

May 21, 2026



The North Carolina Supplemental Retirement Plans

Investment Menu Design

Investment Structure Evaluation

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Executive Summary

Executive Summary

Objective: Identify potential changes to the investment line up with the intent to even better serve the needs of participants over the next 5 to 10 years.

Observations and Considerations:

- This study evaluates the investment menu (or structure) of the North Carolina Supplemental Retirement Plans (NCSRP or the “Plans”). In analyzing the investment menu of the Plans, this evaluation seeks to identify whether there are investment options that could be added, and likewise whether there are options that could be eliminated, with an eye toward maintaining or improving participants’ ability to construct a diversified portfolio in accordance with a variety of risk/reward preferences.
- The Plans have a sound investment menu that has served participants well. While changes are not required, the Plans could consider the following:

Considerations	Rationale
Remove the NC Inflation Sensitive Fund	<p>The current inflation sensitive option has included TIPS, commodities, and REITs and has been passively implemented. While BlackRock has announced the addition of listed infrastructure, the past implementation has generated less compelling results.</p> <p>This fund is slated to be removed GoalMaker allocations as part of upcoming glidepath changes. This fund has very low utilization among participants outside of GoalMaker.</p>
Replace the underlying strategy of the NC Inflation Sensitive Fund	<p>Should the NCSRP Board wish to consider a diversified real assets strategy for participants, Callan recommends an active strategy that goes beyond TIPS, Commodities, and REITs. Broader real assets exposures are driven by different underlying economic forces and have historically responded differently across varying inflationary environments, potentially providing better diversification characteristics and more consistent inflation protection through changing cycles.</p>

Recommendation:

Callan and Staff recommend removing the Inflation Sensitive Fund without replacing the option due to low participant utilization

Evaluating the Defined Contribution Plan Investment Menu

Human behavior influences how we approach investment design recommendations

Goal: Limit impact of participant behavioral biases to minimize adverse impact on successful savings and investing outcomes.

Inertia

Default options attract assets. Participants tend to remain wholly invested in default investment options.

Momentum

Studies have shown that hot-performing funds may lead participants to chase returns, which often detracts from long-term individual participant returns.

Influence

Plans weighted toward stock funds or bond funds often result in participant preference for more of same.

Choice

Individuals want choice but are easily overwhelmed. Choice overload may result in decreased plan participation.

Optimizing the Investment Menu

Building a three-tier investment menu

- ▶ Callan uses a three-tiered framework to organize the options in a DC Plan's investment menu.
- ▶ This approach seeks to address the needs of the various constituencies within an employee population.
- ▶ No two plans are the same, and therefore the ideal structure will vary based on plan-specific circumstances.

Tier I: Asset Allocation

Target Date Funds
"Do-It-For-Me" Options
Balanced Funds

- Simple (and smart) choice for participants who prefer a single-fund solution and the delegation of the asset allocation decision to a professional manager

Tier II: Core Options

Capital Preservation
U.S. Fixed Income
U.S. Large Cap Equity
U.S. SMID Cap Equity
Non-U.S. Equity

- Provide primary building blocks to create diversified portfolios for participants who wish to build and manage their own portfolios
- Often useful to offer both active and passive options within Tier II

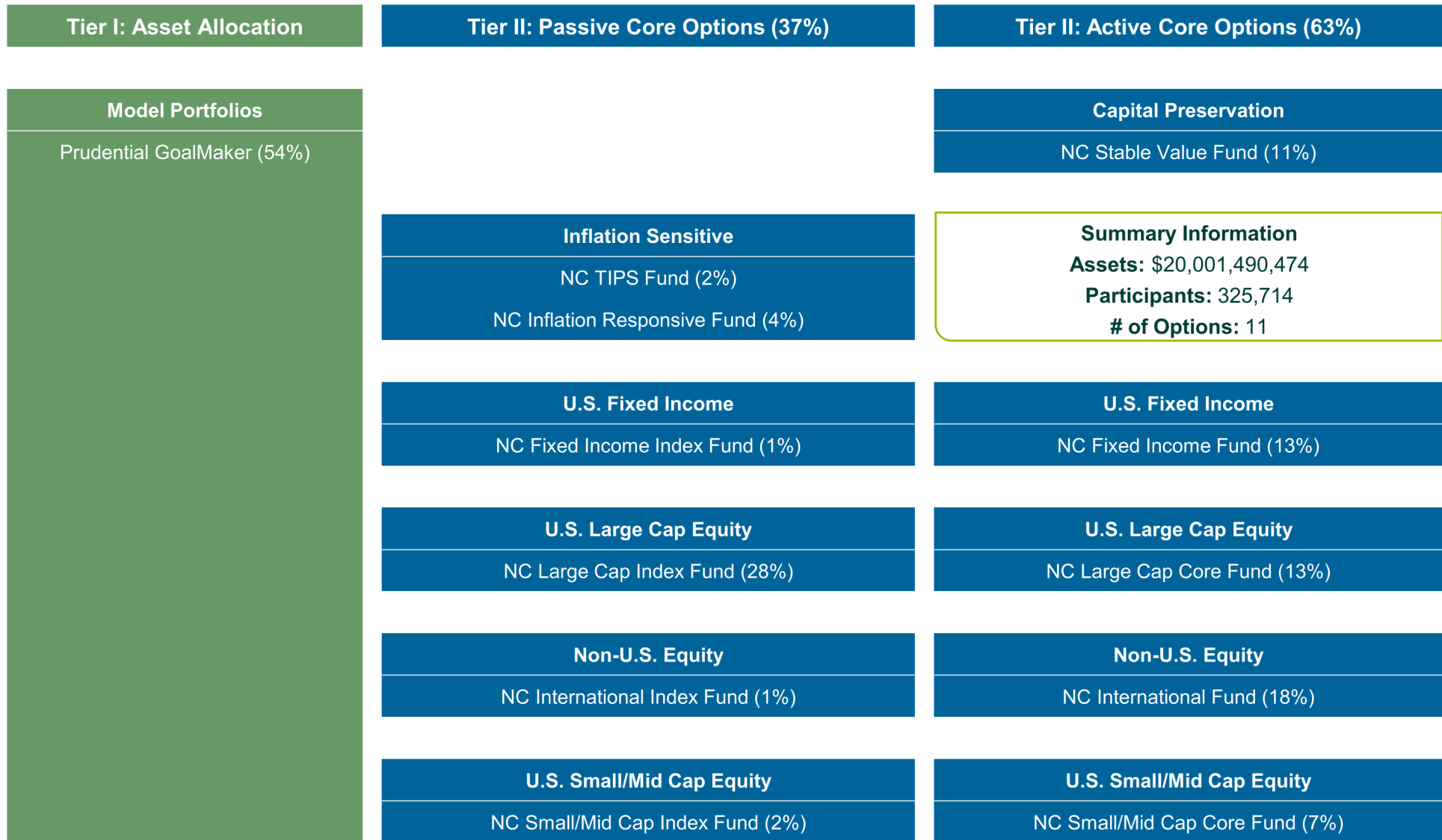
Tier III: Specialty Options

Specialty Fixed Income
Sector Funds
Brokerage Window

- Includes non-core asset classes geared toward participants who desire more flexibility
- Callan does not recommend offering a multitude of specialty options given their relatively complex nature and the potential confusion they may bring to participants.

Current Investment Menu

The diagram below depicts the menu of investment options, by asset category, currently offered to the Plans' participants.



Source: Empower as of 12/31/2025. Percentage allocations for core tier options do not include GoalMaker assets.

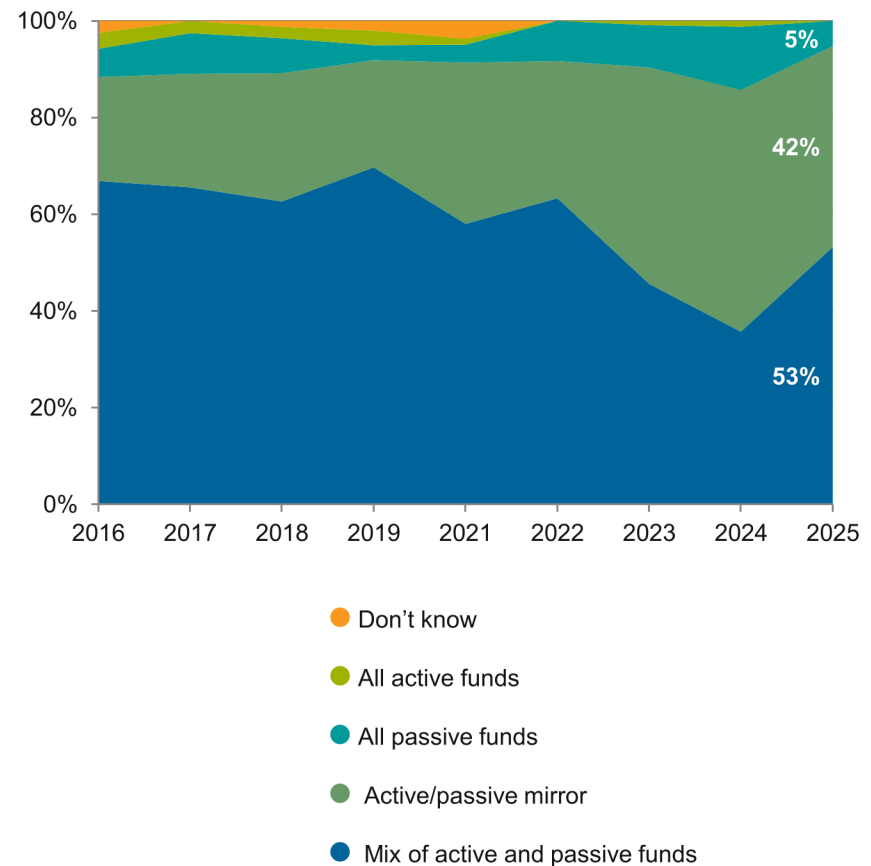
Investment Menu Comparisons

DC Trends Survey – Active/Passive Utilization

The Plans' investment menu represents an active/passive mirror, providing participants choice between management style (i.e., active vs. passive) within core asset classes.

- In the context of Callan's tiered investment structure, the Plans offer an active/passive mirror:
 - 42% of respondents to the Callan 2026 DC Trends Survey offered an active/passive mirror.
- An active/passive mirror structure allows participants to choose between low-cost market exposure and the opportunity for alpha via active management within each of the core asset classes:
 - Core/core plus fixed income
 - U.S. large cap equity
 - U.S. small/mid cap equity
 - Non-U.S. equity

Investment Menu Approach



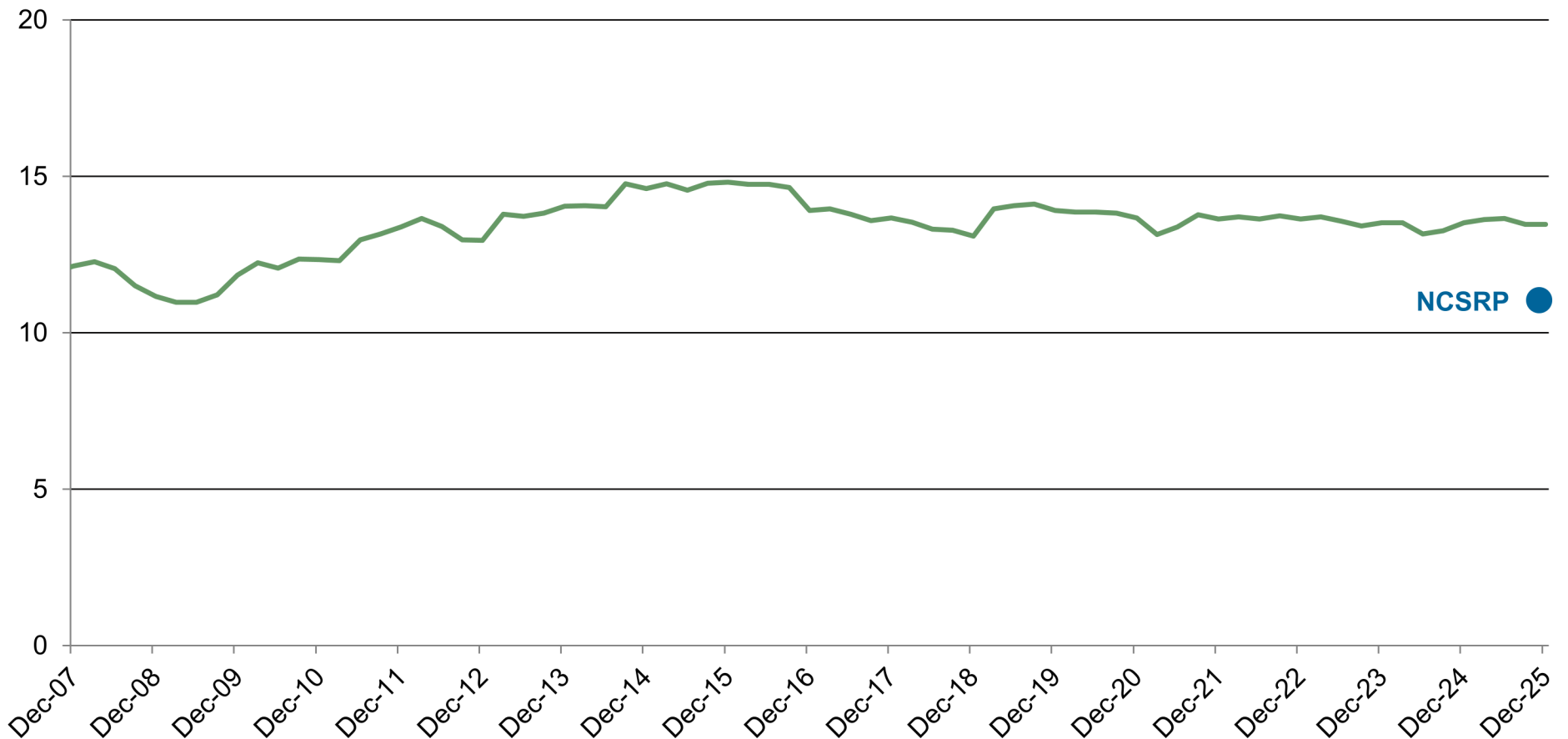
Source: Callan 2026 DC Trends Survey

Number of Investment Options

DC Index Data as of December 31, 2025

The Plans offer 11 investment options to participants, lower than the average number offered by plans in the DC Index (13.5). The Plans' number of options provides active and passive management styles in core building blocks to participants.

Average Number of Options



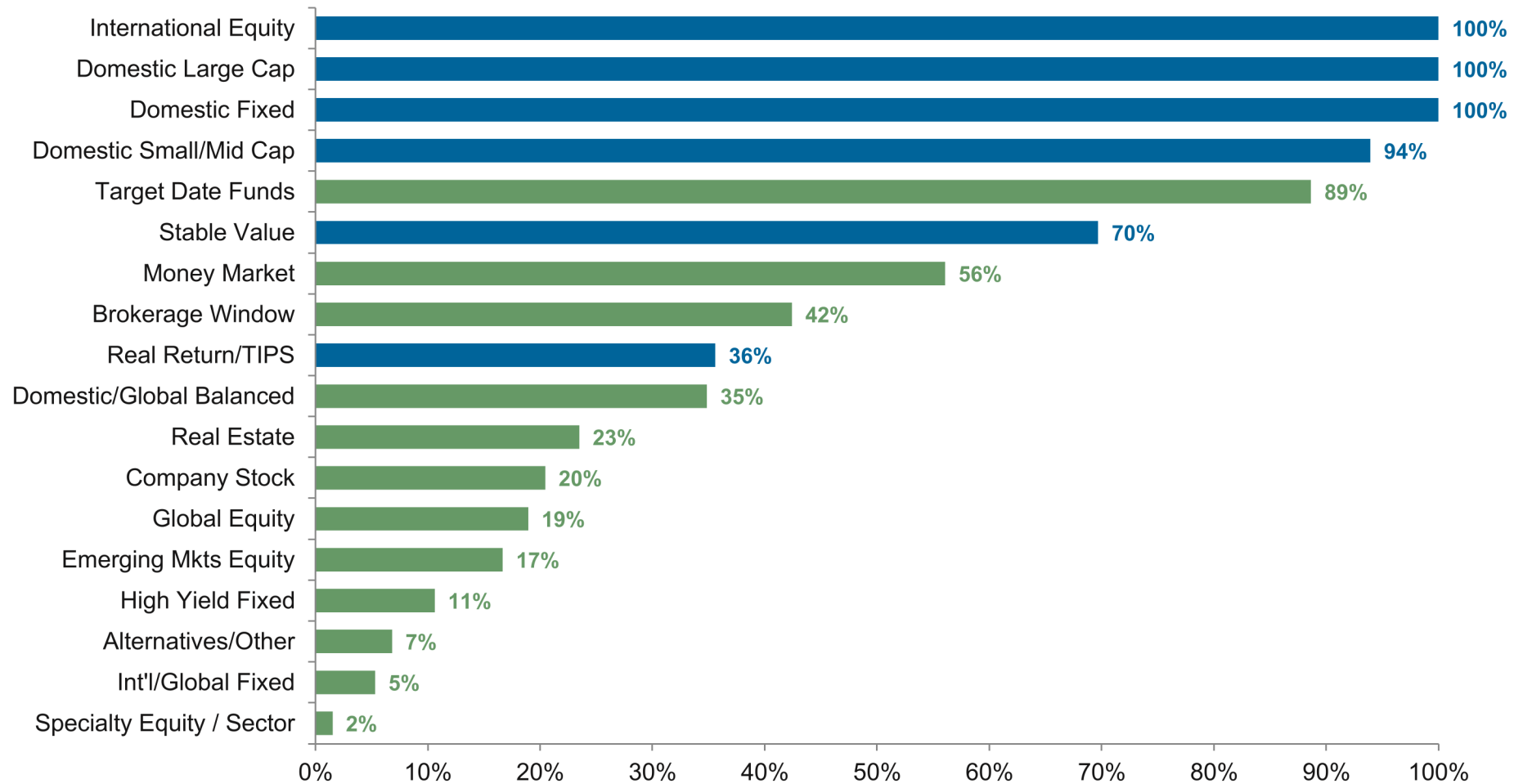
Source: Callan DC Index and Empower

Asset Classes Offered

DC Index Data as of December 31, 2025

The below asset classes reflect the 18 most prevalent asset classes offered by plans in the DC Index. Blue bars reflect investment options also offered by the Plans.

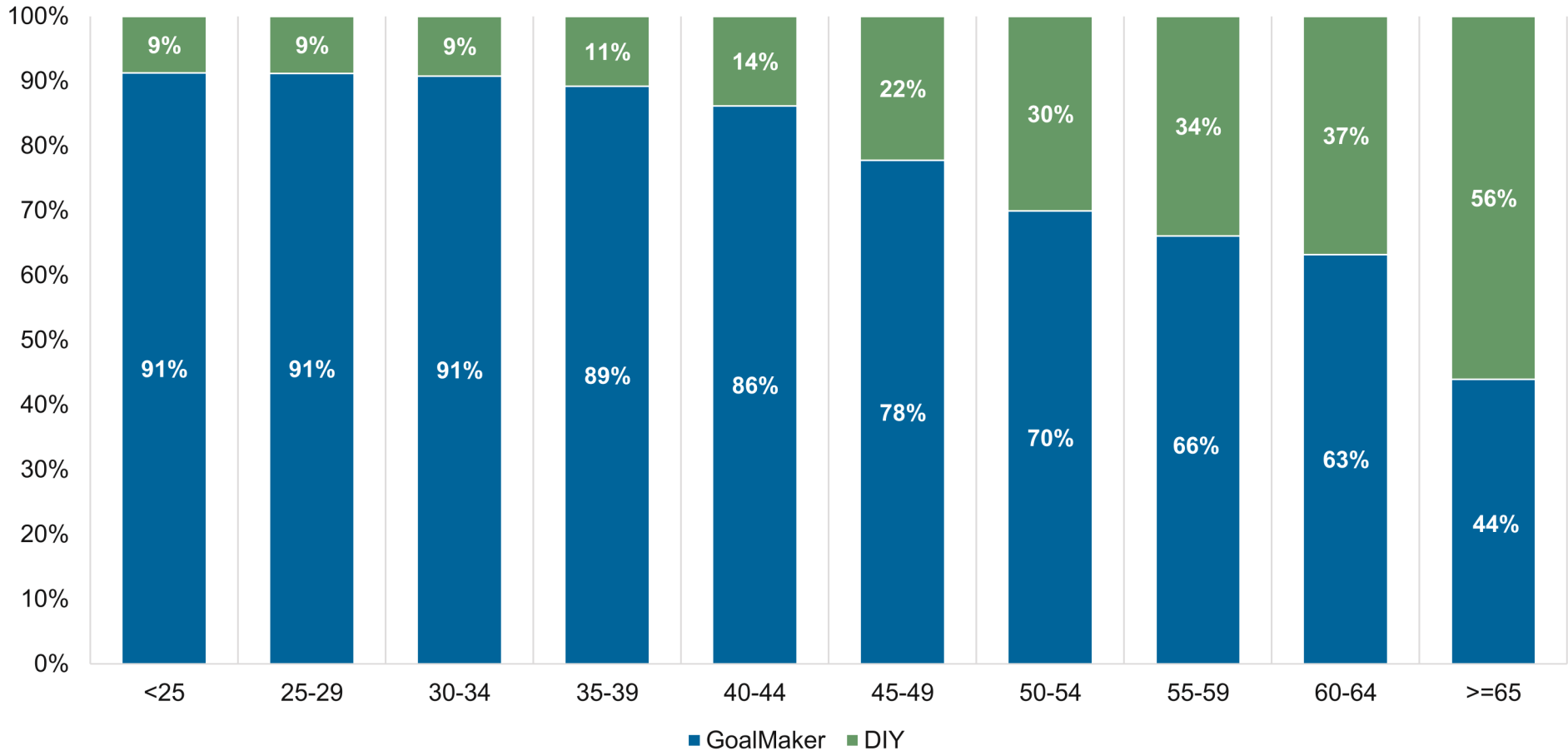
Asset Class Prevalence



Source: Callan DC Index and Empower

Investment Menu Utilization

Participant Investment Menu Usage



The Plans' participant population can be categorized into two groups based on how they use the investment menu:

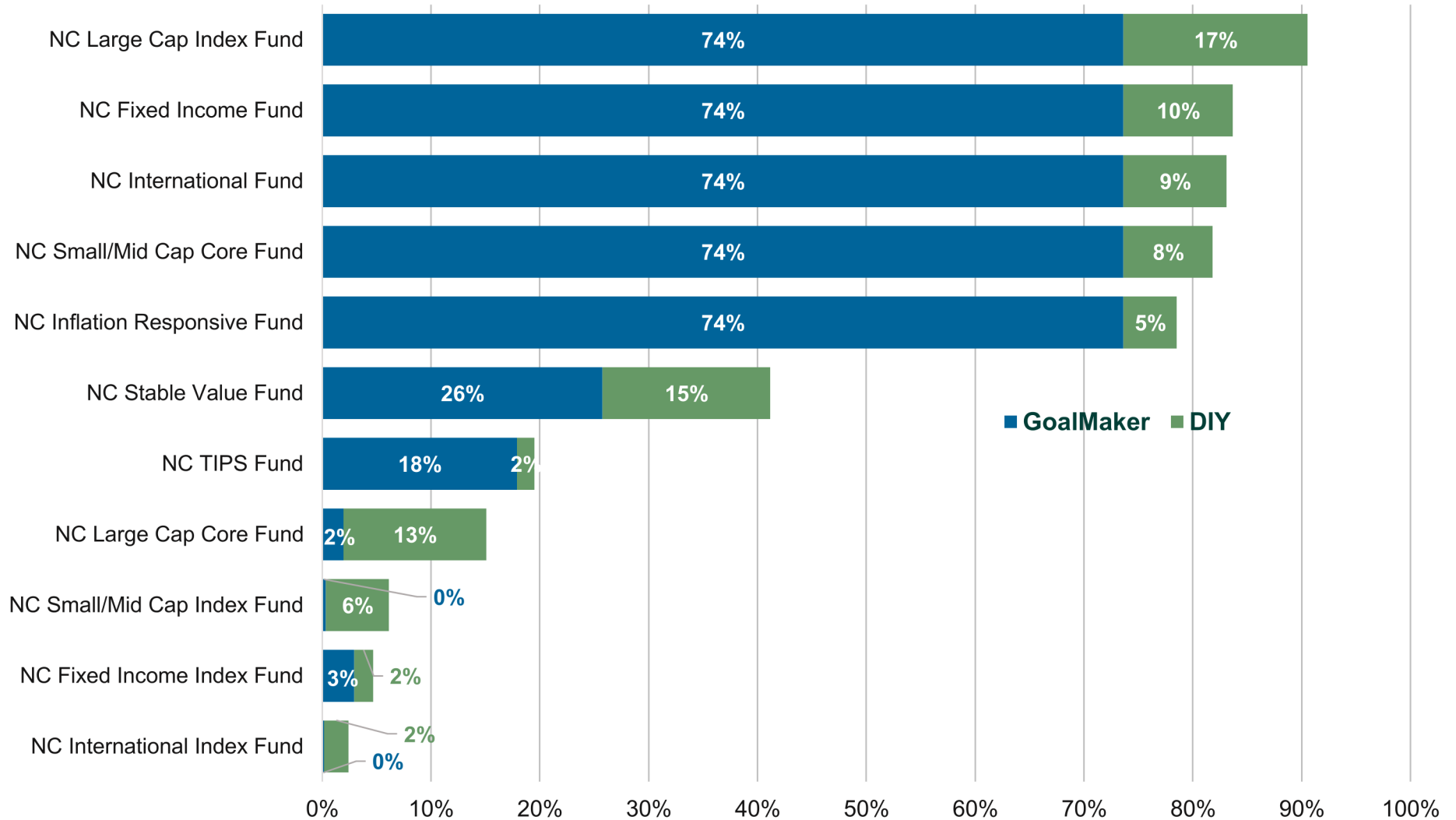
- 1. GoalMaker participants** – participants currently enrolled in the GoalMaker model portfolio service; **74%**
- 2. Do-it-Yourself (DIY) participants** – participants using the investment options to build their own portfolios; **26%**

Source: Empower as of 12/31/2025

Investment Option Utilization – Enrollment

The most prevalent investment option allocation among participants (91%) is to the NC Large Cap Index Fund (74% GoalMaker participants and 17% DIY participants).

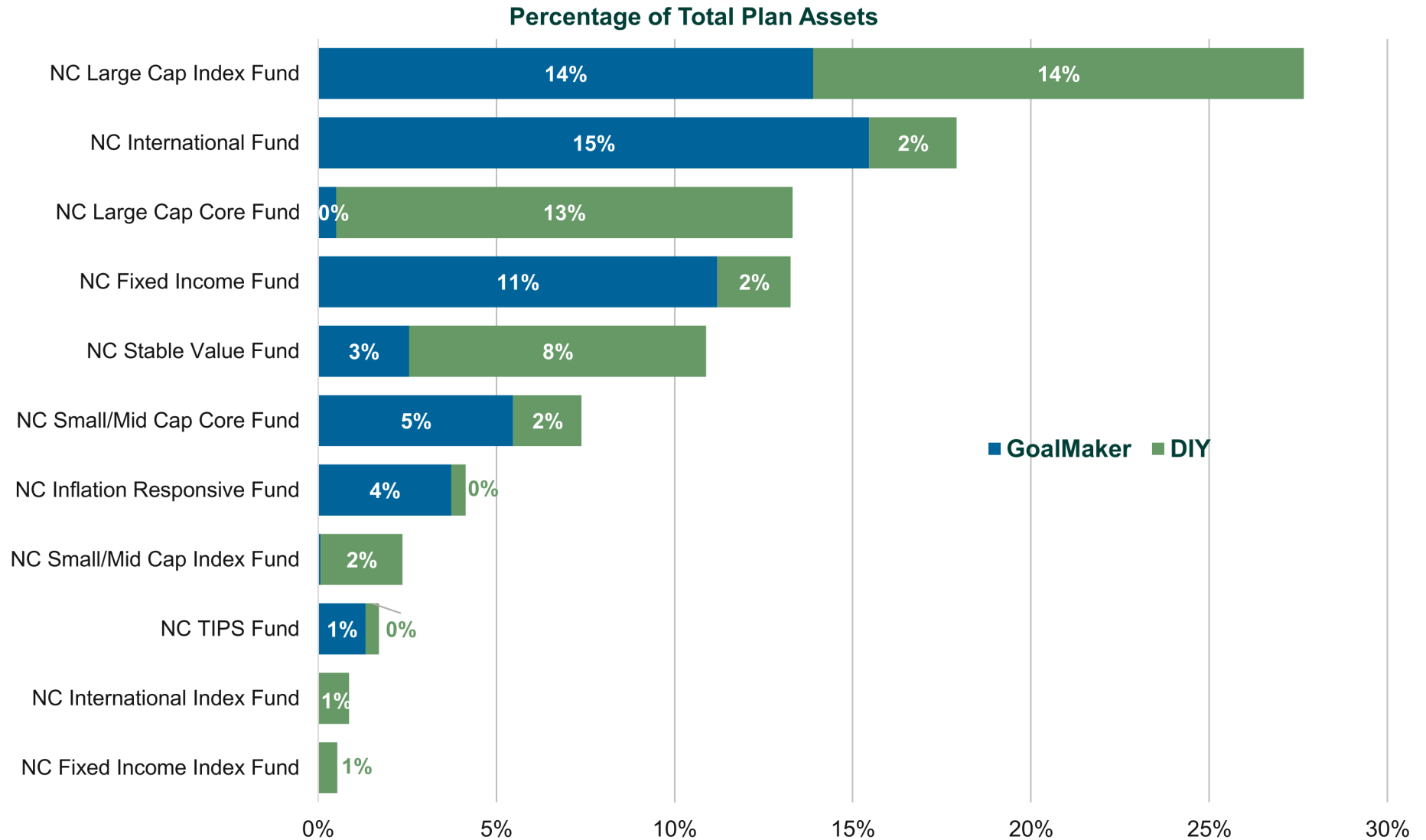
Percentage of Participants with a Balance



Source: Empower as of 12/31/2025

Investment Option Allocation – Enrollment

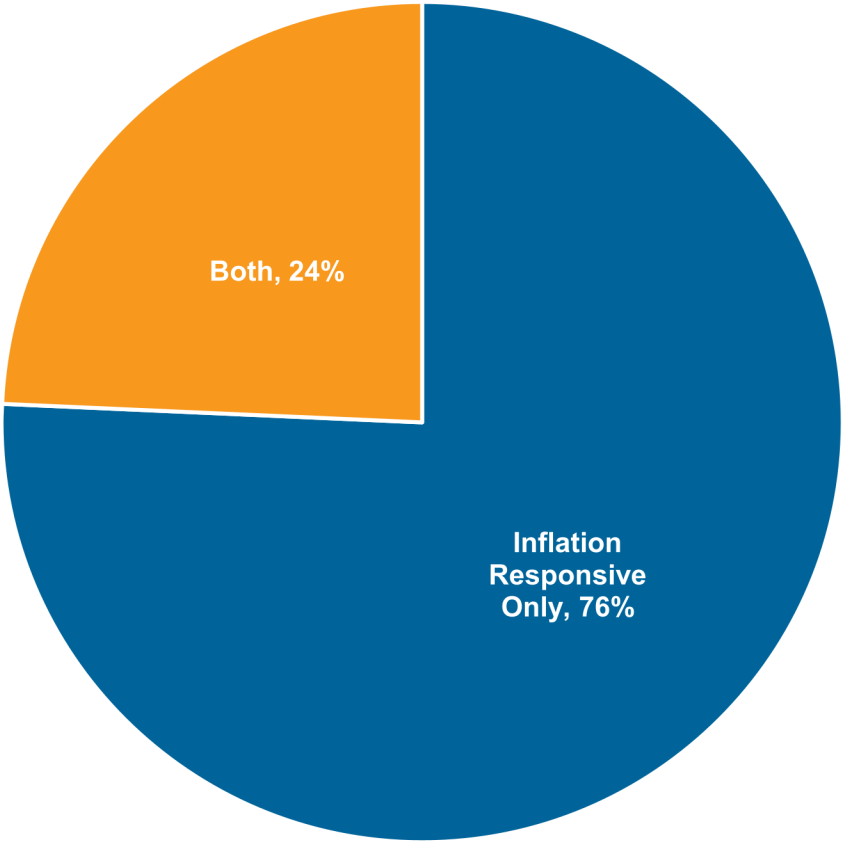
The largest investment option allocation among participants (28%) is to the NC Large Cap Index Fund (14% GoalMaker participants and 14% DIY participants).



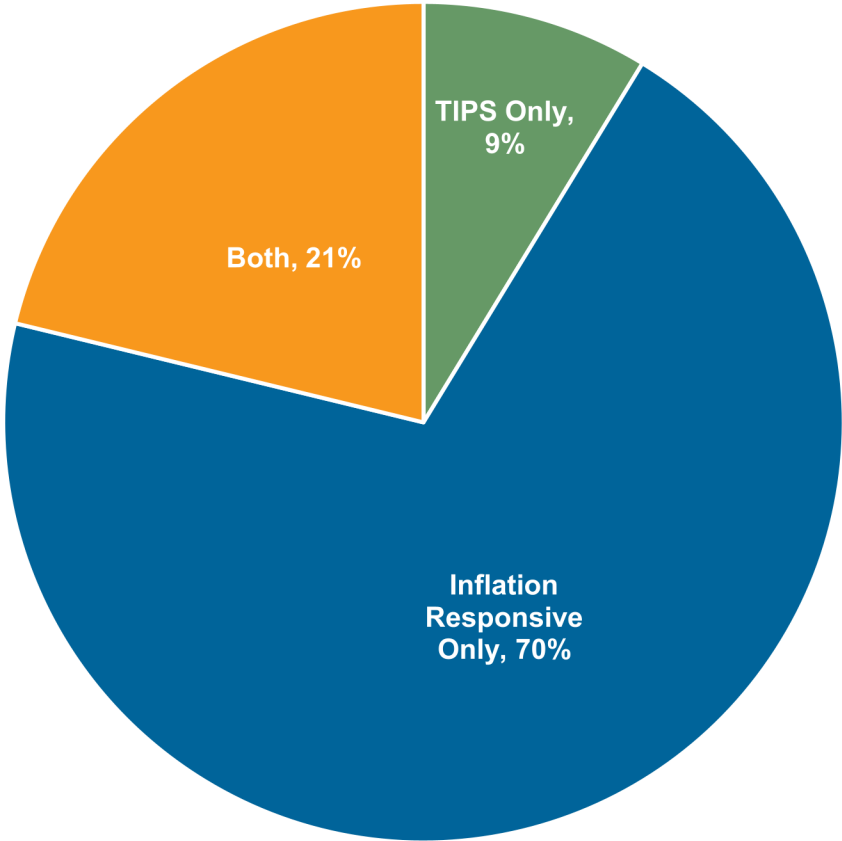
Source: Empower as of 12/31/2025

Inflation Sensitive Holding Patterns

GoalMaker Participants (239,722)



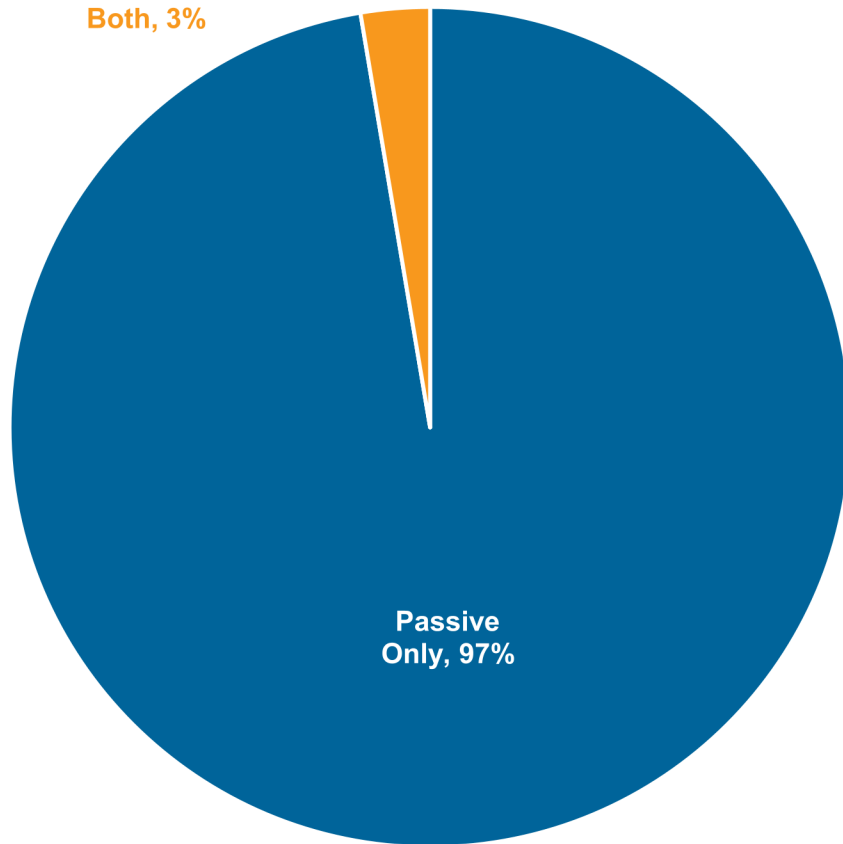
DIY Participants (17,510)



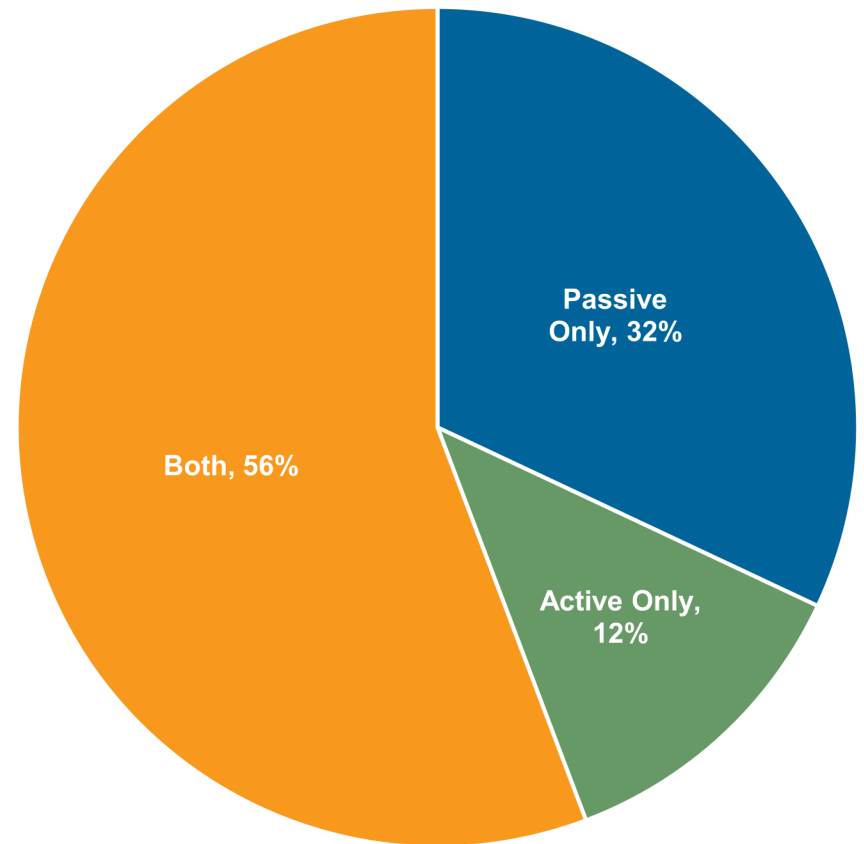
Source: Empower as of 12/31/2025

U.S. Large-Cap Equity Holding Patterns

GoalMaker Participants (239,770)



DIY Participants (62,809)



While GoalMaker solely allocated to passively managed large cap, 68% of DIY participants have an allocation to actively managed large cap

Source: Empower as of 12/31/2025

Investment Menu Considerations

Investment Menu Review

Summary Findings

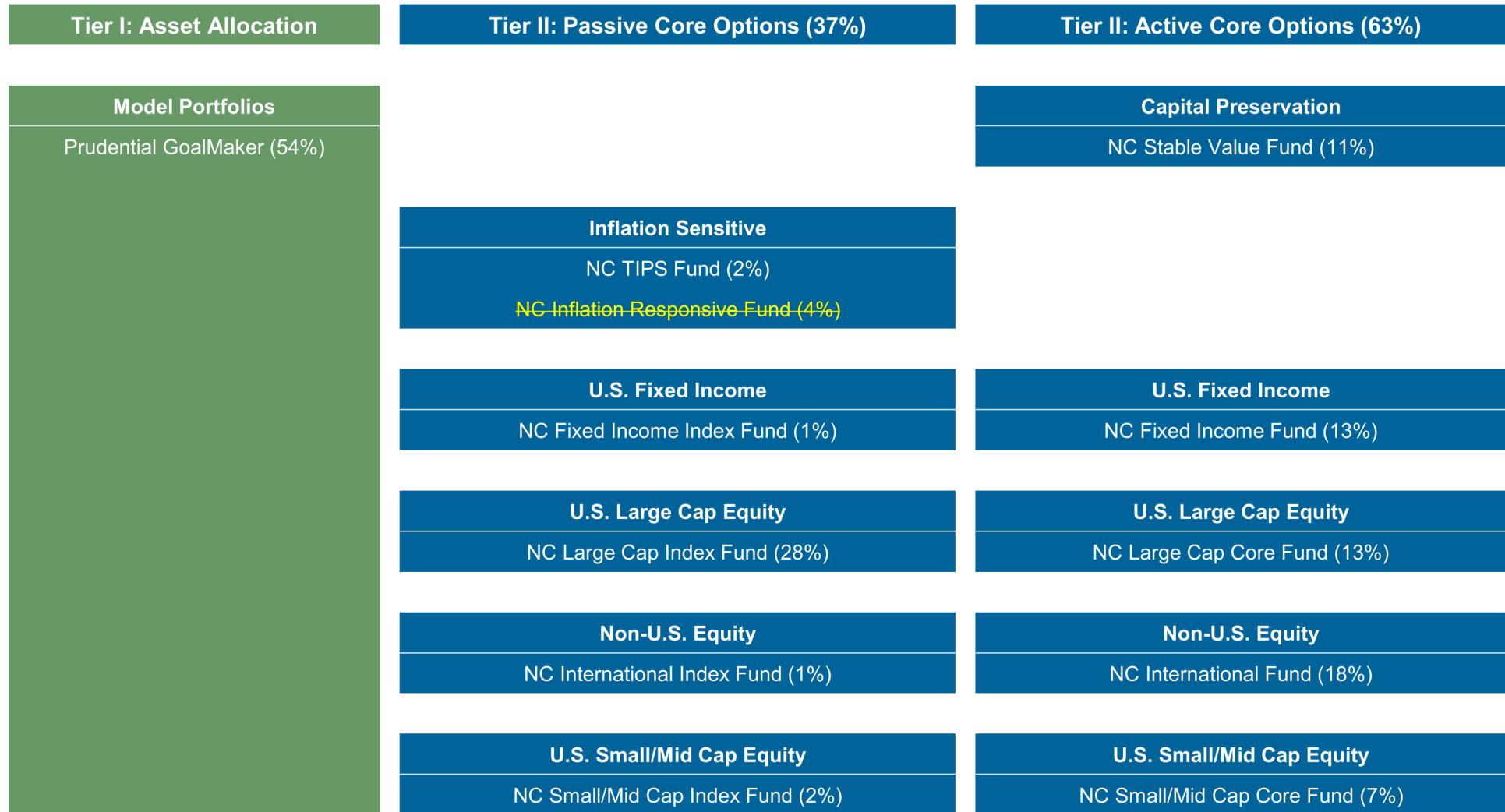
- The Plans have a sound investment structure as currently constructed. Given the current structure and observed participant usage patterns, changes are not necessarily required
- Callan and Staff recommend removing the Inflation Sensitive Fund without replacing the option due to low participant utilization

Related Observations

- The Plans' lineups provide a mix of active and passive management styles within core asset classes.
 - For do-it-yourself participants, the lineup provides access to the core asset classes intended to serve as the building blocks of a portfolio.
- Based on holding patterns, the Plans' participants largely appear to be using the investment options as intended.

Alternative Investment Menu

The diagram below depicts the menu of investment options, by asset category, that could be offered to the Plan's participants.



Source: Empower as of 12/31/2025

Investment Structure Evaluation

Actively Managed White Label Option Review

Executive Summary

Objective: Identify potential alternative investment structures for each actively managed option that could improve net of fee performance—including absolute, relative, and/or risk adjusted performance. Enhance the consistency of outperformance relative to the benchmark.

Observations and Considerations:

- The North Carolina active core white label structures allow participants to access institutional quality managers while reducing standalone manager active risk.
- Alternative investment structures are being shown to offer comparative portfolio construction analysis, not to confer a recommendation. The current white label structures remain viable and institutionally appropriate.
- The North Carolina Active Large Cap Equity fund remains the most popular standalone option for participants. This option is could potentially benefit from a reweighting of high conviction managers and/or diversifying sources of selection risk.

Quantitative Core Strategies

Callan has several clients that blend quantitative strategies with fundamental strategies as a way to:

- Diversify sources of value add and active risk
- Lower tracking error and improve consistency metrics
- More efficiently spend the fee budget
- Act as the core exposure in a core/satellite structure

Different quantitative styles are highlighted. Benchmark aware strategies are what the white label structures contemplate.

Benchmark Aware Core-Quant

Objective: Generate modest but consistent excess return (“alpha”) over a benchmark while maintaining:

- low tracking error, 1-3%
- broad diversification,
- sector/country neutrality, and
- benchmark-like characteristics.

Common signals: value, momentum, quality, earnings momentum, profitability, low volatility

Product names: enhanced index, systematic core

Fundamental Core Quantitative Strategies

These strategies remain systematic but can take larger factor positions. Examples include: deep value, quality compounders, momentum-focus, multi-factor concentrated.

Characteristics:

- Higher active share
- More cyclical exposure
- ~4-8% tracking

Alternative Data/AI Driven Quant

Newer and more aggressive quant strategies that can emphasize:

- Nontraditional datasets
- Machine learning
- Satellite imagery
- Web scraping
- Transaction data

Characteristics:

- Higher Turnover
- Less benchmark awareness
- More alpha-seeking

Structure Considerations

Seek to maximize plan alpha at a palatable level of active risk relative to the plan benchmark

- Think of the manager structure in an overall portfolio context
- Incorporate active managers only if they are expected to contribute sufficient alpha to compensate for the possibility of underperforming the benchmark
- This is a net-of-fees exercise

Spend plan's active risk budget efficiently

- Spend active risk in sectors and regions where active management has high probability of succeeding
- Otherwise, rely heavily on indexes in order to control both expenses and risk
- Keep magnitude of systematic bets vs. the plan benchmark (misfit risk) under control

Incorporate diversification

- Seek broad diversification across all global equity markets
- The risk an individual active manager contributes to the overall portfolio depends on both its size and its tracking error
- Avoid excessive risk contribution from any one manager
- However, avoid over diversification or “closet indexing”

Simplify where appropriate

- Structure should meet investment objective with the minimum level of complexity
- Benefit is lower monitoring costs as well as explicit costs
- Active manager mandate sizes must be large enough to be meaningful to the fund but not overwhelming to the manager

Sources of Active Risk

Selection Risk

Risk stemming from active managers' bets relative to their benchmarks

- Risk which is expected to be rewarded with alpha if manager is skillful
- The risk you are paying your active managers to take
- This risk at the plan level is reduced as the number of active managers increases due to diversification

Misfit Risk

Risk which results when the overall exposures of the plan's manager benchmarks differ from the plan's benchmark

- When unintentional, misfit confers additional active risk without any expected return
- Misfit can be controlled by ensuring overall manager exposures (large vs. small; value vs. growth, U.S. vs. international; etc.) are generally consistent with the plan's benchmark
- When intentional, some misfit can be justified if it reflects a high conviction bet on styles, capitalizations, sectors, regions, etc.
- However, the bar for skill is high and tactical bets should be scaled as to not be a disproportionate driver of active risk

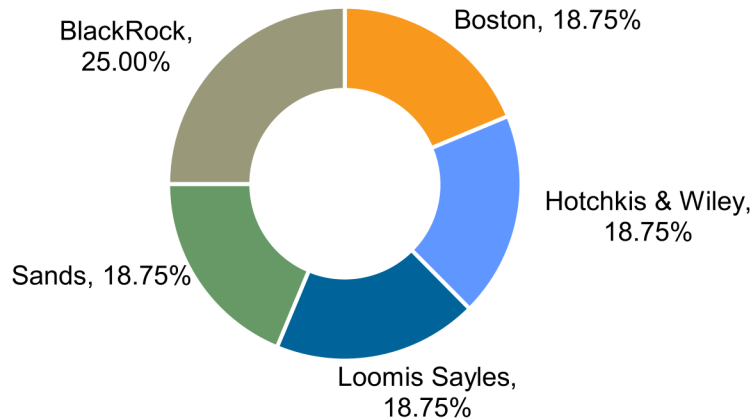
Large Cap Core Equity Fund

Current Structure: Target Weights and 12/31/25 Assets

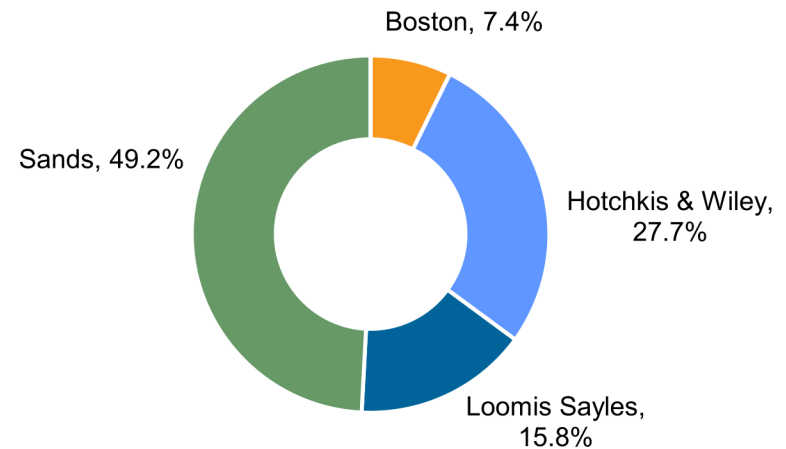
Manager	Benchmark	Assets	Portfolio Weight	Selection Risk	Contribution to Selection Risk
Boston	Russell 1000 Val	\$ 498,869,846	18.75%	3.1%	7.4%
Hotchkis & Wiley	Russell 1000 Val	\$ 498,869,846	18.75%	7.3%	27.7%
Loomis Sayles	Russell 1000 Grth	\$ 498,869,846	18.75%	4.9%	15.8%
Sands	Russell 1000 Grth	\$ 498,869,846	18.75%	10.6%	49.2%
BlackRock	Russell 1000	\$ 665,159,795	25.00%	0.0%	0.0%
Total Large Cap Structure	Russell 1000	\$ 2,660,639,179	100%	3.2%	

Selection Risk is the 10-year tracking error relative to the benchmark.

Portfolio Weight



Contribution to Selection Risk



- The current structure employs five managers – 4 active (2 growth and 2 value) and 1 passive (25% weight)
- Sands accounts for almost half of the structure’s selection risk while Boston accounts for just 7.4%

Large Cap Core Equity Fund

Current and Alternative Structures

Manager	Benchmark	Selection Risk	Net Excess Return	Current	Alt 1	Alt 2	Alt 3	Alt 4
Boston	Russell 1000 Val	3.1%	1.4%	18.75%	18.75%	18.75%	23.75%	30.00%
Hotchkis & Wiley	Russell 1000 Val	7.3%	1.9%	18.75%	18.75%	18.75%	13.75%	
Loomis Sayles	Russell 1000 Grth	4.9%	-0.6%	18.75%	18.75%	18.75%	23.75%	30.00%
Sands	Russell 1000 Grth	10.6%	-4.4%	18.75%			13.75%	
BlackRock	Russell 1000	0.0%	-0.0%	25.00%	25.00%	5.00%	5.00%	10.00%
New Manager - Quant Core	Russell 1000	1.1%	0.7%			20.00%	20.00%	30.00%
New Manager - Active Growth	Russell 1000 Grth	4.1%	-1.2%		18.75%	18.75%		
Total Large Cap Structure	Russell 1000			100%	100%	100%	100%	100%
Net Excess Return				-0.2%	0.3%	0.5%	0.1%	0.4%
Total Active Risk (TE)				3.2%	2.4%	2.4%	2.8%	1.8%
Net Excess Return Ratio				-0.05	0.12	0.19	0.04	0.24
Beta vs Russell 1000				1.07	1.03	1.03	1.05	1.00
Contribution to Selection Risk								
Boston				7%	15%	15%	13%	30%
Hotchkis & Wiley				28%	47%	46%	23%	
Loomis Sayles				16%	21%	20%	26%	66%
Sands				49%			38%	
BlackRock				0%	0%	0%	0%	0%
New Manager - Quant Core						2%	1%	5%
New Manager - Active Growth					18%	18%		
Consistency Metrics								
Batting Average (1m; net)				46%	48%	48%	48%	49%
Max Relative Underperformance (12m; net)				-8.3%	-4.4%	-4.5%	-6.7%	-3.3%
Estimated Annual Fee (%)				0.28%	0.27%	0.33%	0.33%	0.27%

Note: All stats for 10 years ended 12/31/25

Large Cap Core Equity

Considerations and Tradeoffs

Considerations:

- The selection risk of the existing structure is dominated by a single concentrated, high-conviction manager. Historical tracking error has remained high despite a structure that includes 25% passive management and four active managers at equal weights.
- While the existing large cap equity investment structure remains viable, the Plans could consider the following:
 - Reevaluating the role of the high-conviction, aggressive growth manager

Key Tradeoffs:

- Depending on the strategies engaged to run the quantitative core and large cap value mandates and ability to negotiate fees, there is a chance that alternative structure could modestly raise the overall fees of the multi-manager option.
- Quantitative strategies have navigated the post-COVID environment well, however there have been extended periods where these strategies have struggled to outperform the cap-weighted index.

Large Cap Core Equity Style vs. Russell 1000

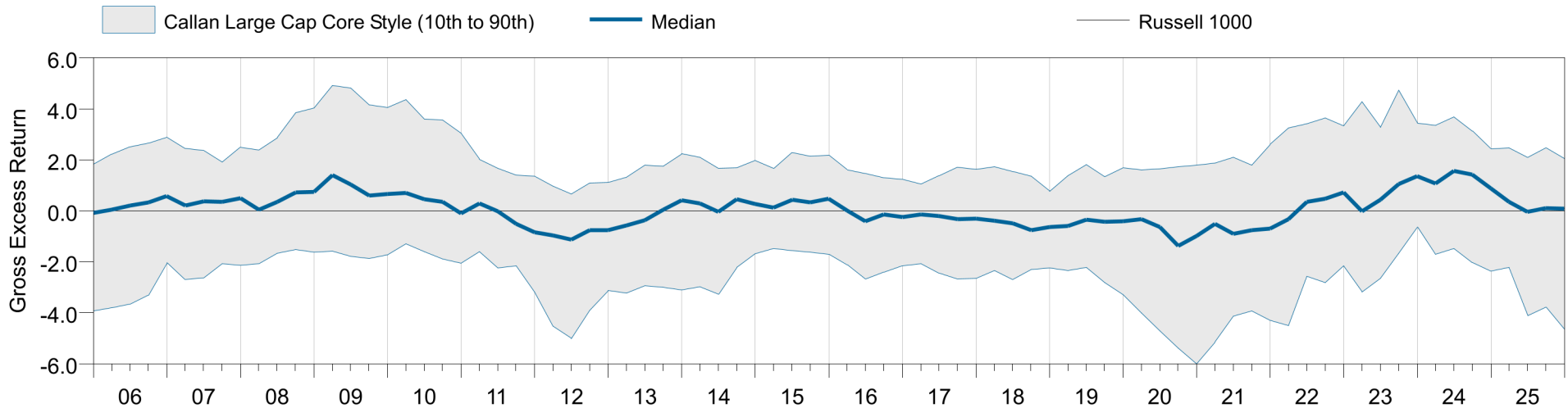
How Often Manager Beat Benchmark by More Than Fee Hurdle in Rolling 3-Year Periods Over Last 20 Years

Fee Hurdle	0.25%	0.30%	0.35%	0.40%	0.45%	0.50%	0.55%	0.60%	0.65%	0.70%
Median	43%	39%	33%	29%	23%	19%	19%	16%	16%	14%
45th Percentile	50%	46%	44%	41%	36%	34%	26%	23%	23%	21%
40th Percentile	64%	58%	58%	56%	54%	48%	44%	41%	36%	34%
35th Percentile	69%	68%	66%	64%	61%	60%	58%	53%	51%	48%
30th Percentile	84%	80%	78%	70%	69%	64%	64%	61%	60%	59%
25th Percentile	95%	93%	91%	89%	85%	81%	79%	73%	70%	69%

Average Annualized 3-Year Excess Return (gross) – Median Manager:

0.05%

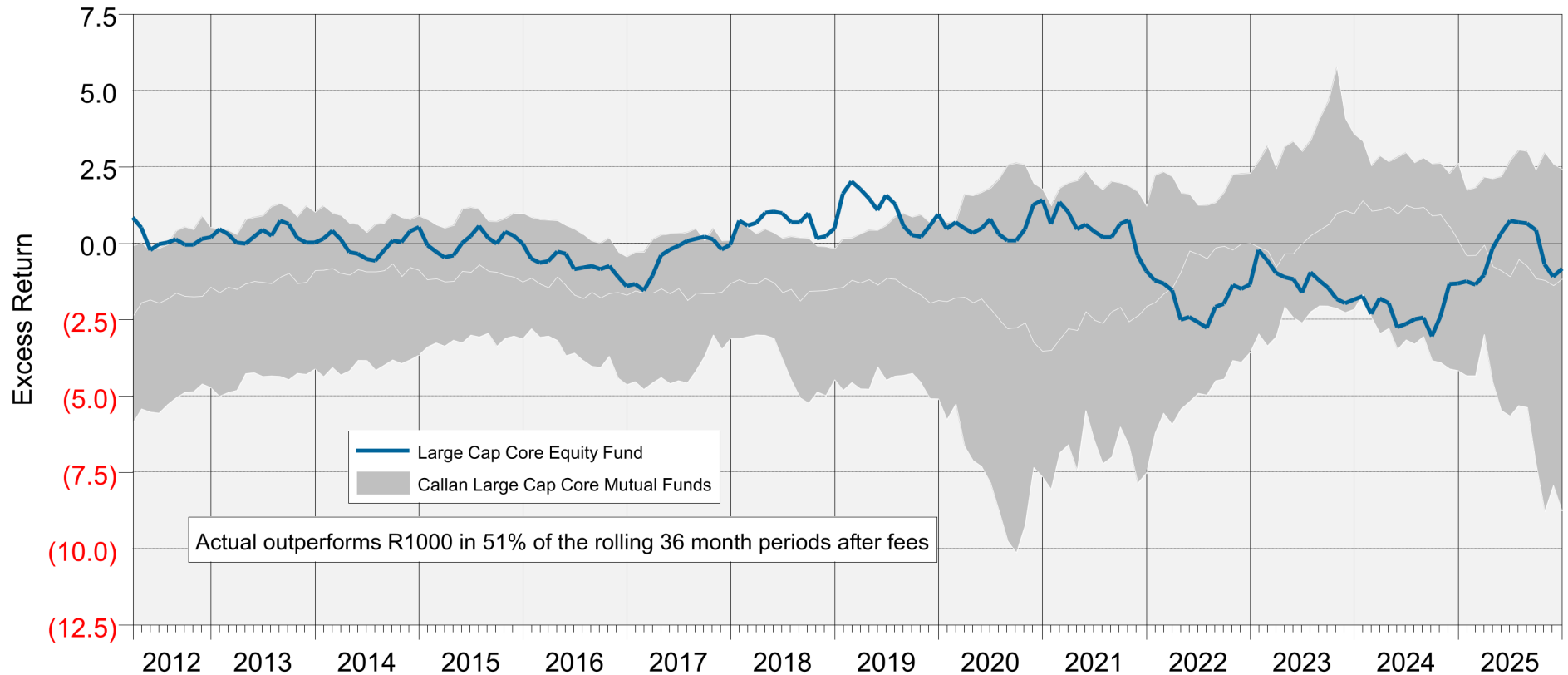
Rolling 3-Year Gross Excess Return relative to Russell 1000 for 20 Years ended December 31, 2025



Large Cap Core Equity Fund

Actual Performance

Rolling 36 Month Net of Fee Excess Return Relative To Russell:1000 Index
Since Inception



- Sands outperformance prior to 2022 and underperformance after 2022 have impacted the total fund
- Performance prior to 2025 is negatively impacted by Macquarie Large Cap Value strategy

Historical data for the NC Large Cap Core fund was provided by staff; blending results of Large Cap Value and Large Cap Growth prior to 2016 periods.

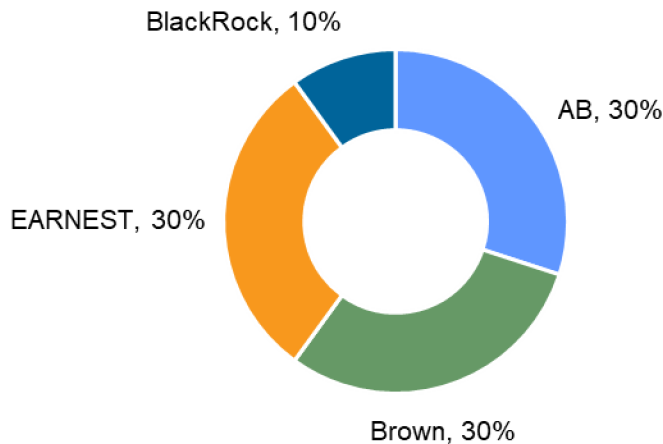
Small/Mid Cap Equity Fund

Current Structure: Target Weights and 12/31/25 Assets

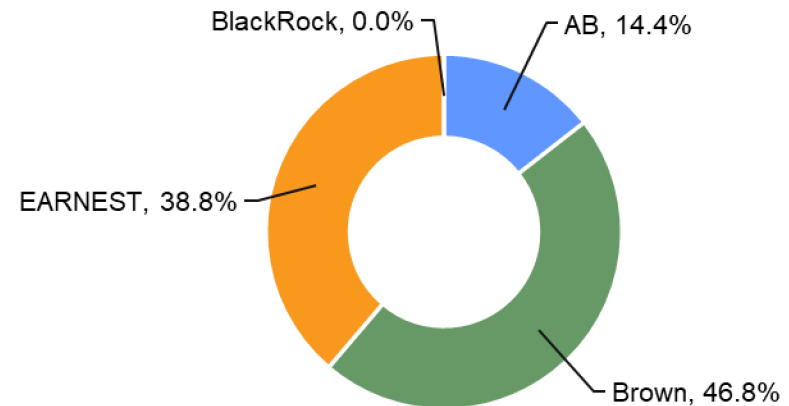
Manager	Benchmark	Assets	Portfolio Weight	Selection Risk	Contribution to Selection Risk
AB	Russell 2500 Val	\$ 442,672,820	30%	3.5%	14.4%
Brown	Russell 2500 Grth	\$ 442,672,820	30%	6.0%	46.8%
EARNEST	Russell 2500	\$ 442,672,820	30%	5.2%	38.8%
BlackRock	Russell 2500	\$ 147,557,607	10%	0.1%	0.0%
Total SMID Structure	Russell 2500	\$ 1,475,576,067	100%	3.1%	

Selection Risk is the 10-year tracking error relative to the benchmark.

Portfolio Weight



Contribution to Selection Risk



- The current structure employs four managers – 3 active (core, growth, and value) and 1 passive (10% weight)
- Brown accounts for almost half of the structure’s selection risk while EARNEST accounts for almost 40%
- AB’s contribution to selection risk is less than half its weight in the structure

Small/Mid Cap Equity Fund

Current and Alternative Structures

Manager	Benchmark	Selection Risk	Net Excess Return	Current	Alt 1	Alt 2	Alt 3	Alt 4
AB	Russell 2500 Val	3.5%	-0.8%	30%	30%	25%	20%	20%
Brown	Russell 2500 Grth	6.0%	-1.2%	30%				
EARNEST	Russell 2500	5.2%	0.7%	30%	30%	25%	25%	20%
BlackRock	Russell 2500	0.1%	0.1%	10%	10%	5%	10%	5%
New Manager - Active Growth	Russell 2500 Grth	5.6%	-0.4%		30%	25%	20%	20%
New Manager - Quant Core	Russell 2500	2.1%	0.8%			20%	25%	35%
Total SMID Structure	Russell 2500			100%	100%	100%	100%	100%
Net Excess Return				-0.4%	-0.2%	0.0%	0.1%	0.2%
Total Active Risk (TE)				2.8%	2.9%	2.5%	2.2%	2.1%
Net Excess Return Ratio				-0.15	-0.06	0.01	0.06	0.09
Beta vs Russell 2500				0.94	0.93	0.95	0.95	0.96
Contribution to Selection Risk								
AB				14%	16%	15%	13%	14%
Brown				47%				
EARNEST				39%	40%	37%	43%	32%
BlackRock				0%	0%	0%	0%	0%
New Manager - Active Growth					45%	44%	39%	41%
New Manager - Quant Core						3%	6%	12%
Consistency Metrics								
Batting Average (1m; net)				52%	55%	58%	57%	58%
Max Relative Underperformance (12m; net)				-8.6%	-6.5%	-5.4%	-4.8%	-4.4%
Estimated Annual Fee (%)				0.40%	0.47%	0.46%	0.42%	0.43%

Note: All stats for 10 years ended 12/31/25

Small/Mid Cap Equity

Considerations and Tradeoffs

Considerations:

- The tracking error for the option has generally been in line with expectations and no single manager has dominated the active risk for the structure. The performance challenges have been more manager specific and performance consistency could be improved by reevaluating the role of the growth manager.
- While the existing Small/Mid Cap equity investment structure remains viable, the Plans could consider the following:
 - Reevaluating the role of the growth manager and the contribution to the structure

Key Tradeoffs:

- The Small/Mid Cap Equity option has exhibited some favorable characteristics that have been more recently less beneficial to performance, namely lower beta (market risk) and generally higher quality. Selection of new managers should consider these characteristics as there is the potential for trading quality portfolios at low valuations for more speculative portfolios at high valuations.
- Quantitative strategies have navigated the post-COVID environment well, however there have been extended periods where these strategies have struggled to outperform the cap-weighted index.
- The ability to maintain the existing fee will be subject to successful fee negotiations.

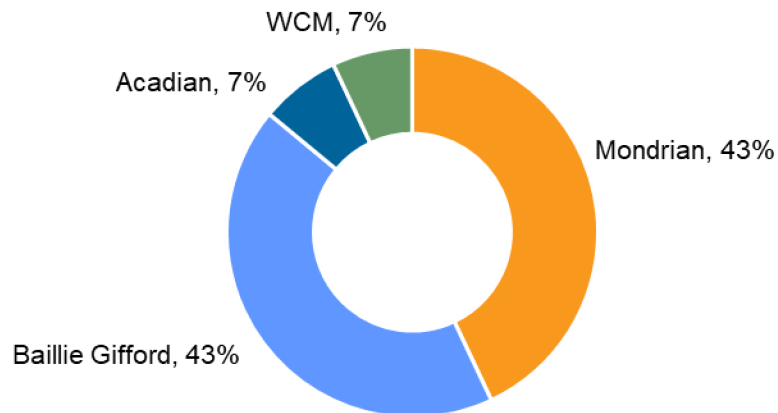
International Equity Fund

Current Structure: Target Weights and 12/31/25 Assets

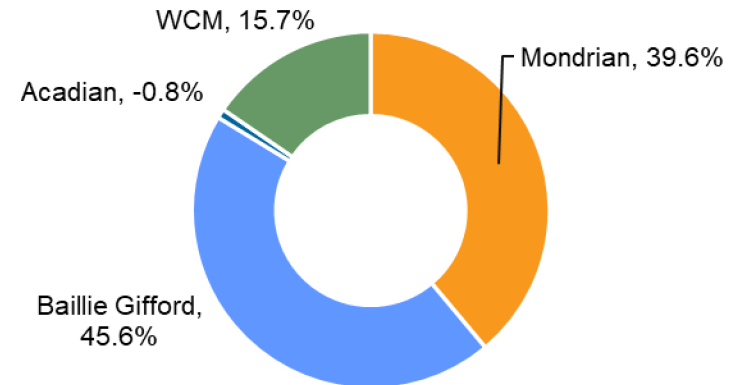
Manager	Benchmark	Assets	Portfolio Weight	Selection Risk	Contribution to Selection Risk
Mondrian	MSCI ACWIxUS Val	\$ 1,538,978,994	43%	3.8%	39.6%
Baillie Gifford	MSCI ACWIxUS Grth	\$ 1,538,978,994	43%	4.0%	45.6%
Acadian	MSCI ACWIxUS SC	\$ 250,531,464	7%	3.6%	-0.8%
WCM	MSCI ACWIxUS SC	\$ 250,531,464	7%	9.9%	15.7%
Total International Eq Structure	MSCI ACWIxUS IMI	\$ 3,579,020,916	100%	2.5%	

Selection Risk is the 10-year tracking error relative to the benchmark.

Portfolio Weight



Contribution to Selection Risk



- The current structure employs four active managers – value and growth ACWI ex USA managers (43% each) and two ACWI ex USA Small Cap managers (7% each)
- Mondrian and Baillie Gifford dominate the contribution to selection risk given their weight in the portfolio

International Equity Fund

Current and Alternative Structure

Manager	Benchmark	Selection Risk	Net Excess Return	Current	Alt
Mondrian	MSCI ACWlxUS Val	3.8%	0.0%	43%	33%
Baillie Gifford	MSCI ACWlxUS Grth	4.0%	0.4%	43%	33%
Acadian	MSCI ACWlxUS SC	3.6%	3.6%	7%	7%
WCM	MSCI ACWlxUS SC	9.9%	3.4%	7%	7%
New Manager - Quant Core	MSCI ACWlxUS	2.3%	2.8%		15%
New Manager - Passive	MSCI ACWlxUS IMI	0.3%	0.1%		5%
Total International Eq Structure	MSCI ACWlxUS IMI			100%	100%
Net Excess Return				0.7%	1.1%
Total Active Risk (TE)				2.5%	2.0%
Net Excess Return Ratio				0.29	0.55
Beta vs ACWlxUS IMI				1.03	1.02
Contribution to Selection Risk					
Mondrian				40%	35%
Baillie Gifford				46%	40%
Acadian				-1%	1%
WCM				16%	22%
New Manager - Quant Core					3%
New Manager - Passive					0%
Consistency Metrics					
Batting Average (1m; net)				56%	60%
Max Relative Underperformance (12m; net)				-5.8%	-4.4%
Estimated Annual Fee (%)				0.40%	0.43%

Note: All stats for 10 years ended 12/31/25

International Equity Fund

Considerations and Tradeoffs

Considerations:

- While some managers exhibit higher than average active risk (tracking error), the total portfolio risk remains within acceptable ranges.
- The existing structure offers a combination of growth, value, and small cap exposures. This allows for different sources of alpha generation across regions and styles.
- Active risk is not overly concentrated in a single manager.

Key Tradeoffs:

- International equity has shown less consistent excess returns across managers, particularly in recent periods.
- Introducing a more benchmark-oriented quantitative core manager could help reduce active risk but may also limit upside from high-conviction managers.

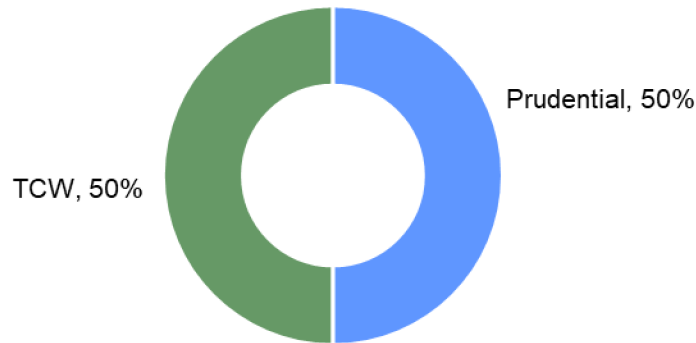
Fixed Income Fund

Current Structure: Target Weights and 12/31/25 Assets

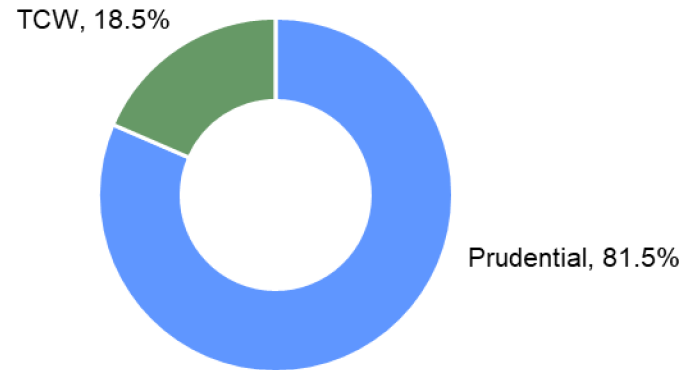
Manager	Benchmark	Assets	Portfolio Weight	Selection Risk	Contribution to Selection Risk
Prudential	Bloomberg Aggregate	\$ 1,324,263,129	50%	2.3%	81.5%
TCW	Bloomberg Aggregate	\$ 1,324,263,129	50%	0.8%	18.5%
Total Fixed Income Structure	Bloomberg Aggregate	\$ 2,648,526,257	100%	1.4%	

Selection Risk is the 10-year tracking error relative to the benchmark.

Portfolio Weight



Contribution to Selection Risk



- Current structure employs two core plus managers benchmarked to the Bloomberg Aggregate Index
- Despite a 50-50 manager weighting, Prudential accounts for over 80% of the structure's selection risk

Fixed Income Fund

Current and Alternative Structures

Manager	Benchmark	Selection Risk	Net Excess Return	Current	Alt 1	Alt 2	Alt 3
Prudential	Bloomberg Aggregate	2.3%	1.4%	50%	45%	50%	50%
TCW	Bloomberg Aggregate	0.8%	0.3%	50%	45%		
Inv Grade PP Manager	Bloomberg Aggregate	2.1%	1.3%		10%		
Core Plus Manager A	Bloomberg Aggregate	1.6%	1.3%			50%	
Core Plus Manager B	Bloomberg Aggregate	1.6%	1.4%				50%
Total Fixed Income Structure	Bloomberg Aggregate			100%	100%	100%	100%
Net Excess Return				0.9%	0.9%	1.4%	1.4%
Total Active Risk (TE)				1.4%	1.4%	1.8%	1.4%
Net Excess Return Ratio				0.64	0.66	0.77	1.00
Beta vs Bloomberg Aggregate				1.08	1.06	1.03	1.11
Contribution to Selection Risk							
Prudential				82%	72%	61%	68%
TCW				18%	16%		
Inv Grade PP Manager					12%		
Core Plus Manager A						39%	
Core Plus Manager B							32%
Consistency Metrics							
Batting Average (1m; net)				75%	75%	76%	70%
Max Relative Underperformance (12m; net)				-2.5%	-2.8%	-4.0%	-2.0%
Estimated Annual Fee (%)				0.13%	0.14%	0.13%	0.14%

Note: All stats for 10 years ended 12/31/25

Fixed Income Fund

Considerations and Tradeoffs

Considerations:

- The current core plus approach provides a diversified exposure across fixed income sectors while not straying too far from the Bloomberg Aggregate Index.
- Both managers have added value net of fees over time supporting the case for active management
- The structure balances a more conservative oriented core plus manager with a higher-yielding, more flexible manager offering some diversification in approach.
- While one manager contributes a larger share of active risk, overall fund risk remains within acceptable bounds.

Key Tradeoffs:

- Despite equal weights, a disproportionate share of selection risk and performance outcomes are driven by one manager.

Appendix

Tier Overviews

Tier I: Overview and Best Practices

Overview

Tier I is the asset allocation fund tier and is intended for “do-it-for-me” participants who prefer a single-option solution and the delegation of the asset allocation decision to a professional manager.

Callan believes asset allocation funds, in general, are good alternatives for savings plan participants because they are professionally managed, periodically rebalanced, and can keep participants from chasing hot-performing funds. More importantly, they are also an approved default investment alternative as defined in the 2006 Pension Protection Act*. They can also be positioned as an easy choice for those participants lacking the knowledge, interest, and/or time to manage their accounts directly.

Callan’s Philosophy

Within Tier I, Callan typically advocates plans offer a suite of target date funds (“TDFs”) as the default investment, GoalMaker, while not a TDF suite, may overlap with some of the custom target date fund characteristics.

Although TDFs have certain limitations (e.g., only use age as main input for asset allocation), they tend to present a suitable investment option for participants who wish to take a “set-and-forget” approach. The shifting allocations derived from a glidepath or glidepath oriented strategy provide participants with an asset allocation strategy that features more aggressive allocations in their early working years and more conservative allocations as they approach retirement.

Callan does not have a “one-size-fits-all” philosophy when it comes to TDF management style (i.e., passive vs. active). Rather, Callan believes plan sponsors should periodically evaluate their TDF suite to ensure it is a suitable investment option in light of plan design and participant demographics. As part of a TDF evaluation, plan fiduciaries should consider multiple factors, including but not limited to glidepath construction, performance, and fees.

While not subject to ERISA, the NCSRP Board has viewed ERISA standards as a reasonable guide for industry best practice.

Tier II: Overview and Best Practices

Overview

Tier II is the core fund tier and is intended for “do-it-yourself” participants who prefer to build their own portfolios by utilizing the core tier options as essential building blocks.

Tier II lineups are typically comprised of competitively priced, diversified core options, with limited or no overlap. In addition, the core tier often consists of both passively managed and actively managed options to provide participants with the ability to make a decision regarding their conviction in the ability of active management to add alpha within asset classes.

Callan’s Philosophy

Callan generally recommends that a plan’s core tier investment lineup provides sufficient asset class coverage by including funds whose benchmarks generally represent the following asset classes:

- Capital preservation
- Core/core plus fixed income
- U.S. large-cap equity
- Non-U.S. equity
- U.S. small/mid-cap equity

If the participant base consists of a large “do-it-yourself” population, plan fiduciaries may consider offering an active/passive mirror within Tier II. Active/passive mirrors provide participants choice with respect to relatively low-cost market exposure and/or the pursuit of alpha via active management within the core asset classes.

Tier III: Overview and Best Practices

Overview

Tier III is the specialty fund tier and contains any investment funds not considered core.

Examples of funds that would be classified as specialty include sector-specific funds (e.g., technology sector funds), aggressive growth or deep-value U.S. equity funds, emerging markets funds, and real estate investment trusts. Some plan sponsors may also offer a self-directed brokerage window.

Callan's Philosophy

Callan recommends that plans offer a limited set of options within the specialty tier given the complex nature of specialty funds and the potential confusion they may bring to participants.

Offering too many specialty funds may lead to inappropriate allocations for participants who use naïve diversification strategies such as the "1/N rule."* Therefore, it is generally best practice to offer a streamlined specialty tier and instead allow "do-it-yourself" participants to build diversified portfolios using the core tier funds.

A self-directed brokerage window can add value if the participant population contains financially savvy individuals who seek specialty options to complement their portfolios.

*The "1/N rule" refers to an asset allocation decision that involves allocating equally across all N funds under consideration.

Appendix

Managed Account Overview

Managed Accounts Services Overview

Managed account services are geared for do-it-with-me investors who desire greater personalization

Managed account providers are discretionary investment managers and provide independent third-party advice:

- ▶ Deploy portfolio construction recommendations based on the objectives and time horizon of each participant
- ▶ Rebalance portfolio on an ongoing basis
- ▶ Forecast the participant's projected retirement income during the accumulation phase using retirement income goals and provide investment recommendations to support that strategy
- ▶ Paid for via an asset-based fee deducted from participant accounts

The Plan also offers GoalMaker for do-it-for-me investors who want professional management

- ▶ Although GoalMaker does not include personalized recommendations, it does offer a similarly diversified portfolio approach and rebalancing.
- ▶ The key input into the investment strategy is the participant's age which serves as a proxy for their investment time horizon and therefore risk tolerance.
- ▶ The NCSRP Board serves as the fiduciary responsible for the glidepath
- ▶ Through other recordkeeper resources, participants can access advice on deferral rates, investment recommendations, and retirement income strategies.

Glidepath strategies are the most common default investment

Either target date funds (TDF) or managed accounts may act as the plan's default investment, but the two can also be offered side-by-side in a plan

- ▶ Roughly 90% of plans used a target date fund as their default investment, compared to 3% of plans that used a managed account service as the default, according to the 2024 Callan DC Trends Survey.

Advice v. Managed Accounts



What is “point-in-time” advice?

Investment advice offered based on a participant’s current situation.

- The recommendation is stagnant and does not rebalance or adjust over time. The participant retains responsibility for managing their account.

Services include diversification suggestions, sample model portfolios, and retirement income projections.



How is a managed account service different than advice?

A managed account product determines the appropriate investment allocations in a retirement account on behalf of participants who elect to use the service, rebalances the account on an ongoing basis, and adjusts the allocation based on the time until the participant will likely retire.

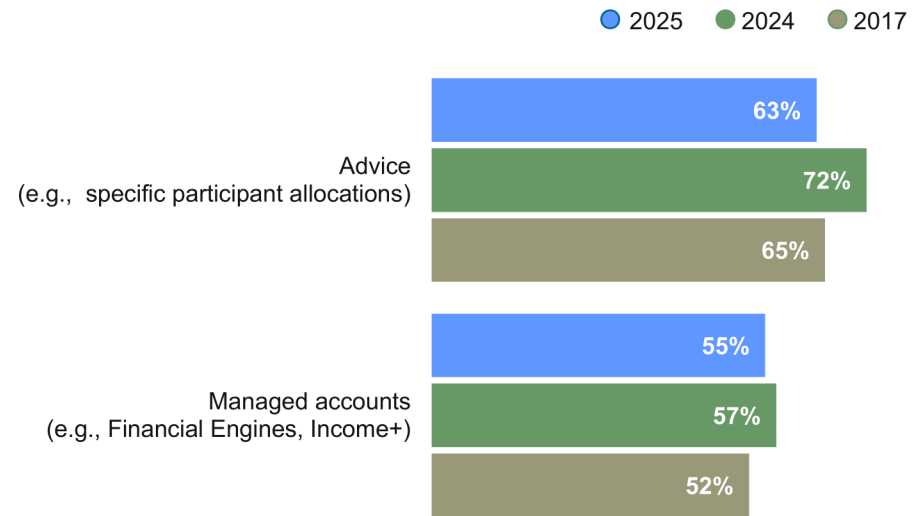
Managed accounts typically seek to incorporate a participant’s total financial picture, including non-retirement assets, spousal assets, etc.

The fees for this service are paid via an asset-based charge deducted from participant accounts.

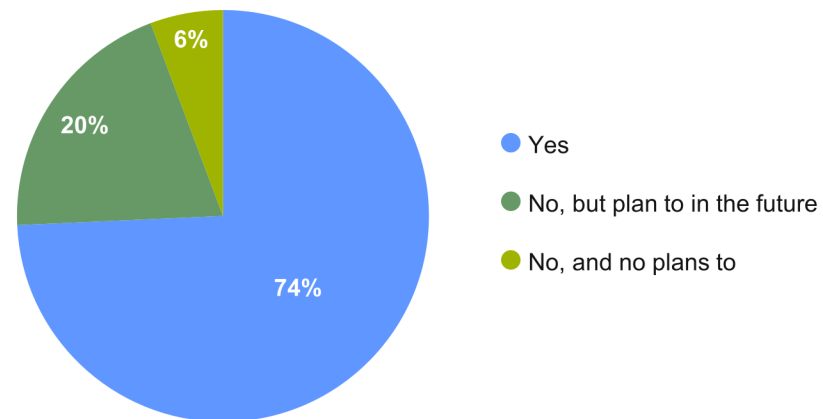
DC Trends Survey – Advisory Services: Prevalence

- The prevalence of managed accounts appears to have plateaued over recent years, with a little over half of respondents offering a managed account service in 2025. These services are geared toward “do-it-for-me” investors who desire greater personalization. Managed account providers are investment managers under Section 3(38) of the Employee Retirement Income Security Act (ERISA).
- The decision to include managed accounts is a fiduciary action. Plans with, or considering adding, managed accounts should consider the fiduciary implications and value add of the service.
- Nearly three-quarters of respondents with managed accounts monitored or benchmarked the outcomes of the service. 20% indicated they plan to do so in the future, and 6% said they have no plans to do so.

Type of Service Offered*



Managed Accounts Services Were Monitored and/or Benchmarked



Source: Callan 2026 DC Trends Survey. *Multiple responses allowed.

Managed Accounts

Pros



- ▶ Managed accounts have the potential to align more participants with an asset allocation appropriate for their objectives and time horizon.
 - Potential for improved returns, better diversification, improved risk levels, more suitable contribution rate levels, and a higher comfort level for participants
- ▶ Makes customized ongoing professional portfolio advice and rebalancing services available to participants, the majority of whom are not investment professionals
- ▶ Managed accounts typically result in more active investment management, addressing concerns with participant inertia.
- ▶ Additional education and communications support may be offered.

Cons



- ▶ Managed accounts tend not to be highly utilized.
- ▶ Managed accounts assume ongoing participant engagement when that may not be the reality.
 - Participants often do not provide or update information on outside assets.
- ▶ Difficulty in quantifying the value of customized or personalized investment advice
- ▶ Lack of consensus around monitoring and benchmarking
- ▶ Increases total cost of investment management services

Scope and Standard of Review

- The selection and monitoring of a managed account provider is a fiduciary decision.
 - *A managed account provider acts as an Employee Retirement Income Security Act (ERISA) section 3(38)* investment manager that is designated by a plan fiduciary and made available to the plan's participants to manage all or a portion of the assets held in their individual accounts.*
- The ERISA standard for confirming service and fee arrangements with their service providers is that they be “reasonable”.
 - *ERISA does not require the least expensive option, rather that the fees are commensurate with the services provided.*
- In contrast to each investment manager and product in the core fund lineup, the managed account provider is not required to disclose performance to the plan sponsor, fiduciaries, or participants, making it difficult to review and monitor the product.
 - *Plans should consider managed account utilization and effectiveness when balanced with increased fees for portfolio construction and additional services. The population and utilization can rationalize the decision to select managed account services.*
- A portion of the managed account revenue received by each managed account provider is shared with the recordkeeper in recognition of data sharing arrangements and related functionality.
 - *Managed account fees and indirect compensation should be considered when benchmarking plan administration fees.*



The Employee Retirement Income Security Act (ERISA) requires plan fiduciaries, when selecting and monitoring service providers and plan investments, to act prudently and solely in the interest of the plan's participants and beneficiaries. Responsible plan fiduciaries also must ensure that arrangements with their service providers are “reasonable” and that only “reasonable” compensation is paid for services. Fundamental to the ability of fiduciaries to discharge these obligations is obtaining information sufficient to enable them to make informed decisions about an employee benefit plan's services, the costs of such services, and the service providers.



– U.S. Department of Labor

While not subject to ERISA, the NCSRP Board has viewed ERISA standards as a reasonable guide for industry best practice.

Summary of Next Steps



Available Managed Account Providers

There are two managed account providers available on the Empower platform, limiting the choices available to NCSRP:

- ▶ Edelman Financial Engines
- ▶ Fidelity Personalized Planning & Advice

Each provider offers robust managed account services, with slight variations that may impact efficacy for the Plan populations. *Note, the efficacy of managed accounts is dependent on appropriate participant utilization.*

The outcomes will depend on the core funds and associated fees. Plan fiduciaries should consider the benefit of a full market cycle.



Next Steps for the Board

Conduct a request for proposal from the available providers, should the Board determine that managed accounts may be an appropriate addition to the plan. Review evaluation materials and identify additional information that could facilitate the decision-making process.

The selection process may include:

- ▶ Candidate interviews
 - Key differentiators
 - Participant experience demo
 - Business model
- ▶ Conduct reference checks
- ▶ Negotiations and additional review

Consider escalating the monitoring process on an ongoing basis and evaluating overall performance. In the event a change (including eliminating) of services, create a roadmap and milestones for action

Appendix

Stable Value Overview

How Stable Value Works

Stable value funds invest in bonds with longer duration and credit risk, resulting in higher yields, while wrap contracts smooth daily changes in bond prices

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

- Treasuries, U.S. agencies, agency mortgage-backed securities, corporate bonds, asset-backed securities, commercial mortgage-backed securities

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

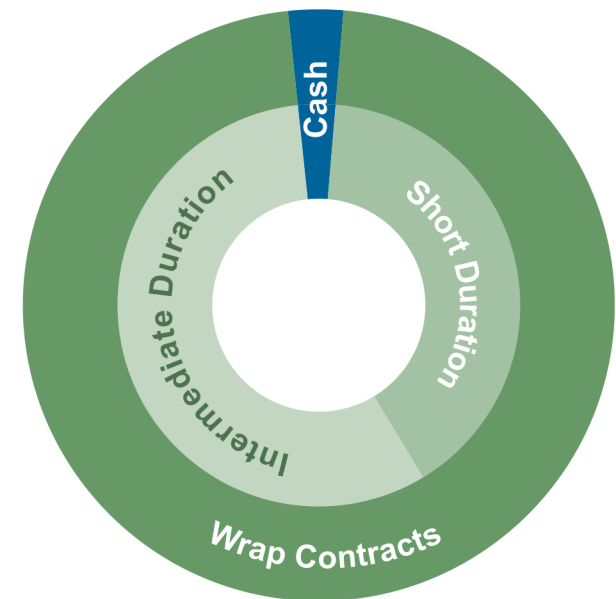
- A stable \$1.00 net asset value (NAV)
- Daily participant contributions and withdrawals
- Requires adherence to strict guidelines around sector, quality, and duration

Participants earn a **crediting rate**, not to fall below 0%, which is reset 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



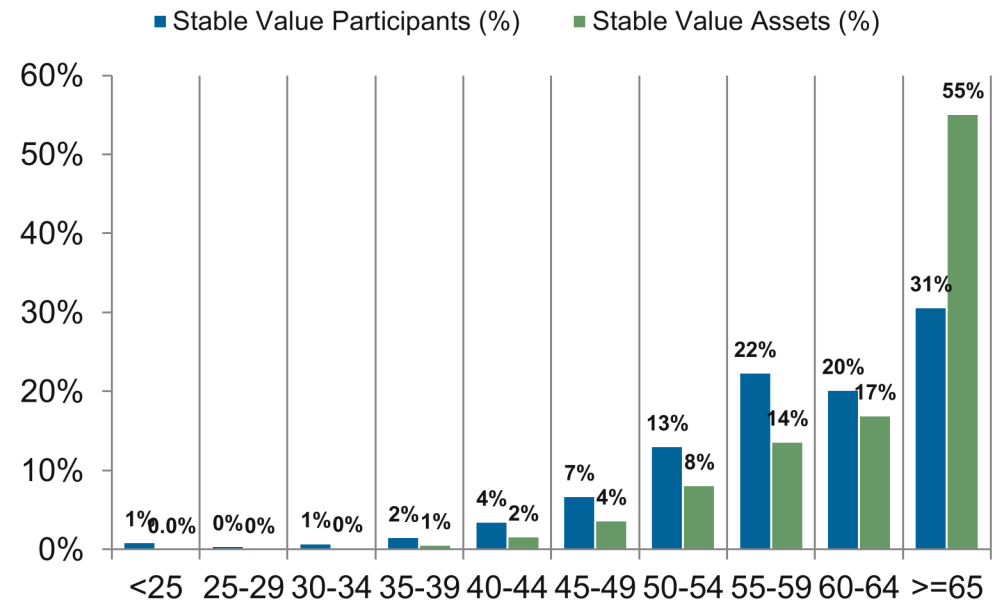
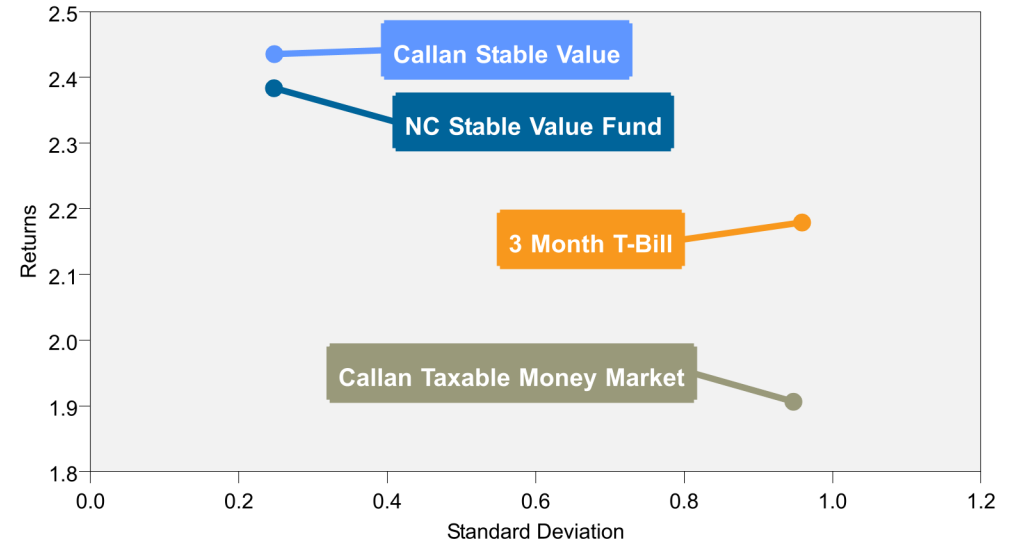
Benchmark Duration Range

2.0 to 4.0 years depending on vehicle type and investment guidelines

Capital Preservation

- Within Capital Preservation, the Plan offers:
 - **Active:** *NC Stable Value Fund (11% of assets)*
- Stable value funds have historically offered a higher yield than money market funds.
- Although stable value funds have offered a returns premium, they typically carry additional considerations:
 - **Wrap contracts:** Add costs to the structure and may result in investment restrictions for the investment managers of the stable value assets.
 - **Performance:** The crediting rate often decreases in a rising interest rate environment due to the longer duration of the underlying portfolio.
 - **Equity wash provisions:** Transfers between stable value and funds with similar investment objectives (referred to as competing funds) may be subject to an industry-standard 90-day equity wash provision (meaning that a participant would have to maintain the reallocated balance in an equity-oriented fund for 90 days before reinvesting in stable value or a named competing fund).

Risk & Returns for 10 Years Ended December 31, 2025

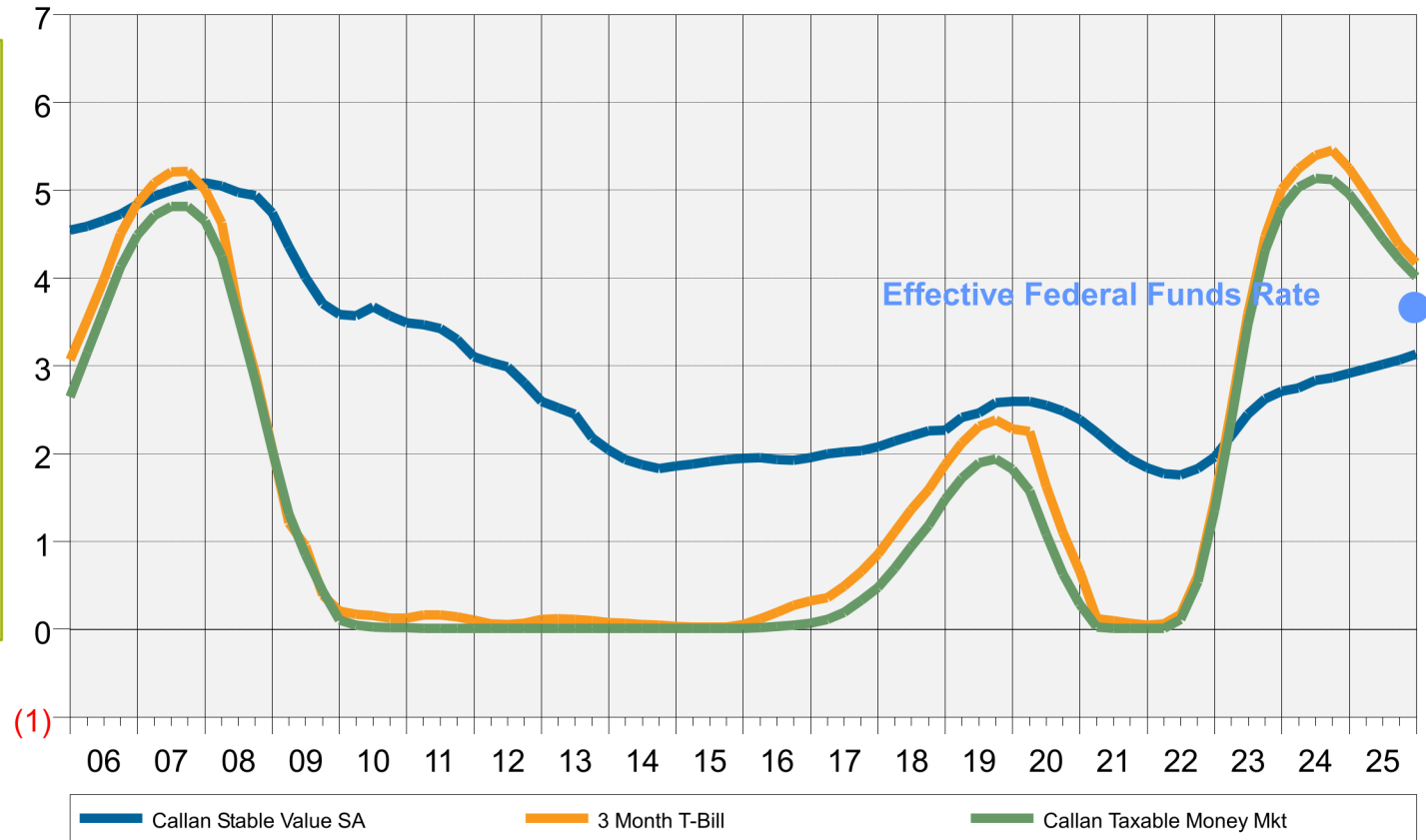


Impact of Wrap Contracts on Return Consistency

Rolling 1 Year Returns for 20 Years Ended December 31, 2025

Wrap contracts provide greater return consistency versus money market funds.

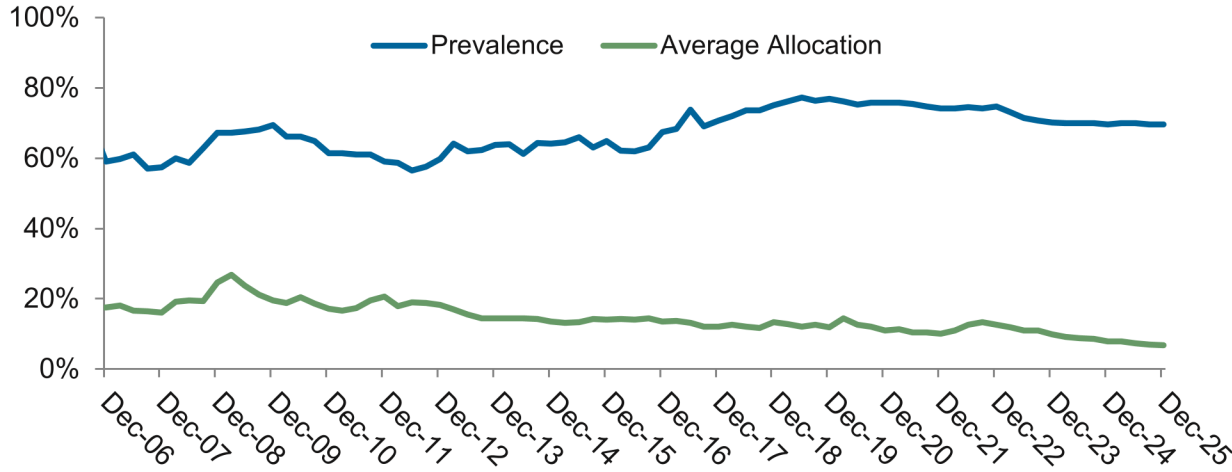
Money market funds have outperformed in periods when rates rise quickly.



Stable Value Overview

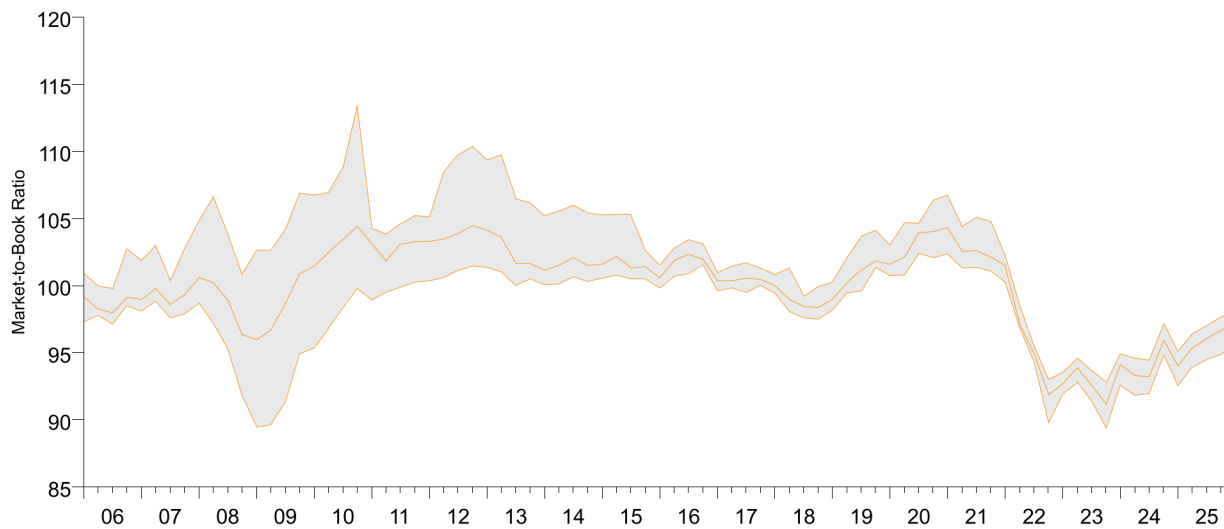
Prevalence of Stable Value Funds in DC Plans

Stable Value Prevalence and Average Allocation



- 70% of plans in Callan’s DC Index offered a stable value option as of December 31, 2025.
- Average plan assets held within stable value options have decreased from over 20% in 2008 to approximately 7% in 2025.

Historical 20-Year Market-to-Book Ratio Through 12/31/25



- Market-to-book value ratio is a measure of the overall health of a stable value fund.
- Market-to-book generally decreases below par (100) during a rising rate environment.
- Wrap contracts are designed to amortize the decline in market value.

The blue bars indicate the prevalence of asset classes within DC plans, while the green bars show the average allocation to particular asset classes when offered as an option. Source: Callan DC Index

Appendix

Plan Benchmarking

Comparators: Callan DC Index and DC Trends Survey

In the following slides, the Plans are benchmarked against two sources:

Callan DC Trends Survey

- The 19th annual Callan Defined Contribution Trends Survey incorporated responses from 80 DC plan sponsors, including both Callan clients and other organizations.

Callan DC Index

- This quarterly Index serves as a proxy for the DC universe and tracks performance, asset allocation, and cash flows of 132 large defined contribution plans with approximately \$551 billion in combined assets.
- Index figures are as of December 31, 2025.

Primary Industry of DC Plan Sponsor

Government	16%
Financial Services / Insurance	14%
Manufacturing	11%
Health Care	10%
Nonprofit	10%
Technology	10%
Energy / Utilities	9%
Retail	5%
Education	4%
Professional Services	4%
Transportation	4%
Entertainment / Media	3%
Aerospace / Defense	1%

Number of Participants in DC Plan

> 100,000	16%
50,001 to 100,000	6%
10,001 to 50,000	40%
5,001 to 10,000	15%
1,001 to 5,000	15%
≤ 1,000	8%

Assets in DC Plan

> \$10 billion	24%
\$5 billion to \$10 billion	8%
\$1 billion to \$5 billion	39%
\$500.1 mm to \$1 billion	9%
\$200.1 mm to \$500 mm	14%
≤ \$200 mm	8%

Note: Survey charts may not sum to 100% due to rounding. Dotted black lines represent where the Plans fall within survey respondent characteristics.

North Carolina Supplemental Retirement Plans Summary

The Plans have more than \$20 billion in combined assets and more than 325,000 participants, with the majority of assets (88%) and participants (92%) in the 401(k) Plan.

Summary Information	401(k) Plan	457(b) Plan	Combined*
Assets	\$17,696,141,470	\$2,305,349,004	\$20,001,490,474
<i>GoalMaker Assets</i>	55%	40%	54%
Participant	300,910	58,563	325,714
<i>GoalMaker Participants</i>	74%	74%	74%

- The Plans have roughly \$20 billion in combined assets and more than 325,000 participants.
 - Almost 7 in 10 participants are active in the Plans.
- The Plans offer the GoalMaker model portfolio service as the default investment option. More than 7 in 10 (74%) of participants are enrolled in the service, and more than half of plan assets are owned by enrolled participants.

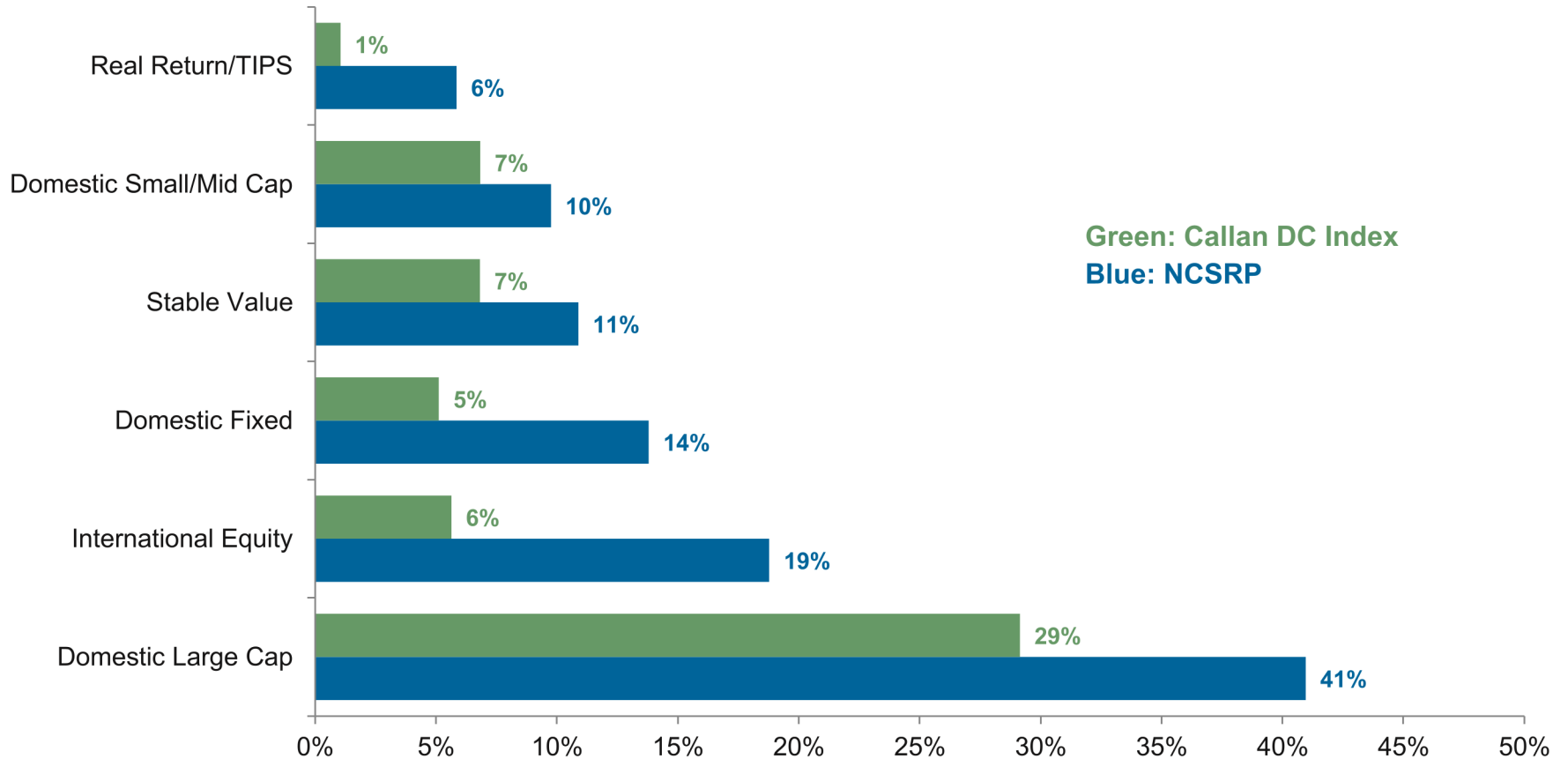
Source: Empower as of 12/31/2025. *Totals across the 401(k) and 457(b) plans are not additive, as 33,759 participants maintain balances in both plans.

DC Asset Classes Weight

DC Index Data as of December 31, 2025

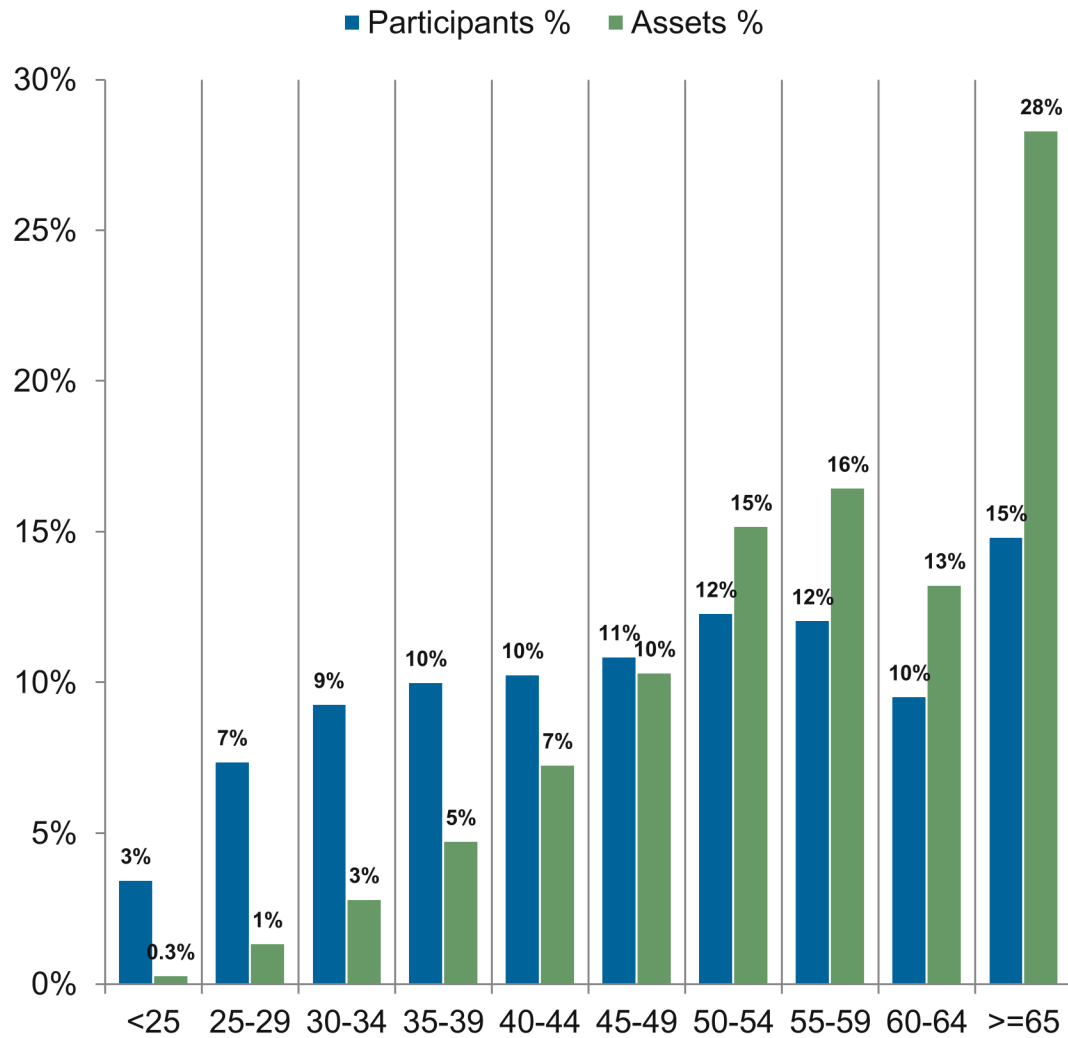
The asset classes below represent those offered by the Plans. The blue bars illustrate the allocation of participants, and the green bars reflect the average weighting of plans in the DC Index when offered.

Asset Class Average Weight



Source: Callan DC Index and Empower

Participant Ages, Assets, and Savings Patterns



Age Range	Average Balance	Average Salary	Average # of Options
<25	\$5,048	\$49,837	5.1
25-29	\$11,194	\$56,179	5.0
30-34	\$18,642	\$62,158	5.0
35-39	\$29,081	\$67,407	5.0
40-44	\$43,507	\$72,382	5.0
45-49	\$58,380	\$76,059	5.0
50-54	\$75,812	\$76,979	5.0
55-59	\$83,829	\$75,504	5.3
60-64	\$85,275	\$72,653	5.6
>=65	\$117,221	\$75,123	4.7

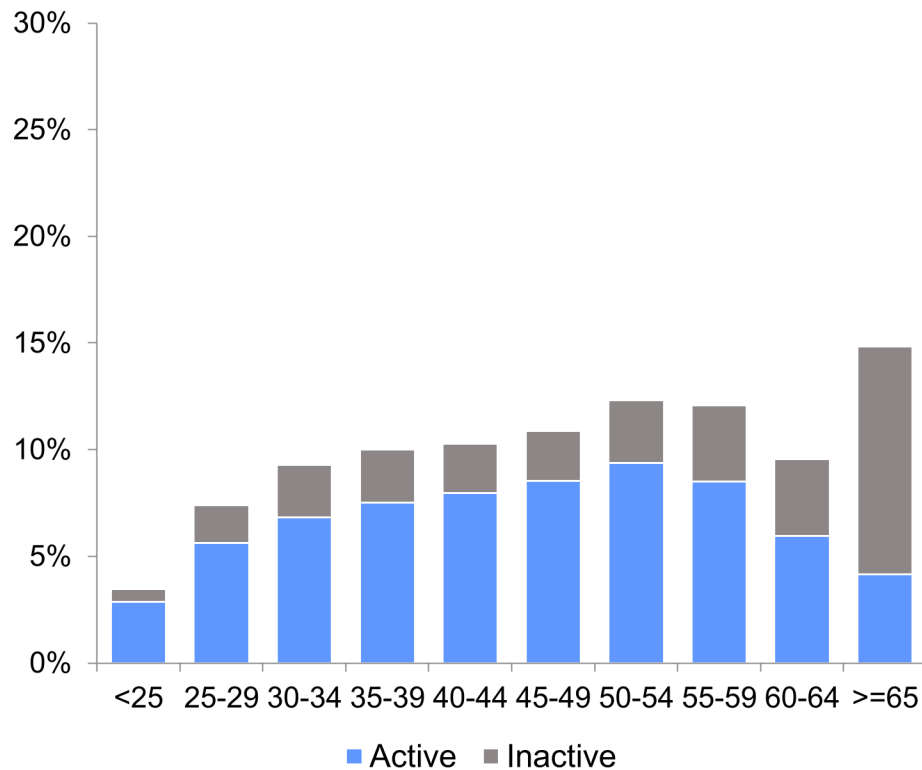
Source: Empower as of 12/31/2025

Distribution of Participants and Assets by Age & Status

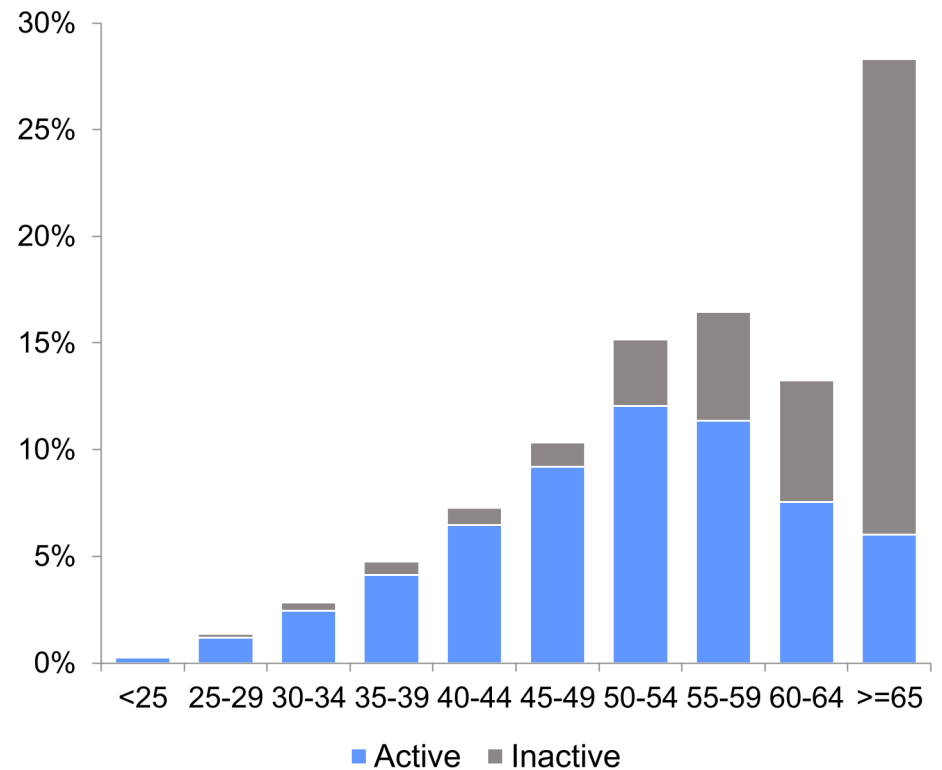
	Participants	Assets
Active	219,132 (67%)	\$12,121,916,568 (61%)
Inactive	106,582 (33%)	\$7,879,573,906 (39%)
TOTALS	325,714	\$20,001,490,474

Approximately 67% of the participants in the Plans are active and active participants own 61% of plan assets.

Distribution of Participants by Age & Status



Distribution of Plan Assets by Participant Age & Status

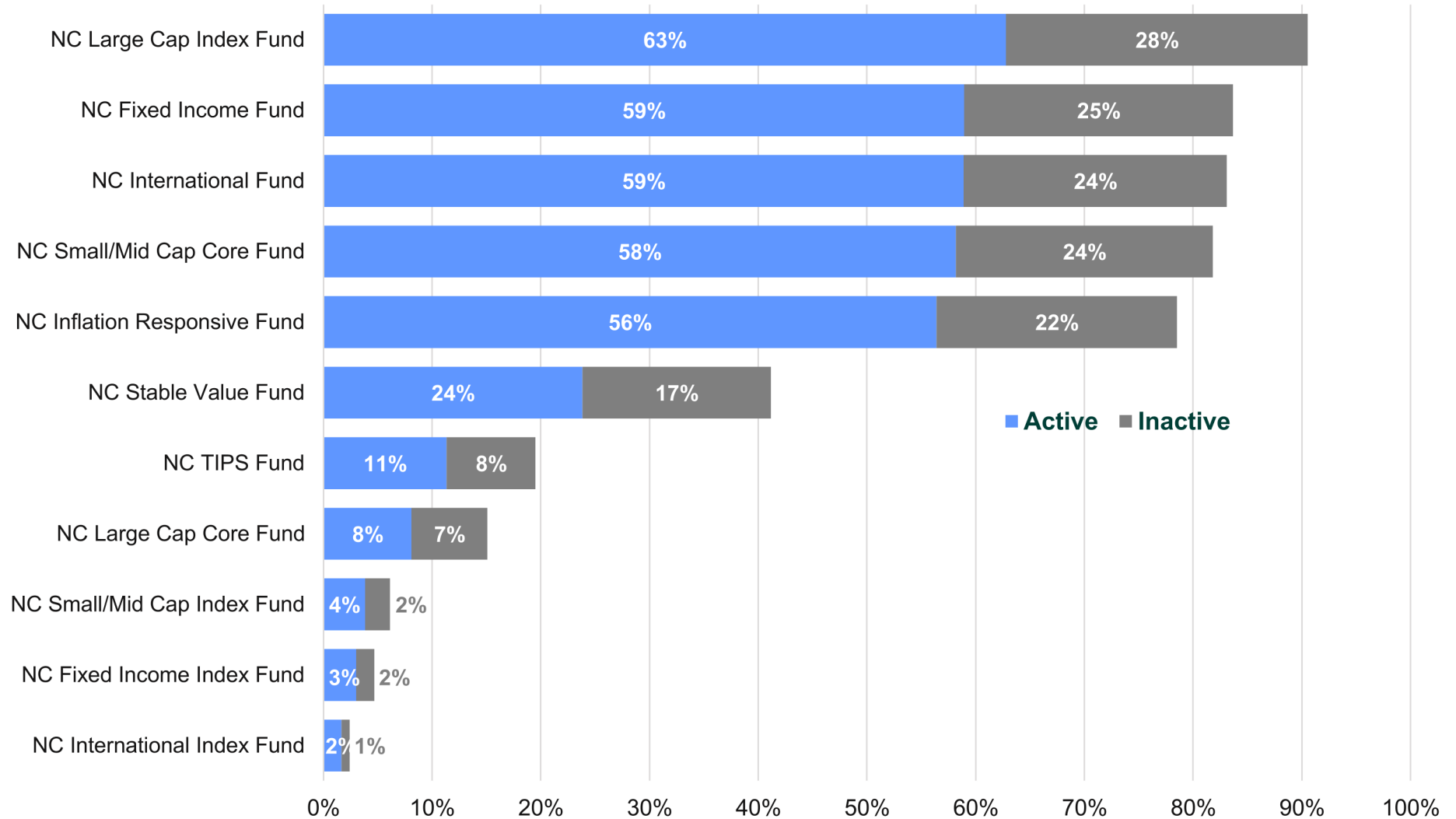


Source: Empower as of 12/31/2025

Investment Option Utilization – Status

The most prevalent investment option allocation among participants is to the NC Large Cap Index Fund (63% active participants and 28% inactive participants).

Percentage of Participants with a Balance



Source: Empower as of 12/31/2025

Participant Holding Patterns

Over half (51%) of the Plans' participants hold 5 options, most of which are enrolled in the GoalMaker model portfolio service. 97% of GoalMaker participants hold 5-7 options, while 68% of do-it-yourself (DIY) participants hold under 5 options.

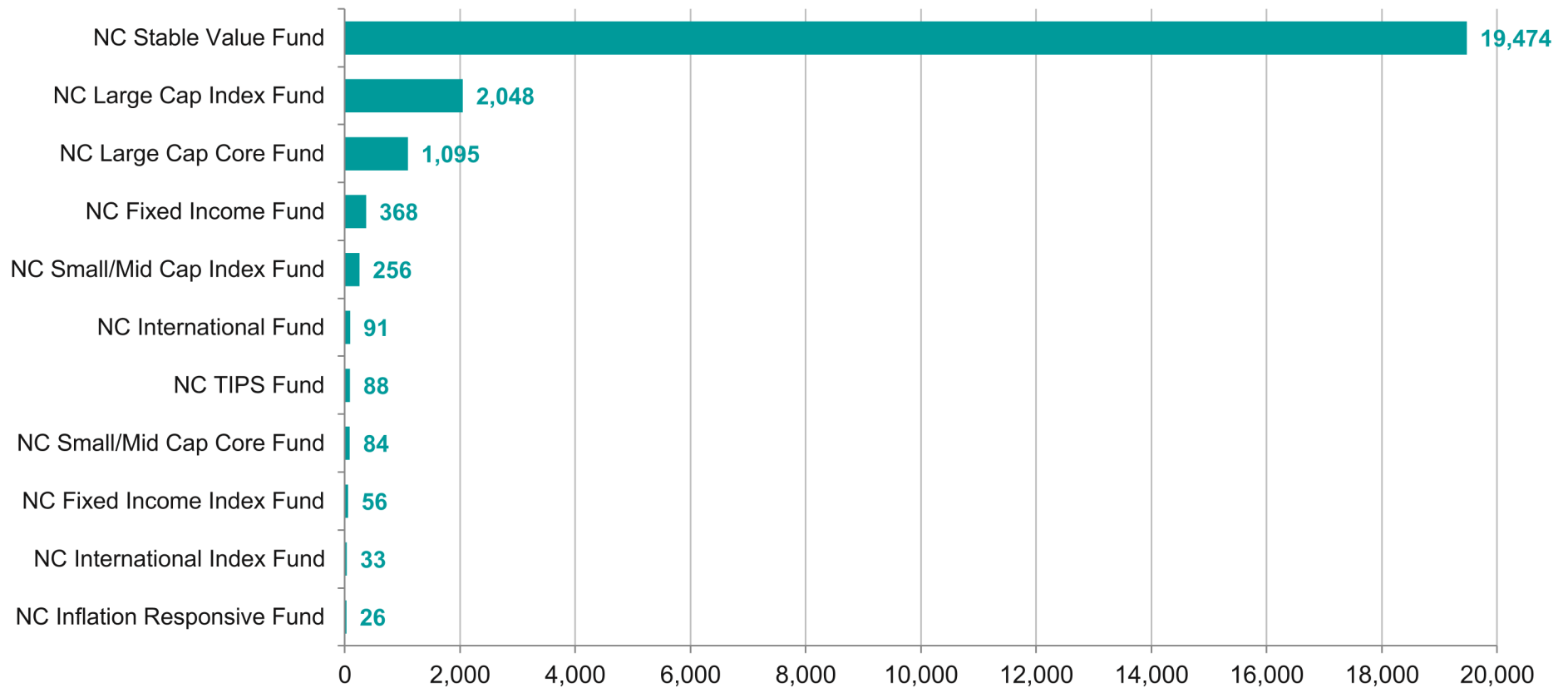
Number of Options	GoalMaker Participants		DIY Participants		Total Participants	
	#	%	#	%	#	%
1	15	0%	23,604	27%	23,619	7%
2	9	0%	12,765	15%	12,774	4%
3	11	0%	13,379	16%	13,390	4%
4	6	0%	8,827	10%	8,833	3%
5	153,761	64%	12,785	15%	166,546	51%
6	22,159	9%	5,758	7%	27,917	9%
7	56,473	24%	4,790	6%	61,263	19%
8	5,278	2%	2,272	3%	7,550	2%
9	1,874	1%	1,091	1%	2,965	1%
10	130	0%	390	0%	520	0%
11	69	0%	268	0%	337	0%
Total	239,785		85,929		325,714	

Source: Empower as of 12/31/2025

Single Fund Utilization

Of the 23,619 participants who only hold one fund in the lineup, the most prevalent option is the NC Stable Value Fund (19,474 participants). The NC Large Cap Index (2,048) and the NC Large Cap Core Fund (1,095) are the next most prevalent options among participants only holding one fund.

Number of DIY Participants Holding Only One Fund



Source: Empower as of 12/31/2025

DC Trends Survey – White Label Funds

White label funds may have several benefits for a DC plan, such as simplified and more intuitive fund-naming conventions for participants. Additionally, white label funds with multiple underlying managers have the potential to enhance diversification relative to the underlying managers on a standalone basis.

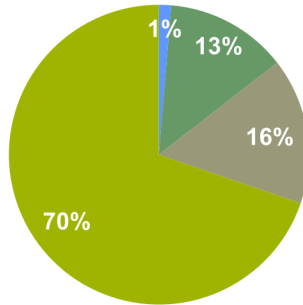
3 in 10 respondents offered white label funds in 2025, in line with the prior year. Only one plan with less than \$1 billion in plan assets reported offering white label funds.

Among those that offered white label funds, the most common party with discretionary control was the plan sponsor, followed by a consultant or an investment manager.

The most common asset classes for white label funds with multiple underlying managers were U.S. smid cap equity and non-U.S. equity. Respondents that indicated offering “other” white label funds with multiple underlying managers offered either custom target date funds and/or a diversified real assets option.

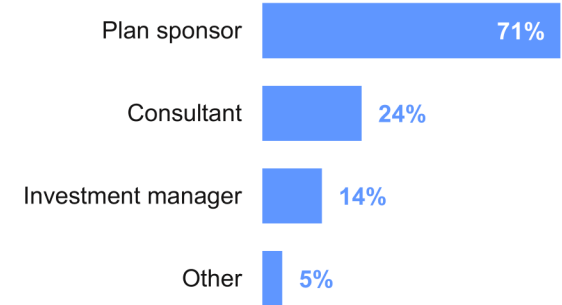
For white label funds with a single underlying manager, the most common asset class was U.S. large cap equity.

White Label Funds Offered in DC Plan

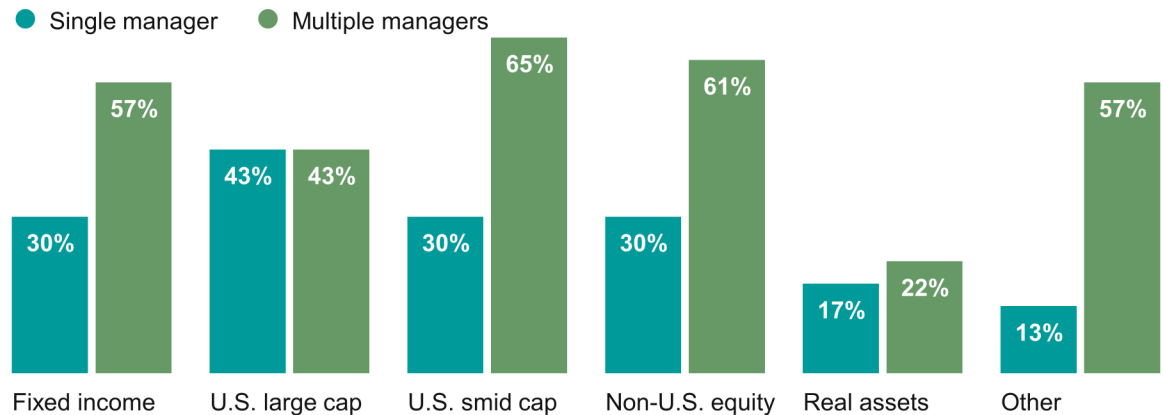


- Yes, with a single manager
- Yes, with multiple managers
- Yes, both of the above
- No

Discretionary Control of White Label Multi-manager Fund(s)*



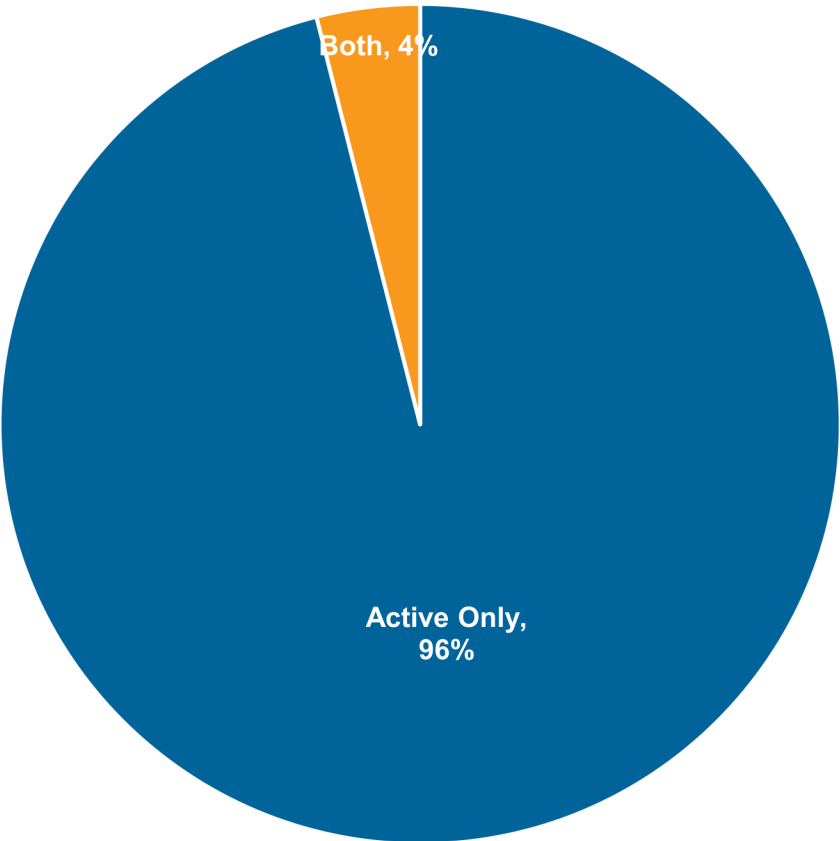
Asset Classes in Which DC Plan Offered White Label Funds*



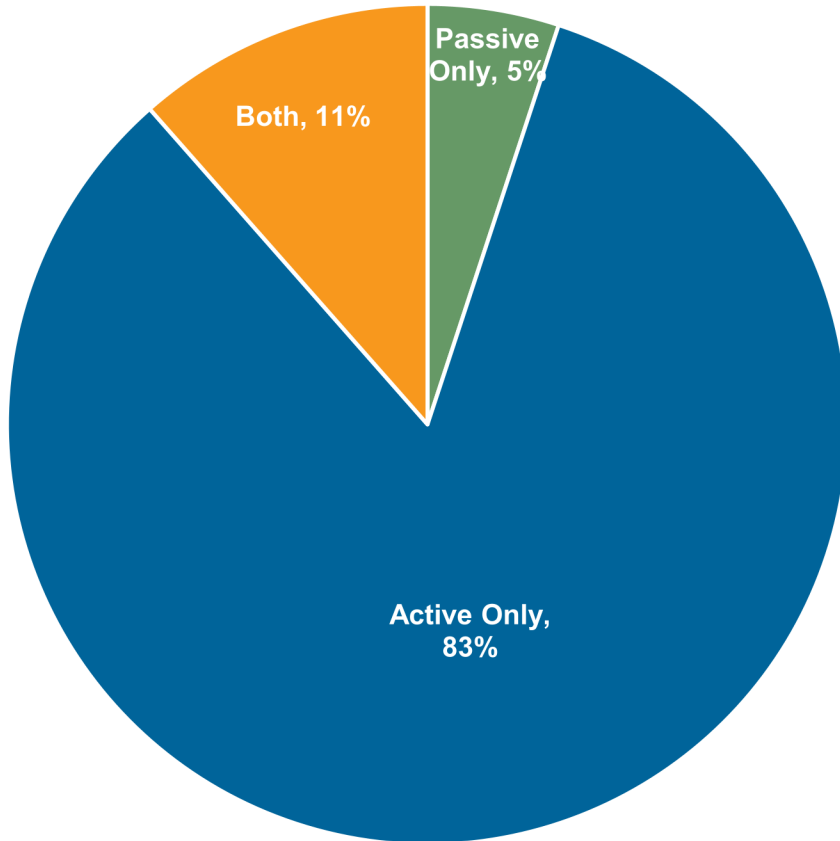
Source: Callan 2026 DC Trends Survey. *Among respondents offering white label funds. Multiple responses allowed.

U.S. Fixed Income Holding Patterns

GoalMaker Participants (239,744)



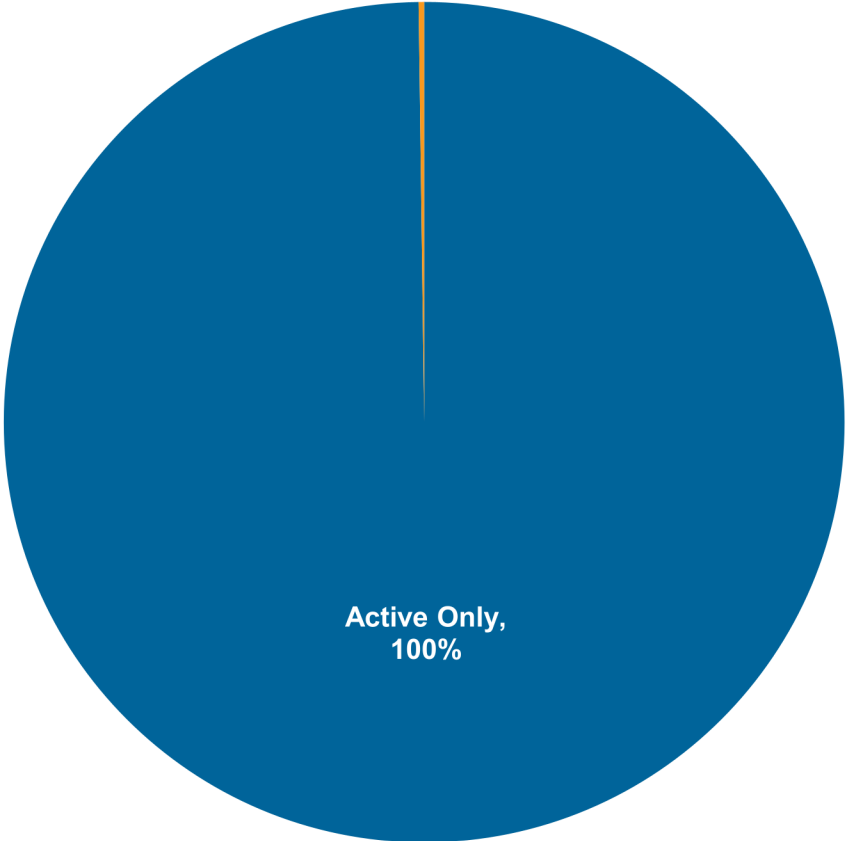
DIY Participants (34,475)



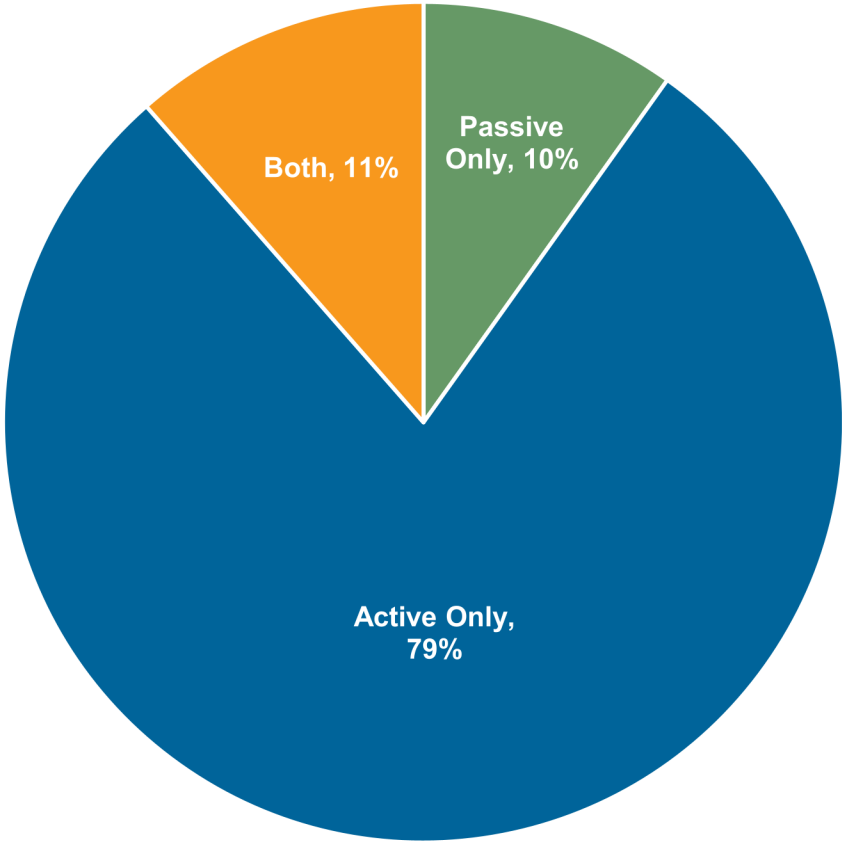
Source: Empower as of 12/31/2025

Non-U.S. Equity Holding Patterns

GoalMaker Participants (239,756)



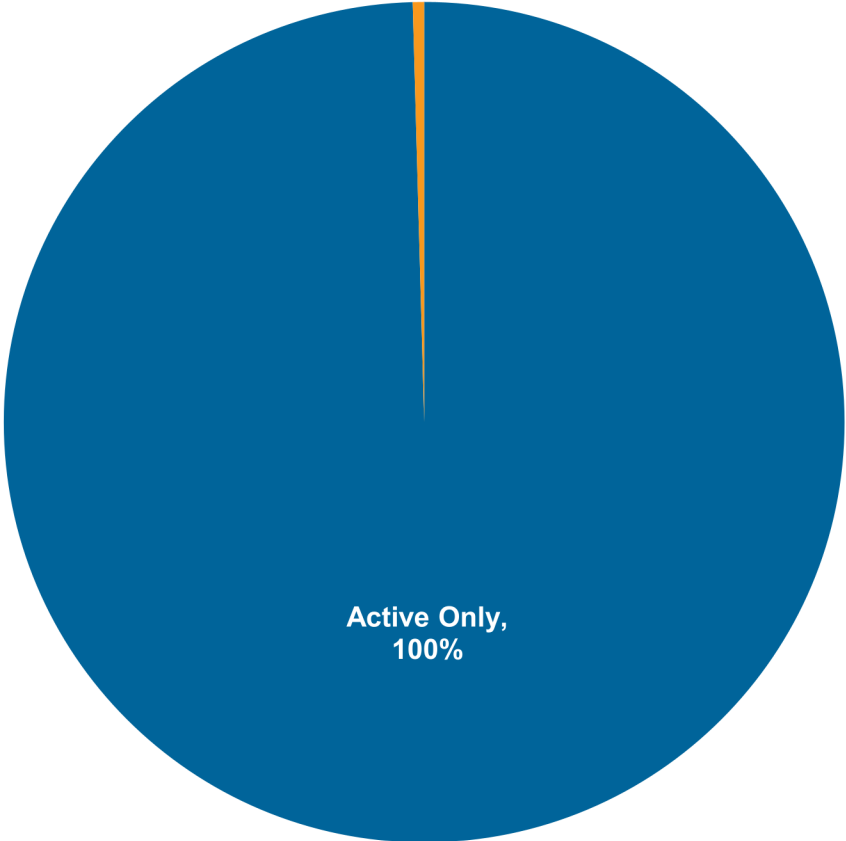
DIY Participants (34,244)



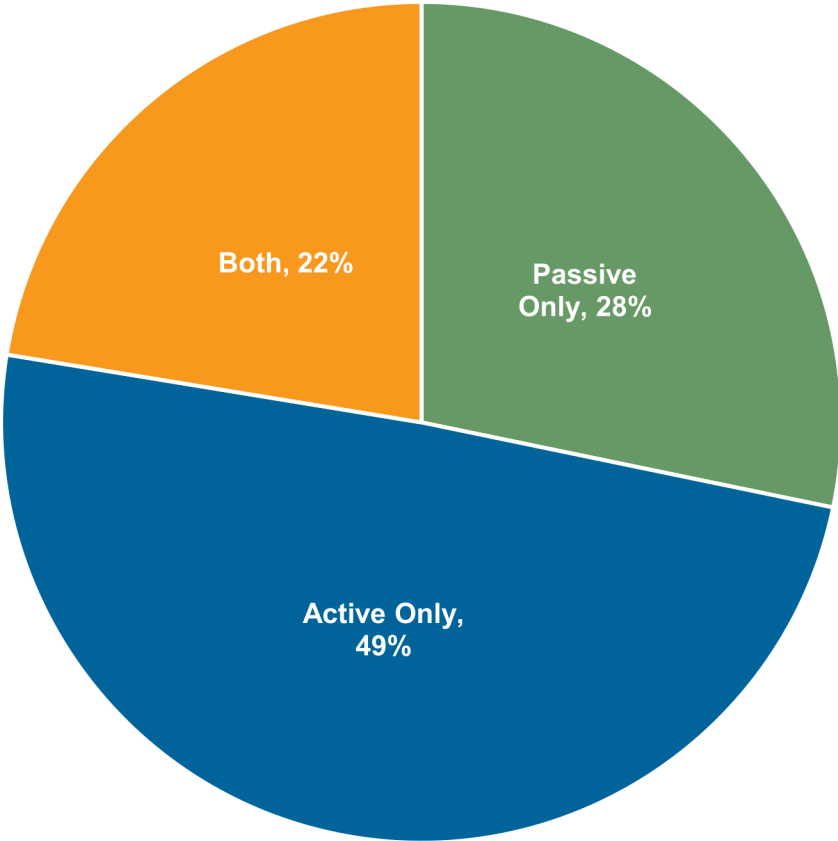
Source: Empower as of 12/31/2025

U.S. Small/Mid-Cap Equity Holding Patterns

GoalMaker Participants (239,749)



DIY Participants (37,259)



Source: Empower as of 12/31/2025

Investment Option Overlap

The figure in each box represents the percentage of that hold the x-axis fund that also hold the y-axis fund.

	NC Fixed Income Index	NC TIPS	NC Large Cap Index	NC International Index	NC Small/Mid Cap Index	NC Inflation Responsive	NC Stable Value	NC Fixed Income	NC Large Cap Core	NC International	NC Small/Mid Cap Core
NC Fixed Income Index	100%	9%	5%	36%	17%	5%	10%	5%	14%	5%	5%
NC TIPS	37%	100%	21%	20%	11%	24%	46%	23%	9%	23%	23%
NC Large Cap Index	96%	99%	100%	93%	89%	100%	80%	98%	84%	99%	99%
NC International Index	19%	2%	2%	100%	32%	1%	3%	1%	9%	2%	2%
NC Small/Mid Cap Index	22%	3%	6%	82%	100%	2%	7%	4%	29%	4%	4%
NC Inflation Responsive	80%	98%	87%	32%	20%	100%	68%	93%	21%	94%	96%
NC Stable Value	85%	98%	37%	44%	45%	35%	100%	37%	56%	36%	36%
NC Fixed Income	89%	98%	91%	47%	51%	99%	76%	100%	50%	97%	98%
NC Large Cap Core	45%	7%	14%	55%	71%	4%	20%	9%	100%	9%	8%
NC International	86%	98%	90%	57%	58%	100%	73%	96%	50%	100%	99%
NC Small/Mid Cap Core	86%	98%	89%	56%	47%	100%	72%	96%	42%	97%	100%
# Ppts w/ Balance	15,222	63,518	294,868	7,805	19,939	255,701	134,025	272,480	49,077	270,628	266,471

Source: Empower as of 12/31/2025

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