Callan

June 2026

Stable Value Fund Review

North Carolina Supplemental Retirement Plans

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Stable Value Review – Executive Summary

- Callan maintains conviction in Galliard's stable value approach and its underlying fixed income strategies.
- Galliard is well-supported by its parent company, Allspring Global Investments, and has maintained a consistent level of operating autonomy. Allspring was formed following the November 2021 sale of Wells Fargo Asset Management to GTCR LLC and Reverence Capital Partners, L.P. and was rebranded shortly after.
- In February 2026, Galliard announced a planned leadership transition ahead of President Mike Norman's expected retirement in 1Q2027. As part of the transition plan, the firm expanded its Senior Leadership Team to include several experienced professionals to support leadership continuity following his departure.
- The investment team has exhibited low turnover and maintained a consistent investment process. The team continues to employ a collaborative approach to structuring wrap contracts and managing the underlying fixed income portfolios.
- Stable value crediting rates began increasing in 2022 as the Federal Reserve began raising its overnight rate. However, because stable value returns incorporate market developments gradually through a smoothing mechanism, crediting rates generally move toward prevailing market yields at a lag. At the same time, the rapid increase in interest rates reduced the market value of underlying securities, causing market-to-book ratios to fall below par.
- Participant outflows placed additional pressure on the Fund's market-to-book ratio. When the ratio is below par, withdrawals may require securities to be sold at market values below book value, requiring losses to be subsequently amortized through the crediting rate.
- Despite a decline in 2Q, the market-to-book ratio has improved over the last year, while the crediting rate increased as higher yields have flowed through the portfolio.

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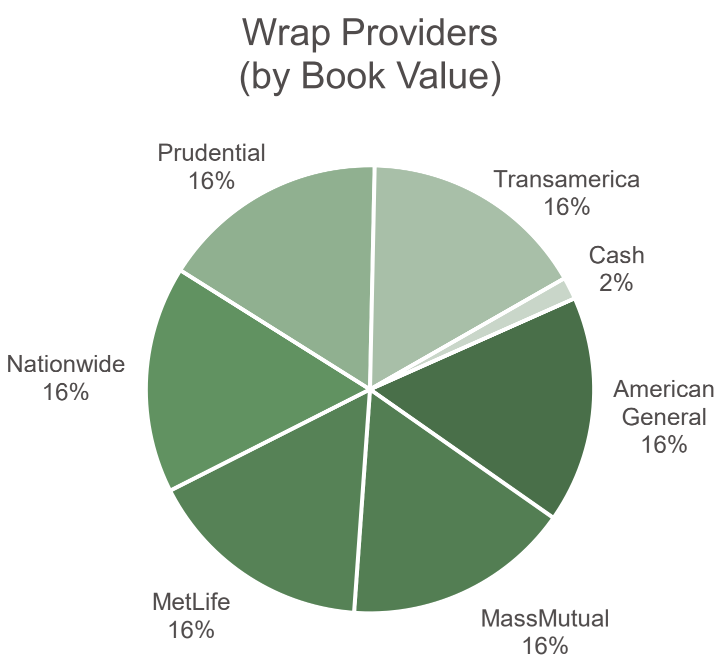
Galliard Stable Value

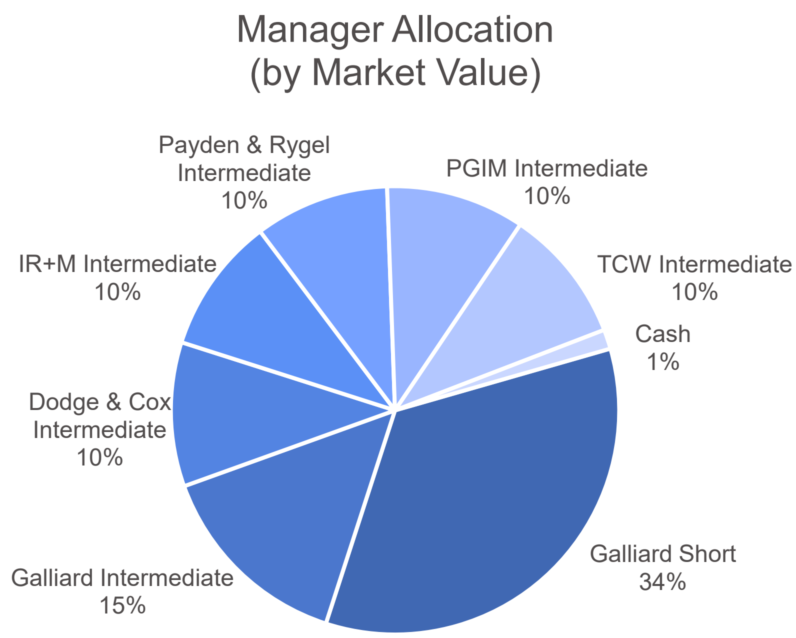
Galliard Stable Value

Background

The strategy has achieved its capital preservation objective since inception under Galliard's management. As manager-of-managers for this custom separate account, Galliard has discretion, within established guidelines, to select and allocate assets among subadvisors and to select and diversify exposure among wrap providers. The firm also calculates the crediting rate paid to participants.

Galliard employs a collaborative, repeatable process to implement stable value portfolios. Its stable value and fixed income committees work closely together to ensure portfolios adhere to guidelines and meet their stated objectives, while wrap contracts are managed prudently.





Book Value is the cost basis of the assets. Market Value is the current market value of the underlying investment accounts including unrealized gains and losses. Galliard added MassMutual as a wrap provider in February 2026 to further diversify coverage.

Galliard Stable Value

Organization Review

Key takeaways: No significant concerns related to the organization. Galliard has maintained investment-team and process continuity through prior organizational changes. Callan continues to monitor the firm's planned leadership transition and Allspring's private-equity ownership structure.

- Galliard previously underwent a leadership transition in 2019 following the retirements of Founding Partners Richard Merriam and Karl Tourveille and Managing Partner Carrie Callahan. Mike Norman, previously Chief Administrative Officer, and Andrew Owen, previously President of Wells Fargo Funds, were named Co-Presidents. Galliard's risk management, technology, and compliance functions also began reporting to the parent company.
- Norman was named sole President of Galliard in 2022, while Owen became Allspring's Head of Global Fund Governance. In February 2026, Galliard announced that Norman will retire in 1Q2027. As part of its succession plan, the firm expanded its Senior Leadership Team, which now includes Galliard professionals Ajay Mirza, Andrea Johnson, Brandon Kanz, and Nick Gage, together with Allspring CIO Jon Baranko. Galliard does not expect changes to its investment team, philosophy, or process.
- In November 2021, Wells Fargo Asset Management was acquired by GTCR and Reverence Capital Partners and rebranded as Allspring Global Investments. Approximately 20% of Allspring's equity is held by employees, supporting alignment with firm objectives. Galliard remains a wholly owned subsidiary of Allspring.
- Joe Sullivan, initially brought in as Executive Chair, assumed the CEO role following Nico Marais's retirement. Kate Burke later became Allspring's CEO in July 2025, succeeding Sullivan, who remains Executive Chair.
- Galliard has also experienced compliance leadership changes. Brian Renelt was succeeded as Chief Compliance Officer by Paul Felsch in 2023. Following Felsch's departure in March 2025, Amy Stueve was appointed Galliard's Chief Compliance Officer in addition to her role as Allspring's Global Head of Monitoring.

Galliard Stable Value

Personnel Review

Key takeaways: No immediate concerns related to the investment team. Galliard maintains a deep and tenured team and has experienced low turnover among its senior investment professionals.

- Ajay Mirza and Brandon Kanz serve as Chair and Vice Chair, respectively, of Galliard's Investment Committee. Mirza joined Galliard in 1995 and has worked in the industry since 1993. Kanz joined Galliard in 2005 and has worked in the industry since 2002.
- Head of Stable Value Nick Gage is a veteran of the stable value team and industry. He assumed leadership of the function in 2020 following the retirement of his co-lead and predecessor, Leela Scattum. Gage joined Galliard in 2008 and has worked in the industry since 1999.
- In 2026, Andrea Johnson, Brandon Kanz, and Nick Gage were added to Galliard's Senior Leadership Team, broadening representation across operations, fixed income, and stable value.
- Galliard continues to maintain dedicated resources across wrap contract negotiation, external manager oversight, contract administration, and stable value accounting.

Platform Updates

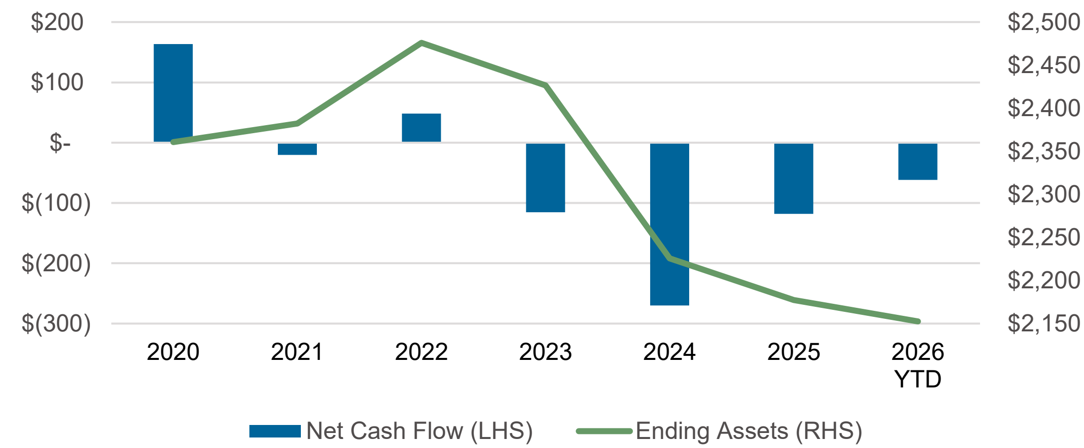
- In February 2026, Galliard added MassMutual as a wrap provider to further diversify coverage, citing the account's size, MassMutual's strong credit quality, and negotiated pricing of 14 bps.
- In 2024, Transamerica announced a reduction in wrap exposure affecting select managers; Galliard was not impacted as it was not among the targeted managers. State Street later announced a broader reduction of capacity. Although Galliard was affected at the firm level, the NCSRP account does not utilize State Street.
- Following its downgrade from "Recommended" to "Approved," Galliard terminated Jennison as a subadvisor in November 2024 due to the departure of co-CIO Itai Lourie, inconsistent performance, and reduced ability to add value, replacing the firm with Income Research + Management.

Galliard Stable Value

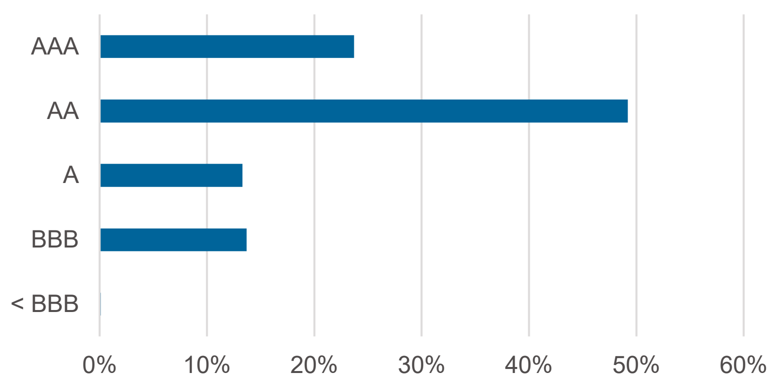
Snapshot as of June 30, 2026

- Book Value: $2.15 billion
- Market Value: $2.09 billion
- Market-to-Book Ratio: 96.9%
- Crediting Rate: 3.52%
- Effective Duration: 3.27 years
- Number of Wrap Providers: 6
- Average Wrap Contract Fee: 13.9 bps

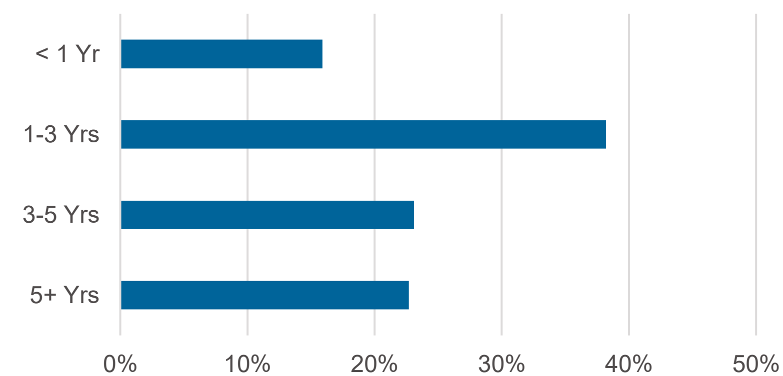
Historical Cashflows ($ millions)



Credit Quality Exposure



Credit Quality Exposure

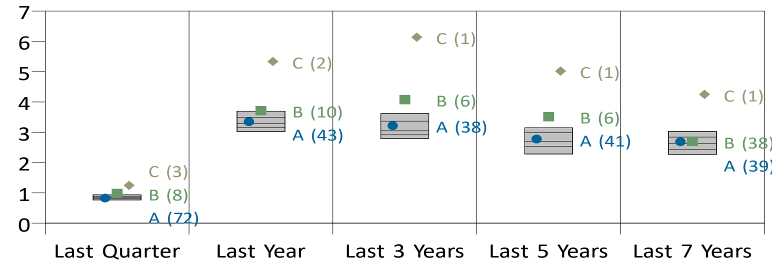


Galliard Stable Value

Peer-relative performance remains solid despite benchmark lag

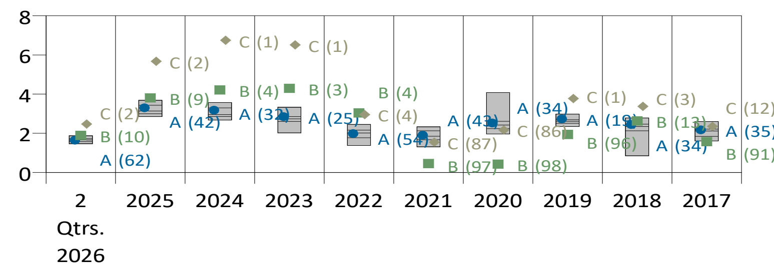
- The Fund continues to meet its capital preservation objective but has lagged the 3-year CMT Index and 3-month T-Bill Index + 1.50% over all trailing periods shown.
- The underperformance is primarily due to the rapid rise in rates from 2022 through 2024. While the CMT reflects prevailing Treasury yields without the negative price impact of rising rates, stable value crediting rates reset more gradually.
- Relative performance has improved since 2025 as higher portfolio yields have flowed through.
- Despite lagging the benchmark, the Fund ranks above the peer median over the 1-, 3-, 5-, and 7-year periods and in eight of the nine full calendar years shown.

Annualized Returns ending June 30, 2026



		Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
10th Percentile		0.94	3.70	3.62	3.15	3.03
25th Percentile		0.88	3.50	3.37	2.99	2.84
Median		0.85	3.28	3.05	2.70	2.63
75th Percentile		0.81	3.15	2.92	2.54	2.43
90th Percentile		0.77	3.03	2.80	2.29	2.27
NCSRP Stable Value Fund	● A	0.83	3.35	3.22	2.78	2.69
Treas:Const Maty 3 Yr	■ B	0.99	3.71	4.08	3.51	2.70
3 Month T-Bill + 1.50%	◆ C	1.25	5.34	6.14	5.02	4.25

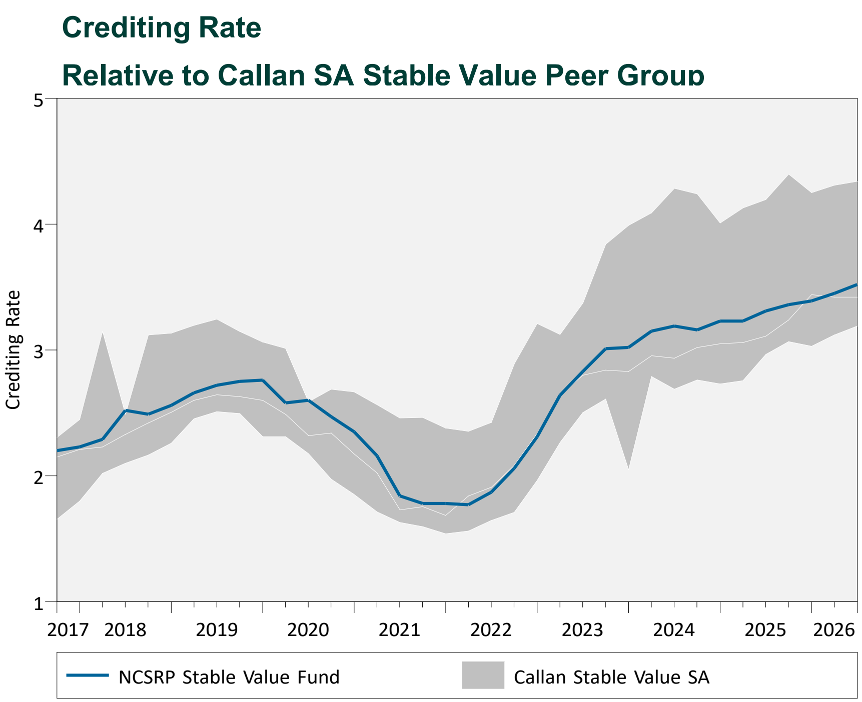
Calendar Year Returns ending June 30, 2026

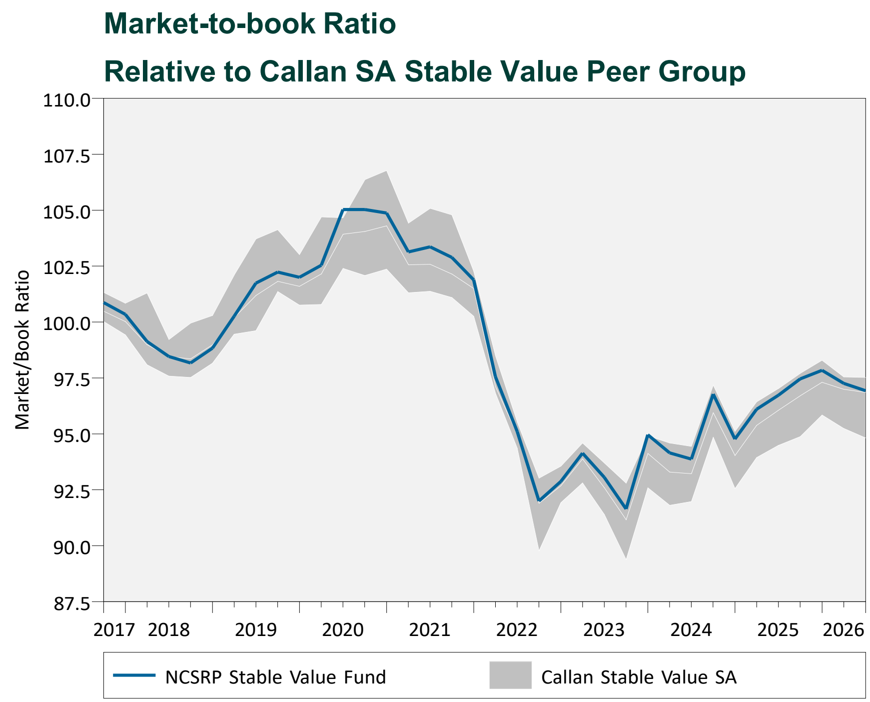


		2 Qtrs. 2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
10th Percentile		1.88	3.69	3.57	3.34	2.46	2.33	4.08	2.98	2.78	2.60
25th Percentile		1.73	3.44	3.30	2.85	2.16	2.13	2.62	2.70	2.47	2.21
Median		1.66	3.15	2.96	2.74	2.02	1.85	2.43	2.62	2.34	2.12
75th Percentile		1.58	3.00	2.86	2.61	1.78	1.67	2.24	2.51	2.13	1.85
90th Percentile		1.47	2.85	2.68	2.03	1.38	1.31	1.97	2.35	0.85	1.61
NCSRP Stable Value Fund	● A	1.65	3.30	3.18	2.85	1.98	1.91	2.52	2.74	2.45	2.18
Treas:Const Maty 3 Yr	■ B	1.89	3.81	4.22	4.30	3.04	0.46	0.43	1.94	2.63	1.58
3 Month T-Bill + 1.50%	◆ C	2.48	5.68	6.75	6.51	2.96	1.55	2.17	3.78	3.37	2.36

Galliard Stable Value

Crediting rate and market-to-book ratio continue to improve and are in line with peers



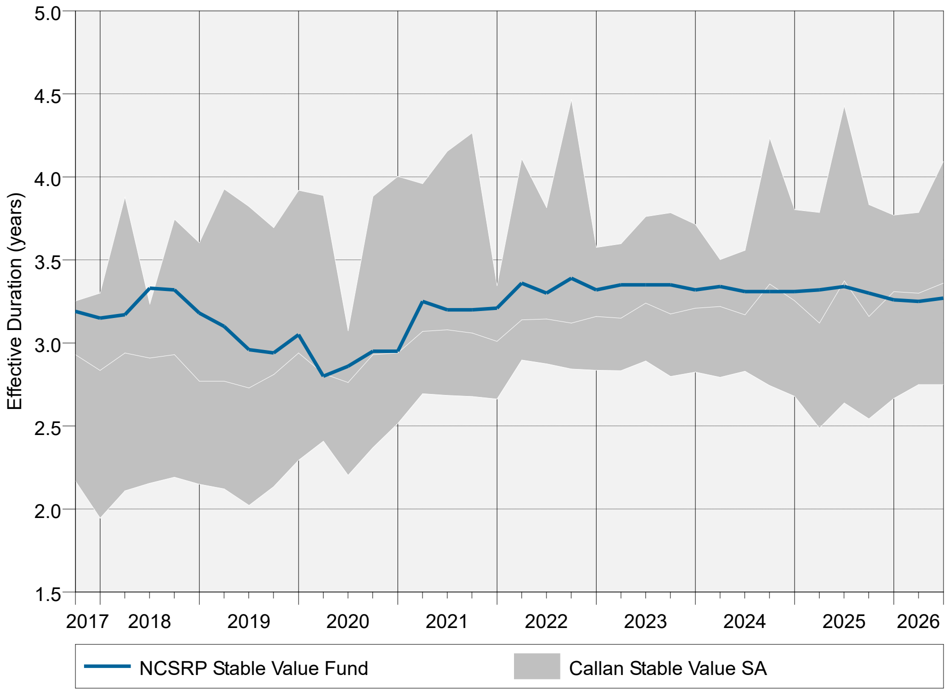


- The Fund's crediting rate has increased from 1.77% in 1Q2022 to 3.52% in 2Q2026 as higher portfolio yields have gradually flowed through to participants.
- Market-to-book ratios declined sharply in 2022 due to rising interest rates rather than credit events. Wrap providers remain supportive, and the Fund's market-to-book ratio remains favorable relative to peers.
- Participant outflows have totaled $566 million since 2023, creating a headwind for the market-to-book ratio and crediting rate. Outflows moderated in 2025 and are running at a similar pace through 2Q2026.

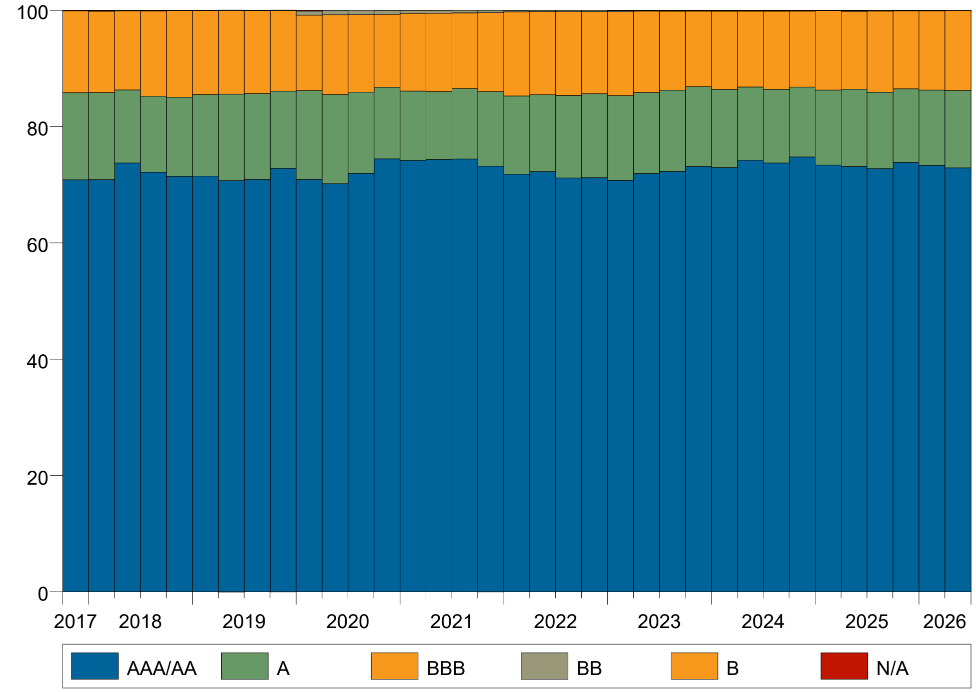
Galliard Stable Value

The Fund's high credit quality continues to support capital preservation

Effective Duration Relative to Separate Account Peer Group



Credit Quality Exposure (% of Market Value)



- While the Fund's effective duration has historically run somewhat higher, its current duration of 3.3 years is in line with peers.
- The Fund maintains a high-quality profile with an average credit rating of AA. AAA/AA exposure remains modestly above the peer median, while BBB-rated exposure is also slightly elevated. In general, higher quality supports principal preservation but may limit yield.

Galliard Stable Value

Subadvisor performance for periods ended June 30, 2026

Manager	1-month	QTD	YTD	1-year	3-years	5-years	Since Inception	Inception Date
Short Duration								
Galliard	0.17	0.68	1.14	3.80	5.42	2.70	2.97	1-Jun-18
Bloomberg 1-3 yr Gov't/Credit Index	0.08	0.48	0.77	3.14	4.64	2.12	2.41	-
Intermediate Duration								
Galliard	0.19	0.55	0.85	4.35	5.33	1.44	2.74	1-Jun-18
Dodge & Cox	0.19	0.61	0.99	4.36	5.36	1.66	2.52	1-Mar-15
PGIM Fixed Income	0.14	0.59	0.75	4.21	5.19	1.34	2.41	1-Feb-16
Bloomberg Intermediate Aggregate Index	0.14	0.47	0.59	3.76	4.66	0.97	2.22 / 1.90 / 1.91	-
Payden & Rygel	0.18	0.67	0.77	4.21	5.01	1.32	2.21	1-Jul-09
Linked Benchmark[1]	0.14	0.47	0.59	3.76	4.66	0.97	1.74	-
IR+M	0.15	0.59	0.75	3.74	-	-	4.74	1-Nov-24
TCW	0.08	0.33	0.34	3.24	4.73	1.23	2.72	1-Jun-18
Bloomberg Intermediate Gov't/Credit Index	0.10	0.43	0.40	3.14	4.68	1.22	4.74 / 2.48	-

[1]Payden Linked BM: Bloomberg U.S. Intermediate Aggregate Bond Index. Prior to June 1, 2018, benchmark was Bloomberg U.S. 1-3 Year Government/Credit Bond Index.
[2]In November 2024, Galliard replaced Jennison with IR+M following its downgrade of Jennison from Recommended to Approved.

Galliard Stable Value - Fees

Management Fee and Wrap/Subadvisor Comparison

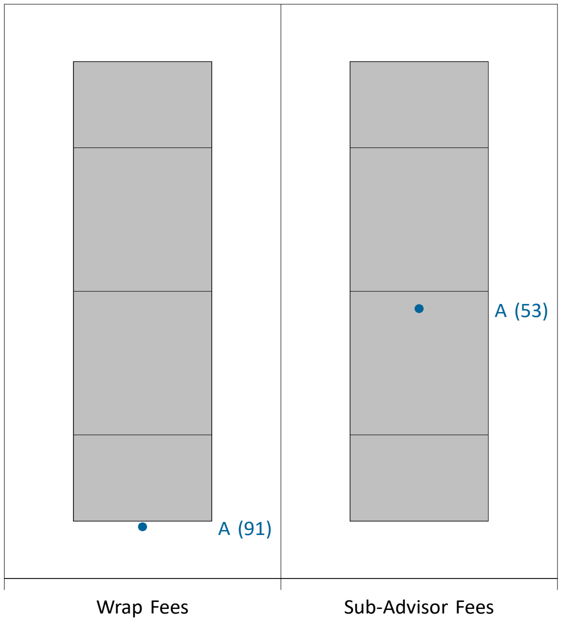
Galliard Stable Value Fund Fee components:

Management Fee	0.056%
Sub-advisory Fees	0.048%
Wrap Fees	0.139%
Acquired Fund Fees	0.001%
Other Expenses	0.008%
Total Fee	0.252%

Underlying Subadvisor Fees:

Dodge & Cox	0.104%
IR+M	0.075%
Payden & Rygel	0.109%
PGIM Fixed Income	0.110%
TCW	0.089%

Fee Comparison
Ended December 31, 2025
Group: Callan Stable Value SA



	Wrap Fees	Sub-Advisor Fees
25th Percentile	0.1500	0.10
Median	0.1500	0.06
75th Percentile	0.1413	0.00
90th Percentile	0.1391	0.00
NCSRP Stable Value Fund • A	0.1390	0.05

Note(s): Peer group fees are provided as of year-end due to limited data.

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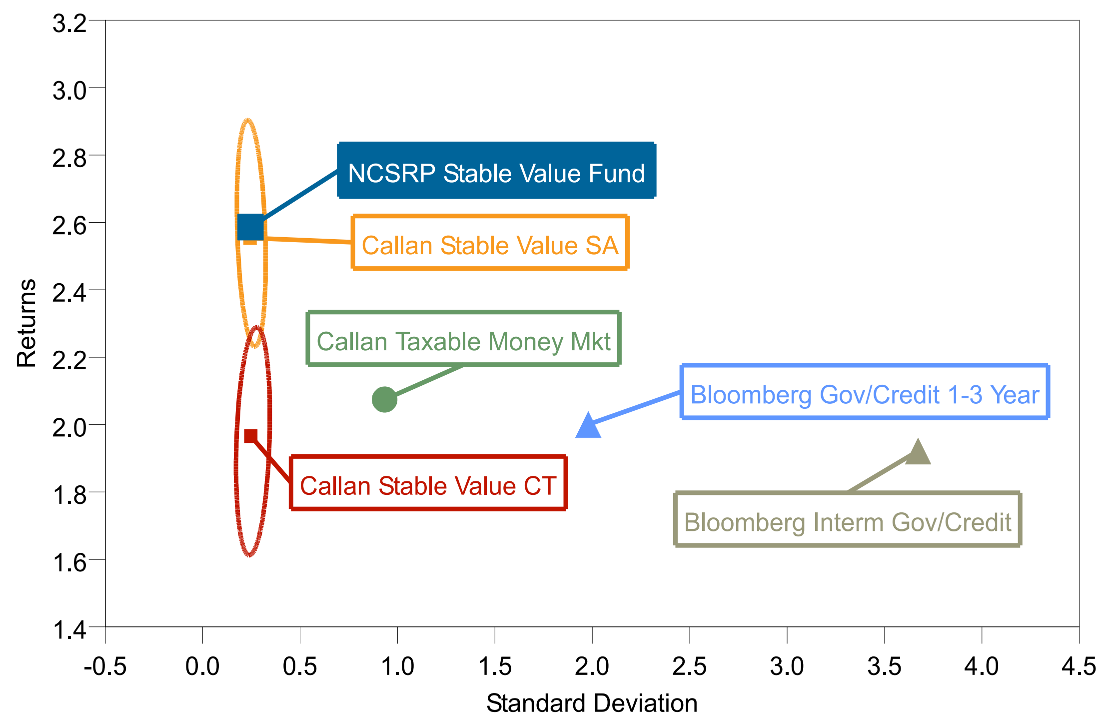
Stable Value Trends

Risk vs. Return

Stable Value vs Money Market Funds: Return Versus Risk (Volatility) Characteristics

Stable value funds have exhibited similar or higher long-term returns than intermediate fixed income with lower volatility than money market funds

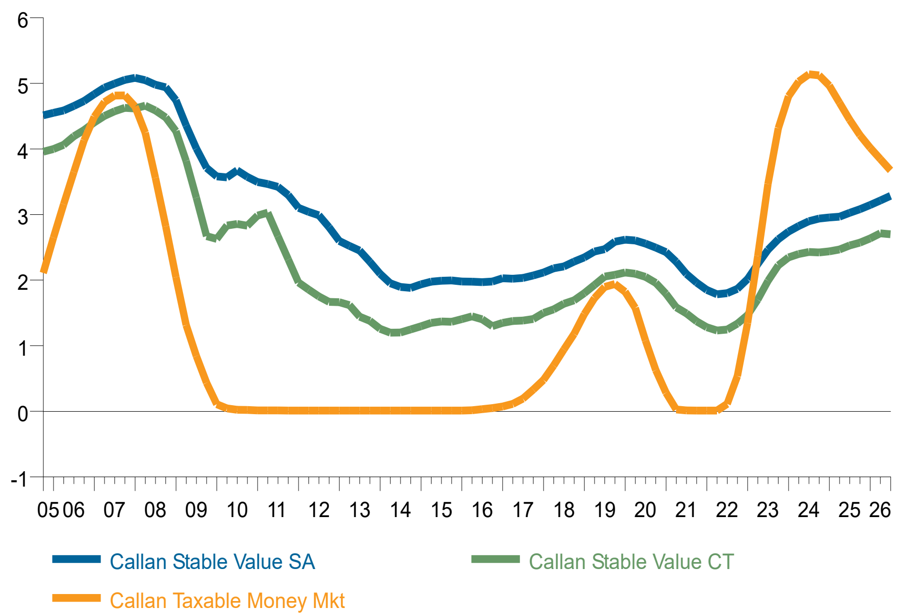
Risk vs. Return for 10 Years ended June 30, 2026



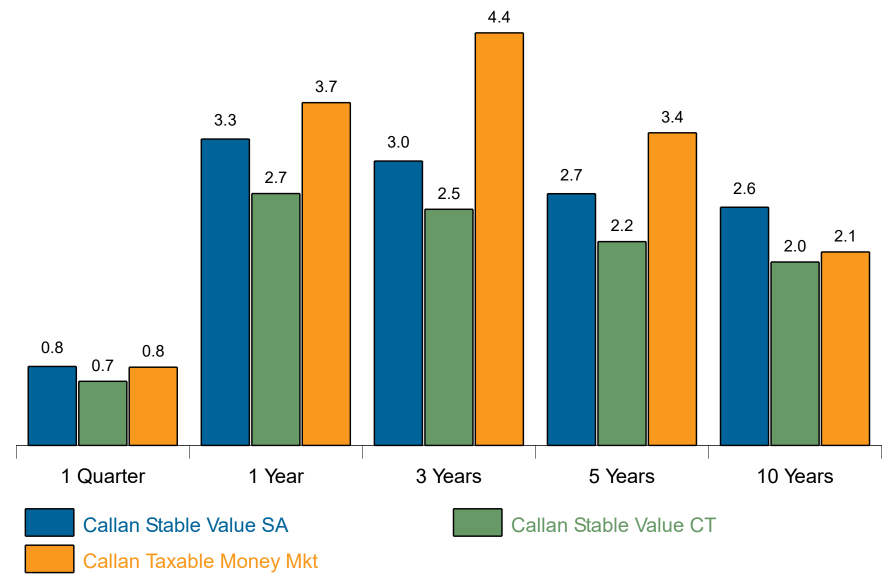
Stable Value Performance

Following the rapid rise in short-term rates, stable value has underperformed money market funds; however, these periods have historically been temporary.

Rolling 1 Year Returns Since 2005



Trailing Returns for Periods ending June 30, 2026



- Stable value crediting rates reflect changes in market yields more gradually than money market funds. The Federal Reserve's rapid rate hikes that began in 2022 to stem inflation resulted in more competitive yields vs stable value.
- Money market fund yields have since declined from their recent highs, while stable value crediting rates have continued to rise, narrowing the gap between the two. Relative performance would be expected to improve further if the Fed resumes rate cuts.
- Callan continues to favor stable value over money market funds given its stronger long-term return potential and price-smoothing mechanics.

Stable Value Overview

Market-to-book ratios remain below par but have improved from recent lows

Although improving, market-to-book ratios have remained below par (100%) since 1Q22

- Stable value separate accounts are averaging 97% market-to-book ratios, reflecting the rapid rise in rates beginning in 2022 and continued participant outflows.
- Credit-related concerns remain limited among funds that Callan closely tracks, supported in part by tighter investment guidelines adopted following the Global Financial Crisis.

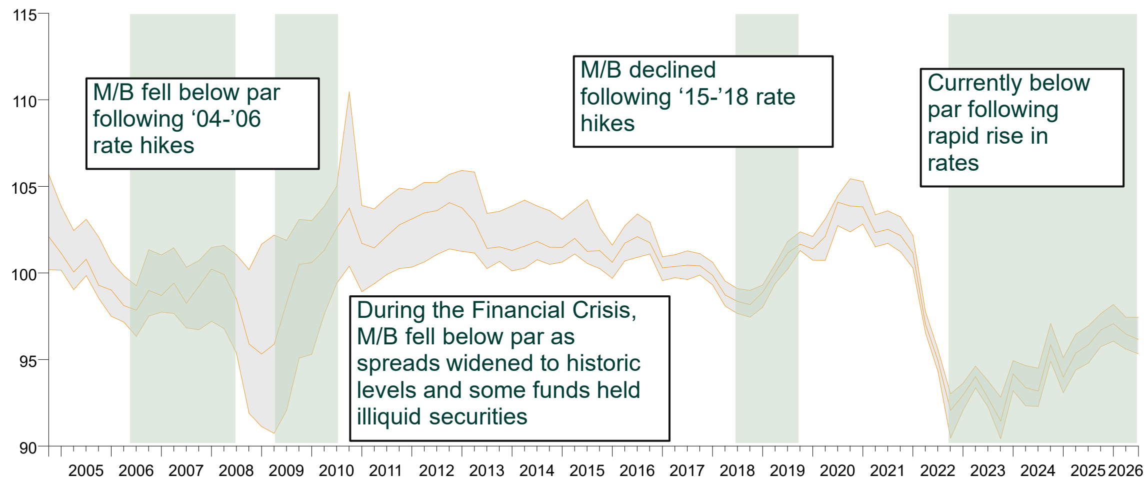
Stable value meeting expectations

- Wrap contracts are designed to amortize market value gains and losses over time, supporting book value accounting and stable participant returns.

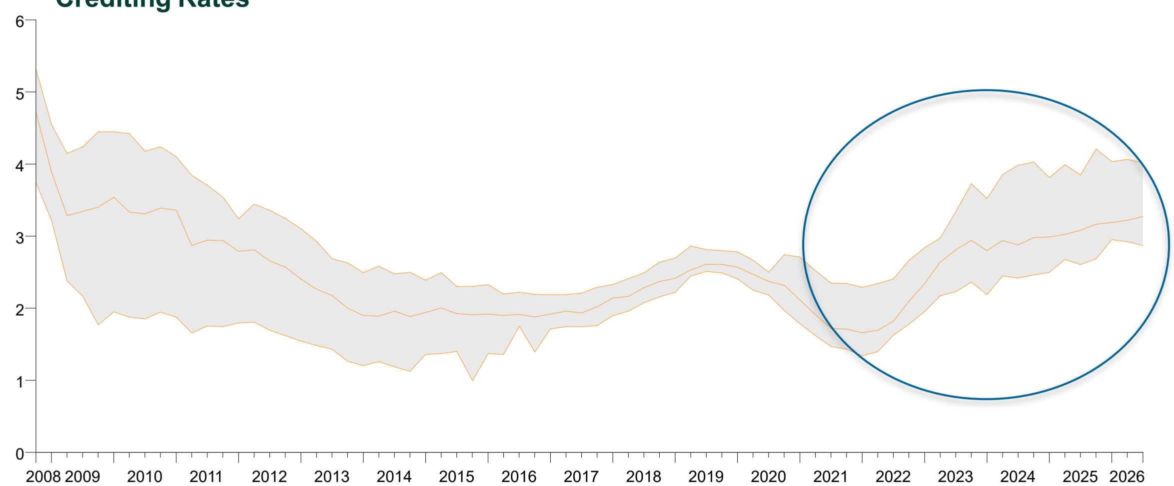
Crediting rates continue to improve

- Reinvestments at higher market yields have supported further increases.

Market-to-book Ratios[1]



Crediting Rates[1]



[1]Callan Stable Value Peer Group’s 10th-90th percentile range and group median.

How Stable Value Works

Stable value funds invest in bonds with longer duration and more credit risk compared to money market funds, normally resulting in higher yields, while wrap contracts smooth changes in bond prices

Stable value managers invest in a **diversified portfolio of high-quality fixed income securities**. These securities may include:

- Treasuries, U.S. agencies, mortgage-backed securities, corporate bonds, asset-backed securities, commercial mortgage-backed securities, and other debt.

Wrap contracts, issued by insurance companies and banks, allow for book value accounting:

- A stable $1.00 net asset value (NAV)
- Daily participant contributions and withdrawals among "non-competing" options
- Requires adherence to strict guidelines around sector, quality, and duration

Participants earn a **crediting rate,** not to fall below 0%, which is reset periodically, typically monthly or quarterly

- Accrued interest paid out periodically (i.e., monthly)
- Market value gains or losses are amortized over the duration of the portfolio (i.e., 2-4 years)
- Calculated based on the market value, book value, yield-to-maturity, and duration of the underlying assets.

Assets not covered by a wrap contract are usually held in **short-term money market** instruments.

Common Structure

Benchmark Duration Range

Typically 2-4 years depending on vehicle type and investment guidelines

Appendix

Guaranteed Investment Contracts ("GIC")

Synthetic GICs have become one of the most prevalent structures used by stable value funds

Traditional GIC

Commonly referred to as "GICs", these are group annuity contracts that guarantee a fixed rate of return over a specified period of time.

Crediting rate is tied to the performance of the insurance company's general account.

The original structures used for Stable Value. However, in the current environment they are infrequently used.

Synthetic GIC

The "wrap" contract combines actively managed fixed income portfolios within a book value contract.

Assets are owned by the plan sponsor and the wrap contract is usually issued by an insurance company or bank.

Crediting rate and terms are negotiated between the stable value manager and the wrap contract provider.

Insurance Company Separate Account

Customized group annuity contract that pays a periodic crediting rate.

Rate reflects the performance of assets held outside of the issuer's general account.

Separate account assets may not be used by the issuer to satisfy general account liabilities.

General account backs unpaid obligations of the separate account, if necessary.

Crediting Rate Calculation

Example of a crediting rate calculation

General crediting rate (CR) formula:

YTM = Yield to Maturity

MV = Market Value

BV = Book Value

D = Duration

$$CR = (1 + YTM) \times \left(\frac{MV}{BV}\right)^{\frac{1}{D}} - 1$$

Crediting rate example:

YTM = 2.80%

MV = 12,000,000

BV = 11,850,000

D = 3.2 Years

$$CR = (1 + 0.028) \times \left(\frac{12,000,000}{11,850,000}\right)^{\frac{1}{3.2}} - 1$$

CR = 3.20%

- This sample formula is used to smooth market value gains and losses over the duration of the underlying investment portfolio.
- Changes in yield to maturity are balanced against changes to the market-to-book ratio.

Stable Value Glossary of Terms

Book Value: The value of initially deposited principal, plus accumulated interest, plus additional deposits, minus withdrawals and expenses.

Commingled Fund: A fund that combines the assets of unaffiliated plans into one large group. Also known as pooled funds, collective funds, collective trusts, commingled investment trusts (CITs), or group trusts.

Competing Option: Another investment option offered by a defined contribution plan that has principal preservation as a primary objective or other characteristics similar to stable value. Self-directed brokerage or mutual fund windows often also qualify. Competing options may require an equity wash provision to restrict participant transfers between the stable value option and competing options.

Corporate-Initiated Events: Employer-driven events, such as layoffs, bankruptcy, or a new early retirement program, may result in the loss of book value accounting due to wrap contract language.

Crediting Rate: The interest rate applied to the book value of a stable value fund.

Equity Wash: A provision in a stable value fund that requires participants that transfer assets out of the fund to not invest these assets into a competing option for a period of time (often 90 days).

Fees: Stable value funds pay both management fees and wrap fees. Returns are generally quoted net of wrap fees, but gross of management fees. However, both fees must be disclosed to investors.

Market Value: The value at which an investment would sell on the open market.

Market-to-Book Ratio: The ratio of market value to book value, used to measure the overall “health” of a stable value option, and the degree to which a stable value option has a market value shortfall.

Put Provision: For stable value options, a plan may elect to fully exit a fund or pool provided the investor gives proper notice. The “put provision” term refers to the length of time the investor may have to wait for a full contract value liquidation..

Wrap Contract: An agreement between a stable value fund and a counterparty, usually an insurance company or bank, that allows the stable value fund to maintain book value accounting practices with full participant liquidity.