



## **MINUTES SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES**

The regular quarterly meeting of the Supplemental Retirement Board of Trustees (Board) was called to order at approximately 9:00 a.m. on February 26, 2026, by the Chair, State Treasurer Brad Briner. The meeting was held in a hybrid format, with people attending virtually or in person in the Dogwood Conference Room of the Longleaf Building. The Chair indicated there would be a public comment period for organizations and individuals later in the agenda.

### **Members Present**

Board members attending in person: Treasurer Brad Briner and Bob Shea

Board members attending virtually: Steven Beam, Robert Hillman, Lorraine Johnson, Lanier McRee, Charlie Perusse, and James Richardson

**Members Absent:** Rajinder (Raj) Singh

Guests attending in person: Michael McCann and Jodie Musselwhite from Empower, Matt Coburn from BNY, and Elizabeth Hood and Weston Lewis from Callan.

Guests attending virtually: Thomas Rey from UHY, Franco Wang from CEM Benchmarking Inc, and Jason Ellement from Callan.

### **Department of State Treasurer and North Carolina Investment Authority (NCIA) Staff Present**

Staff members attending in person: Shanta Bowley, Kris Byrd (NCIA), Reid Chisholm (NCIA), Patti Hall, Jeff Hancock, Kristin Merrick, Chris Morris (NCIA), Eric Naisbitt, Rebecca Reck, Kevin SigRist (NCIA), and Sam Watts.

Staff members attending virtually: Christy Farrelly, Derek Gee, Elizabeth Hawley, Paul Palermo, and Brandon Watson.

The Chair called the meeting to order and reminded members that since this meeting is being held in a hybrid format, members must announce their names when they arrive, when they depart, and when speaking. In addition, he explained that making a motion will be assumed to be a vote for the proposal, unless there is an objection, and all votes will be taken by roll call. He stated that today's meeting is being recorded as part of the Department of State Treasurer's (DST) initiative to increase government transparency.

### **Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest**

Pursuant to the ethics rules, the Chair asked about Board members' potential, actual, or appearance of a conflict of interest. No conflicts of interest were identified by the Board members.

### **Adoption of Consent Agenda**

The Chair presented a consent agenda with the following items: approval of the minutes for the December 4, 2025, Board of Trustees meeting and updates to the governance policies.

There was no request from the Board to move any of the consent agenda items to a discussion item and the consent agenda was adopted.

The Chair announced that the assets in the NC 401(k) and NC 457 Plans (Plans) exceeded \$20 billion for the first time, and he congratulated staff on this milestone.

### **Administrative Matters**

The Chair recognized Mr. Jeff Hancock, Supplemental Retirement Plans (SRP) Director, who provided a review of the administrative fees (included in the Board's materials).

Mr. Hancock said that due to the balance in the fee reserves, staff proposes a 12-month extension of the administrative fee holiday that was approved by the board during the first quarter of 2025 meeting, and for SRP to cover the recordkeeping fees for participants for one quarter.

The Chair entertained a motion to approve the administrative fee holiday and SRP covering the recordkeeping fees for participants for one quarter. Mr. Shea so moved, Mr. Beam seconded, and the motion passed by a roll call vote of 7-0. Ms. McRee did not vote.

### **Legal Matters**

The Chair recognized Mr. Reid Chisholm, Assistant General Counsel, who presented an update to the Plan's documents (included in the Board's materials).

Mr. Chisholm proposed amending the NC 401(k) Plan for more flexible employer contributions in the NC 401(k) Plan. Under the amendments, employers would have the option to provide special contributions to part-time and other law enforcement officers, to provide special contributions to firefighters and rescue squad workers, and to group employees by job classifications, skills or duties. In addition, he proposed amending the NC 401(k) and NC 457 Plans to incorporate Roth catch-up contributions.

The Chair entertained a motion to approve the plan document amendments. Mr. Shea so moved, Ms. Johnson seconded, and the motion passed by a roll call vote of 8-0.

### **Initial Presentation for the 2025 Audit of the NC 401(k) and NC 457 Plans.**

The Chair recognized Thomas Rey from UHY to present on the upcoming annual audit of NC 401(k) and NC 457 Plans (included in the Board's materials).

Mr. Rey presented the scope of engagement and auditor's responsibilities, audit methodology, trustee fiduciary duties, and the details for risks and fraud for the upcoming 2025 financial statement audit. The audit includes employer testing, and the sample includes the 10 largest employers and 15 employers who are selected randomly.

Mr. Hillman asked about the audit sub-committee's active role in oversight of the entities' assessment of the (i) risks and fraud and (ii) programs and controls established to mitigate those risks.

Mr. Rey clarified one of the roles of the audit sub-committee members is risk assessment.

### **Administrative Update**

#### **NC Supplemental Retirement Plans Benchmarking Report (CEM Benchmarking)**

The Chair recognized Franco Wang from CEM Benchmarking to present the NC Supplemental Retirement Plans Benchmarking Report (included in the Board's materials).

Mr. Wang provided a review of the cost, plan structure, and performance of the Plans for the five-year period through December 31, 2024. He said the Plans were compared to a peer group of 12 defined contribution plans. The participants' weighted average total cost was 26.0 basis points of the total plan assets or \$121.00 per participant, and the participants' weighted average five-year total net return was 7.4%.

The Chair confirmed that the percentage of active assets in the Plans is related to GoalMaker.

#### **Fourth Quarter Administrative Report (Empower)**

The Chair recognized Michael McCann, Client Relations and Business Development Vice President, and Jodie Musselwhite, Director of Participant Engagement, from Empower to discuss the Fourth Quarter 2025 Administrative Report (included in the Board's materials).

Mr. McCann provided an overview of the Plans. He said the average deferral rate for active participants is approximately \$308.00 per month and the participation rate is 35%. He added that distributions were higher than contributions, average participant balance increased to more than \$60,000.00, and total enrollments were 27,515 for 2025. There were also 11 new employers who adopted the NC 401(k) Plan and 24 employers adopted the NC 457 Plan for the year.

He added that Empower met all their contractual performance goals were for 2025.

Ms. Musselwhite provided an update on participant engagement for the fourth quarter. She said that there were 492 group meetings, 4,794 individual meetings, 895 employer meetings, and a total of 20,340 meeting attendees.

#### **Fourth Quarter Custodian Update (BNY)**

The Chair recognized Matt Coburn from BNY to present the Custodian Update for the NC 401(k) and NC 457 Plans (included in the Board's materials).

Mr. Coburn presented an overview of how BNY is leveraging the use of artificial intelligence (AI). Ms. Johnson asked about BNY's current usage of AI, And Mr. Coburn discussed BNY's significant increase in the use of AI.

## **Investment Update**

### **Fourth Quarter 2025 Investment Performance Report and GoalMaker Glidepath Analysis and Recommendation**

The Chair recognized Elizabeth Hood, CFA, Senior Vice President and Manager, and Weston Lewis, CFA, CAIA, Senior Vice President, at Callan, to present the Fourth Quarter 2025 Investment Performance Report, and the GoalMaker Glidepath Analysis and Recommendation (included in the Board's materials).

Mr. Lewis presented a recap of the US and Global equities markets, the US fixed income market, and the passive and active options. He said that large cap outperformed small cap, value outperformed growth, and global equities outperformed US equities.

He added that Sands Capital had a portfolio manager change and Alliance Bernstein's investment results underperformed.

Ms. Hood presented the recommendations for GoalMaker's glidepath. She said Callan recommends moving from three separate glidepaths to one unified glidepath that will serve as the default for all GoalMaker participants. The unified glidepath is designed to (i) balance growth and protection and (ii) improve the likelihood of meeting retirement income needs for the participants. The new glidepath will increase equity exposure across all nodes, change equity structures by reducing small/midcap (SMID) equity, adjust the US/non-US equity split, eliminate the Inflation Responsive Fund, maintain short-duration Treasury Inflation-Protected Securities, and incorporate passive implementation in SMID and the International Equity Fund. There will be no private market investments at this time.

Mr. Shea asked about marketing the changes to participants. Mr. Morris said that participants will be made aware of the changes and will have the option to opt out of Goalmaker. Mr. Hancock added that the new glidepath will be easier for participants to understand.

Mr. Beam asked about the decrease in international investments and the increase in large cap core investments in the new model. Ms. Hood said the current model shows a higher percentage in the International Fund vs the US fund and the new model will allow for more risk reduction by increasing the US Large Cap Fund.

Mr. Lewis added that the new recommendations are in line with what other target date funds offer regarding the bias towards US funds.

The Chair added that the recent returns from the SMID funds have been much lower than expected.

Ms. Hood added that the transition will take approximately 60 – 90 days to prepare and distribute participants' communications and make system adjustments on the recordkeeping platform. All future contributions will be aligned with the new Goalmaker portfolios and existing balances will rebalance on the participants' regularly scheduled quarterly GoalMaker rebalancing date.

The Chair asked about the participants' view in GoalMaker during the transition period. Mr. McCann said that the participant will see the new Glidepath portfolio for new contributions and the existing account balance will change with quarterly GoalMaker rebalancing.

The Chair asked about participants who may prefer a more conservative approach. Mr. McCann said the communication will address the reasons for the change and explain the new approach.

Ms. Johnson asked whether participants would have the option to change their glidepath due to their risk tolerance. Mr. McCann said that they could change the retirement date to change the allocation.

Mr. Watts added that this change will improve performance and offer options to change the risk tolerance.

The Chair entertained a motion to approve the GoalMaker recommendation. Mr. Shea so moved, Mr. Beam seconded, and the motion passed by a roll call vote of 5-0. Mr. Perusse, Mr. Richardson and Mr. Hillman did not vote.

### **NC 401(k) and NC 457 Plans Watchlist Recommendations**

The Chair recognized Chris Morris, Chief Risk and Operating Officer, and Kris Byrd, Portfolio Manager, to give an update on the watchlist recommendations (included in the Board's materials).

Mr. Byrd presented the recommendation to remove TCW from the watchlist due to organizational stability, performance relative to the benchmark and peers, and a stable investment policy.

The Chair entertained a motion to remove TCW from the watchlist. Ms. Johnson so moved, Mr. Shea seconded, and the motion passed by a roll call vote of 6-0. Mr. Perusse and Mr. Richardson did not vote.

Mr. Byrd presented the recommendation to add Brown Advisory to the watch list due to consistent underperformance relative to benchmarks and peers, substantial shifts in investment philosophy, and significant organizational changes.

The Chair entertained a motion to add Brown Advisory to the watchlist. Mr. Beam so moved, Ms. McRee seconded, and the motion passed by a roll call vote of 7-0. Mr. Richardson did not vote.

### **Public Comments**

**None**

### **Board of Trustees Comments**

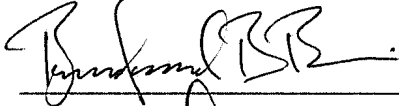
Mr. Beam, Mr. Hancock, and Ms. Johnson thanked Mr. Chisholm for his service to SRP and congratulated him on his new assignment.

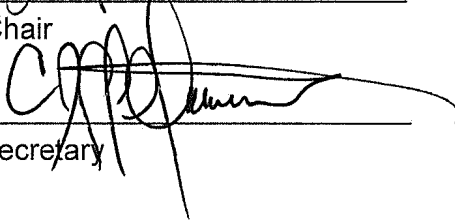
Mr. Chisholm thanked staff and the Board for the opportunity to serve.

**Adjournment**

The Chair entertained a motion to adjourn the meeting. Mr. Shea so moved, Ms. McRee seconded, and the motion passed by a roll call vote of 8-0 .

The meeting adjourned at approximately 11:31 a.m.

  
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Chair

  
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Secretary