

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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STATE TREASURER OF NORTH CAROLINA

Overview of NCIA Board and Transition Project

August 27, 2025



NCIA Board Governance



NCIA Board Structure

1. The State Treasurer shall serve as chair of the Board with four members appointed by House, Senate, Governor, and State Treasurer
2. The State Treasurer shall designate a vice-chair from among the remaining members of the Board. In the absence of the State Treasurer or the Treasurer's designee, the vice-chair shall preside over the proceedings of the Board
3. The Board shall appoint and prescribe the duties of a secretary, who need not be a member of the Board
4. Appointed members serve staggered six-year terms, except for the initial term. Holdover terms can last for 6 months, then the State Treasurer may nominate a member for approval by the Board
5. No appointive member may serve for more than two consecutive, full, six-year terms without at least a one-year break in membership



NCIA Board Meetings and Voting

1. The Board shall meet at least quarterly
2. A meeting may be called by the State Treasurer or by a majority of the Board
3. The State Treasurer or designee shall establish the agenda for each meeting
4. A minimum of three members of the Board is required for quorum
5. The affirmative vote of a majority of the members of the Board present at a meeting of the Board of Directors that has been duly called and held is required for any action taken by the Investment Authority, except that the State Treasurer's vote shall prevail in the event of a tied vote



NCIA Board Powers and Duties (1 of 3)

1. The Board approves:

- Investment policy statements to include investment objectives, strategic asset allocation, and policy benchmarks
- Risk budgets, including related limits for key risk indicators
- The appointment of a master global custodian bank
- Annual operating budgets for investment programs
- Market-oriented compensation plans

2. The Board appoints/removes CIO of the Investment Authority

- CIO is the principal executive officer with terms not to exceed 5 years
- CIO employs staff necessary to carry out statutory duties
- CIO may negotiate, renegotiate, and execute contracts with third parties
- Any delegation of authority by the Board shall require Board approval and shall reserve certain strategic decisions and extraordinary investment decisions to the Board
- Contract execution with master global custodian banks and external auditors shall be done only after approved by the Board of Directors



NCIA Board Powers and Duties (2 of 3)

1. For NCRS, at least biennially, the Board approves an absolute risk operating range expressed in equity and debt allocation equivalency terms. The absolute risk operating range must meet all of the following criteria:
 - The range is deemed appropriate in seeking to maximize long-term returns.
 - The risk is not considered undue relative to other similarly situated U.S. public pension funds.
 - The Board of Directors take into consideration all of the factors affecting the funding of the Retirement Systems and each of the Retirement Systems' ability to meet its financial obligations.
2. The Board of Directors use the absolute risk operating range to recommend investment return assumptions to:
 - Board of Trustees of the Local Governmental Retirement System and Board of Trustees of the Teachers' and State Employees' Retirement System.
 - Actuaries engaged to prepare annual actuarial valuations.

The Chief Investment Officer shall manage the Retirement Systems investments to remain within the approved absolute risk operating range



NCIA Board Powers and Duties (3 of 3)

Board of Directors shall adopt policies and procedures on the following topics:

1. Requiring that the Investment Authority adopt a code of ethics
2. Requiring all employees who have responsibility for matters related to investments to be provided with training with respect to the discharge of their duties and responsibilities to the funds
3. Governing gifts to employees who have responsibility for matters related to investments
4. Imposing limitations on external investment managers' use of placement agents and other persons that appear before the Investment Authority to ensure that these persons play only a proper role in investment opportunities
5. As a component of the investment due diligence, negotiations, and contracting process, requiring an independent assessment of whether circumstances exist that create a material risk that professional judgement or actions regarding a potential investment arrangement's recommendation, approval, or execution have been or will be unduly influenced by a direct or indirect personal interest



Other NCIA Board Activities

1. The Board has the following liquidity monitoring duties:

- Upon the quarterly receipt of liquidity monitoring requirements from the CIO, the Board shall ensure that a portion of the Retirement Systems' invested assets are at all times available to be converted in an orderly fashion to cash proceeds sufficient to meet projected net benefit payments and highly probable contractual obligations
- The Board of Directors shall annually certify the allocation of illiquid investment
- If the Board determines that liquidity is insufficient, then the Board may direct the CIO to pause new contractual commitments to illiquid investments or implement other mitigation activities

2. Periodically review:

- Investment performance and investment manager appointment and termination activities.
- Investment strategies, policies, and tactical considerations.
- Asset liability studies.
- Performance benchmarks and key risk indicators.
- Audited investment financial statements and audit reports
- Independent evaluation of governance, operations, and investment practices.
- Periodic cost-effectiveness studies of the investment programs.



NCIA Board's Investment Programs

1. January 1, 2026 responsibility for investing certain asset pools moves to NCIA
 - North Carolina Retirement Systems (\$134B)
 - Cash Management Program (\$45B)
 - AGPIP and Escheats (\$3B)
2. Investment limitations on the asset pools also change on January 1, 2026, e.g., NCRS:
 - Minimum of 20% in high quality bonds
 - Maximum of 40% in illiquid investments
3. The Supplemental Retirement Plan (\$19B) has a bilateral opt-in mechanism:
 - The Supplemental Retirement Board of Trustees may request the Investment Authority to provide monitoring, evaluation, reporting, and other support or assistance for SRP investments
 - Upon the consent of the Investment Authority to provide requested support or assistance under this section, the Investment Authority's responsibilities shall be documented in a Statement of Investment Policy approved by the Supplemental Retirement Board of Trustees
 - In providing any support or assistance under this section, the Investment Authority shall discharge its duties as a fiduciary to the participants in the SRP



Proposed NCIA Board Quarterly Meeting Dates

Meeting Dates	Items for Approval	Information Items
November 19, 2025	<ul style="list-style-type: none"> Board charter, DOA, and policies Budget (i.e., 18 months) Market-oriented compensation study recommendations NCRS recommended investment return assumption 	<ul style="list-style-type: none"> NCRS ALM Study: Risk Appetite and Model portfolios Quarterly performance review
February 25, 2026	<ul style="list-style-type: none"> Updated NCRS IPS NCRS ALM transition plan SRP Support Arrangement 	<ul style="list-style-type: none"> CEM Cost Efficiency Analysis of NCRS Quarterly performance review Private market asset class reviews
May 27, 2026	<ul style="list-style-type: none"> TBD 	<ul style="list-style-type: none"> Quarterly performance review Private market asset class reviews
August 26, 2026	<ul style="list-style-type: none"> TBD 	<ul style="list-style-type: none"> Quarterly performance review Public market asset class reviews
November 18, 2026	<ul style="list-style-type: none"> TBD 	<ul style="list-style-type: none"> Quarterly performance review Private market asset class reviews

Shared Services Transition



Tentative Phases of NCIA Transition

Phases	Sample Activities
Phase I: July 1, 2025 to December 31, 2025	<ul style="list-style-type: none">○ Board appointments○ CIO appointment○ Create NCIA employee positions○ CIO appoints employees○ Initial Board approvals (Policies, Budget, Comp Plan, etc.)○ DST to NCIA legal agreements novation/assignments, etc.
Phase II: January 1, 2026 to June 30, 2026	<ul style="list-style-type: none">○ Shared Services transition to NCIA (Accounting, Legal, and HR support functions)
Phase III: July 1, 2026 and Beyond	<ul style="list-style-type: none">○ Transition of remaining Shared Services to NCIA (IT, Internal Audit, etc.)



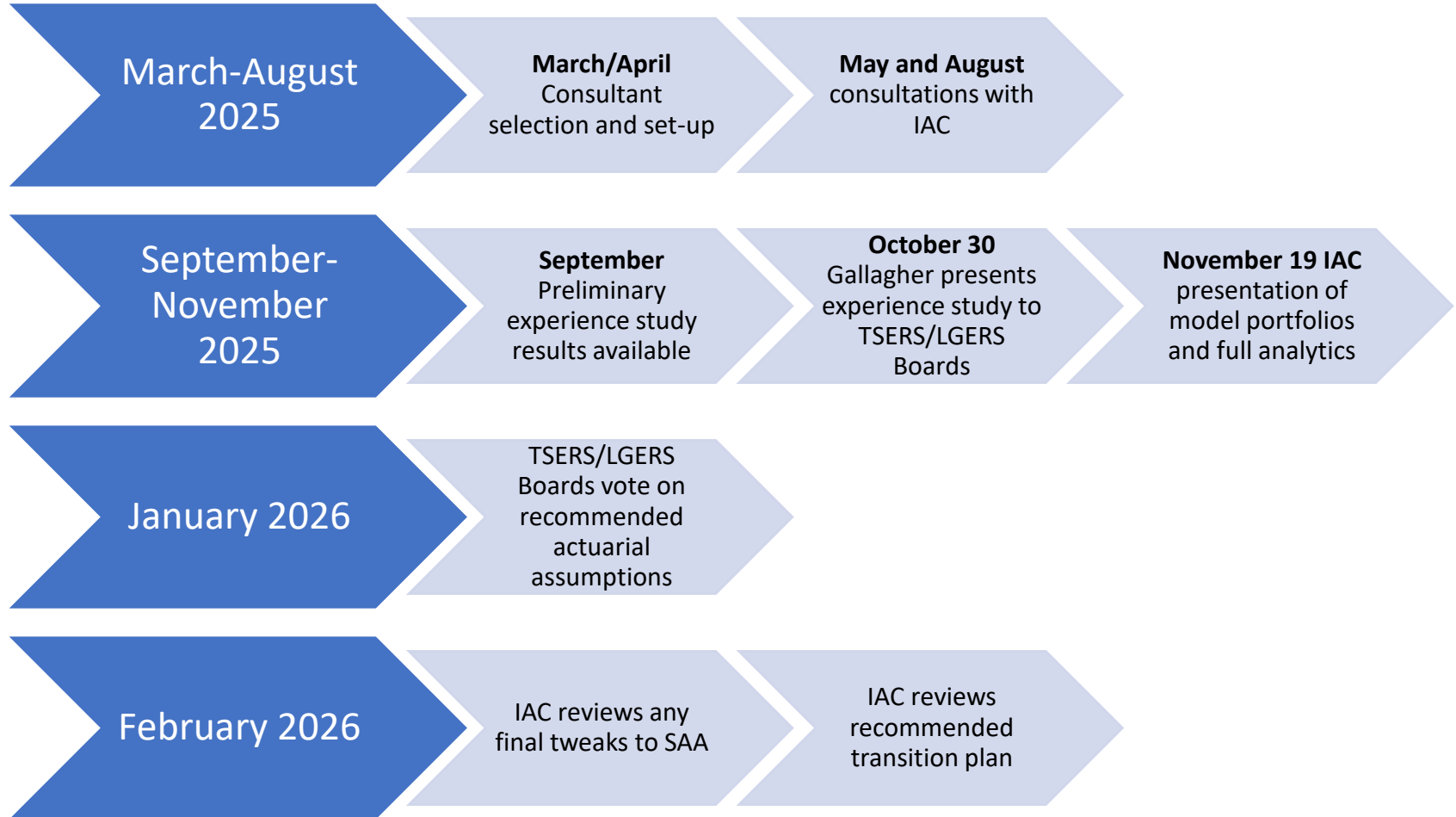
Shared Services Transition Project Objectives

1. Establish NCIA functions and resources necessary to timely and materially improve:
 - Investment performance for clients
 - Control environment
 - Strategic and operating flexibility
2. Execute an orderly and flexible transition from Shared Services model that manages DST and NCIA risks:
 - Dedicate a transition team from IMD/NCIA, FOD, HR, Law, and IT
 - Stage implementation to meet statutory and budget timelines (e.g., transfer of investment powers, elimination of IMD positions, etc.)
 - Monitor opportunity costs if transition threatens to crowd out other priority activities
 - Validate operational readiness (which may require some redundancy)
 - Adjust timelines if new risks and opportunities are identified
3. Incorporate input from NCIA Board on target operating model
4. Upon completion, transfer full accountability to NCIA for executing on the target operating model, support processes, and investment outcomes

Appendix



2025-26 NCRS ALM Study: Key Dates/Activities





North Carolina Retirement Systems' Underlying Plans

- Teachers' and State Employees' Retirement System
- Local Governmental Employees' Retirement System
- Consolidated Judicial Retirement System
- Firefighters' and Rescue Squad Workers' Pension Fund
- Legislative Retirement System
- National Guard Pension Fund
- Retiree Health Benefit Fund
- Registers of Deeds' Supplemental Pension Fund
- Teachers' and State Employees' Benefit Trust