Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan

(Fiduciary Funds of the State of North Carolina)

FINANCIAL REPORT

December 31, 2025

Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan (together “Supplemental Retirement Plans of North Carolina”)
December 31, 2025

TABLE OF CONTENTS

This audit required approximately 740 hours at a cost of $129,500.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Supplemental Retirement Income Plan of North Carolina (401(k) Plan) and the North Carolina Public Employee Deferred Compensation (457(b) Plan), collectively referred to as the Supplemental Retirement Plans of North Carolina (the Plans) , which collectively comprise the Plans' basic financial statements, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plans as of December 31, 2025, and the respective changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plans, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plans' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plans' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plans' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2026, on our consideration of the Plans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plans' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control over financial reporting and compliance.

UHY LLP

Columbia, Maryland
July 13, 2026

The Supplemental Retirement Plans of North Carolina (the "Plans") include the Supplemental Retirement Income Plan of North Carolina (the "401(k) Plan") and the North Carolina Public Employee Deferred Compensation Plan (the "457(b) Plan"). This discussion and analysis of the Plans' financial performance provides an overview of the Plans' financial activities for the year ended December 31, 2025. It is intended to be a narrative supplement to the Plans' financial statements.

Using the Financial Report

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

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

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

The Plans' investments are divided among 11 options - six equity funds, two fixed income funds, an inflation responsive fund, an inflation protected securities fund (referred to collectively herein as the "Pooled Account") and the NC Stable Value Fund. The assets in the Pooled Account are held in separate accounts and collective investment trusts. The NC Stable Value Fund consists of five synthetic guaranteed investment contracts and a short-term investment fund. Galliard Capital Management, LLC ("Galliard") provides the professional management and oversight of the NC Stable Value Fund. The short-term investment fund is trusteed by SEI Trust Company and managed by BlackRock.

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

Financial Highlights - 401(k) Plan

The following financial highlights for the Condensed Statements of Fiduciary Net Position occurred during the 401(k) Plan year ended December 31, 2025:

- The 401(k) Plan's fiduciary net position increased by approximately $2.1 billion to approximately $18.0 billion during the 2025 plan year. This increase in assets was primarily due to positive investment performance in the Pooled Account.

- The assets of the NC Stable Value Fund decreased $38.8 million, approximately -2.1%, for the year. This decrease was due to participant lump-sum distributions outpacing positive fund performance.

- The total number of participants in the Plan increased approximately 2.1% ending the year with approximately 300,900 unique participants on December 31, 2025, versus approximately 294,630 unique participants the year prior.

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

(In thousands of dollars)	2025	2024
Investments		
Pooled account, at fair value	$ 15,852,013	$ 13,733,629
Stable value fund	1,845,293	1,884,094
Receivables		
Notes receivable from participants	327,016	303,358
Other	4,495	4,247
Other assets	-	148
Liabilities	(1,252)	(1,276)
Fiduciary net position	$ 18,027,565	$ 15,924,200

The following highlights for the Condensed Statements of Changes in Fiduciary Net Position occurred during the 401(k) Plan year ended December 31, 2025:

- Total contributions to the 401(k) Plan rose approximately 8.8%, or approximately $88.9 million, over the prior year. This increase in contributions is due to both employers and participants increasing contribution levels. Higher employee participation rates during the year compared to the prior year contributed to increased contributions and the average employee deferral increased. Employer contributions for 2025 have increased 11.0% over the prior year. Contributions for both plans combined have increased in recent years. Rollovers for the current year were only $56 thousand more than the prior year.

- Both employers and participants increased the level of contributions to the Plan with the average participant contribution rising to $281 per pay period. Enrollments for the plan year also increased over the prior year.

- Net investment income was $2.3 billion for fiscal year 2025, an increase of approximately $626.4 million from the prior year due to market performance. Please see the Economic and Asset Class Discussion for additional information on market performance.

- Distributions to participants and beneficiaries increased by approximately $111.4 million, or approximately 9.5% over the prior year.

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

(In thousands of dollars)	2025	2024
Additions		
Contributions	$ 1,097,367	$ 1,008,516
Net investment income	2,282,248	1,655,833
Interest on notes receivable from participants	24,068	22,584
Miscellaneous income	-	1,866
Total additions	3,403,683	2,688,799
Deductions		
Distributions to participants and beneficiaries	1,285,366	1,174,006
Administrative expenses	14,952	9,037
Total deductions	1,300,318	1,183,043
Net increase in fiduciary net position	$ 2,103,365	$ 1,505,756

We are not aware of any other currently known facts, decisions or conditions that are expected to have a significant impact on fiduciary net position or changes in fiduciary net position as of December 31, 2025.

Financial Highlights - 457(b) Plan

The following highlights for the Condensed Statements of Fiduciary Net Position occurred during the 457(b) Plan year ended December 31, 2025:

- The 457(b) Plan's fiduciary net position increased by approximately $236.8 million to approximately $2.3 billion during the 2025 plan year. This increase in assets was primarily due to positive investment performance in the Pooled Account.

- The Pooled Account increased by 14.1% while the assets within the NC Stable Value Fund decreased by approximately 2.8%.

- Assets in the NC Stable Value Fund decreased due to participant lump-sum distributions outpacing positive fund performance.

- The number of participants in the Plan increased 2.0%, with approximately 58,560 and 57,410 unique participants in the 457(b) Plan at December 31, 2025, and 2024, respectively.

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

(In thousands of dollars)	2025	2024
Investments		
Pooled account, at fair value	$ 1,972,982	$ 1,729,128
Stable value fund	333,329	342,968
Receivables		
Notes receivable from participants	28,617	25,960
Other	588	628
Other assets	5	93
Liabilities	(226)	(232)
Fiduciary net position	$ 2,335,295	$ 2,098,545

The following highlights for the Condensed Statements of Changes in Fiduciary Net Position occurred during the 457(b) Plan year ended December 31, 2025:

- Total contributions to the 457(b) Plan grew approximately $16 million, or approximately 13.4%, in 2025 due to an increase in participant Roth contributions as well as employer contributions to the Plan.
- Net investment income was approximately $278.8 million, an increase of approximately 26.9%, due in large part to the performance in the financial markets. Please see the Economic and Asset Class Discussion for additional information.
- Distributions to participants and beneficiaries increased by approximately $18 million, or approximately 11.3%, with an increase in the number of lump-sum distributions and hardship withdrawals and systematic withdrawals being taken.

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

(In thousands of dollars)	2025	2024
Additions		
Contributions	$ 135,433	$ 119,388
Net investment income	278,802	219,723
Interest on notes receivable from participants	2,049	1,849
Miscellaneous income	-	282
Total additions	416,284	341,242
Deductions		
Distributions to participants and beneficiaries	176,999	159,021
Administrative expenses	2,535	1,669
Total deductions	179,534	160,690
Net increase in fiduciary net position	$ 236,750	$ 180,552

We are not aware of any other currently known facts, decisions or conditions that are expected to have a significant impact on fiduciary net position or changes in fiduciary net position as of December 31, 2025.

Other Highlights

The Plans' expenses remain competitive when compared to a peer group of institutional mutual funds. At the end of 2025, the average asset-based plan expenses consisting of investment management, custodial and administrative fees were approximately 0.19%. This compares favorably to the median expense ratio of the Callan Mutual Fund Institutional Universe of 0.22%. There is an additional recordkeeping fee of $25 per account.

North Carolina General Statute 135-91 provides that the Board of Trustees may charge an administrative fee of up to a maximum of 2.5 basis points to participants annually. The administrative fee is collected to cover the Plans' administrative expenses and is the primary source of revenue received. The administrative fee covers expenses that include Supplemental Retirement Plans' staff salaries and benefits, departmental overhead, fees to required service providers, including the Plans' investment consultant and auditor, board expenses and other expenses deemed appropriate under the Internal Revenue Code's exclusive benefit rule. Based on review of any accumulated reserve balance, Plan staff may recommend to the Board a waiver of, or reduction in, the administrative fee or recommend a rate that differs from the 2.5 basis points to the Board for approval. The reserve balance is invested in the BNY EB Temporary Investment Fund (EBTIF). In February 2024, the Board approved waiving the 1.00 basis point administrative fee through the end of 2024. The Board subsequently approved 12-month extensions at its February 2025 and February 2026 meetings, continuing the fee waiver through the end of 2026.

On June 13, 2025, North Carolina Governor Josh Stein signed HB 506, known as the 2025 State Investment Modernization Act. This bill transferred the authority to manage investments and carry out certain other statutory duties from the State Treasurer as the sole fiduciary to the newly created North Carolina Investment Authority ("NCIA") and became effective on January 1, 2026. Under this legislation, the Supplemental Retirement Board of Trustees may request the NCIA to provide monitoring, evaluation, reporting, and other support or assistance for the investments of the 401(k) and 457(b) plans. At the December 4, 2025 Board of Trustees' meeting, the SRP Board of Trustees approved the NCIA to provide investment services as outlined in the Investment Policy Statement. At the May 21, 2026 Board of Trustees' meeting, the SRP Board reviewed and approved a basis point fee arrangement to be charged by the NCIA based on assets under management.

Economic and Asset Class Discussion

Global growth remained stable but below its long-term historical average during 2025. The International Monetary Fund projected global growth at 3.3% in both 2025 and 2026, below the historical 2000-2019 average of 3.7%. The forecast reflected divergent conditions across regions, with resilient momentum in the United States offsetting weaker growth in Europe and parts of Asia. The United States was supported by strong consumption, labor markets, wealth effects, and investment, while the euro area remained subdued due to weakness in manufacturing and goods exports. China continued to face property-sector weakness and low consumer confidence, while India remained solid.

Global headline inflation was expected to decline to 4.2% in 2025 and 3.5% in 2026. Disinflation continued to be supported by moderating wage growth, normalizing labor markets, easing goods inflation, and expected declines in energy prices. However, services inflation remained persistent in several advanced economies, and policy uncertainty, trade tensions, geopolitical risks, fiscal pressures, and the pace of monetary easing continued to shape the outlook. Global financial conditions remained broadly accommodative, but tightened slightly since October 2024, and the U.S. dollar strengthened amid wider interest-rate differentials, tariff expectations, and trade policy uncertainty.

As a result of these economic and market factors, the Plans' investment performance showed positive results. The below discussion on the separate Asset Classes will further highlight specific results in the investment portfolio of the Plans. The Pooled Account of the Plan is impacted by all Asset Classes discussed below while the NC Stable Value Fund, primarily invested in investment contracts and short-term funds, will be impacted by Fixed Income.

Note: All NC fund performance is net of fees.

U.S. Equities

Broad U.S. equities posted positive returns in 2025, with the Russell 3000 Index returning 17.1% for the year. Large cap stocks performed well, with the Russell 1000 Index returning 17.4% and the S&P 500 Index returning 17.9%. Growth outperformed value for the year, as the Russell 1000 Growth Index returned 18.6% compared to 15.9% for the Russell 1000 Value Index. Smaller and mid-sized companies also gained, with the Russell Midcap Index returning 10.6%, the Russell 2500 Index returning 11.9%, and the Russell 2000 Index returning 12.8%.

The S&P 500 Index returned 2.7% in the fourth quarter and reached all-time highs, supported by strong earnings and continued enthusiasm around artificial intelligence. All S&P 500 sectors posted gains in the quarter except Real Estate and Utilities. Large cap stocks slightly outperformed small caps during the quarter, and value outperformed growth across the market-cap spectrum. Concentration risk remained elevated, although market leadership began to broaden beyond the largest technology-oriented companies.

Performance of Plans' Funds in U.S. Equities

Within the Plans, the NC Large Cap Core Fund returned 15.8% for the year, underperforming its benchmark, the Russell 1000 Index, by 1.6 percentage points. The NC Large Cap Index Fund returned 17.8% for the year, performing broadly in line with its benchmark, the S&P 500 Index.

The NC Small/Mid Cap Fund returned 5.3% for the year, underperforming its benchmark, the Russell 2500 Index, by 6.6 percentage points. The NC Small/Mid Cap Index Fund returned 12.0% for the year, performing in line with its benchmark.

International Equities

Developed Market Equities

Developed international equities outpaced U.S. equities in 2025. The MSCI EAFE Index returned 31.2% for the year and 4.9% for the fourth quarter, delivering its best annual return since 2009. The MSCI ACWI ex USA Index returned 32.4% for the year, and the MSCI World ex USA Index returned 31.9%. The United Kingdom was the strongest region for the fourth quarter, helped by a second rate cut in December and its weighting in mining and resource companies that benefited from a metals rally. Value dominated outside the United States in the fourth quarter and for the full calendar year, while currency effects provided a substantial boost to EAFE returns for the year.

Emerging Market Equities

Emerging market equities posted strong full-year results, with the MSCI Emerging Markets Index returning 33.6% for the year and 4.7% for the fourth quarter. The MSCI China Index returned 31.2% for the year but declined 7.4% in the fourth quarter as investors reacted to below-expectation government stimulus, ongoing property-sector challenges, and deflation concerns. The MSCI Frontier Markets Index returned 46.9% for the year. Emerging market equity net flows turned positive in May 2025 and moderately accelerated through year-end.

Performance of Plans' Funds in International Equities

Within the Plans, the NC International Fund returned 28.2% for the year, underperforming its International Benchmark by 3.8 percentage points. The NC International Index Fund returned 32.5% for the year, outperforming the International Benchmark by 0.6 percentage points.

Fixed Income

Fixed income markets generated positive returns in 2025, supported by Federal Reserve rate cuts and lower short-term Treasury yields. The Bloomberg U.S. Aggregate Bond Index returned 7.3% for the year and 1.1% for the fourth quarter. The Bloomberg Universal Index returned 7.6% for the year, while the Bloomberg High Yield Index returned 8.6%. The Bloomberg TIPS Index returned 7.0% for the year.

The Federal Reserve cut rates at its December meeting, bringing total rate cuts during 2025 to 75 basis points. However, long-end rates moved higher during the fourth quarter, and the yield curve steepened modestly, with the 2-year/10-year spread ending the year at 70 basis points. Corporate credit spreads remained tight, and yield itself is expected to be a primary driver of fixed income returns because much of the spread tightening appears to be behind the market.

U.S. Treasury Bonds

The Bloomberg Long Government/Credit Index returned 6.6% for the year and 0.0% for the fourth quarter. Longer-duration bonds were affected by higher long-end rates in the fourth quarter, even as the broader fixed income market benefited from lower short-term yields and Federal Reserve rate cuts.

High Yield Bonds

High yield bonds, as measured by the Bloomberg High Yield Index, returned 8.6% for the year and 1.3% for the fourth quarter, outperforming core fixed income for the year. Performance was supported by demand for income, continued risk appetite, and stable credit conditions, although tight credit spreads may limit additional spread-driven gains.

Performance of Plans' Fixed Income Funds

Within the Plans, the NC Fixed Income Fund returned 8.0% for the year, outperforming its benchmark, the Bloomberg Aggregate Bond Index, by 0.7 percentage points. The NC Fixed Income Index Fund returned 7.2% for the year, performing broadly in line with its benchmark, the Bloomberg Aggregate Bond Index.

Commodities & Real Assets

Global Real Estate

Listed global real estate posted positive results in 2025. The FTSE EPRA Nareit Developed Index returned 10.7% for the year, compared to 2.0% in 2024, representing a stronger year for listed global real estate. Performance was supported by improved market conditions, while the asset class remained sensitive to interest-rate expectations, financing costs, and long-end bond yields.

U.S. TIPS

Treasury Inflation Protected Securities benefited over the full year from the broader fixed income rally and the inflation-sensitive nature of the asset class, although fourth quarter returns were muted. The Bloomberg TIPS Index returned 7.0% for the year and 0.1% for the fourth quarter.

Commodities

Commodities generated positive returns in 2025. The Bloomberg Roll Select Commodity Total Return Index returned 16.5% for the year. Performance was influenced by futures-curve dynamics, energy markets, metals demand, agricultural supply conditions, and geopolitical risks.

Performance of Plans' Funds in Commodities & Real Assets

Within the Plans, the NC Inflation Responsive Fund returned 10.1% for the year, outperforming its benchmark by 0.2 percentage points. The NC Treasury Inflation Protected Securities Fund returned 7.4% for the year, performing broadly in line with its benchmark, the Bloomberg U.S. TIPS 1-10 Year Index.

For detailed information on investment performance of the funds, please access the Plans' website at https://www.myncretirement.gov/nc-401k-nc-457/information-employees/investment-information.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Supplemental Retirement Plans of North Carolina. If you have any questions or concerns about this report or need additional financial information, contact Jeff Hancock, Director of Supplemental Savings Programs, North Carolina Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

SUPPLEMENTAL RETIREMENT PLANS OF NORTH CAROLINA
STATEMENTS OF FIDUCIARY NET POSITION
For the year ended December 31, 2025

(in thousands of dollars)

	401(k)	457(b)
ASSETS		
Investments		
Pooled Account, at fair value	$ 15,852,013	$ 1,972,982
North Carolina Stable Value Fund		
Unallocated insurance contracts, at contract value		
Synthetic Guaranteed Investment Contracts	1,811,327	327,193
Short-Term Investment Fund, at amortized cost	33,966	6,136
Total stable value fund	1,845,293	333,329
Total investments	17,697,306	2,306,311
Receivables		
Contributions		
Participants	3,303	523
Employers	1,192	65
Notes receivable from participants	327,016	28,617
Total receivables	331,511	29,205
Other assets	-	5
Total assets	18,028,817	2,335,521
LIABILITIES		
Accounts payable	1,252	226
Total liabilities	1,252	226
Fiduciary net position	$ 18,027,565	$ 2,335,295

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

SUPPLEMENTAL RETIREMENT PLANS OF NORTH CAROLINA
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the year ended December 31, 2025

(in thousands of dollars)

	401(k)	457(b)
Additions		
Investment income		
Net appreciation in fair value of investments	$ 2,247,890	$ 272,300
Interest income	60,040	9,788
Less: Investment expenses	(25,682)	(3,286)
Total net investment income	2,282,248	278,802
Other income		
Interest on notes receivable from participants	24,068	2,049
Total other income	24,068	2,049
Contributions		
Plan participant contributions, including rollover contributions of $80,059 for the 401(k) Plan and $17,062 for the 457(b) Plan	640,247	127,564
Employer contributions	457,120	7,869
Total contributions	1,097,367	135,433
Total additions	3,403,683	416,284
Deductions		
Distributions to participants and beneficiaries	1,285,366	176,999
Administrative expenses	14,952	2,535
Total deductions	1,300,318	179,534
Net increase in fiduciary net position	2,103,365	236,750
Fiduciary net position		
Beginning of year	15,924,200	2,098,545
End of year	$ 18,027,565	$ 2,335,295

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

NOTE 1 - PLAN DESCRIPTION

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

General

The 401(k) Plan, established effective January 1, 1985, is a defined contribution multiple-employer governmental plan sponsored by the State of North Carolina ("Plan Sponsor"). As of December 31, 2025, the Plan is utilized by 1,010 governmental employers in North Carolina consisting principally of state agencies, counties, school systems, cities, and towns.

The 457(b) Plan, established effective January 1, 1974, is a defined contribution multiple-employer governmental plan sponsored by the State of North Carolina ("Plan Sponsor"). As of December 31, 2025, the 457(b) Plan is utilized by 646 governmental employers in North Carolina consisting principally of state agencies, counties, school systems, cities, and towns.

Plan Administration

The Supplemental Retirement Board of Trustees ("Board") and the Retirement Systems Division of the Department of State Treasurer ("Department") have the responsibility for administering the 401(k) Plan and the 457(b) Plan according to the plan documents, North Carolina General Statutes ("N.C.G.S."), and the Internal Revenue Code ("IRC"), with the Department serving as the Primary Administrator ("Primary Administrator") carrying out the provisions of the Plans, as directed by the Board. The Board and the Department have entered into an agreement with Empower Retirement, LLC ("Empower" or "Contractor") to perform recordkeeping, administration, and education services.

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

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

NOTE 1 - PLAN DESCRIPTION (Continued)

Participation

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

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

Those employees eligible for the 457(b) Plan include employees of the state, as well as the employees of any county or municipality, community college, school district, charter school, and any political subdivision of the state that have elected to participate in the 457(b) Plan.

The 401(k) Plan had approximately 300,900 unique participants at December 31, 2025.

The 457(b) Plan had approximately 58,560 unique participants at December 31, 2025.

Contributions

401(k) Plan participants may elect to contribute between 1% and 80%, in whole percentages, of their compensation, as defined by the 401(k) Plan, subject to certain limitations under the IRC. 457(b) Plan participants may elect to contribute between 1% and 100%, in whole percentages, of their compensation, as defined by the 457(b) Plan, subject to certain limitations under the IRC. The Plans limit the amount of an individual's annual contributions to the maximum allowed by the IRC ($23,500 for 2025). Federal and state income taxes on amounts contributed by participants are deferred until benefits are paid to the participants. An employee may begin contributing to the 401(k) Plan on the first enrollment date, which is at least 60 days, or such shorter period as the governmental employer determines, after the date he or she files with the governmental employer a notice whereby the employee: 1) makes an election to contribute a percentage of his/her compensation or fixed dollar amount to the Plans and 2) authorizes the governmental employer to reduce his/her compensation by such percentage or amount. An employee may become a participant in the 457(b) Plan by entering into an enrollment agreement or such other date as may be permitted under the Code.

NOTE 1 - PLAN DESCRIPTION (Continued)

Contributions (Continued)

Participating employers may make contributions to the Plans. Employer contributions to the 401(k) Plan and the 457(b) Plan were approximately $457 million and $7.9 million, respectively, in 2025.

Roth contributions are permissible within the 401(k) Plan and 457(b) Plan. Roth contributions are elective deferrals that the participant elects to include in gross income. Qualified distributions from a designated Roth account are excludable from gross income. Generally, a distribution qualifies for income exclusion when it occurs more than five years after the initial contribution to the account and when the participant is age 59½ or older, dies or becomes disabled.

In-plan Roth conversion provisions were added to the 401(k) Plan and 457(b) Plan effective December 1, 2010 and April 1, 2011, respectively. As of the effective date, the Plans accept Roth contributions made on behalf of participants. All contribution sources and earnings thereon, except Roth contributions and Roth rollover contributions, will be eligible for in-plan Roth conversions in accordance with the standard in-service withdrawal and termination distribution provisions of the Plans. Participants and spousal beneficiaries will be allowed to elect voluntary federal and state income tax withholding on in-plan Roth conversion amounts. Withholding will be deducted from eligible amounts in advance of the in-plan Roth conversion. In-plan Roth conversion amounts will remain invested among the same plan investment options in which they were invested prior to the conversion (“like to like”).

The 401(k) Plan allows participants aged 50 or older to make catch-up contributions in accordance with and subject to the limitations of Section 414(v) of the IRC ($7,500 for 2025). The Plans adopted the SECURE 2.0 catch-up provision for participants ages turning 60 to 63 and the limit is $11,250 for 2025. The 401(k) Plan allows participants to contribute amounts being rolled over from other eligible retirement plans, as defined in the 401(k) Plan document. Participating governmental employers may elect to make discretionary contributions to the 401(k) Plan as determined by the General Assembly or the participating governmental employer.

With respect to participants who are law enforcement officers, the governmental employer of the law enforcement officers shall contribute to the 401(k) Plan on behalf of each such law enforcement officer an amount equal to such percentage, as determined by the North Carolina General Assembly, of compensation received during the plan year (5% in 2025). Law enforcement officers, excluding sheriffs, shall also receive a contribution, allocated on a per capita basis, of an amount equal to a division, as determined by the North Carolina General Assembly, of each cost of court collected under North Carolina General Statute 7A-304 on account of assessed cost of court.

The 457(b) Plan allows participants aged 50 or older (with certain additional provisions to participants turning 60 to 63 during the year) to make catch-up contributions in accordance with and subject to the limitations of Section 414(v) of the IRC. The 457(b) Plan allows participants to contribute amounts being rolled over from other eligible retirement plans, as defined in the 457(b) Plan document. In addition, the 457(b) Plan allows participants within three years of reaching a normal retirement age to contribute up to twice the amount allowed by the IRC ($47,000 for 2025) subject to certain limitations. The age 50 or older

NOTE 1 - PLAN DESCRIPTION (Continued)

Contributions (Continued)

(or the age 60 to 63) catch-up contributions cannot be used in conjunction with the three-year catch-up contributions.

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

Vesting

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

Payment of Benefits

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

Participant Accounts

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

Notes Receivable from Participants

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

NOTE 1 - PLAN DESCRIPTION (Continued)

Notes Receivable from Participants (Continued)

A participant may have only one loan outstanding at any time in the 401(k) Plan and one in the 457(b) Plan and must wait seven days to initiate a new loan after paying off an existing loan. The interest rate charged on loans shall be reasonable as determined by the Primary Administrator. During 2025, the interest rate charged was equal to the prime rate, as reported by the US Federal Reserve, on the last business day of each calendar quarter, plus 1%. At December 31, 2025, the interest rates on outstanding loans ranged from 4.25% to 9.5% for the 401(k) Plan and 3.75% to 9.5% for the 457(b) Plan. The term of the loan shall be arrived at by mutual agreement between the participant and the Contractor but shall not exceed five years, except in the case of a loan to purchase a primary residence, which shall not exceed 15 years. At December 31, 2025, the loans outstanding had initial repayment terms between one and fifteen years for the 401(k) Plan and for the 457(b) Plan.

Under the Loan Policy of the Plans, participants are permitted to continue repaying loans after they separate from service.

Investment Elections

Upon enrollment in the Plans, a participant may direct contributions to any investment option offered by the Plans. The participant has a broad range of options from which to choose, which allows the participants to diversify their investments. At December 31, 2025, the Plans offered 11 investment options – six equity funds, an inflation responsive fund, an inflation protected securities fund, and two fixed income funds (referred to collectively herein as the “Pooled Account”) and the North Carolina Stable Value Fund. Participants exercise control over the assets in their individual accounts and are solely responsible for choosing the investment options for their account. Participants may change their investment elections daily provided they do not violate market timing policies. The Plans are required to comply with the Iran Divestment Act of 2015 (N.C.G.S. § 147-86.55 et seq.), the Divestment from Companies Boycotting Israel Act (N.C.G.S. § 147-86.80 et. seq.) and the November 12, 2020 Presidential Executive Order prohibiting U.S. persons from purchasing or investing in publicly traded securities of companies identified by the U.S. Department of Defense as identified pursuant to Section 1237 of the National Defense Authorization Act for FY 1999. In addition, the State Treasurer is required to comply with certain restrictions issued by the United States government, including Executive Order 14032, which restricts investment activity in certain Chinese entities as identified by the Secretary of the Treasury (generally military-related companies), as well as restrictions issued by the Office of Foreign Assets Control. Otherwise, the Plans are not governed by any law or regulation restricting their deposits or investments other than that of following the prudent person rule and acting solely in the interests of participants.

NOTE 1 - PLAN DESCRIPTION (Continued)

Transfer Benefit Option

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Plans are reported by the State of North Carolina as fiduciary funds. The financial statements of the Plans are intended to present the fiduciary net position and the changes in fiduciary net position of only that portion of the total fiduciary funds that are attributable to the Plans. They do not purport to, and do not, present the financial position of the total fiduciary funds of the State of North Carolina as of December 31, 2025, and the changes in its financial position for the year then ended.

Basis of Accounting

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

Investments

The Plans invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. The Plans invest in securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations and commercial mortgage-backed securities.

The value, liquidity, and related income of these and other securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both. Due to the level of risks associated with certain investment securities, it is at least possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the statements of fiduciary net position. Assets are reported at fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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

Contributions Receivable

Participant contributions receivable represent amounts withheld from participants, but not remitted to the Contractor as of the Plans' year end. Employer contributions receivable represent the amount the employer owes the Plans for contributions made on behalf of the participants.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the respective Plan documents.

Investment Management Expenses

Investment management fees and custodial fees paid during the fiscal year and accrued as of year-end are presented in investment management expenses as a component of net investment income. Investment management fees and custody fees are charged against the various fund's assets on a pro rata basis throughout the year and are reflected in the net asset values of the Plan's investments. Net investment income is grossed up for these investment-related costs. Investment management fees and custodial fees for commingled trusts are charged based on a percentage of net asset value and are paid from the assets of the respective funds.

Payment of Distributions

Distributions are recorded when paid.

Administrative Expenses

All administrative costs of the Plans are deducted from participants' account balances. These costs include (a) benefit-responsive investment contract fees, which are included in the cost of investments and in determining net proceeds on sales of investments, and (b) operational expenses required for administration of the Plans including the Primary Administrator's expenses. An annual recordkeeping and communication fee of $25 is charged per account and is deducted from accounts quarterly on a per account basis ($6.25 per quarter).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative Expenses (Continued)

Loan initiation fees are reported as administrative expenses. Loan initiation fees are deducted from the accounts of the individual participants that are initiating loans. Certain other administrative expenses are paid by the Contractor.

Use of Estimates in the Preparation of Financial Statements

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

NOTE 3 - INVESTMENTS

The following table provides a summary of investments at December 31, 2025:

(In thousands of dollars)	401(k) Plan	457(b) Plan	Total
Pooled Account (Notes 4 and 6)	$ 15,852,013	$ 1,972,982	$ 17,824,995
Stable Value Fund (Notes 5 and 6)			
North Carolina Stable Value Fund			
Unallocated Insurance Contracts			
Prudential Insurance Company (Prudential)	401,613	72,546	474,159
Nationwide Life Insurance Company (Nationwide Life)	376,107	67,939	444,046
American General Insurance Company (American General)	361,498	65,300	426,798
Metropolitan Tower Life Insurance Company (Met Tower)	319,160	57,652	376,812
Transamerica Life Insurance Company (Transamerica Life)	352,949	63,756	416,705
Short-Term Investment Fund	33,966	6,136	40,102
Total stable value fund	1,845,293	333,329	2,178,622
Total investments	$ 17,697,306	$ 2,306,311	$ 20,003,617

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT

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

The Board and the Department of State Treasurer are responsible for the administration and oversight of the Plans. Assets are managed by investment managers selected by the Board. The Plans' investment options are established by an Investment Policy Statement ("IPS"). The Board adopted and reviews the IPS at least annually. Periodically, the IPS is modified by Board resolutions, the last being December 4, 2025. The IPS specifies the overall performance objective and benchmark for each Fund option. The IPS does not establish a formal guideline for managing specific investment risk areas, however, each individual investment manager agreement includes guidelines that address the management of various risks in accordance with the IPS, including credit risk and interest rate risk. These risks are managed by specifying certain limitations on the types of securities that may be purchased and under what circumstances securities may be purchased. The investment management guidelines also define portfolio level limits on risk including average portfolio credit quality and duration. The investment manager guidelines list certain securities that are prohibited such as unlisted securities and derivatives for speculative purposes. Additionally, the investment manager guidelines may prohibit using leverage in the account.

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

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

(In thousands of dollars)

NC Large Cap Index	
*Blackrock Equity Index Non-Lendable Collective Investment Fund, at fair value	$ 5,530,716
401(k) plan interest in NC Large Cap Index	4,930,565
401(k) plan interest percentage	89%
457(b) plan interest in NC Large Cap Index	600,151
457(b) plan interest percentage	11%
Investment Income	
Net appreciation in fair value of investments – collective trust	862,449
NC Large Cap Core	
Domestic common stock, at fair value	2,329,213
Foreign stock	271,037
Total investments, at fair value	2,600,250
Cash and cash equivalents	8
Accrued income	1,662
Due from broker for securities sold	62,541
Accounts payable - fees	(2,419)
Miscellaneous payables	(380)
Due to broker for securities purchased	(552)
Total net assets	2,661,110
401(k) plan interest in NC Large Cap Core	2,306,776
401(k) plan interest percentage	87%
457(b) plan interest in NC Large Cap Core	354,334
457(b) plan interest percentage	13%
Investment income and (expenses)	
Net appreciation in fair value of investments	356,386
Dividends	27,907
Management and administrative fees	(7,446)
Net investment income	376,847

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

NC Fixed Income	
*Prudential Core Plus Bond Fund - collective trust	1,324,847
Separate Account - TCW Core Plus Bond Fund	1,472,315
Total investments, at fair value	2,797,162
Cash and cash equivalents	5,864
Accrued income	5,227
Due from broker for securities sold	31,301
Receivable for foreign exchange contract	42,908
Due to broker for securities purchased	(186,859)
Payable for foreign exchange contract	(43,070)
Accounts payable – fees	(1,362)
Miscellaneous payables	(15)
Total net assets	2,651,156
401(k) plan interest in NC Fixed Income	2,389,582
401(k) plan interest percentage	90%
457(b) plan interest in NC Fixed Income	261,574
457(b) plan interest percentage	10%
Investment income and (expenses)	
Net appreciation in fair value of investments - Prudential Core Plus Bond Fund	97,927
Net appreciation in fair value of investments - TCW Core Plus Bond Fund	46,301
Interest	49,053
Management and administrative fees	(1,746)
Net investment income	191,535

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

NC International	
Domestic common stock, at fair value	112,788
Foreign stock	3,452,371
Total investments, at fair value	3,565,159
Cash and cash equivalents	1,466
Accrued income	20,165
Due from broker for securities sold	4,433
Receivable for foreign exchange contract	4,702
Due to broker for securities purchased	(5,443)
Payable for foreign exchange contract	(4,711)
Accounts payable – fees	(3,560)
Total net assets	3,582,211
401(k) plan interest in NC International	3,253,411
401(k) plan interest percentage	91%
457(b) plan interest in NC International	328,800
457(b) plan interest percentage	9%
Investment income and (expenses)	
Net appreciation in fair value of investments	716,169
Dividends	93,545
Management and administrative fees	(20,655)
Net investment income	789,059
NC Small Mid Cap Index	
Blackrock Russell 2500 Collective Investment Fund, at fair value	472,649
401(k) plan interest in NC Small Mid Cap Index	416,266
401(k) plan interest percentage	88%
457(b) plan interest in NC Small Mid Cap Index	56,383
457(b) plan interest percentage	12%
Investment income	
Net appreciation in fair value of investments - collective trust	51,058

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

NC Small Mid Cap	
Domestic common stock, at fair value	1,373,402
Foreign stock	105,905
Total investments, at fair value	1,479,307
Cash and cash equivalents	2
Accrued income	1,242
Due from broker for securities sold	3,067
Accounts payable - fees	(1,513)
Due to broker for securities purchased	(4,755)
Total net assets	1,477,350
401(k) plan interest in NC Small Mid Cap	1,277,305
401(k) plan interest percentage	86%
457(b) plan interest in NC Small Mid Cap	200,045
457(b) plan interest percentage	14%
Investment income and (expenses)	
Net appreciation in fair value of investments	68,880
Dividends	16,306
Management and administrative fees	(5,014)
Net investment income	80,172

NC Fixed Income Index	
Blackrock U.S. Debt Index Non-Lendable Collective Investment Fund, at fair value	107,696
401(k) plan interest in NC Fixed Income Index	86,012
401(k) plan interest percentage	80%
457(b) plan interest in NC Fixed Income Index	21,684
457(b) plan interest percentage	20%
Investment income	
Net appreciation in fair value of investments - collective trust	6,944

NC International Index	
Blackrock MSCI ACWI ex-U.S. Index Non-Lendable Collective Investment Fund, at fair value	173,373
401(k) plan interest in NC International Index	140,415
401(k) plan interest percentage	81%
457(b) plan interest in NC International Index	32,958
457(b) plan interest percentage	19%
Investment income	
Net appreciation in fair value of investments - collective trust	40,054

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

NC Inflation Responsive		
Blackrock Strategic Completion Fund, at fair value		826,254
Cash and cash equivalents		176
Due from broker for securities sold		1,320
Accounts payable - fees		(349)
Total net assets		827,401
401(k) plan interest in NC Inflation Responsive		753,035
401(k) plan interest percentage		91%
457(b) plan interest in NC Inflation Responsive		74,366
457(b) plan interest percentage		9%
Investment income and (expenses)		
Net appreciation in fair value of investments		71,222
Management and administrative fees		(681)
Net investment income		70,541
NC TIPS		
Fixed income securities, at fair value		340,096
Accrued income		1,420
Due from broker for securities sold		5,838
Accounts payable - fees		(49)
Due to broker for securities purchased		(5,972)
Total net assets		341,333
401(k) plan interest in NC TIPS		298,646
401(k) plan interest percentage		87%
457(b) plan interest in NC TIPS		42,687
457(b) plan interest percentage		13%
Investment income and (expenses)		
Net appreciation in fair value of investments		19,182
Interest		3,742
Management and administrative fees		(95)
Net investment income		22,829
Total Pooled Separate Account SA - NC Asset	$	17,824,995
Total 401(k) plan interest in Pooled Separate Account SA-NC	$	15,852,013
Total 401(k) plan interest percentage in Pooled Separate Account SA-NC		89%
Total 457(b) plan interest in Pooled Separate Account SA-NC	$	1,972,982
Total 457(b) plan interest percentage in Pooled Separate Account SA-NC		11%

* Represents individual investment greater than or equal to 5% of the fair value of the Plans' investments

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

Interest Rate Risk

The Plans do not have a formal investment policy for managing exposure to fair value losses arising from increasing interest rates. The managers within the NC Fixed Income Fund and the NC TIPS Fund have duration targets relative to a specified benchmark. The maturities of the fixed income securities held in the NC Fixed Income Fund, the NC TIPS Fund and collective investment funds, which are subject to interest rate risk, as of December 31, 2025, are as follows:

(in thousands of dollars)

		Investment Maturities (in Years) at Fair Market Value			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Collateralized mortgage obligations	$ 137,817	$ 39,672	$ -	$ 994	$ 97,151
Mortgage pass throughs	440,897	136,252	-	-	304,645
Domestic corporate bonds	223,800	39,385	97,476	56,140	30,799
Asset-backed securities	58,034	20,848	2,356	-	34,830
Foreign corporate bonds	27,131	245	7,422	13,467	5,997
U.S. treasury securities	805,642	-	499,934	210,580	95,128
Foreign government bonds	12,300	-	199	3,705	8,396
State and local government bonds	5,411	-	-	1,124	4,287
Mutual funds	89,756	74,950	14,806	-	-
Common/commingled fund					
Collective investment funds	110,832	110,832	-	-	-
Fixed income core plus bond fund	1,324,847	-	-	1,324,847	-
Total	$ 3,236,467	$ 422,184	$ 622,193	$ 1,610,857	$ 581,233

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

Investments may also include various collateralized mortgage obligations, mortgage pass-through securities, asset-backed securities, and commingled funds that are also sensitive to changes in interest rates. Collateralized mortgage obligations, mortgage pass-throughs, and asset-backed securities often have cash flows (coupon and principal payments) that fluctuate as interest rates change due to the existence of prepayment or conversion features.

Collateralized Mortgage Obligation Securities

A collateralized mortgage obligation (“CMO”) refers to a type of mortgage-backed security that contains a pool of mortgages bundled together and sold as an investment. Organized by maturity and level of risk, CMOs receive cash flows as borrowers repay the mortgages that act as collateral on these securities. CMOs generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Mortgage Pass-Through Securities

A mortgage pass-through security is a security created when one or more mortgage holders form a pool of mortgages and sell shares or participation certificates in the pool. The cash flow from the collateral pool is "passed through" to the security holder as monthly payments of principal, interest, and prepayments. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Asset-Backed Securities

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

Commingled Funds

The Plans own units in a commingled fixed income core plus bond fund and in a short-term collective investment trust. The weighted average maturity of the Prudential Core Plus Bond Fund, which is a common/commingled fund and included in the NC Fixed Income Fund in the Pooled Account of the Plans, is approximately 6 years. As a result, the fund is sensitive to changes in interest rates.

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

Credit Risk

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

A bond’s credit quality is an assessment of the issuer’s ability to pay interest on the bond, and ultimately to repay the principal. Credit quality is evaluated by one of the independent bond-rating agencies - for example, Moody’s Investors Service (“Moody’s”), Standard and Poor’s (“S&P”), or Fitch Ratings (“Fitch”). The lower the rating, the greater the chance, in the rating agency’s opinion, that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond’s credit rating, the higher its yield should be to compensate for the additional risk. The investment guidelines applicable to the NC Fixed Income Fund place restrictions on the total risk exposure of the fund and specifically the concentration of the debt securities in which the fund invests. The managers within the NC Fixed Income Fund also have limits on the allocation to high yield securities. The investment guidelines for the NC TIPS Fund limit non-cash sweep investments to U.S. Treasury Inflation Protected Securities (“TIPS”) and TIPS futures. U.S. TIPS are backed by the full faith and credit of the U.S. government.

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

Credit Risk (Continued)

The following table presents the rating of debt securities held in the NC Fixed Income Fund, the NC TIPS Fund and collective investment funds, as of December 31, 2025:

(In thousands of dollars)

Investment Type	Fair Value	Aaa / AAA	Aa / AA	A / A- / A+	Baa/BBB	Less than Investment grade	Unrated	Exempt from credit quality (1)
Collateralized mortgage obligations	$ 137,817	$ 47,895	$ 18,539	$ 6,114	$ 3,231	$ 26,621	$ 35,417	$ -
Mortgage pass throughs	440,897	-	273,028	-	-	-	72,535	95,334
Domestic corporate bonds	223,800	70	8,068	34,729	100,850	8,994	71,089	-
Asset-backed securities	58,034	3,601	41	12,945	4,517	11,201	25,729	-
Foreign corporate bonds	27,131	-	127	2,992	21,344	2,622	46	-
U.S. treasury securities	805,642	-	-	-	-	-	-	805,642
Foreign government bonds	12,300	-	6,670	-	3,001	2,629	-	-
State and local government bonds	5,411	628	4,725	58	-	-	-	-
Mutual funds	89,756	-	-	-	-	-	89,756	-
Common/commingled fund								
Collective investment funds	110,832	-	-	-	-	-	110,832	-
Fixed income core plus bond fund	1,324,847	-	-	-	-	-	1,324,847	-
Total	$ 3,236,467	$ 52,194	$ 311,198	$ 56,838	$ 132,943	$ 52,067	$ 1,730,251	$ 900,976

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

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

Credit Risk (Continued)

Commingled Funds

The Fixed Income Core Plus Bond Fund, which is a common/commingled fund and included in the NC Fixed Income Fund of the Pooled Account, has approximately 85% of its debt securities rated BBB or better including 33% of which are rated AAA at December 31, 2025.

Custodial Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a Plan’s investment in a single issuer. Money market funds and external investment pools are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. The Plans do not have a formal policy to limit concentration of credit risk. Included in the Pooled Account are investments in individual collective trust funds under the various index funds and fixed-income options. Such funds that equal 5% or more of the fair value of the Plan's investments are the collective trust/index funds identified with an asterisk in the presentation of the Pooled Account table within this footnote. The investment manager guidelines, as part of each Investment Management Agreement, place restrictions on the concentration of the securities in which the funds invest.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There is no formally adopted investment policy to limit foreign currency exposure. The foreign investments, primarily in the NC International Fund, expose the Plans to foreign currency risk.

NOTE 4 - INVESTMENTS IN POOLED ACCOUNT (Continued)

Foreign Currency Risk (Continued)

The following table presents in U.S. dollars the Pooled Account exposure to foreign currency as of December 31, 2025:

Currency (In thousands of dollars)	
Euro	$ 898,812
Japanese Yen	508,457
Pound Sterling	347,239
Hong Kong Dollar	263,278
New Taiwan Dollar	193,530
Swiss Franc	148,796
Canadian Dollar	123,905
Indian Rupee	106,586
Danish Krone	95,661
South Korean Won	74,537
Chinese Yuan Renminbi	59,027
Singapore Dollar	58,169
Swedish Krona	55,950
Brazil Real	41,440
South African Rand	39,691
Australian Dollar	39,344
Indonesian Rupiah	32,524
Mexican Peso	31,037
Norwegian Krone	17,768
Philippines Peso	13,752
UAE Dirham	13,346
Saudi Arabia Riyal	13,251
Malaysian Ringgit	12,204
Israeli Shekel	4,827
Thailand Baht	3,931
Polish Zloty	2,727
Turkish Lira	823
Qatari Riyal	723
Egyptian Pound	242
Colombian Peso	40
	$ 3,201,617

NOTE 5 - STABLE VALUE FUND

The NC Stable Value Fund consists of five synthetic guaranteed investment contracts and a short-term investment fund. Galliard provides the professional management and oversight of the NC Stable Value Fund.

With the synthetic guaranteed investment contracts ("synthetic GICs"), the Plans own the underlying assets and negotiate a wrap contract for insurance protection. Because the synthetic GICs are fully benefit-responsive and nonparticipating investments, contract value, which approximates fair value, is the relevant measurement attribute for that portion of the net position attributable to the synthetic GIC. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The interest crediting rate is reset, at a minimum, on a quarterly basis to reflect the performance of the underlying portfolio wrapped by the contract. The compound crediting rate methodology uses a formula to smooth out the gains or losses on the fixed income investments that back the wrap contract. The formula components are the current contract value, the fair value of the underlying portfolio, the annualized weighted average yield to maturity (or yield to worst) of the underlying portfolio and the weighted average (or effective) duration of the underlying portfolio. The change in these factors from quarter-to-quarter impacts future crediting rate. The crediting rates of the contract may not fall below zero.

The five wrap contract issuers are Prudential, Nationwide Life, American General, Transamerica Life, and Metropolitan Tower Life. Wrap contract issuers maintain a book value asset or fund balance and report the yield credited on that book balance ("interest crediting rate"). The contracts are issued by insurance companies which guarantee the return of principal and a stated rate of interest. The contracts do not provide protection from all defaulting events of the underlying fixed income investments, which could result in a negative return on the fund.

NOTE 5 - STABLE VALUE FUND (Continued)

The contracts are described as follows:

Prudential Synthetic GIC - The Plans have a fully benefit-responsive synthetic GIC with Prudential. The contract covers fixed income separate accounts managed by Galliard, Prudential, Payden & Rygel, TCW, Income Research + Management, and Dodge & Cox. The Plans own the securities within the fixed income separate accounts. At December 31, 2025, there was no fair value to the wrap contract. BNY is the custodian for the underlying investments.

Nationwide Life Synthetic GIC - The Plans have a fully benefit-responsive synthetic GIC with Nationwide Life. The contract covers fixed income separate accounts managed by Galliard, Prudential, Payden & Rygel, TCW, Income Research + Management, and Dodge & Cox. The Plans own the securities within the fixed income separate accounts. At December 31, 2025, there was no fair value to the wrap contract. BNY is the custodian for the underlying investments.

American General Synthetic GIC - The Plans have a fully benefit-responsive synthetic GIC with American General. The contract covers fixed income separate accounts managed by Galliard, Prudential, Payden & Rygel, TCW, Income Research + Management, and Dodge & Cox. All of the underlying investments are owned by the Plans. At December 31, 2025, there was no fair value to the wrap contract. BNY is the custodian for the underlying investments.

Transamerica Life Synthetic GIC - The Plans have a fully benefit-responsive synthetic GIC with Transamerica Life. The contract covers fixed income separate accounts managed by Galliard, Prudential, Payden & Rygel, TCW, Income Research + Management, and Dodge & Cox. All of the underlying investments are owned by the Plans. At December 31, 2025, there was no fair value to the wrap contract. BNY is the custodian for the underlying investments.

Metropolitan Tower Life Synthetic GIC – The Plans have a fully benefit-responsive synthetic GIC with Metropolitan Tower Life. The contract covers fixed income separate accounts managed by Galliard, Prudential, Payden & Rygel, TCW, Income Research + Management, and Dodge & Cox. All of the underlying investments are owned by the Plans. At December 31, 2025, there was no fair value to the wrap contract. BNY is the custodian for the underlying investments.

Short-Term Investment Fund - This segment of the portfolio is invested in a short-term investment fund trusteed by SEI Trust Company and managed by BlackRock (officially named Short-Term Investment Fund II), where the underlying securities are held at amortized cost (net asset value). The amortized cost accounting used in the fund very closely approximates the fair market value of the investments. The Plans' investments in this fund are included in the disclosures of risk. At December 31, 2025, the fair value of the assets in the Short-Term Investment Fund was $40.1 million.

NOTE 5 - STABLE VALUE FUND (Continued)

Interest Crediting Rate for Fully Benefit-Responsive Contracts

The interest crediting rate is based on a formula agreed upon with the issuer within the contracts. Such interest rates are reviewed on a quarterly basis for resetting.

Yields and Interest Crediting Rate Ranges for 2025	Earnings (1)	Interest Crediting Rate (net of fees)
Prudential Synthetic GIC		3.38% - 3.49%
Galliard Intermediate Fixed Income Separate Account	4.43%	
TCW Fixed Income Separate Account	4.06%	
Payden & Rygel Fixed Income Separate Account	4.41%	
IR+M Fixed Income Separate Account	4.19%	
Prudential Fixed Income Separate Account	4.40%	
Dodge & Cox Fixed Income Separate Account	4.42%	
Galliard Short Fixed Income Separate Account	4.03%	
Nationwide Life Synthetic GIC		3.19% - 3.33%
Galliard Intermediate Fixed Income Separate Account	4.43%	
TCW Fixed Income Separate Account	4.06%	
Payden & Rygel Fixed Income Separate Account	4.41%	
IR+M Fixed Income Separate Account	4.19%	
Prudential Fixed Income Separate Account	4.40%	
Dodge & Cox Fixed Income Separate Account	4.42%	
Galliard Short Fixed Income Separate Account	4.03%	
American General Synthetic GIC		3.16% - 3.39%
Galliard Intermediate Fixed Income Separate Account	4.43%	
TCW Fixed Income Separate Account	4.06%	
Payden & Rygel Fixed Income Separate Account	4.41%	
IR+M Fixed Income Separate Account	4.19%	
Prudential Fixed Income Separate Account	4.40%	
Dodge & Cox Fixed Income Separate Account	4.42%	
Galliard Short Fixed Income Separate Account	4.03%	
Transamerica Life Synthetic GIC		3.19% - 3.42%
Galliard Intermediate Fixed Income Separate Account	4.43%	
TCW Fixed Income Separate Account	4.06%	
Payden & Rygel Fixed Income Separate Account	4.41%	
IR+M Fixed Income Separate Account	4.19%	
Prudential Fixed Income Separate Account	4.40%	
Dodge & Cox Fixed Income Separate Account	4.42%	
Galliard Short Fixed Income Separate Account	4.03%	

NOTE 5 - STABLE VALUE FUND (Continued)

Interest Crediting Rate for Fully Benefit-Responsive Contracts (Continued)

Met Tower Life Synthetic GIC		3.09% - 3.26%
Galliard Intermediate Fixed Income Separate Account	4.43%	
TCW Fixed Income Separate Account	4.06%	
Payden & Rygel Fixed Income Separate Account	4.41%	
IR+M Fixed Income Separate Account	4.19%	
Prudential Fixed Income Separate Account	4.40%	
Dodge & Cox Fixed Income Separate Account	4.42%	
Galliard Short Fixed Income Separate Account	4.03%	

(1) Represents the portfolio's yield to maturity at December 31, 2025.

NOTE 5 - STABLE VALUE FUND (Continued)

Fair Value of Fully Benefit-Responsive Contracts

The fair values of the fully benefit-responsive contracts for which the Plans own the underlying assets at December 31, 2025 are as follows:

(In thousands of dollars)	401(k) Plan Total Contract Value	401(k) Plan underlying Investments Market Value	457(b) Plan Total Contract Value	457(b) Plan Underlying Investments Market Value
Prudential Synthetic GIC - Fixed Income Separate Accounts (1)	$ 401,613	$ 394,151	$ 72,546	$ 71,198
Nationwide Life Synthetic GIC - Fixed Income Separate Accounts (2)	376,107	367,286	67,939	66,346
American General Synthetic GIC - Fixed Income Separate Accounts (3)	361,498	353,455	65,300	63,847
Transamerica Life Synthetic GIC - Fixed Income Separate Accounts (4)	352,949	345,446	63,756	62,401
Met Tower Life Synthetic GIC - Fixed Income Separate Accounts (5)	319,160	311,075	57,652	56,192
Total Synthetic GIC Components	$ 1,811,327	$ 1,771,413	$ 327,193	$ 319,984

(1) There are seven separate accounts in the Prudential Synthetic GIC - Galliard Short Fixed Income Separate Account, Galliard Intermediate Fixed Income Separate Account, Dodge & Cox Fixed Income Separate Account, Prudential Fixed Income Separate Account, Income Research + Management Fixed Income Separate Account, TCW Fixed Income Separate Account, and Payden & Rygel Fixed Income Separate Account.

(2) There are seven separate accounts in the Nationwide Life Synthetic GIC - Galliard Short Fixed Income Separate Account, Galliard Intermediate Fixed Income Separate Account, Dodge & Cox Fixed Income Separate Account, Prudential Fixed Income Separate Account, Income Research + Management Fixed Income Separate Account, TCW Fixed Income Separate Account, and Payden & Rygel Fixed Income Separate Account.

(3) There are seven separate accounts in the American General Synthetic GIC - Galliard Short Fixed Income Separate Account, Galliard Intermediate Fixed Income Separate Account, Dodge & Cox Fixed Income Separate Account, Prudential Fixed Income Separate Account, Income Research + Management Fixed Income Separate Account, TCW Fixed Income Separate Account, and Payden & Rygel Fixed Income Separate Account.

(4) There are seven separate accounts in the Transamerica Life Synthetic GIC - Galliard Short Fixed Income Separate Account, Galliard Intermediate Fixed Income Separate Account, Dodge & Cox Fixed Income Separate Account, Prudential Fixed Income Separate Account, Income Research + Management Fixed Income Separate Account, TCW Fixed Income Separate Account, and Payden & Rygel Fixed Income Separate Account.

(5) There are seven separate accounts in the Met Tower Life Synthetic GIC - Galliard Short Fixed Income Separate Account, Galliard Intermediate Fixed Income Separate Account, Dodge & Cox Fixed Income Separate Account, Prudential Fixed Income Separate Account, Income Research + Management Fixed Income Separate Account, TCW Fixed Income Separate Account, and Payden & Rygel Fixed Income Separate Account.

NOTE 5 - STABLE VALUE FUND (Continued)

Interest Rate Risk

The fixed income securities underlying the synthetic GICs are subject to interest rate risk. The Plans do not have a formal policy to limit interest rate risk. The fund's underlying investment manager guidelines and duration guidelines seek to manage the overall fund's exposure to interest rate risk. The maturities of the securities underlying the synthetic GICs owned by the Plans as of December 31, 2025 are as follows:

(In thousands of dollars)

	Investment Maturities (in Years) at Fair Market Value (1)				
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Collateralized mortgage obligations	$ 17,877	$ 504	$ 4,431	$ 1,150	$ 11,792
Commercial mortgage-backed securities	140,818	5,321	18,516	3,874	113,107
Mortgage pass throughs	426,600	9,513	993	22,338	393,756
Domestic corporate bonds	487,343	24,364	347,994	109,874	5,111
Asset-backed securities	283,670	6,211	208,190	23,427	45,842
Foreign corporate bonds	102,438	6,774	78,243	17,421	-
U.S. treasury securities	423,856	6,446	308,123	98,493	10,794
U.S. agencies securities	134,856	552	65,142	49,678	19,484
Foreign government bonds	4,966	113	3,850	1,003	-
State and local government bonds	39,772	2,621	18,241	15,605	3,305
Common/commingled fund					
Collective investment funds	48,181	48,181	-	-	-
Total	$ 2,110,377	$ 110,600	$ 1,053,723	$ 342,863	$ 603,191

(1) Assets for which the Plans do not directly own the underlying securities are excluded from this chart.

Investments may also include various collateralized mortgage obligations, mortgage pass-through securities, asset-backed securities, and commingled funds that are also sensitive to changes in interest rates. Collateralized mortgage obligations, mortgage pass-throughs, and asset-backed securities often have cash flows (coupon and principal payments) that fluctuate as interest rates change due to the existence of prepayment or conversion features.

NOTE 5 - STABLE VALUE FUND (Continued)

Interest Rate Risk (Continued)

Collateralized Mortgage Obligation Securities

A collateralized mortgage obligation ("CMO") refers to a type of mortgage-backed security that contains a pool of mortgages bundled together and sold as an investment. Organized by maturity and level of risk, CMOs receive cash flows as borrowers repay the mortgages that act as collateral on these securities. CMOs generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Commercial Mortgage-backed Securities

A commercial mortgage-backed security ("CMBS") refers to a type of mortgage-backed security on commercial properties rather than residential real estate. These fixed income investment products are securitized into a single commercial mortgage-backed security and the component loans act as the collateral, with principal and interest passed to investors. These securities are generally offered by commercial entities and contain tranches of mortgages grouped by level of credit risk, with higher level tranches being paid off first before lower tranches in the case of a default of a component mortgage loan. Similar to residential mortgage-backed securities ("RMBS"), CMBS may also be subject to prepayment risk. However, CMBS may offer less of a pre-payment risk than RMBS, due to potential prepayment penalties and fixed terms.

Mortgage Pass-Through Securities

A mortgage pass-through security is a security created when one or more mortgage holders form a pool of mortgages and sell shares or participation certificates in the pool. The cash flow from the collateral pool is "passed through" to the security holder as monthly payments of principal, interest, and prepayments. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Asset-Backed Securities

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

NOTE 5 - STABLE VALUE FUND (Continued)

Interest Rate Risk (Continued)

Commingled Funds

The NC Stable Value Fund owns units in the Short-Term Investment Fund in both the liquidity buffer and underlying value accounts, which is a commingled fund. The fund is invested in a diversified portfolio of money market instruments and has a weighted average maturity of 31 days at December 31, 2025.

Credit Risk

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

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

NOTE 5 - STABLE VALUE FUND (Continued)

Credit Risk (Continued)

The following table presents the debt securities ratings of the GICs owned by the Plans as of December 31, 2025:

(in thousands of dollars)

		Credit Rating - Moody's/S&P (1)						
Investment Type	**Fair Value**	**Aaa / AAA**	**Aa / AA**	**A**	**Baa/BBB**	**Less than Investment grade**	**Unrated**	**Exempt from credit quality (2)**
Collateralized mortgage obligations	$ 17,877	$ 17,877	$ -	$ -	$ -	$ -	$ -	$ -
Commercial mortgage-backed securities	140,818	136,391	3,911	516	-	-	-	-
Mortgage pass throughs	426,600	-	382,039	-	-	-	-	44,561
Domestic corporate bonds	487,343	5,186	20,075	165,538	284,953	11,591	-	-
Asset-backed securities	283,670	272,445	10,496	449	280	-	-	-
Foreign corporate bonds	102,438	-	1,190	54,182	46,269	797	-	-
U.S. treasury securities	423,856	-	-	-	-	-	-	423,856
U.S. agencies securities	134,856	-	134,856	-	-	-	-	-
Foreign government bonds	4,966	-	3,489	1,477	-	-	-	-
State and local government bonds	39,772	11,168	23,963	4,597	-	-	44	-
Common/commingled fund								-
Collective investment funds	48,181	-	-	-	-	-	48,181	-
Total	$ 2,110,377	$ 443,067	$ 580,019	$ 226,759	$ 331,502	$ 12,388	$ 48,225	$ 468,417

(1) Assets for which the Plans do not directly own the underlying securities are excluded from this chart.

(2) Obligations of the United States Government or obligations explicitly guaranteed by the United States Government, including mortgage pass-throughs, are not considered to have credit risk and do not require disclosure of credit quality.

NOTE 5 - STABLE VALUE FUND (Continued)

Commingled Funds

The Short-Term Investment Fund consists primarily of certificates of deposit, commercial paper and repurchase agreements.

Custodial Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plans' investment in a single issuer or category of issuer with similar risk. Money market funds and external investment pools are excluded from this disclosure requirement. Obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. However, more than 5% of the NC Stable Value Fund's securities were invested in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. Investments in Federal National Mortgage Association, which are classified as mortgage pass-throughs, totaled $291.4 million and comprised 13.4% of the NC Stable Value Fund's total investments. Investments in Federal Home Loan Mortgage Corporation, which are classified as mortgage pass-throughs, totaled $162.7 million and comprised 7.5% of the NC Stable Value Fund's total investments. Per the Plans' Investment Policy Statement in effect at December 31, 2025, all investment accounts managed for the Plans must maintain sufficient diversification among security issuers and market sectors such that the performance of one security or sector will not have an excessive impact on the manager's portfolio. In addition, the fund's investment guidelines seek to manage the fund's concentration risk.

NOTE 6 - FAIR VALUE MEASUREMENT

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

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

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

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

The Plans had the following recurring fair value measurements as of December 31, 2025:

(In thousands of dollars)		Fair Value Measurements Using		
	As of December 31, 2025	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value				
Domestic equity securities	$ 2,934,377	$ 2,934,377	$ -	$ -
Foreign equity securities	3,787,284	3,787,284	-	-
Collateralized mortgage obligations	137,817	-	137,817	-
Domestic corporate bonds	223,800	71,062	152,738	-
Mortgage pass throughs	440,897	-	440,897	-
U.S. Treasury securities	805,642	-	805,642	-
Asset-backed securities	58,034	-	58,034	-
Foreign corporate bonds	27,131	-	27,131	-
Domestic preferred securities	422	-	422	-
International preferred securities	42,030	42,030	-	-
Foreign government bonds	12,300	-	12,300	-
State and local government bonds	5,411	-	5,411	-
Total Pooled Account investments by fair value level	$ 8,475,145	$ 6,834,753	$ 1,640,392	$ -

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

Pooled Account Investments measured at the Net Asset Value (NAV)

(In thousands of dollars)

	As of December 31, 2025	Unfunded commitments	Redemption frequency	Redemption notice (days)
Commingled equity funds (1)	6,952,735	-	Daily	1
Commingled fixed income (2)	1,324,847	-	Daily	1
Mutual funds (3)	89,756	-	Daily	1
Commingled U.S. debt fund (4)	107,370	-	Daily	1
Collective investment fund (5)	110,832	-	Daily	1
Commingled inflation responsive fund (6)	826,255	-	Daily	1
Total Pooled Account investments at the NAV	9,411,795			
Total Pooled Account investments by fair value level and at the NAV	17,886,940			
Accruals and other assets	(61,945)			
Total Pooled Account investments at fair value	17,824,995			
Total Stable Value Fund Investments (7)	2,178,622			
Total Investments	$ 20,003,617			

(1) Five funds. Each are valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

(2) One fund. Valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

(3) Two funds. NAV is determined by dividing the total value of the fund's portfolio investments and other assets attributable to the fund, less liabilities, by the total number of shares outstanding. Value determined at the end of each day the NYSE is open.

(4) One fund. Valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

(5) This fund is invested in the BNY Mellon EB Temporary Investment Fund. The Fund primarily invests in instruments issued by the US Government and Federal agencies, short-term corporate obligations, commercial paper, and certificates of deposit. The average weighted maturity of this fund does not exceed 60 days.

(6) One fund. Valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

(7) Stable Value Fund measured at contract value except for one fund valued at amortized cost.

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

Valuation Methodologies and Inputs

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Certain securities held in an exchange traded fund grouped with domestic corporate bond investments are valued using the price in an active market and are included in Level 1.

Level 2 Collateralized mortgage obligations evaluators monitor structured product markets, interest rate movements, new issue information and other market data. Market color such as trades, bids, and offers are applied to the model.

Level 2 Domestic corporate bonds are priced using both spread-based and price-based evaluations. Evaluators survey the dealer community to obtain relevant trade data, benchmark quotes and spreads.

Level 2 Mortgage pass throughs are evaluated on interest rate movements and other market data to derive spread, yield and/or price data as appropriate allowing data points to be extrapolated for application across a range of related securities.

Level 2 U.S. Treasuries and U.S. Agencies are evaluated by using data from several live feeds which include active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges.

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

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

NOTE 7 - RELATED PARTY TRANSACTIONS

The Plans contract with Galliard, a subsidiary of Allspring Global Investments (Allspring), to act as a delegated fiduciary investment manager for the NC Stable Value Fund. Allspring commenced operations as a result of the acquisition of Wells Fargo Asset Management by GTCR LLC and Reverence Capital Partners, L.P. Galliard, which was included in that transaction, provides collective investment vehicles and trustee services for the NC Stable Value Fund. Galliard has discretion over the benefit-responsive contracts and the underlying investment managers. Galliard also has the authority to invest in securities subject to guidelines in Galliard’s contract with the Board and the Department. As an advisor, Galliard is primarily responsible for ensuring that negotiated investment contracts are adhered to by the insurance companies, banks or other eligible providers who have entered into such contracts.

NOTE 7 - RELATED PARTY TRANSACTIONS (Continued)

Not less than quarterly, Galliard reports the financial condition of the investment contracts and whether the contracts are being administered according to their respective terms.

The fees for wrap coverage, investment management and advisory services are deducted from participants' account balances. The Galliard contract was amended and restated in February 2018, which included a revision to the investment structure and guidelines and lower fees. Management fees were further reduced by agreement in January 2022. There was a 1 basis point reduction to the management fees during the 2024 year.

The Bank of New York Mellon (BNY) serves as the custodian for the Plans and provides global custody services related to the Pooled Account. BNY is the custodian of the separately managed accounts of the Stable Value Fund. Fees for custodial services are generally charged based on a percentage of net asset value and are paid from the assets of the respective funds. BNY also provides a short-term cash vehicle for the temporary investment of funds until they are invested on a longer-term basis.

The North Carolina Investment Authority (NCIA) provides monitoring, evaluation, reporting, and other support for the investments of the Plans. The NCIA is a separate State agency and is a former Division within the North Carolina Department of State Treasurer (Department). The NCIA is located in the same office building as the Department. The NCIA utilizes several services of the Department in addition to office space such as human systems, administration, information technology, and accounting services and is allocated a portion of the Department's costs for the use of the services on a monthly basis.

NOTE 8 - TAX STATUS

The 401(k) Plan received a favorable determination letter from the Internal Revenue Service ("IRS") on November 14, 2016. The determination letter stated that following review, the 401(k) Plan was in compliance with all applicable sections of the IRC. The 401(k) Plan document was most recently amended on December 4, 2025.

The 457(b) Plan document was most recently amended on December 4, 2025. The 457(b) Plan has not applied for a Private Letter Ruling from the IRS.

The loan policy is incorporated into the plan documents for the 401(k) and 457(b) Plans.

The Plans are subject to rules and regulations promulgated by the IRS. Failure to comply with the rules and regulations of the IRS could result in penalties to the Plans and for the Plan Sponsor. The Department has analyzed the tax positions taken by the Plans, and has concluded that as of December 31, 2025, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

NOTE 9 - PLAN TERMINATION

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

NOTE 10 – SUBSEQUENT EVENTS

In 2025, the State Investment Modernization Act established the North Carolina Investment Authority (NCIA) as an independent public agency responsible for managing the State's public investment programs. Effective January 1, 2026, NCIA assumed the responsibilities of the former Investment Management Division of the North Carolina Department of State Treasurer.

At its December 4, 2025 meeting, the Supplemental Retirement Board of Trustees approved the NCIA to provide investment services in accordance with the Investment Policy Statement. Subsequently, at its May 21, 2026 meeting, the Board approved a basis point fee arrangement to be charged to the Plans by the NCIA. These investment management related fees are expected to be assessed beginning in the second half of plan year 2026 in accordance with the NCIA Board-approved fee schedule.

The transition had no effect on the Plans' assets or investment holdings as of December 31, 2025.