

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

NCRS Investment Policy Statement Update

Investment Advisory Committee

February 26, 2025



2021-2022 ALM Study: Objectives and Approach

1. Long-term goal: Minimize costs over the long run

- a. How much return generation is necessary to lower costs and/or improve funded status?

2. Short-term goal: Minimize funded status volatility

- a. How much risk reduction is necessary to reduce funded status volatility?

3. Focus was on 5 alternative candidate portfolios.

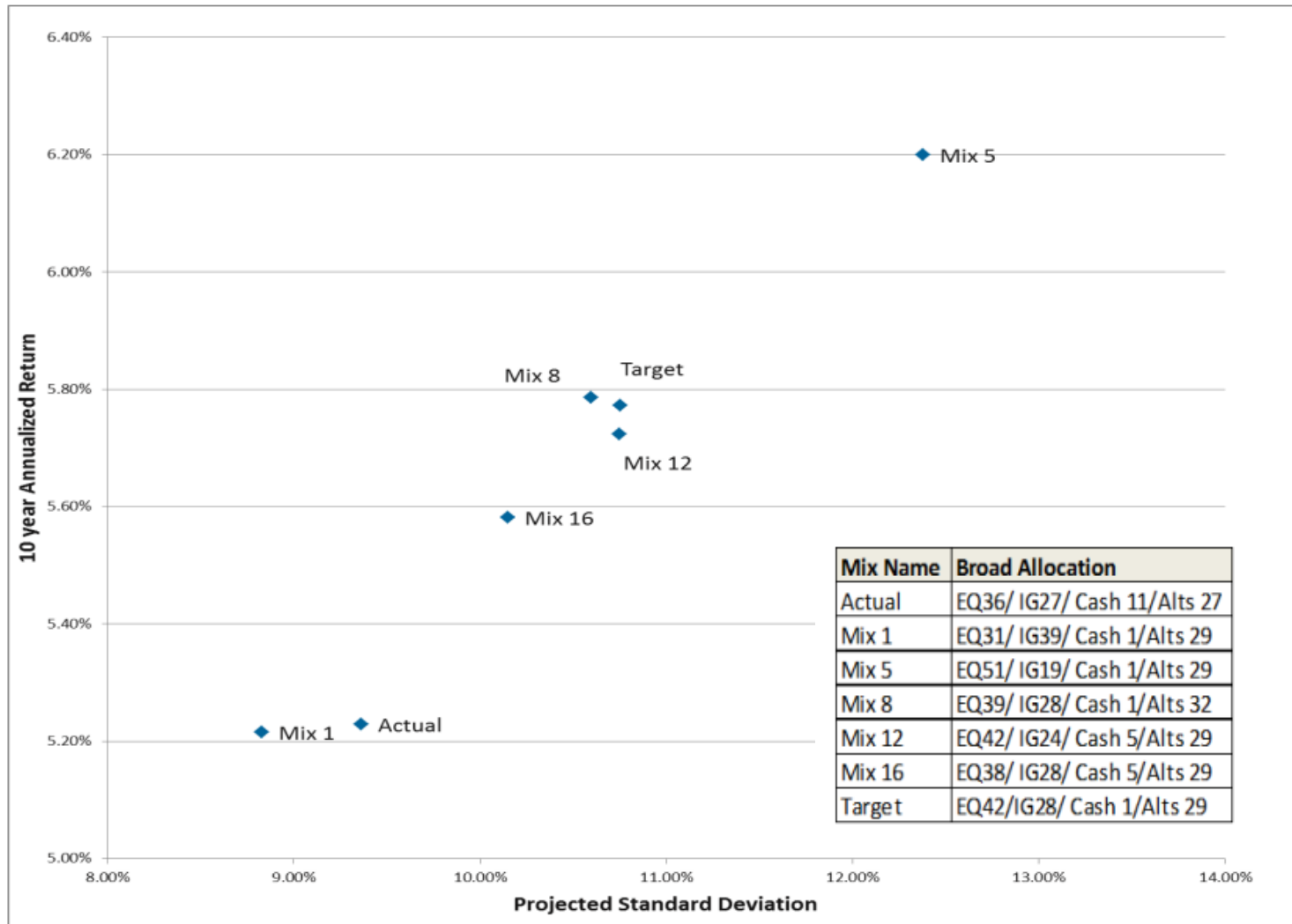
	Actual	Target	Mix 1	Mix 5	Mix 8	Mix 12	Mix 16
GROWTH	50.3%	58.0%	47.0%	67.0%	56.5%	58.0%	55.0%
Global Equity	36.0%	42.0%	31.0%	51.0%	39.0%	42.0%	38.0%
Private Equity	6.1%	6.0%	6.0%	6.0%	7.0%	6.0%	7.0%
Non Core Real Estate	2.4%	3.0%	3.0%	3.0%	3.5%	3.0%	3.0%
Opportunistic Fixed	5.7%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
RATES AND LIQUIDITY	38.6%	29.0%	40.0%	20.0%	29.0%	29.0%	33.0%
5+ IG Fixed and Cash	27.4%	28.0%	39.0%	19.0%	28.0%	24.0%	28.0%
Cash	11.1%	1.0%	1.0%	1.0%	1.0%	5.0%	5.0%
INFLATION SENSITIVE AND DIVERSIFIERS	9.3%	11.0%	11.0%	11.0%	13.0%	11.0%	11.0%
Inflation Sensitive ex Comm	4.6%	6.0%	6.0%	6.0%	7.0%	6.0%	6.0%
Core Real Estate	4.8%	5.0%	5.0%	5.0%	6.0%	5.0%	5.0%
MULTISTRATEGY	1.9%	2.0%	2.0%	2.0%	1.5%	2.0%	1.0%
	100.00%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Mixes were designed to span the risk/return spectrum and evaluate impact of policy changes

All mixes satisfy NCRS' statutory constraints

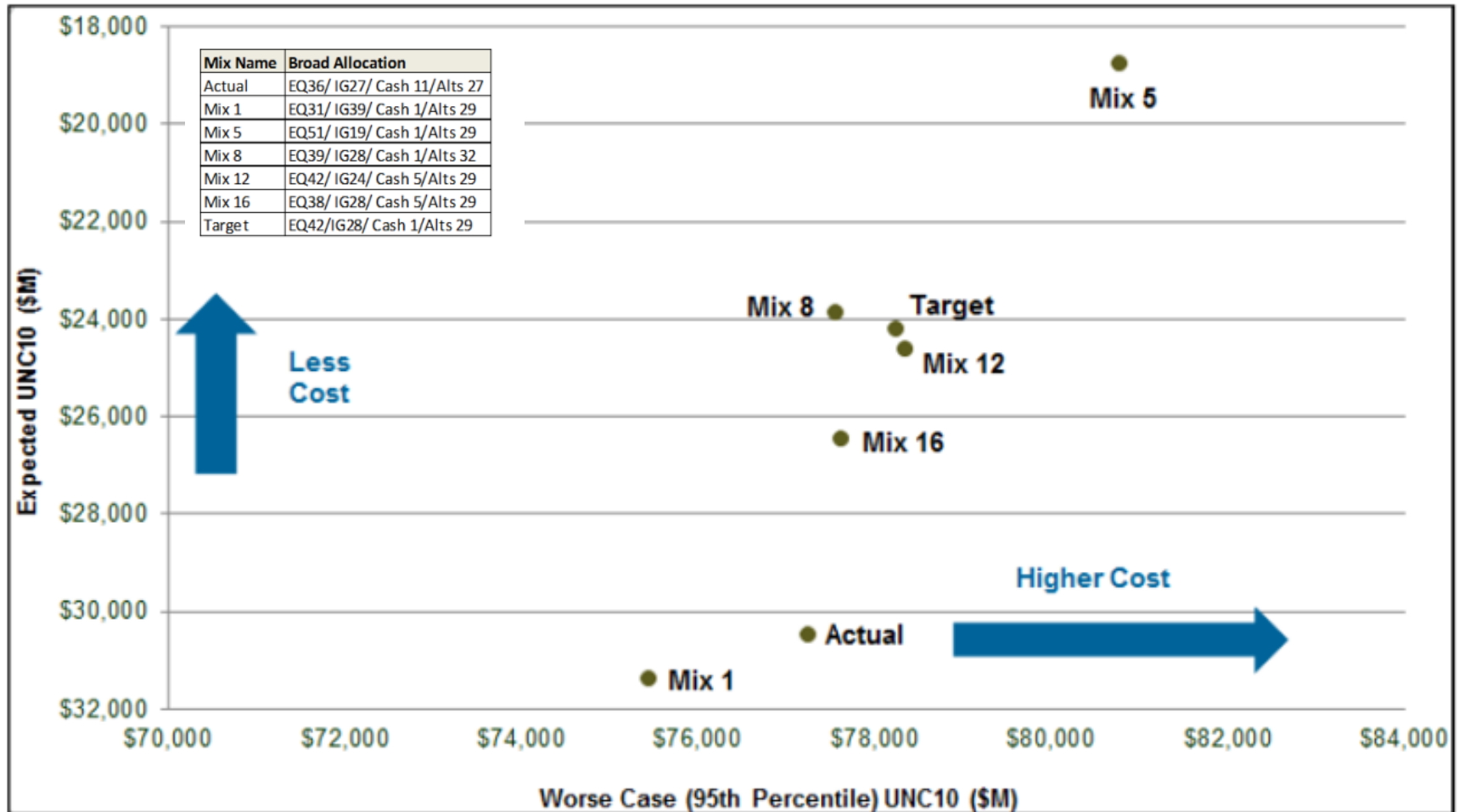


10 Years Projected Asset-only Risk and Return





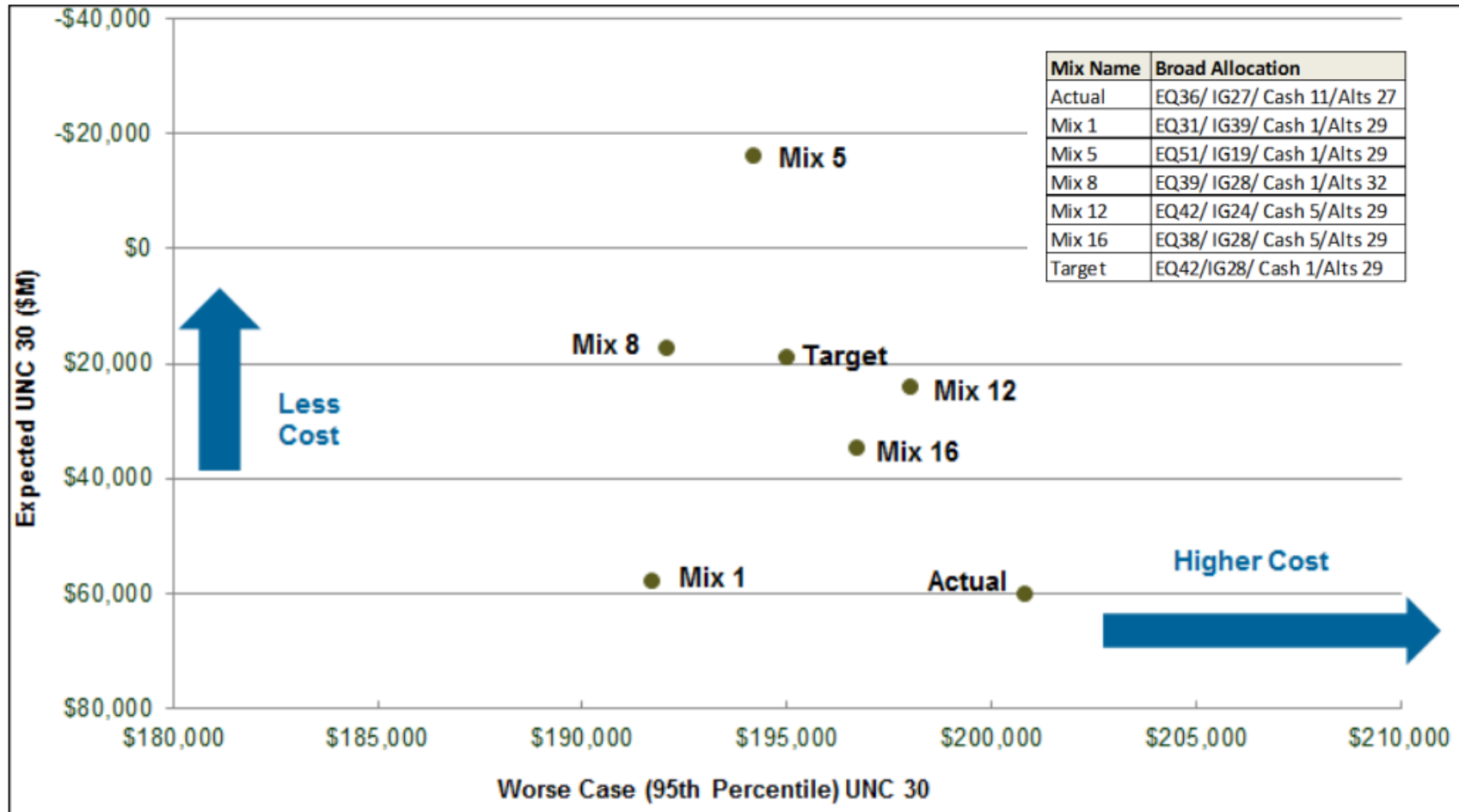
10 Years Projected Median and 5th Percentile Ultimate Net Cost



Note: For 2021 -2022 ALM study, the TSERS plan was used as a proxy for NCRS



30 Years Projected Median and 5th Percentile Ultimate Net Cost



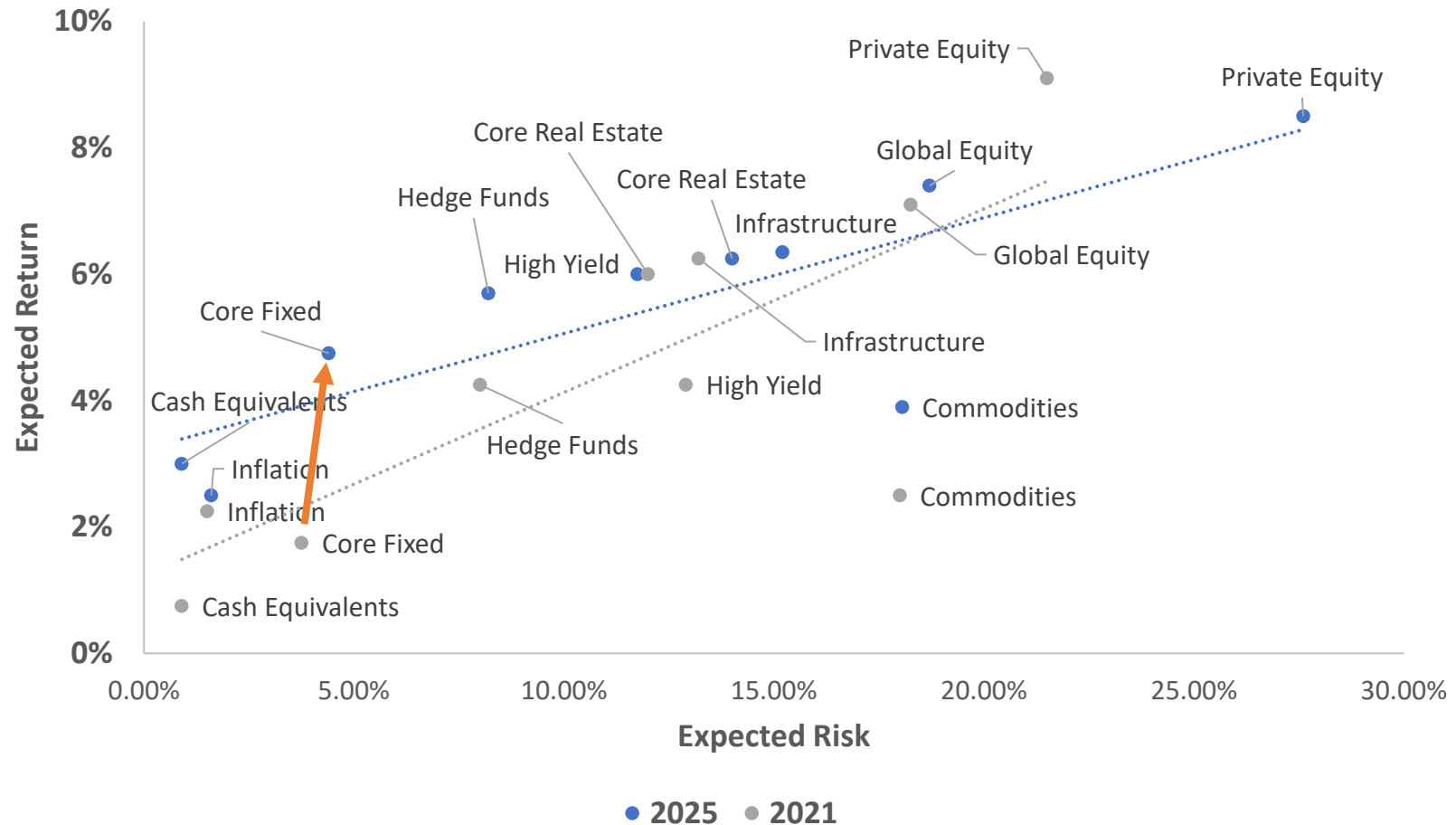
Note: For 2021 -2022 ALM study, the TSERS plan was used as a proxy for NCRS

Source: Callan NCRS Asset Allocation and Liability Study: Part 2, February 23, 2022



10 Year Expected Returns are Mostly Higher

Comparing Callan's 2025 to 2021 Capital Market Assumptions





Proposed Changes to Strategic Asset Allocation Targets

	Current SAA	Proposed SAA	Change
Growth	55%	58%	+3%
<i>Public Equity</i>	38%	42%	+4%
<i>Private Equity</i>	7%	6%	-1%
<i>Non-Core Real Estate</i>	3%	3%	-
<i>Opportunistic Fixed Income</i>	7%	7%	-
Rates and Liquidity	33%	29%	-4%
<i>Investment Grade Fixed Income</i>	28%	28%	-
<i>Pension Cash</i>	5%	1%	-4%
Inflation Sensitive and Diversifiers	11%	11%	-
<i>Inflation Sensitive</i>	6%	6%	-
<i>Core Real Estate</i>	5%	5%	-
Multi-Strategy	1%	2%	+1%

Average public pension has 47% in Public Equity and 24% in Fixed Income + Cash



Proposed Strategic Asset Allocation Targets & Ranges

	Minimum	Policy Target	Maximum
Growth	37%	58%	71%
<i>Public Equity</i>	37%	42%	47%
<i>Private Equity</i>	0%	6%	8.75%
<i>Non-Core Real Estate</i>	0%	3%	8%
<i>Opportunistic Fixed Income</i>	0%	7%	7.5%
Rates and Liquidity	24%	29%	42%
<i>Investment Grade Fixed Income</i>	24%	28%	32%
<i>Pension Cash</i>	0%	1%	10%
Inflation Sensitive and Diversifiers	4%	11%	16%
<i>Inflation Sensitive</i>	2%	6%	7.5%
<i>Core Real Estate</i>	2%	5%	10%
Multi-Strategy	0%	2%	4%

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