

November 2025



## **Stable Value Fund Review** North Carolina Supplemental Retirement Plans

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Callan

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**Executive Summary**

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## Stable Value Review – Executive Summary

- Callan maintains a positive opinion of Galliard’s stable value approach and their underlying fixed income strategies.
- Galliard remains well-supported by parent company Allspring Global Investments and has retained a consistent level of autonomy since its parent company’s acquisition. Allspring was rebranded following the sale of Wells Fargo Asset Management to GTCR LLC and Reverence Capital Partners, L.P. in November 2021.
- The investment team has exhibited low turnover and displayed consistency in its investment process since undergoing a leadership transition in 2019. The team continues to follow its collaborative process to develop wrap contract solutions and manage fixed income portfolios.
- In 2022, stable value crediting rates began steadily increasing as the Federal Reserve began its interest rate hiking cycle. Crediting rates trend towards prevailing yields on a lagged basis due to the “smoothing” mechanism of stable value. Stable value fund market-to-book value ratios began to fall below par (100%) as the increase in rates reduced the market value of securities held in the portfolio.
- Elevated participant outflows further depressed the market-to-book ratio, as assets are sold below book value to meet redemptions, reducing the portfolio’s market value. This also puts downward pressure on the crediting rate as losses are amortized over time.
- However, both the crediting rate and market-to-book ratio have rebounded in recent years for Galliard and remain above the median for stable value separate account managers.

Callan

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**Galliard Stable Value**

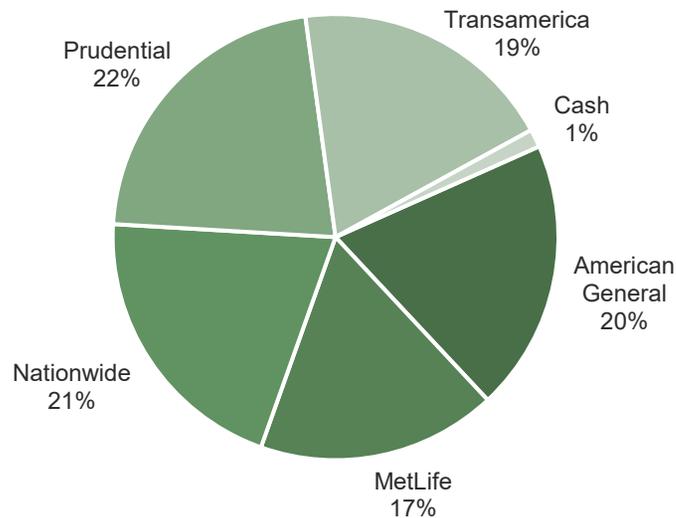
# Galliard Stable Value

## Background

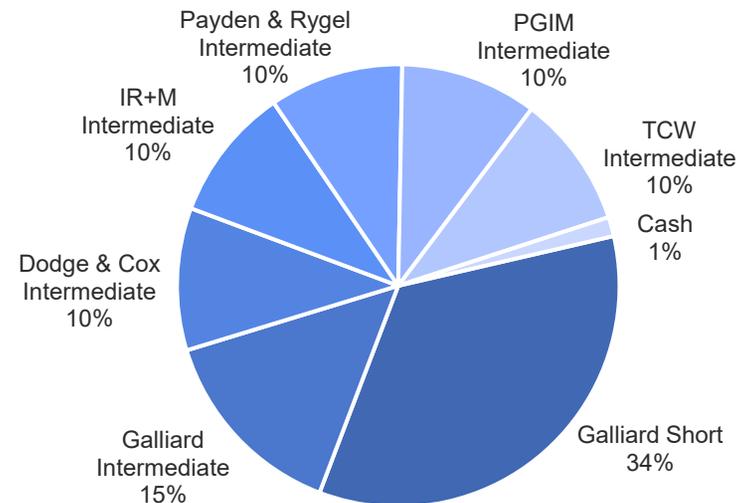
The strategy has achieved its objective of capital preservation since inception under Galliard's management. As the manager-of-managers for this custom separate account, Galliard has full discretion to select and allocate assets among subadvisors and wrap providers in accordance with established guidelines.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

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

Wrap Providers  
(by Book Value)



Manager Allocation  
(by Market Value)



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.

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# Galliard Stable Value

## Organization Review

**Key takeaways: No immediate concerns related to the organization.** Callan continues to monitor the organizational transition of its parent company Allspring Global Investments. Galliard's investment teams and strategies have not been impacted by the parent company change.

- Galliard transitioned to its current leadership team in 2019 following the retirement of Founding Partners Richard Merriam and Karl Tourveille and Managing Partner Carrie Callahan. Michael Norman (Chief Administrative Officer) and Andrew Owen (President of Wells Fargo Funds) became Co-Presidents. Galliard's risk management, technology, and compliance teams began reporting to the parent company.
- In November 2021, Wells Fargo Asset Management was acquired by GTCR and Reverence Capital Partners and rebranded as Allspring Global Investments. Joe Sullivan, initially brought in as Executive Chair, assumed the CEO role following Nico Marais's retirement. Approximately 20% of Allspring's equity is held by employees, supporting alignment with firm objectives. Galliard remains a wholly owned subsidiary under Allspring.
- Norman was named sole President of Galliard in 2022, while Andrew Owen became Allspring's Head of Global Fund Governance. Operational oversight also shifted to Allspring after the departure of COO Chad Foote.
- In 2023, CCO Brian Renelt was succeeded by Paul Felsch, who later departed in March 2025 to launch a compliance consulting firm. Amy Stueve was subsequently appointed CCO of Galliard, adding to her responsibilities as Allspring's Global Head of Monitoring.
- Kate Burke assumed the role of CEO of Allspring Global Investments on July 1, 2025, succeeding Sullivan, who remains Executive Chair. Burke joined Allspring as President in 2023 with the expectation she could eventually take over from Sullivan. She brings 18 years of senior leadership experience from AllianceBernstein, including roles as COO and CFO.

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# Galliard Stable Value

## Personnel Review

**Key takeaways: No immediate concerns related to the investment team.** Galliard's investment team is deep with solid experience among its senior professionals and has experienced low turnover in recent years.

- Ajay Mirza and Brandon Kanz serve as Galliard's key fixed income investment professionals acting as Chair and Vice-Chair of the Investment Committee. Mirza joined the firm in 1995 and industry in 1993. Kanz joined the firm in 2005 and industry in 2002.
- Head of Stable Value Contract Strategy Nick Gage is a veteran of the stable value team and industry. In 2020, Gage was promoted when his co-lead and predecessor Leela Scattum retired from the industry. Gage joined the firm and industry in 2008 and 1999, respectively.
- Galliard continues to maintain a deep stable value team with dedicated professionals overseeing wrap contract negotiation, external management oversight, contract administration, and stable value accounting.

## Platform Updates

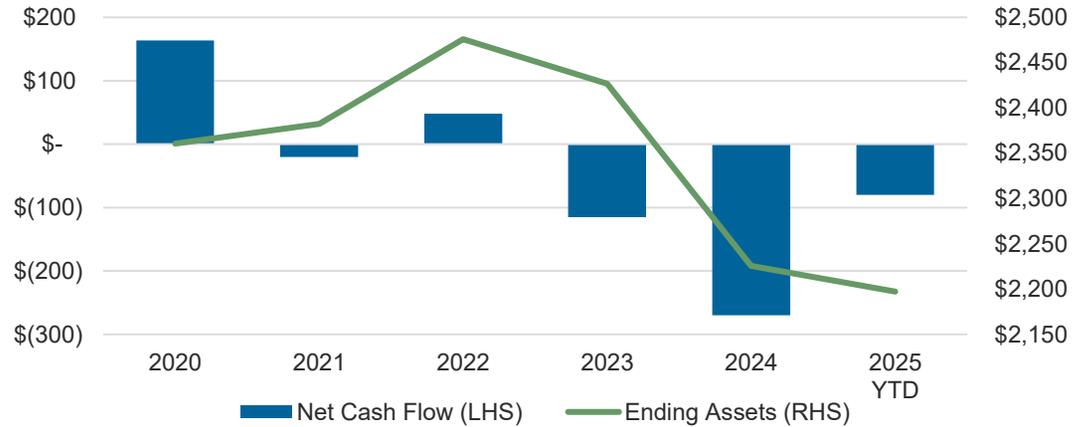
- Galliard terminated Jennison as a sub-advisor in November 2024 after downgrading them from "Recommended" to "Approved," citing concerns over the departure of co-CIO Itai Lourie, inconsistent performance, and reduced conviction in their ability to add value. Jennison was replaced with Income Research + Management (IR+M).
- In 2024, TransAmerica announced plans to reduce its wrap exposure by ~\$10B, targeting select managers only. Galliard was not affected and continues to use TransAmerica in the NCSRP account as the issuer has indicated it intends to remain active in the stable value market.
- Later in 2024, State Street also announced plans to reduce its stable value wrap exposure by approximately 50% following a shift in risk philosophy under new leadership. Although Galliard was among the affected managers, the NCSRP account does not utilize State Street as a wrap provider and was therefore not affected.

# Galliard Stable Value

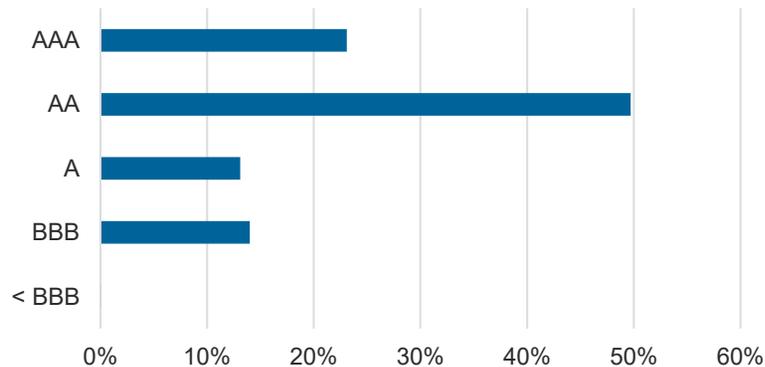
Snapshot as of September 30, 2025

- Book Value: \$2.2 billion
- Market Value: \$2.1 billion
- Market-to-Book Ratio: 97.5%
- Crediting Rate: 3.36%
- Effective Duration: 3.30 years
- Number of Wrap Providers: 5
- Average Wrap Contract Fee: 15 bps

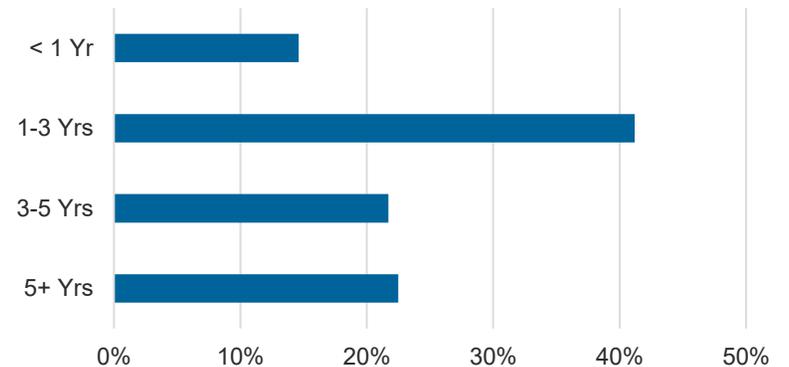
Historical Cashflows (\$ millions)



Credit Quality Exposure



Credit Quality Exposure

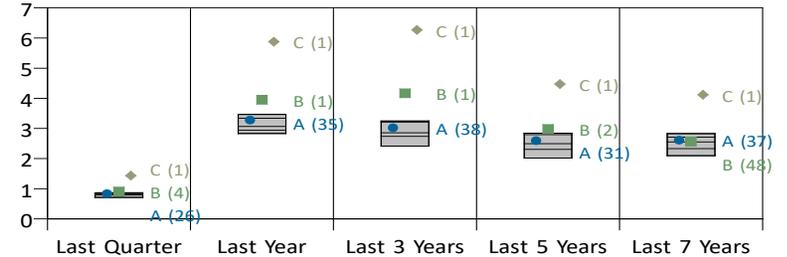


# Galliard Stable Value

## Book value-based performance vs benchmark and peers in line with expectations

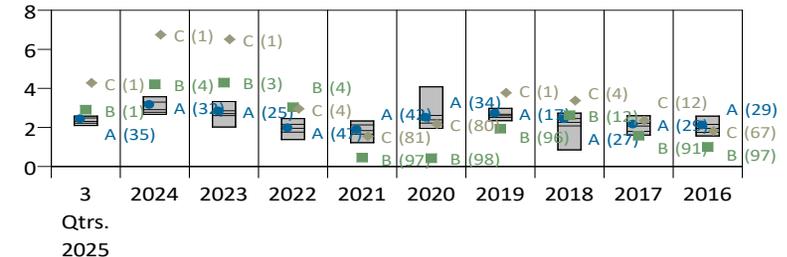
- The Fund continues to deliver capital preservation but has underperformed its benchmarks over the short-term. Longer-term performance is ahead of the 3-year Constant Maturity Treasury Yield (CMT) Index benchmark.
- The Fund has ranked above or in line with the median separate account manager over all major trailing periods and since inception.
- Short-term performance for the Fund has lagged the 3-year CMT Index and the 3-month T-Bill Index plus 1.50%.
  - The 3-year CMT Index does not reflect the price impact from changes in interest rates.
  - Short-term rates rose aggressively in recent years, reducing the relative competitiveness of crediting rates that reset more gradually.

### Annualized Returns ending September 30, 2025



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
10th Percentile	0.87	3.47	3.25	2.84	2.83
25th Percentile	0.84	3.34	3.21	2.80	2.72
Median	0.81	3.07	2.86	2.50	2.55
75th Percentile	0.79	2.94	2.74	2.31	2.33
90th Percentile	0.71	2.83	2.42	2.02	2.10
NCSRP Stable Value Fund	● A 0.84	3.28	3.02	2.59	2.61
Treas:Const Maty 3 Yr	■ B 0.91	3.95	4.17	2.99	2.56
3 Month T-Bill + 1.50%	◆ C 1.44	5.88	6.27	4.48	4.12

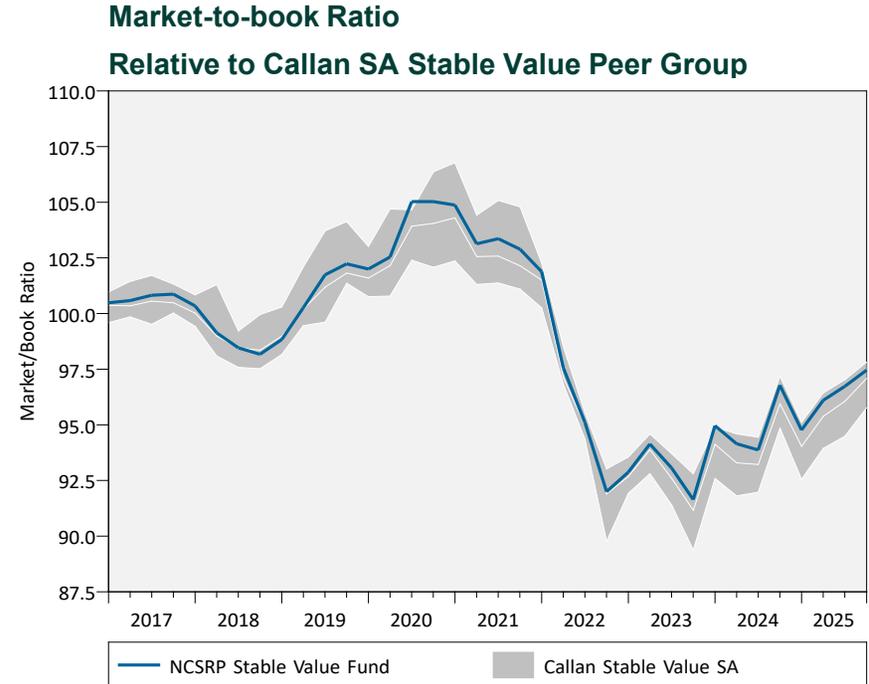
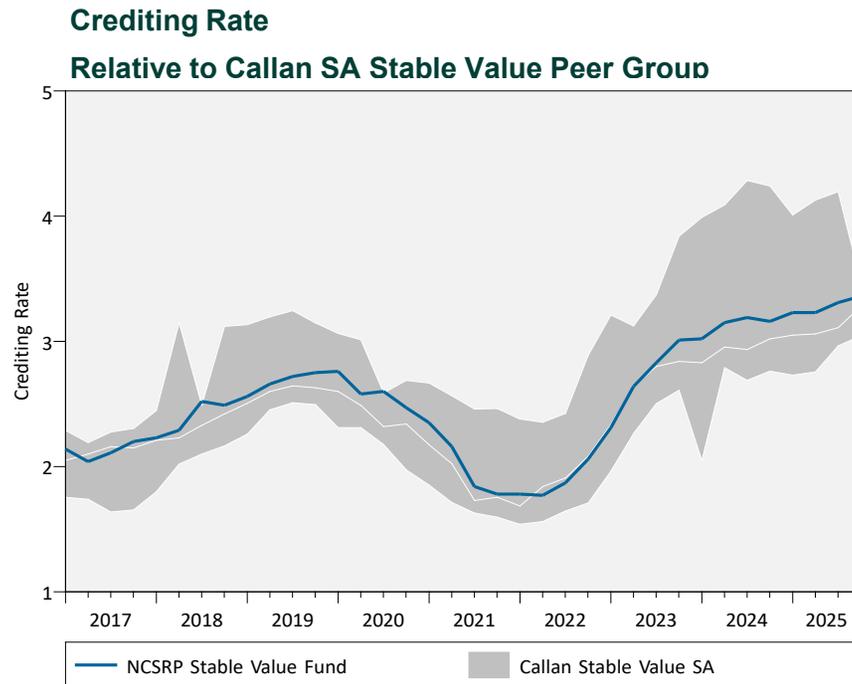
### Calendar Year Returns ending September 30, 2025



	3 Qtrs. 2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
10th Percentile	2.58	3.57	3.34	2.46	2.33	4.08	2.98	2.73	2.60	2.58
25th Percentile	2.48	3.30	2.85	2.16	2.13	2.62	2.68	2.46	2.21	2.16
Median	2.31	2.92	2.71	1.96	1.84	2.39	2.60	2.27	2.07	1.96
75th Percentile	2.22	2.78	2.61	1.76	1.66	2.23	2.51	2.08	1.80	1.75
90th Percentile	2.10	2.67	2.03	1.38	1.22	1.95	2.35	0.85	1.61	1.57
NCSRP Stable Value Fund	● A 2.45	3.18	2.85	1.98	1.91	2.52	2.74	2.45	2.18	2.13
Treas:Const Maty 3 Yr	■ B 2.91	4.22	4.30	3.04	0.46	0.43	1.94	2.63	1.58	1.01
3 Month T-Bill + 1.50%	◆ C 4.28	6.75	6.51	2.96	1.55	2.17	3.78	3.37	2.36	1.83

# Galliard Stable Value

Both the crediting rate and market-to-book ratio remain above peers

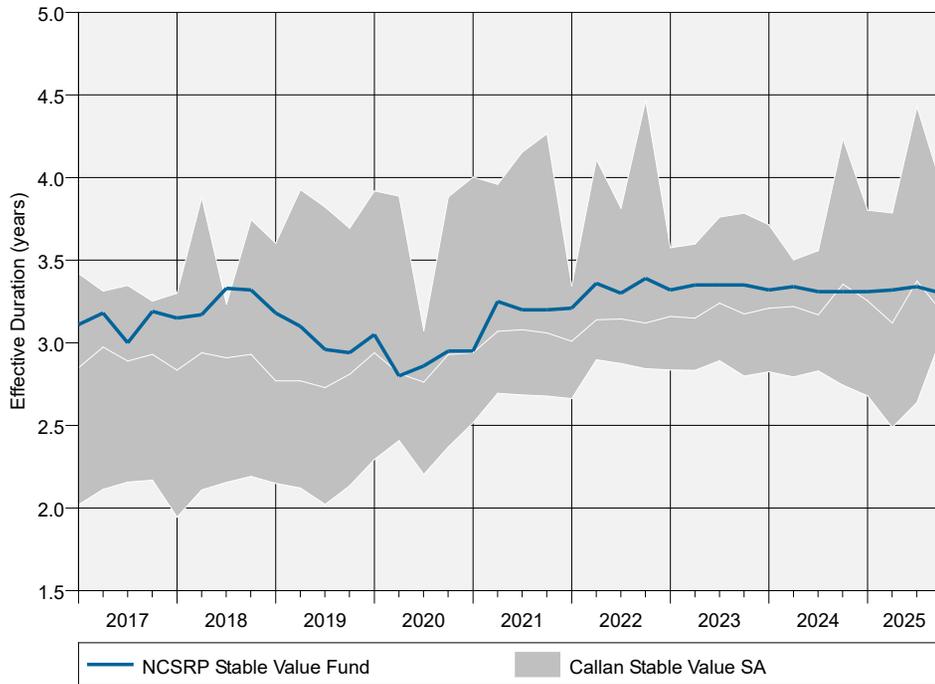


- The Fund's crediting rate increased following the Fed's rate hikes in 2022.
- Stable value had a historic decline in market-to-book ratios in 2022. However, wrap providers remain supportive as the decline was related to interest rates as opposed to credit events, which was the case during the Global Financial Crisis.
- Outflows of \$466 million since 2023 reduced the market-to-book ratio, putting downward pressure on the crediting rate. Despite this, the market-to-book remains well above peers.

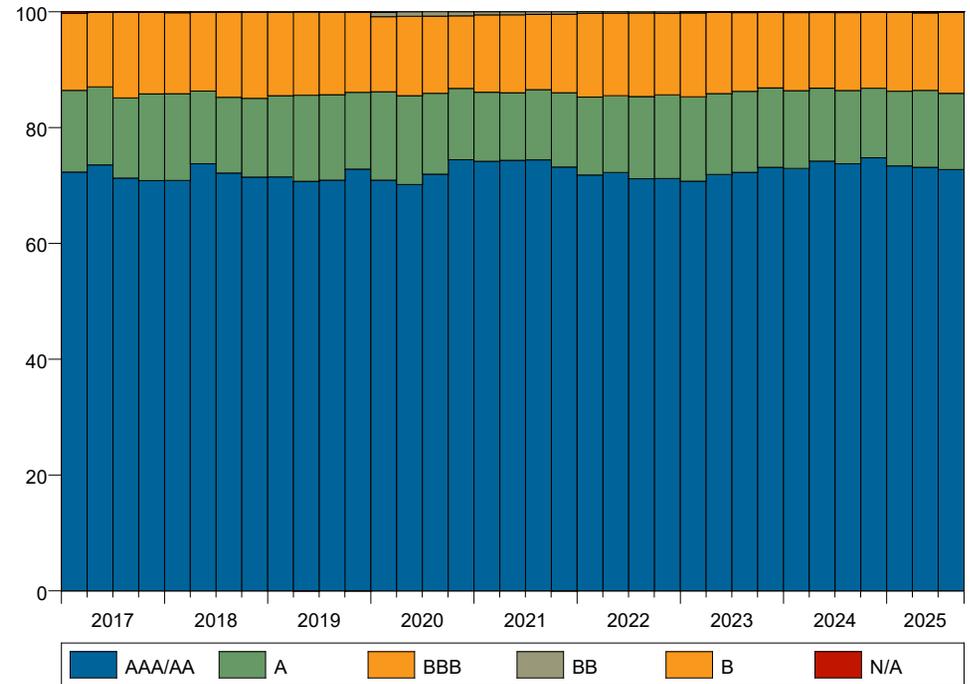
# Galliard Stable Value

The Fund continues to follow its capital preservation objective by maintaining a high credit quality profile

Effective Duration Relative to Separate Account Peer Group



Credit Quality Exposure (% of Market Value)



- The Fund has maintained an average duration of around 3.3 years, an acceptable range despite being marginally higher than peers.
- The Fund maintains high quality with an average credit rating of AA. While AAA/AA exposure exceeds the peer median, BBB-rated debt is also slightly elevated. In general, higher quality will provide better principal protection but lower yield.

# Galliard Stable Value

Subadvisor performance for periods ended September 30, 2025

Manager	1-month	QTD	YTD	1-years	3-years	5-years	Since Inception	Inception Date
<b>Short Duration</b>								
<b>Galliard</b>	0.38	1.39	4.69	4.92	5.51	2.30	2.95	1-Jun-18
<i>BB 1-3 yr Gov't/Credit Index</i>	0.33	1.19	4.14	4.12	4.68	1.78	2.39	-
<b>Intermediate Duration</b>								
<b>Galliard</b>	0.71	1.96	6.45	4.21	5.80	1.02	2.70	1-Jun-18
<b>Dodge &amp; Cox</b>	0.84	1.92	6.17	4.09	6.21	1.27	2.47	1-Mar-15
<b>PGIM Fixed Income</b>	0.74	1.98	6.34	4.33	5.80	0.95	2.37	1-Feb-16
<i>BB Intermediate Aggregate Index</i>	0.66	1.79	6.02	3.82	5.14	0.49	2.18 / 1.85 / 1.86	-
<b>Payden &amp; Rygel</b>	0.75	2.07	6.32	4.10	5.60	0.95	2.19	1-Jul-09
<i>Linked Benchmark<sup>1</sup></i>	0.66	1.79	6.02	3.82	5.14	0.49	1.70	-
<b>IR+M<sup>2</sup></b>	0.49	1.66	5.81	-	-	-	5.86	1-Nov-24
<b>TCW</b>	0.42	1.57	6.15	4.05	5.26	0.94	2.77	1-Jun-18
<i>BB Intermediate Gov't/Credit Index</i>	0.42	1.51	5.70	4.01	5.18	0.81	5.70 / 2.51	-

<sup>1</sup>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.

<sup>2</sup>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

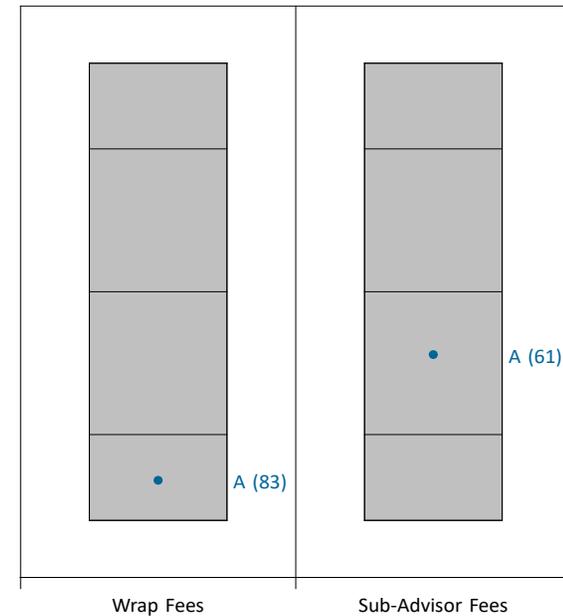
### Galliard Stable Value Fund Fee components:

Management Fee	0.055%
Sub-advisory Fees	0.048%
Wrap Fees	0.146%
Acquired Fund Fees	0.001%
Other Expenses	0.007%
<b>Total Fee</b>	<b>0.258%</b>

### Underlying Subadvisor Fees:

Dodge & Cox	0.104%
IR+M	0.075%
Payde & Rygel	0.106%
PGIM Fixed Income	0.110%
TCW	0.088%

Fee Comparison  
 Ended December 31, 2024  
 Group: Callan Stable Value SA



25th Percentile	0.1500	0.10
Median	0.1500	0.09
75th Percentile	0.1488	0.00
90th Percentile	0.1435	0.00

NCSRP Stable Value Fund • A      0.1460      0.05

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

Callan

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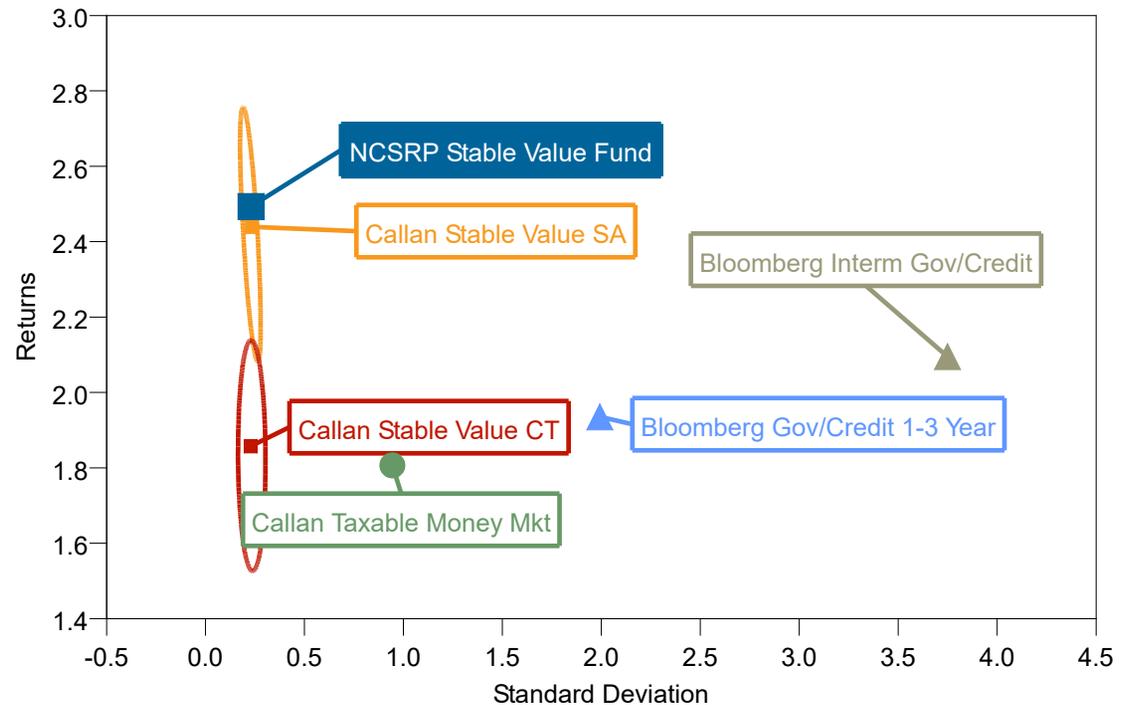
**Stable Value Trends**

# 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

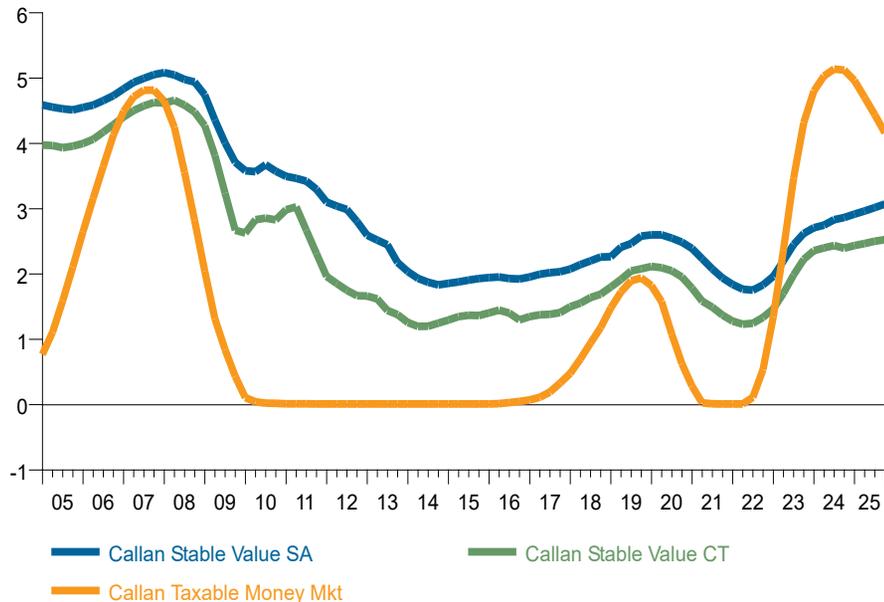
Risk vs. Return for 10 Years ended September 30, 2025



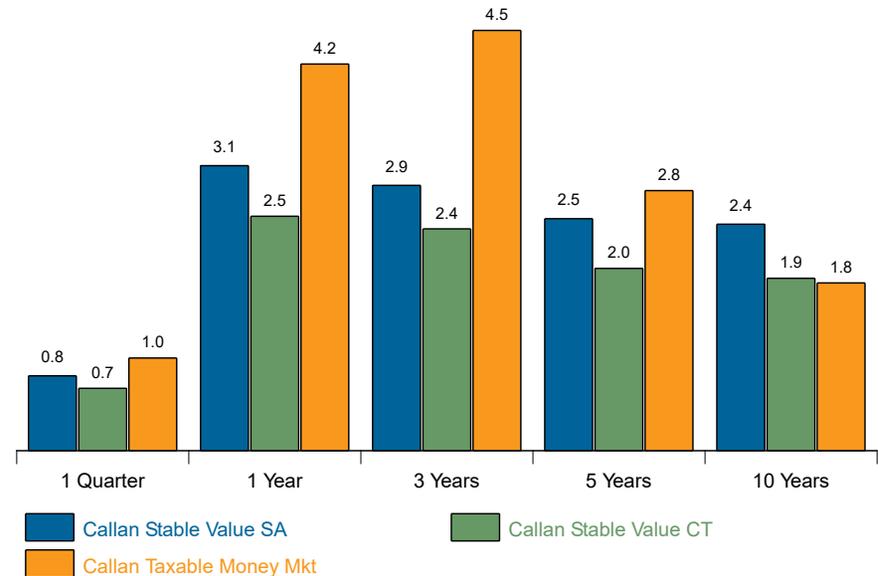
## Stable Value Performance

In this recent rising rate environment, stable value has underperformed money markets, though historically, these periods have historically been brief.

Rolling 1 Year Returns Since 2005



Trailing Returns for Periods ending September 30, 2025



- Stable value funds reflect changes in interest rates more slowly than money market funds. In 2022, money market funds began generating competitive yields as a result of the historic response by the Federal Reserve to stem inflation by hiking its benchmark interest rate to its highest level in 15-years.
- Stable value has underperformed money market funds following rate hikes in the past. As the Fed transitions to rate cuts, relative performance is expected to improve as short-term yields decline.
- Callan continues to favor stable value over money market funds given its long-term outperformance and price smoothing mechanics.

# Stable Value Overview

Market-to-book ratios (M/B) and crediting rates were negatively impacted but are within expectations.

## Market-to-book ratios have been below par (100%) since 1Q22

- Stable value separate accounts are averaging 96% market-to-book ratios, reflecting the rapid rise in rates and cash outflows from stable value.
- Downgrades remain low in funds that Callan closely tracks. Note that investment guidelines were broadly tightened following the GFC.

## Stable value meeting expectations

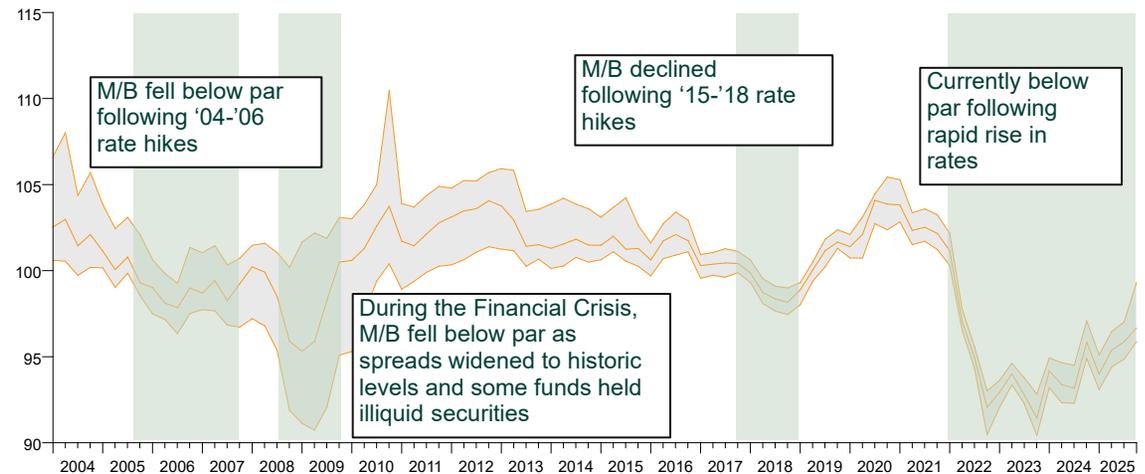
- Wraps contracts are designed to amortize price volatility and provide stable returns through book value accounting.

## Crediting rates began to increase in 2022

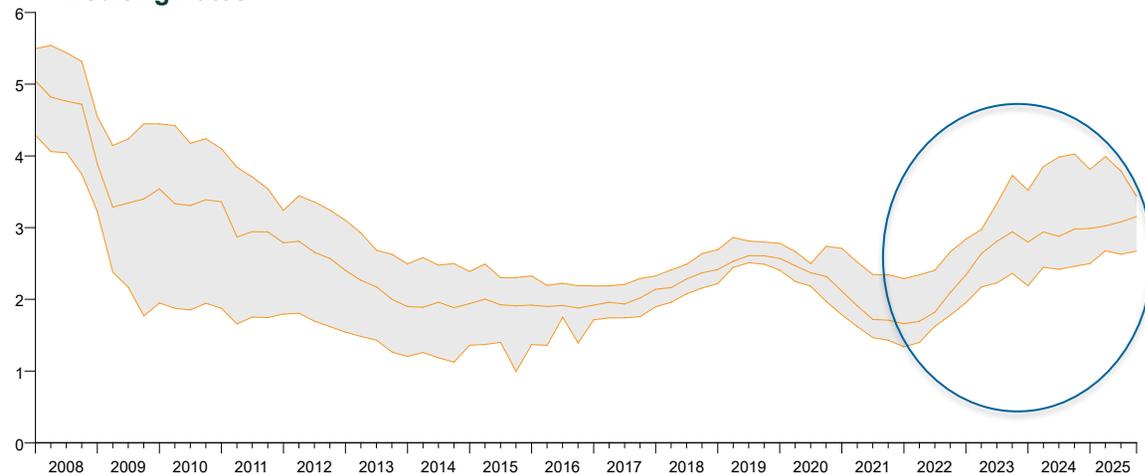
- Stable value tends to benefit from rising rates as new cash flows are invested at higher yields.

<sup>1</sup>Callan Stable Value Peer Group's 10<sup>th</sup>-90<sup>th</sup> percentile range and group median.

Market-to-book Ratios<sup>1</sup>



Crediting Rates<sup>1</sup>



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## Appendix

## 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 daily 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:

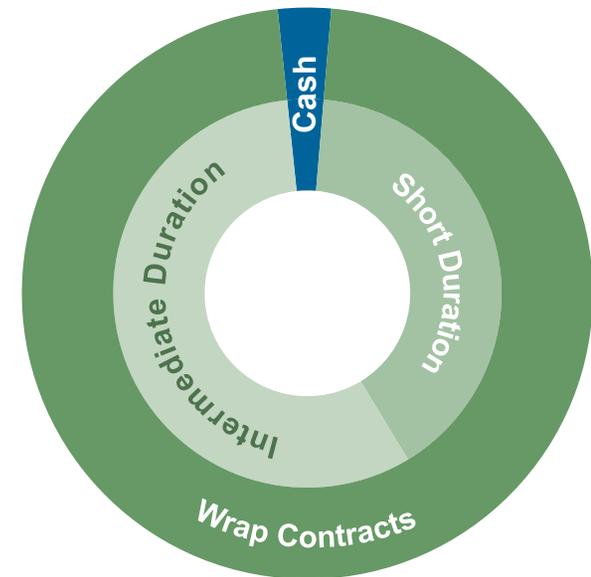
- A stable \$1.00 net asset value (NAV)
- Daily participant contributions and withdrawals among “non-competing” options
- Requires adherence to strict guidelines around sector, quality, and duration

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

## Guaranteed Investment Contracts (“GIC”)

The synthetic GIC has become the more prevalently used product/strategy for 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

$$CR = (((1+YTM) * ((MV/BV) ^ (1/D)))) - 1$$

## Crediting rate example:

YTM = 2.80%

MV = 12,000,000

BV = 11,850,000

D = 3.2 Years

$$CR = (((1+0.028) * ((12/11.85) ^ (1/3.2)))) - 1$$

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.

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## Stable Value Glossary of Terms

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**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 in to 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.