%
63	0.00%	10.25%	14.00%	16.25%	20.00%	32.00%	31.00%	25.00%	35.00%	27.50%
64	0.00%	10.25%	14.00%	16.50%	20.00%	32.00%	31.00%	25.00%	35.00%	27.50%
65	0.00%	17.25%	23.25%	26.00%	28.50%	32.00%	31.00%	30.00%	35.00%	27.50%
66	0.00%	17.25%	23.25%	30.00%	28.50%	24.00%	40.00%	30.00%	35.00%	27.50%
67	0.00%	17.25%	23.25%	23.50%	28.50%	24.00%	40.00%	30.00%	35.00%	27.50%
68	0.00%	17.25%	23.25%	23.50%	28.50%	24.00%	20.00%	25.00%	35.00%	27.50%
69	0.00%	17.25%	23.25%	23.50%	25.00%	30.00%	20.00%	25.00%	35.00%	27.50%
70	0.00%	17.25%	23.25%	23.50%	25.00%	30.00%	20.00%	25.00%	35.00%	27.50%
71	0.00%	17.25%	23.25%	23.50%	25.00%	30.00%	20.00%	25.00%	20.00%	27.50%
72	0.00%	20.50%	23.25%	20.00%	20.00%	30.00%	20.00%	25.00%	20.00%	27.50%
73	0.00%	20.50%	23.25%	20.00%	17.00%	30.00%	30.00%	25.00%	20.00%	27.50%
74	0.00%	20.50%	23.25%	20.00%	17.00%	30.00%	30.00%	25.00%	20.00%	27.50%
>=75	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Active retirement rates (continued)

General – Female:

Years of Service

Age	<=4	5 to 9	10 to 14	15 to 19	20 to 23	24	25	26 to 28	29	>=30
<=48	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
49	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	30.00%	32.50%
50	0.00%	0.00%	0.00%	0.00%	3.75%	4.50%	4.25%	6.50%	30.00%	32.50%
51	0.00%	0.00%	0.00%	0.00%	3.75%	4.50%	4.25%	6.50%	30.00%	32.50%
52	0.00%	0.00%	0.00%	0.00%	3.75%	4.50%	4.25%	6.50%	30.00%	32.50%
53	0.00%	0.00%	0.00%	0.00%	3.75%	4.50%	4.25%	6.50%	30.00%	32.50%
54	0.00%	0.00%	0.00%	0.00%	3.75%	4.50%	4.25%	6.50%	30.00%	23.50%
55	0.00%	0.00%	0.00%	0.00%	4.25%	4.50%	4.25%	7.25%	30.00%	23.50%
56	0.00%	0.00%	0.00%	0.00%	4.25%	4.50%	4.25%	7.25%	30.00%	23.50%
57	0.00%	0.00%	0.00%	0.00%	5.50%	4.50%	4.25%	8.50%	30.00%	23.50%
58	0.00%	0.00%	0.00%	0.00%	5.50%	4.50%	4.25%	8.50%	30.00%	23.50%
59	0.00%	0.00%	0.00%	0.00%	5.50%	7.25%	9.00%	14.50%	30.00%	23.50%
60	0.00%	7.75%	9.25%	9.25%	9.50%	20.50%	25.00%	27.50%	32.50%	23.50%
61	0.00%	7.75%	9.25%	9.25%	15.50%	29.00%	33.50%	27.50%	32.50%	26.00%
62	0.00%	11.00%	14.50%	15.75%	15.50%	29.00%	33.50%	27.50%	32.50%	26.00%
63	0.00%	11.00%	14.50%	15.75%	15.50%	29.00%	33.50%	27.50%	32.50%	26.00%
64	0.00%	11.00%	16.25%	15.75%	20.00%	29.00%	33.50%	27.50%	32.50%	26.00%
65	0.00%	22.00%	26.25%	29.50%	31.00%	37.50%	33.50%	27.50%	32.50%	26.00%
66	0.00%	22.00%	26.25%	29.50%	31.00%	30.00%	33.50%	30.00%	35.00%	26.00%
67	0.00%	16.00%	26.25%	26.00%	31.00%	25.00%	33.50%	30.00%	35.00%	26.00%
68	0.00%	16.00%	20.50%	26.00%	31.00%	25.00%	33.50%	20.00%	35.00%	26.00%
69	0.00%	16.00%	20.50%	22.50%	24.00%	17.00%	33.50%	20.00%	35.00%	26.00%
70	0.00%	19.50%	23.00%	22.50%	24.00%	17.00%	33.50%	30.00%	35.00%	28.00%
71	0.00%	19.50%	23.00%	22.50%	24.00%	17.00%	23.50%	30.00%	35.00%	28.00%
72	0.00%	19.50%	20.00%	23.50%	24.00%	17.00%	23.50%	30.00%	25.00%	28.00%
73	0.00%	13.50%	20.00%	23.50%	24.00%	17.00%	23.50%	30.00%	25.00%	25.00%
74	0.00%	13.50%	20.00%	23.50%	24.00%	17.00%	23.50%	30.00%	25.00%	25.00%
>=75	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Active retirement rates (continued)

Other – Male:

Years of Service

Age	<=4	5 to 9	10 to 14	15 to 19	20 to 23	24	25	26 to 28	29	>=30
<=48	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
49	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.00%	50.00%
50	0.00%	0.00%	0.00%	0.00%	3.50%	4.00%	3.75%	8.00%	35.00%	40.00%
51	0.00%	0.00%	0.00%	0.00%	3.50%	4.00%	3.75%	8.00%	35.00%	35.00%
52	0.00%	0.00%	0.00%	0.00%	3.50%	4.00%	3.75%	8.00%	35.00%	35.00%
53	0.00%	0.00%	0.00%	0.00%	3.50%	4.00%	3.75%	8.00%	27.50%	35.00%
54	0.00%	0.00%	0.00%	0.00%	3.50%	4.00%	3.75%	8.00%	27.50%	35.00%
55	0.00%	0.00%	0.00%	0.00%	4.00%	3.00%	5.50%	9.00%	27.50%	27.50%
56	0.00%	0.00%	0.00%	0.00%	4.00%	3.00%	5.50%	9.00%	27.50%	24.00%
57	0.00%	0.00%	0.00%	0.00%	4.00%	3.00%	5.50%	9.00%	27.50%	24.00%
58	0.00%	0.00%	0.00%	0.00%	4.00%	3.00%	5.50%	9.00%	27.50%	24.00%
59	0.00%	0.00%	0.00%	0.00%	4.00%	3.00%	5.50%	9.00%	27.50%	24.00%
60	0.00%	8.00%	7.00%	9.00%	9.00%	25.00%	22.50%	23.00%	27.50%	24.00%
61	0.00%	10.00%	7.00%	10.00%	12.50%	25.00%	22.50%	23.00%	27.50%	24.00%
62	0.00%	13.50%	15.00%	22.00%	21.00%	35.00%	32.50%	32.50%	27.50%	27.50%
63	0.00%	13.50%	15.00%	16.50%	21.00%	30.00%	24.00%	23.75%	27.50%	27.50%
64	0.00%	13.50%	10.00%	16.50%	21.00%	30.00%	24.00%	23.75%	27.50%	27.50%
65	0.00%	20.00%	23.00%	29.00%	30.00%	27.50%	37.50%	23.75%	25.00%	27.50%
66	0.00%	20.00%	23.00%	29.00%	30.00%	27.50%	25.00%	25.00%	25.00%	30.00%
67	0.00%	20.00%	23.00%	29.00%	20.00%	27.50%	25.00%	25.00%	25.00%	30.00%
68	0.00%	15.00%	23.00%	25.00%	20.00%	27.50%	30.00%	25.00%	25.00%	30.00%
69	0.00%	15.00%	23.00%	25.00%	23.00%	22.50%	30.00%	25.00%	25.00%	30.00%
70	0.00%	15.00%	23.00%	25.00%	23.00%	22.50%	30.00%	25.00%	25.00%	30.00%
71	0.00%	15.00%	23.00%	25.00%	23.00%	22.50%	30.00%	25.00%	25.00%	30.00%
72	0.00%	15.00%	23.00%	20.00%	23.00%	22.50%	30.00%	25.00%	25.00%	30.00%
73	0.00%	25.00%	23.00%	20.00%	50.00%	22.50%	30.00%	25.00%	25.00%	30.00%
74	0.00%	25.00%	23.00%	20.00%	50.00%	22.50%	30.00%	25.00%	25.00%	30.00%
>=75	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Active retirement rates (continued)

Other – Female:

Years of Service

Age	<=4	5 to 9	10 to 14	15 to 19	20 to 23	24	25	26 to 28	29	>=30
<=48	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
49	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	32.25%	37.50%
50	0.00%	0.00%	0.00%	0.00%	4.50%	4.50%	4.75%	6.50%	32.25%	37.50%
51	0.00%	0.00%	0.00%	0.00%	4.50%	4.50%	4.75%	6.50%	32.25%	37.50%
52	0.00%	0.00%	0.00%	0.00%	4.50%	4.50%	4.75%	6.50%	32.25%	37.50%
53	0.00%	0.00%	0.00%	0.00%	4.50%	4.50%	4.75%	6.50%	30.00%	30.00%
54	0.00%	0.00%	0.00%	0.00%	4.50%	4.50%	4.75%	6.50%	30.00%	27.50%
55	0.00%	0.00%	0.00%	0.00%	5.50%	4.50%	7.00%	9.00%	30.00%	27.50%
56	0.00%	0.00%	0.00%	0.00%	5.50%	6.50%	7.00%	9.00%	30.00%	25.00%
57	0.00%	0.00%	0.00%	0.00%	5.50%	6.50%	7.00%	9.00%	30.00%	25.00%
58	0.00%	0.00%	0.00%	0.00%	5.50%	6.50%	7.00%	9.00%	30.00%	25.00%
59	0.00%	0.00%	0.00%	0.00%	5.50%	6.50%	7.00%	9.00%	30.00%	25.00%
60	0.00%	8.50%	9.00%	10.00%	10.00%	30.00%	30.00%	28.00%	30.00%	25.00%
61	0.00%	8.50%	15.00%	10.00%	10.00%	30.00%	30.00%	28.00%	30.00%	25.00%
62	0.00%	13.00%	15.00%	20.00%	25.00%	30.00%	30.00%	28.00%	35.00%	35.00%
63	0.00%	13.00%	15.00%	18.00%	22.00%	30.00%	30.00%	28.00%	35.00%	30.00%
64	0.00%	13.00%	15.00%	18.00%	22.00%	30.00%	30.00%	28.00%	35.00%	30.00%
65	0.00%	25.00%	27.50%	27.50%	35.00%	30.00%	34.00%	35.00%	27.25%	30.00%
66	0.00%	17.50%	21.00%	27.50%	30.00%	30.00%	34.00%	32.50%	27.25%	30.00%
67	0.00%	17.50%	21.00%	27.50%	25.00%	30.00%	34.00%	32.50%	27.25%	30.00%
68	0.00%	17.50%	21.00%	24.00%	25.00%	30.00%	40.00%	23.00%	27.25%	30.00%
69	0.00%	17.50%	21.00%	23.00%	25.00%	30.00%	40.00%	23.00%	27.25%	27.50%
70	0.00%	17.50%	21.00%	23.00%	25.00%	30.00%	40.00%	23.00%	40.00%	27.50%
71	0.00%	17.50%	21.00%	23.00%	20.00%	30.00%	27.50%	23.00%	40.00%	27.50%
72	0.00%	17.50%	14.00%	23.00%	20.00%	30.00%	27.50%	23.00%	40.00%	27.50%
73	0.00%	17.50%	14.00%	20.00%	20.00%	30.00%	27.50%	23.00%	40.00%	27.50%
74	0.00%	17.50%	14.00%	20.00%	20.00%	30.00%	27.50%	23.00%	40.00%	27.50%
>=75	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Active retirement rates (continued)

Law Enforcement – Male and Female

Years of Service

Age	<=4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 28	29	>=30
<=48	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
49	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	75.00%	60.00%
50-54	0.00%	0.00%	0.00%	5.50%	5.00%	18.00%	75.00%	60.00%
55	0.00%	25.00%	15.00%	40.00%	45.00%	60.00%	75.00%	50.00%
56	0.00%	16.50%	15.00%	25.00%	25.00%	27.00%	75.00%	50.00%
57-58	0.00%	10.00%	15.00%	25.00%	25.00%	27.00%	75.00%	50.00%
59	0.00%	10.00%	15.00%	25.00%	25.00%	27.00%	75.00%	45.00%
60-61	0.00%	10.00%	15.00%	20.00%	30.00%	27.00%	50.00%	45.00%
62	0.00%	17.75%	35.00%	20.00%	30.00%	27.00%	50.00%	45.00%
63-64	0.00%	17.75%	35.00%	20.00%	30.00%	30.00%	50.00%	45.00%
65	0.00%	17.75%	35.00%	40.00%	30.00%	30.00%	50.00%	40.00%
66	0.00%	20.00%	35.00%	40.00%	30.00%	30.00%	50.00%	40.00%
67-69	0.00%	25.00%	22.50%	40.00%	30.00%	30.00%	50.00%	40.00%
>=70	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The eligibility for retirement is determined as of the timing of the assumed decrement (middle of year), rather than as of the anniversary of the Valuation Date (the beginning of year). This creates assumed retirements for participants with 4.5, 24.5, and 29.5 years of service as of the anniversary of the Valuation Date.

Inactive vested retirement expected enrollment age

Age 55 with 20 or more years of service; age 63 with 5 or more years of service, but less than 20 years of service

Appendices

Missing participant data

Actives and terminated vested who do not have plan codes are assumed to be enrolled in plans based on enrollment assumptions.

Missing, invalid, or unreasonable dates of birth are assumed an average value of the group. Invalid gender codes are replaced with the default of male.

Any other missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.

Participation and coverage election

100% of employees eligible to retire and receive subsidized postretirement health coverage were assumed to elect medical and prescription drug coverage. All participants are assumed to be enrolled in plans based on enrollment assumptions.

Dependents

Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be two years older than their wives. 10% of future retirees who elect to continue their health coverage at retirement were assumed to have an eligible spouse who also opts for health coverage at that time.

Data adjustments

Since child records under split contract were reported as subscribers, we assumed retirees under age 27 were children.

For participants with both an active and terminated vested records, the active record was maintained. For participants with multiple active records from different employers, service was merged, earliest provided membership date was used to determine pre-2006 vs post-2006 status, and (if applicable), the teacher record was used to determine assumptions and plan provisions.

Matching spouses of retirees to retirees when they were covered under split contracts (one Medicare eligible and the other not) was problematic. Additionally, surviving spouses who are not receiving survivor benefits under the retirement plan were not readily distinguishable from retirees. We believe that there are spouses of retirees that we have valued as retirees without paying the spouse premium. No adjustment has been made to the valuation liabilities.

Per capita cost development

Medical and Prescription Drug: Per capita claims costs were based on actual incurred claim experience for the periods January 1, 2023, through December 31, 2025. Medical claims for 2025 were further adjusted by a factor of 1.75% to account for claims incurred in 2025 but not yet processed through March 2026. Drug claims for 2023/2024/2025 were also adjusted by -0.98%/-1.44%/-1.25% for the performance guarantees received in March 2023-2025. Claims were separated by Medicare and Non-Medicare participants, then adjusted as follows:

- Total claims were divided by the number of adult members to yield a per capita claim
- The per capita claim was trended to the midpoint of the valuation year at assumed trend rates
- The per capita claim was adjusted for the effect of any plan changes
- Prescription drug claims were adjusted to reflect performance guarantees
- Actuarial factors were then applied to the per capita claims to estimate individual retiree and spouse costs by age and by gender.

Medicare Advantage plans were valued by actuarially adjusting the insured premium rates by age and gender.

Administrative Expenses: Administrative expenses were based on a recent quarterly projection prepared by Segal, using detailed administrative expense data provided by the State.

Per capita health costs (2026)

Non-Medicare Retiree and Spouse

Age	Standard Medical Male	Standard Medical Female	Plus Medical Male	Plus Medical Female	Standard Rx Male	Standard Rx Female	Plus Rx Male	Plus Rx Female
50	$7,569	$7,992	$10,564	$11,155	$1,760	$1,859	$2,891	$3,052
55	8,541	8,676	11,920	12,109	1,986	2,018	3,262	3,313
60	9,834	9,405	13,725	13,126	2,287	2,187	3,756	3,592
65	12,548	10,422	17,513	14,546	2,918	2,424	4,792	3,980
70	14,093	11,659	19,670	16,273	3,278	2,712	5,382	4,453
75	15,568	12,257	21,729	17,108	3,621	2,851	5,946	4,681
80	16,301	13,083	22,752	18,261	3,791	3,043	6,226	4,997

Medicare Retiree and Spouse

Age	MA Base Male	MA Base Female	MA Enhanced Male	MA Enhanced Female	70/30 Medical Male	70/30 Medical Female	70/30 Rx Male	70/30 Rx Female
50	$442	$467	$960	$1,013	$503	$531	$1,613	$1,704
55	499	507	1,083	1,100	568	577	1,821	1,849
60	574	549	1,247	1,192	654	625	2,096	2,005
65	733	609	1,591	1,321	834	693	2,675	2,222
70	823	681	1,787	1,478	937	775	3,004	2,485
75	909	716	1,974	1,554	1,035	815	3,319	2,613
80	952	764	2,067	1,659	1,084	870	3,475	2,789

Health care cost trend rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year's cost to yield the next year's projected cost.

Year Ending Dec 31	Medical Self-Funded	Prescription Drug	Prescription Drug Rebates	Medicare Advantage Base	Medicare Advantage Enhanced	Admin
2026	6.00%	9.50%	9.50%	-6.79%	1.33%	0.92%
2027	5.50%	9.00%	-6.78%	66.78%	28.05%	3.00%
2028	5.00%	8.50%	8.50%	5.00%	5.00%	3.00%
2029	5.00%	8.00%	8.00%	5.00%	5.00%	3.00%
2030	5.00%	7.50%	7.50%	5.00%	5.00%	3.00%
2031	5.00%	7.00%	7.00%	5.00%	5.00%	3.00%
2032	5.00%	6.50%	6.50%	5.00%	5.00%	3.00%
2033	5.00%	6.00%	6.00%	5.00%	5.00%	3.00%
2034	5.00%	5.50%	5.50%	5.00%	5.00%	3.00%
2035	5.00%	5.00%	5.00%	5.00%	5.00%	3.00%
2036 & later	5.00%	5.00%	5.00%	5.00%	5.00%	3.00%

The trend rate assumptions were based on the trends consistent with the Quarterly Financial Projections and were developed using Segal's internal guidelines. The guidelines are established each year using data sources such as the 2026 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

Adjustments to the base trends above were made as follows:

- MA Base/Enhanced premiums are assumed to be $64.37/$140.96 for 2026 and $60/$142.83 for 2027.
- Net prescription drug rebates trend is based on minimum guarantees for 2026-2027, and rebate amounts are assumed to be 43% of baseline claims starting 2028.

Appendices

Medicare Part D subsidy assumption

GASB guidelines prohibit the offset of OPEB obligations by the future value of Medicare Part D subsides. Therefore, these calculations do not include an estimate for retiree prescription drug plan federal subsidies that the North Carolina State Health Plan may be eligible to receive.

Retiree contribution increase rate

The 2026 trend on contributions was adjusted to project 2026 contribution rates to the 2027 rates that were adopted by the Board in August 2025, including anticipated wellness credits and enrollment migration. Retiree/spouse contributions for the Plus and Standard plans were generally assumed to remain flat for the following four years. Employer contributions are assumed to change over the next five years in accordance with contribution expectations projected by the State. Beyond that point, retiree contributions for medical and prescription drugs were assumed to increase at the same blended trend rate as medical and prescription drug cost. After 10 years, all contributions are assumed to increase at ultimate trend of 5.0%.

Assumption for Tabacco Attestation

Tobacco Attestation and $60 surcharge were removed starting January 1, 2026.

Administrative expenses

Administrative expense loads of $359 per participant (retiree and spouse) for non-Medicare retirees and of $94 for Medicare retirees (blended MA & non-MA).

Plan design

Development of plan liabilities was based on the substantive plan of benefits in effect as described in Appendix C.

Maximum benefits

There are no annual or lifetime maximum benefits assumed.

Plan enrollment assumptions

Based on most recent financial report: Plan Enrollment Assumptions are valued by adjusting the trend for 2026-2029 for enrollment migration.

Non-Medicare Retiree

Plan	2026	2027	2028	2029
Plus Plan	39.3%	39.3%	39.3%	39.3%
Standard Plan	60.7%	60.7%	60.7%	60.7%

Medicare Retiree

Plan	2026	2027	2028	2029
MA Base	73.0%	75.0%	75.0%	75.0%
MA Enhanced	8.5%	10.0%	10.0%	10.0%
70/30 Plan	18.5%	15.0%	15.0%	15.0%

Models

Segal accounting results are based on proprietary actuarial modeling software. The accounting valuation models generate a comprehensive set of liability and cost calculations that are presented to meet accounting standards and client requirements. Our Actuarial Technology and Systems unit, comprising both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

The results are also based on models for cost projections developed by Segal actuaries and programmers. The client team customizes and validates the models, and reviews the results, under the supervision of the responsible actuary.

Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.

Assumption changes since prior valuation

- The discount rate was updated, changing from 5.20% to 4.67%, based on changes in the Bond Buyer 20-year GO index rate, as selected by the State's OPEB Valuation Committee.
- The medical, prescription drug and administrative starting claims cost were updated based on the most recent experience.
- Medical, prescription drug, prescription drug rebates, and administrative trend rates were updated to current schedule.
- Enrollment assumptions were updated to model expected migrations among plan options over the next three years.
- 2027 Medicare Advantage premiums were updated.
- The following demographic and economic assumptions were updated based on the results of an actuarial experience study of the North Carolina Retirement Systems covering the period ended December 31, 2024. These assumption changes were adopted by the Board of Trustees in October 2025:
  - Base mortality tables and related mortality improvement scales, to reflect updated mortality experience and longevity expectations.
  - Turnover rates, to reflect actual termination experience.
  - Disability incidence rates, to reflect actual disability experience.
  - Retirement rates, to reflect actual retirement experience.
  - Salary increase assumptions, to reflect actual salary growth experience and future expectations.
  - Assumed age difference between spouses, to reflect observed dependent demographics.

Appendix C: Summary of plan provisions

This appendix summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility

Participants in the North Carolina State Health Plan for Teachers and State Employees who retire from the State, the University of North Carolina System, community colleges, local school systems, and certain other component units are eligible to continue to participate in the State Health Plan in retirement if they meet certain criteria. Employees hired on or after January 1, 2021, are not eligible for OPEB benefits.

Former employees who are eligible to receive medical benefits are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement system (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (UEORP), and a small number of local governments. General retirement requirements are as follows:

Law Enforcement Officer:

- age 50 and 15 years of service;
- age 55 and 5 years of service; or
- any age with 25 or more years of service.

All Others:

- age 50 and 20 years of service;
- age 60 and 5 years of service; or
- any age with 30 or more years of service.
- Members achieve vesting at any age with 5 years of service. Members who separate from service after becoming vested and do not withdraw their contributions from the Retirement System may later retire (and enroll in the plan) once they have attained the retirement eligibility age.

Appendices

Benefit types

Standard and Plus Plans are offered to non-Medicare participants, and the 70/30 Plan, Medicare Advantage Base (MA Base) and Medicare Advantage Enhanced (MA Enhanced) plans are offered to Medicare eligible participants. Coverage under Standard Plan becomes secondary when former employees become eligible for Medicare.

Duration of coverage

Lifetime for retirees and dependents

Dependent benefits

Same as retirees

Dependent coverage

Lifetime. Surviving spouses are also covered for life.

Retiree contributions

Monthly contributions, effective January 1, 2026, are shown below.

For Retirees hired prior to October 1, 2006 (February 1, 2007, for legislators):

Non-Medicare

Category	Standard	Plus
Retiree	$0.00	$66.00
Spouse	$575.00	$680.00

Medicare

Category	70/30 Plan	MA Base	MA Enhanced
Retiree	$0.00	$0.00	$81.00
Spouse	$575.00	$68.00	$145.00

Appendices

For Retirees hired on or after October 1, 2006 (February 1, 2007, for legislators), contributions are defined as a percentage of the total premium costs based on the following service-based schedule:

Years of Service at Retirement	Retiree Contribution Percentage	Spouse Contribution Percentage
5 – 9.99	100%	100%
10 – 19.99	50%	100%
20 or more	0%	100%

100% and 50% of the total premium costs are shown below:

Non-Medicare

Category	Standard	Plus
Retiree (100% of Premium)	$360.00	$426.00
Retiree (50% of Premium)	$180.00	$246.00
Spouse	$575.00	$680.00

Medicare

Category	70/30 Plan	MA Base	MA Enhanced
Retiree (100% of Premium)	$360.00	$68.00	$145.00
Retiree (50% of Premium)	$180.00	$68.00	$145.00
Spouse	$575.00	$68.00	$145.00

Benefit descriptions PPO Standard Plan (as of January 1, 2026):

PPO Standard Plan	In-Network	Out-Of-Network
Medical		
• Annual Deductible	$3,000/$9,000	$6,000/$18,000
• Member Coinsurance	30%	50%
• Out-of-Pocket Maximum	$6,500/$16,300	$13,000/$32,600
• Primary Care Office Visit Co-pay	$50 ($40 for PCP on ID card, $15 for Preferred PCP)	Deductible & Coinsurance
• Specialist Office Visit Co-pay	$94 ($50 for Preferred Providers)	Deductible & Coinsurance
• Preventive Care	$0	N/A
• Urgent Care Co-pay	$100	$100
• Inpatient Hospitalization Co-pay	$600 + Deductible & Coinsurance	$600 + Deductible & Coinsurance
• Outpatient Surgery Co-pay	$350 + Deductible & Coinsurance	Deductible & Coinsurance
• Emergency Room	$600 + Deductible & Coinsurance	same as In-Network
• Physical, Occupational, Speech, or Chiropractic Therapy	$62	Deductible & Coinsurance
• Mental Health and Substance Abuse Office Visit Co-pay	$15	Coinsurance
Prescription Drugs[6]		
• Tier 1 - Generic	$25	$25
• Tier 2 - Preferred Brand	$75	$75
• Tier 3 - Non-Preferred Brand	Deductible & Coinsurance	Deductible & Coinsurance
• Tier 4 - Generic Specialty	$200	$200
• Tier 5 - Preferred Specialty	$600	$600
• Tier 6 - Non-Preferred Specialty	Deductible & Coinsurance	Deductible & Coinsurance
• Preferred diabetic testing supplies	$25	$25
• Non-Preferred diabetic testing supplies	Deductible & Coinsurance	Deductible & Coinsurance
• Out-of-Pocket Maximum	Combined with Medical	Combined with Medical

[6] Up to 30-day supply – copays are 2x for 31–60-day supply and 3x for 61-90-day supply

Benefit descriptions PPO Plus Plan (as of January 1, 2026):

PPO Plus Plan	In-Network	Out-Of-Network
Medical		
• Annual Deductible	$1,500/$4,500	$3,000/$9,000
• Member Coinsurance	20%	40%
• Out-of-Pocket Maximum	$5,000/$15,000	$10,000/$30,000
• Primary Care Office Visit Co-pay	$40($30 for PCP on ID card, $10 for preferred PCP)	Deductible & Coinsurance
• Specialist Office Visit Co-pay	$80 ($40 for Preferred Providers)	Deductible & Coinsurance
• Preventive Care	$0	N/A
• Urgent Care Co-pay	$70	$70
• Inpatient Hospitalization Co-pay	$500 + Deductible & Coinsurance	$300 + Deductible & Coinsurance
• Outpatient Surgery Co-pay	$300 + Deductible & Coinsurance	Deductible & Coinsurance
• Emergency Room	$500 + Deductible & Coinsurance	same as In-Network
• Physical, Occupational, Speech, or Chiropractic Therapy	$42	Deductible & Coinsurance
• Mental Health and Substance Abuse Office Visit Co-pay	$10	Coinsurance
Prescription Drugs[7]		
• Tier 1 - Generic	$15	$15
• Tier 2 - Preferred Brand	$55	$55
• Tier 3 - Non-Preferred Brand	Deductible & Coinsurance	Deductible & Coinsurance
• Tier 4 - Generic Specialty	$100	$100
• Tier 5 - Preferred Specialty	$500	$500
• Tier 6 - Non-Preferred Specialty	Deductible & Coinsurance	Deductible & Coinsurance
• Preferred diabetic testing supplies	$10	$10
• Non-Preferred diabetic testing supplies	Deductible & Coinsurance	Deductible & Coinsurance
• Out-of-Pocket Maximum	Combined with Medical	Combined with Medical

[7] Up to 30-day supply – copays are 2x for 31–60-day supply and 3x for 61-90-day supply

Benefit descriptions Medicare Advantage Plans (as of January 1, 2026):

Medicare Advantage	MA-PDP Base	MA-PDP Enhanced
Medical		
• Annual Deductible	$0	$0
• Member Coinsurance	20%	20%
• Out-of-Pocket Maximum	$4,000	$3,300
• Primary Care Office Visit Co-pay	$20	$10
• Specialist Office Visit Co-pay	$40	$35
• Preventive Care	$0	$0
• Urgent Care Co-pay	$50	$40
• Inpatient Hospitalization Co-pay	Days 1-10: $160/day; Days 11+: $0	Days 1-10: $125/day; Days 11+: $0
• Outpatient Hospitalization Co-pay	$125	$100
• Emergency Room Co-pay	$65	$65
• Physical, Occupational, Speech, or Chiropractic Therapy	$20	$20
• Mental Health and Substance Abuse Office Visit Co-pay	$20	$10
Prescription Drugs		
• Retail (up to 31-day supply)		
– Tier 1 - Preferred Generic	$10	$10
– Tier 2 - Preferred Brand	$40	$40
– Tier 3 - Non-Preferred	$64	$50
– Tier 4 - Specialty	25% coinsurance, $100 max.	25% coinsurance, $100 max.
– Out-of-Pocket Maximum	$2,100	$2,100
• Mail Order (up to 90-day supply)		
– Tier 1 - Preferred Generic	$24	$24
– Tier 2 - Preferred Brand	$80	$80
– Tier 3 - Non-Preferred	$128	$100
– Tier 4 - Specialty	25% coinsurance, $300 max.	25% coinsurance, $200 max.
– Out-of-Pocket Maximum	$2,100	$2,100

Benefit descriptions Medicare Advantage Plans (as of January 1, 2027):

Medicare Advantage	MA-PDP Base	MA-PDP Enhanced
Medical		
• Annual Deductible	$0	$0
• Member Coinsurance	20%	20%
• Out-of-Pocket Maximum	$4,500	$3,700
• Primary Care Office Visit Co-pay	$20	$10
• Specialist Office Visit Co-pay	$50	$45
• Preventive Care	$0	$0
• Urgent Care Co-pay	$50	$40
• Inpatient Hospitalization Co-pay	Days 1-10: $200/day; Days 11+: $0	Days 1-10: $150/day; Days 11+: $0
• Outpatient Surgical Co-pay	$250	$250
• Emergency Room Co-pay	$65	$65
• Physical, Occupational, or Speech	$30	$20
• Mental Health and Substance Abuse Office Visit Co-pay	$20	$10
Prescription Drugs		
• Retail (up to 31-day supply)		
– Tier 1 - Preferred Generic	$15	$10
– Tier 2 - Preferred Brand	$50	$40
– Tier 3 - Non-Preferred	$70	$50
– Tier 4 - Specialty	25% coinsurance, $150 max.	25% coinsurance, $100 max.
– Out-of-Pocket Maximum	$2,100	$2,100
• Mail Order (up to 90-day supply)		
– Tier 1 - Preferred Generic	$36	$24
– Tier 2 - Preferred Brand	$100	$80
– Tier 3 - Non-Preferred	$140	$100
– Tier 4 - Specialty	25% coinsurance, $450 max.	25% coinsurance, $200 max.
– Out-of-Pocket Maximum	$2,100	$2,100

Plan Changes since Prior Valuation:

- Effective January 1, 2026, Non-Medicare 70/30 Plan is renamed as Standard plan and non-Medicare 80/20 Plan is renamed as Plus plan
- Effective January 1, 2027, Medicare Advantage Base and Enhanced are changed. See details on the 2027 Medicare Advantage plan description page.
- Effective January 1, 2026, Stelara was removed from the list of covered drugs.

Appendix D: Sensitivity of Valuation Results as of December 31, 2025 (in thousands)

Item	4.84% Discount Rate	5.67% Discount Rate	6.50% Discount Rate	7.33% Discount Rate	8.16% Discount Rate
Normal Cost	$909,821	$737,512	$601,830	$494,191	$408,211
Actuarial Accrued Liability	27,403,111	24,709,014	22,392,710	20,390,315	18,650,198
Market Value of Assets	4,293,915	4,293,915	4,293,915	4,293,915	4,293,915
Unfunded Actuarial Accrued Liability	23,109,196	20,415,099	18,098,795	16,096,400	14,356,283
Amortization of Unfunded Actuarial Accrued Liability	$953,030	$933,313	$912,384	$890,213	$866,805
Timing Adjustment	3,500	3,633	3,730	3,800	3,848
Total Actuarially Determined Contribution	1,866,351	1,674,458	1,517,944	1,388,204	1,278,864
Total Actuarially Determined Contribution as a percentage of pay	8.64%	7.76%	7.03%	6.43%	5.92%

Actuarially determined contributions shown here are calculated using the same methodology as described in Section 2 of the valuation report, except for use of the various discount rates shown above. Covered payroll is $21,589,807,000.

Appendix E: Definition of terms

Definitions of certain terms as they are used in Statement No. 74. The terms may have different meanings in other contexts.

Term	Definition
Actuarially Determined Contribution:	A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.
Assumptions or actuarial assumptions:	The estimates on which the cost of the Plan is calculated including: a. Investment return — the rate of investment yield that the Plan will earn over the long-term future; b. Mortality rates — the death rates of employees and retirees; life expectancy is based on these rates; c. Retirement rates — the rate or probability of retirement at a given age; d. Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Covered payroll:	The payroll of the employees that are provided OPEB benefits.
Discount rate:	The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the sum of the following: a. the actuarial present value of projected benefit payments projected to be funded by plan assets using a long-term rate of return, and; b. the actuarial present value of projected benefit payments that are not included in (a) using a yield or index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
Entry age actuarial cost method:	An actuarial cost method where the present value of the projected benefits for an individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age.
Health care cost trend rates:	The rate of change in per capita health costs over time.
Net OPEB Liability:	The Total OPEB Liability less the Plan Fiduciary Net Position.
Plan Fiduciary Net Position:	Fair Value of Assets
Real rate of return:	The rate of return on an investment after removing inflation.
Service cost:	The amount of contributions required to fund the benefit allocated to the current year of service.
Total OPEB Liability:	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement No. 75.

Appendices

Term	Definition
Valuation date:	The date at which the actuarial valuation is performed.