NORTH CAROLINA
INVESTMENT AUTHORITY

MEMORANDUM

TO: North Carolina Supplemental Retirement Board of Trustees

FROM: Kris Byrd, Portfolio Manager

DATE: February 26, 2026

RE: Discussion / Action: GoalMaker Glidepath Recommendation

Overview

Following the Glidepath Analysis Summary on August 21, 2025, the Board aligned on NCIA's recommendation, in consultation with Callan, to consolidate to a single glidepath, anchored in the current "Moderate" framework, and designate it as the default for all GoalMaker participants.

The Board also requested a re-evaluation of the glidepath design parameters, for which NCIA, in consultation with Callan, are making the following recommendations. Specific details on proposed changes to the glidepath weights can be found in the appendix.

1. Consolidate to a Single Glidepath

Recommendation:
Move from three separate glidepaths (Conservative, Moderate, and Aggressive) to one unified glidepath that will serve as the default for all GoalMaker participants.

Having multiple glidepaths can confuse participants and lead to poor decisions. Many participants do not actively choose the right option, and data shows that the conservative glidepath often leaves people short of their retirement goals. A single, well-designed glidepath simplifies choices and aligns with best practices for retirement plans.

Studies of participant behavior indicate that most GoalMaker users are more likely to face the risk of not having enough retirement income than the risk of short-term market fluctuations. This is especially true when considering contribution habits, career patterns, and longer life expectancy.

The unified glidepath is designed to balance growth and protection, improving the chances of meeting retirement income needs. It provides clarity for participants, reduces administrative complexity, and supports fiduciary oversight. Over time, this change helps younger participants build wealth, gives mid-career participants room to recover from market downturns, and supports income stability for those nearing retirement.

2. Increase Equity Exposure Across All Nodes

Recommendation:
Increase the amount of equity (stocks) across all stages of the glidepath compared to the current Moderate GoalMaker allocations.

Many participants face a greater risk of not having enough retirement income than the risk of short-term market volatility. This is especially true when considering contribution habits, career patterns, and longer life expectancy.

For participants with long investment horizons, having too little exposure to growth-oriented assets like equity increases the likelihood of falling short of retirement income needs. Over time, the cumulative impact of lower growth can outweigh the effects of temporary market swings, particularly for those relying on these plans as a supplemental source of retirement income.

The revised glidepath increases equity exposure across all stages to improve long-term accumulation potential while still reducing equity gradually as participants approach retirement. Although the increase is applied consistently across stages, its impact differs by life stage: supporting wealth building for younger participants, recovery capacity for mid-career participants, and income durability for participants nearing retirement.

3. Change Equity Structures: Reduce SMID, Adjust U.S./Non-U.S. Split

Recommendation:
Realign the equity allocation to more closely reflect prevailing industry market-cap weights, consistent with the structure used across most peer glidepaths. This results in a reduction in small- and mid-cap U.S. equity exposure, an increase in U.S. large-cap equity, and a modest reduction in non-U.S. equity exposure.

Most institutional glidepaths are anchored in market-cap-oriented frameworks, which are broadly viewed as efficient, scalable, and cost-effective core allocations. Moving closer to market weights enhances comparability to peers and reinforces structural discipline within the glidepath design.

The current glidepath maintains a relatively strong bias toward small- and mid-cap stocks and a higher level of non-U.S. equity exposure than is typical in peer implementations. While these allocations can contribute to diversification, they also introduce additional sources of volatility, including style cyclicality and currency fluctuations, that may not consistently deliver incremental benefits, particularly as participants approach retirement.

Reducing the small- and mid-cap bias lowers overall volatility and fees, as passive large-cap strategies are generally more cost-efficient and stable. Moderately reducing non-U.S. exposure helps limit currency risk, recognizing that most retirement spending for participants is denominated in U.S. dollars.

The revised glidepath therefore tilts toward U.S. large-cap equity and moves closer to market-cap norms, creating a more predictable, transparent, and cost-effective structure. This approach improves alignment with participants' long-term spending needs while preserving diversification, maintaining growth potential, and reducing uncompensated risk.

4. Eliminate Inflation Responsive Fund, Maintain Short-Duration TIPS

Recommendation:
Remove the Inflation Responsive Fund* from the glidepath and use short-duration Treasury Inflation-Protected Securities (TIPS) as the main source of inflation protection.

As participants move from saving to spending, inflation risk becomes more important because rising prices can erode purchasing power. Complex or volatile inflation strategies may not provide clear or reliable protection for participants, especially near retirement.

Unclear or inconsistent inflation protection can undermine income stability and confidence during retirement. Short-duration TIPS offer a more direct and predictable way to protect against inflation without adding unnecessary complexity or volatility.

The revised glidepath removes the Inflation Responsive Fund and relies on short-duration TIPS starting around age 55. This approach provides transparent inflation protection closer to retirement while allowing growth assets earlier in the life cycle to address long-term inflation risk.

5. Incorporate Passive Implementation in SMID and International Equity

Recommendation:
Increase the use of passive investment strategies for U.S. small- and mid-cap equity and international equity allocations as participants approach and enter retirement.

Passive management lowers costs and reduces tracking error compared to active strategies. For SMID cap and international equity, introducing passive options helps minimize outcome variability while still maintaining diversification. This approach balances efficiency with the potential benefits of active management.

The revised glidepath incorporates passive strategies for SMID cap and international equity, reducing fees and improving consistency of results. This change enhances predictability for participants while retaining active management where appropriate, creating a more cost-effective and participant-friendly structure.

Additional Considerations

Recommendation:
After careful review, NCIA and Callan do not recommend adding private market investments (such as private equity or private debt) to the glidepath at this time.

* The remaining portion of the Inflation Responsive Fund will be discussed during the Investment Structure Evaluation in the May Board Meeting

Private markets can offer diversification and potential return benefits, but they also come with significant challenges for defined contribution plans. These include high fees, operational complexity, liquidity constraints, and communication challenges with participants.

Adding private markets would require daily valuation, specialized structures, and inclusion of all core investment options from the Target Date Fund series, which increases complexity and cost. There is also a lower likelihood of accessing top-tier funds, and the litigious nature of the DC landscape adds additional risk.

By excluding private markets, the glidepath remains simpler, more transparent, and easier to manage. This approach avoids unnecessary operational and fiduciary risks while focusing on strategies that provide clear, predictable benefits for participants.

Implementation

If the Board approves the changes, the transition will happen in stages to ensure everything runs smoothly:

Preparation Period (60–90 Days)
After approval, Empower will need about two to three months to get ready. During this time, they will:

- Work with SRP staff to prepare and send communications to participants so everyone understands what is changing and have the opportunity to opt out of GoalMaker.
- Make necessary updates to the recordkeeping system. This means the earliest the new setup could start is mid to late in the second quarter.

Future Contributions Update
Once the system changes are in place, any new contributions participants make will automatically follow the updated GoalMaker portfolios. This ensures future investments align with the new strategy right away.

Existing Balances
Current account balances will not change immediately. Instead, they will be adjusted during each participant's regular quarterly GoalMaker rebalance. These rebalances happen based on each person's date of birth, so timing will vary by individual. Participants will have the opportunity to opt out of the reallocation of their existing GoalMaker balances by removing their assets from GoalMaker and reallocating them to individually-selected investments.

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Appendix

Current Moderate Path

Goalmaker Moderate Path	2070	2065	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005
Age	20	25	30	35	40	45	50	55	60	65	70	75	80	85
NC Large Cap Index Fund	33.0%	33.0%	33.0%	33.0%	33.0%	30.0%	27.0%	24.0%	21.0%	19.0%	18.0%	16.0%	14.0%	14.0%
NC Small/Mid Cap Core Fund	14.0%	14.0%	14.0%	14.0%	14.0%	12.0%	12.0%	10.0%	8.0%	6.0%	6.0%	4.0%	4.0%	4.0%
NC International Fund	38.0%	38.0%	38.0%	38.0%	38.0%	36.0%	32.0%	28.0%	24.0%	19.0%	15.0%	14.0%	12.0%	12.0%
NC Fixed Income Fund	6.0%	6.0%	6.0%	6.0%	6.0%	13.0%	21.0%	28.0%	33.0%	36.0%	34.0%	27.0%	23.0%	23.0%
NC Stable Value Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	6.0%	10.0%	14.0%	19.0%	22.0%	22.0%
NC Inflation Responsive Fund	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	8.0%	7.0%	6.0%	5.0%	4.0%	4.0%	3.0%	3.0%
NC TIPS Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	5.0%	9.0%	16.0%	22.0%	22.0%
Growth Assets	89%	89%	89%	89%	89%	82%	74%	65%	56%	46%	41%	36%	31%	31%
Downside Protection Assets	6%	6%	6%	6%	6%	13%	21%	31%	39%	46%	48%	46%	45%	45%
Real Assets	5%	5%	5%	5%	5%	5%	5%	4%	5%	8%	11%	18%	24%	24%
10-Year Expected Return	7.4%	7.4%	7.4%	7.4%	7.4%	7.3%	7.2%	6.9%	6.6%	6.3%	6.1%	5.8%	5.6%	5.6%
Standard Deviation	16.5%	16.5%	16.5%	16.5%	16.5%	15.2%	13.9%	12.2%	10.5%	8.7%	7.6%	6.7%	5.9%	5.9%
Total Estimated Expense (%)	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.22%	0.21%	0.20%	0.18%	0.18%	0.17%	0.16%	0.16%

Proposed Path

Proposed Path	2070	2065	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005
	20	25	30	35	40	45	50	55	60	65	70	75	80	85
NC Large Cap Index Fund	47.0%	47.0%	47.0%	47.0%	46.0%	43.0%	42.0%	37.0%	33.0%	29.0%	24.0%	20.0%	18.0%	18.0%
NC Small/Mid Cap Core Fund	8.0%	8.0%	8.0%	8.0%	8.0%	7.2%	6.4%	4.9%	3.6%	2.5%	2.0%	2.0%	1.5%	1.5%
NC Small/Mid Cap Index Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	1.6%	2.1%	2.4%	2.5%	2.0%	2.0%	1.5%	1.5%
NC International Fund	37.0%	37.0%	37.0%	37.0%	36.0%	32.3%	24.3%	20.4%	13.6%	10.5%	9.0%	8.3%	6.8%	6.8%
NC International Index Fund	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	2.7%	3.6%	3.4%	3.5%	3.0%	2.8%	2.3%	2.3%
NC Fixed Income Fund	8.0%	8.0%	8.0%	8.0%	10.0%	15.0%	23.0%	26.0%	32.0%	34.0%	37.0%	37.0%	35.0%	35.0%
NC Stable Value Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	6.0%	9.0%	12.0%	15.0%	20.0%	20.0%
NC TIPS Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	6.0%	9.0%	11.0%	13.0%	15.0%	15.0%
Growth Assets	92%	92%	92%	92%	90%	85%	77%	68%	56%	48%	40%	35%	30%	30%
Downside Protection Assets	8%	8%	8%	8%	10%	15%	23%	29%	38%	43%	49%	52%	55%	55%
Real Assets	0%	0%	0%	0%	0%	0%	0%	3%	6%	9%	11%	13%	15%	15%
10-Year Expected Return	7.5%	7.5%	7.5%	7.5%	7.4%	7.3%	7.2%	6.9%	6.6%	6.3%	6.0%	5.8%	5.6%	5.6%
Standard Deviation	16.4%	16.4%	16.4%	16.4%	16.0%	15.2%	13.7%	12.1%	10.0%	8.6%	7.3%	6.5%	5.6%	5.6%
Total Estimated Expense (%)	0.20%	0.20%	0.20%	0.20%	0.20%	0.19%	0.16%	0.15%	0.14%	0.13%	0.13%	0.14%	0.14%	0.14%

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Difference Between Current and Proposed

Proposed Less Moderate Age	2070 20	2065 25	2060 30	2055 35	2050 40	2045 45	2040 50	2035 55	2030 60	2025 65	2020 70	2015 75	2010 80	2005 85		
NC Large Cap Index Fund	14.0%	14.0%	14.0%	14.0%	13.0%	13.0%	15.0%	13.0%	12.0%	10.0%	6.0%	4.0%	4.0%	4.0%	Less than	-1.0%
NC Small/Mid Cap Core Fund	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%	-4.8%	-5.6%	-5.1%	-4.4%	-3.5%	-4.0%	-2.0%	-2.5%	-2.5%	More than	1.0%
NC Small/Mid Cap Index Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	1.6%	2.1%	2.4%	2.5%	2.0%	2.0%	1.5%	1.5%		
NC International Fund	-1.0%	-1.0%	-1.0%	-1.0%	-2.0%	-3.7%	-7.7%	-7.6%	-10.4%	-8.5%	-6.0%	-5.8%	-5.3%	-5.3%		
NC International Index Fund	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	2.7%	3.6%	3.4%	3.5%	3.0%	2.8%	2.3%	2.3%		
NC Fixed Income Fund	2.0%	2.0%	2.0%	2.0%	4.0%	2.0%	2.0%	-2.0%	-1.0%	-2.0%	3.0%	10.0%	12.0%	12.0%		
NC Stable Value Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.0%	-2.0%	-4.0%	-2.0%	-2.0%		
NC Inflation Responsive Fund	-9.0%	-9.0%	-9.0%	-9.0%	-9.0%	-9.0%	-8.0%	-7.0%	-6.0%	-5.0%	-4.0%	-4.0%	-3.0%	-3.0%		
NC TIPS Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	4.0%	4.0%	2.0%	-3.0%	-7.0%	-7.0%		
Growth Assets	3.1%	3.1%	3.1%	3.1%	1.1%	3.1%	2.6%	3.0%	0.4%	1.9%	-0.7%	-0.7%	-1.3%	-1.3%		
Downside Protection Assets	2.0%	2.0%	2.0%	2.0%	4.0%	2.0%	2.0%	-2.0%	-1.0%	-3.0%	1.0%	6.0%	10.0%	10.0%		
Real Assets	-5.1%	-5.1%	-5.1%	-5.1%	-5.1%	-5.1%	-4.6%	-1.0%	0.6%	1.2%	-0.3%	-5.3%	-8.7%	-8.7%		

10-Year Expected Return	0.02%	0.02%	0.02%	0.02%	-0.01%	0.03%	0.00%	0.00%	-0.08%	-0.02%	-0.06%	0.00%	-0.02%	-0.02%	Less than	0.00%
Standard Deviation	-0.1%	-0.1%	-0.1%	-0.1%	-0.4%	0.0%	-0.2%	0.0%	-0.4%	-0.1%	-0.3%	-0.2%	-0.3%	-0.3%	More than	0.00%
Total Estimated Expense (%)	-0.03%	-0.03%	-0.03%	-0.03%	-0.04%	-0.04%	-0.06%	-0.06%	-0.06%	-0.05%	-0.04%	-0.03%	-0.02%	-0.02%		

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