

May 22, 2025



The North Carolina Supplemental Retirement Plans

Annual Administrative and
Investment Fee Review

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NCSRP Annual Fee Review

Executive Summary

- The North Carolina Department of State Treasurer engaged Callan to review the administrative and investment fees for the North Carolina Supplemental Retirement Plans, 401(k) and 457(b) Plans
- **The NCSRP's administration service fees are competitive and lower than the median comparable fees paid by other public plans in Callan's DC fees database. The NCSRP's investment management fees are competitive and lower than the median fees of their peer group for similar sized mandates**
- Administrative Fees:
 - Callan conducted a comprehensive benchmarking study of the NCSRP administrative fees in May 2024, using a bidding process with two recordkeepers whose services are reasonably on par with those currently provided to the Plans by Empower
 - This annual interim fee review report provides a comparison of administration fees based on information from Callan's defined contribution (DC) fees database
 - In light of the unique complexities among governmental plans, Callan only reviewed fee information for other public DC plans
- Investment Fees:
 - Callan utilized peer group rankings in our Performance Evaluation Program database and Investment Management Fee Survey
 - Our analysis is focused solely on fees and does not factor in the ranking or quality of returns that a manager has delivered
Performance differences and/or product dynamics may explain the dispersion of fees seen in the marketplace
 - Callan also contacted all managers to confirm whether NC SRP is accessing the lowest cost vehicles for each respective product and whether additional fee savings are available

Types of Plan Fees

Plan-Level Administration Fees



Administration fees reflect the services required to administer the plan on an ongoing basis.

Typically there is a flat per participant fee or an asset-based fee that is set by the vendor.

These fees can be collected directly from the plan sponsor, the participant, forfeiture accounts, or revenue sharing, or some combination of the above.

Additionally, separate fees may apply for government forms support, communications and education, etc.

Participant-Level Transaction Fees



Participant transaction fees are assessed based on an individual's action: taking a loan, requesting a distribution, submitting a domestic relations order (DRO), investing in self-directed brokerage.

These transaction fees may generate considerable revenue for the recordkeeper and should be considered in any review of plan fees.

These fees can generally be negotiated in the context of the overall recordkeeping relationship.

Investment Management Fees



Investment management fees are set at the fund level and assessed pro-rata based on the assets invested in the fund.

In a mutual fund environment, the operating expense ratio and revenue shared are set between the Investment Manager and the RK; opportunities to move to a lower fee may be available when plan assets in the fund reach certain levels.

Additional share classes or vehicles are continually being made available and must be carefully monitored for eligibility.

Other Revenue



In addition to the sources of revenue outlined, the vendor may also receive additional compensation from other sources: advice providers, rollover partners, self-directed brokerage relationships or trading fees, general account-backed fixed annuities or "spread" products, etc.

It is important to inventory and assess all fees as a component of ongoing due diligence.

NCSRP Annual Administrative Fee Review

Database Check Methodology

Administrative Fees

- To benchmark administrative fees, the NCSRP were compared to other public plans in Callan's DC fees database.
- Callan's DC fees database contains hundreds of data points and is regularly updated. The database is comprised of fee data from several sources:
 - Conducting recent recordkeeper and custodian searches
 - Surveying providers
 - Regularly monitoring client fees
 - Conducting fee studies
- The fees in the database represent fees for recordkeeping services such as administration, plan sponsor and participant website maintenance, call center services, compliance functions, most participant communications, in-person meetings, reporting, trust & custody, and check cutting. Importantly, these fees are not inclusive of costs for individual participant transactions (e.g., loan initiation, withdrawals, DROs, etc.) or services such as managed account revenue splitting.

Transaction Fees

- To evaluate transaction fees, the fees Empower charges participants for common transactions were compared to the fees charged to other public plans in Callan's DC fees database.

Comparison of NCSRP Administrative & Transaction Fees – All Public Plans

Empower’s base per participant administration fee is \$25, which falls below the median base per participant administration fee of all public plans in Callan’s DC fees database (\$42). Most public plans in the database have trust & custody fees included within their base fee. NCSRP utilizes an external custodian, and based on Callan’s comprehensive fee review in 2024, NCSRP’s fees for external custody services equated to approximately \$3 per participant. The NCSRP’s base fee also includes 18 full-time education representatives.

	Base Per Participant Administration Fee (\$)	Sample Statistics	Database	NCSRP*
90 th Percentile	\$67	Assets	\$4,749,286,155 (average)	\$17,673,093,805
75 th Percentile	\$51	Participants	58,386 (average)	319,239
50 th Percentile	\$42	# Pricing Points / # Pricing Points Assuming Managed Account Offering	40 / 26	--
25 th Percentile	\$33			
10 th Percentile	\$24			
NCSRP	\$25			

*As of Dec. 31, 2024

	Loan Initiation	Loan Maintenance	In-Service Withdrawals	RMDs	Hardship Withdrawals	DRO Processing
Median fee (when assessed)	\$55	\$25	\$25	\$25	\$25	\$350
Prevalence	90%	68%	20%	8%	18%	60%
NCSRP	\$60	\$0	\$0	\$0	\$0	\$0

Sources: Empower and Callan’s DC fees database

Comparison of NCSRP Administrative & Transaction Fees – Public Plans >\$1B in Assets

Empower's base per participant administration fee is \$25, which falls below the median base per participant administration fee of public plans in Callan's DC fees database with more than \$1 billion in plan assets (\$37). Most public plans in the database have trust & custody fees included within their base fee. The NCSRP utilize an external custodian, and based on Callan's comprehensive fee review in 2024, NCSRP's fees for external custody services equated to approximately \$3 per participant. The NCSRP's base fee also includes 18 full-time education representatives.

	Base Per Participant Administration Fee (\$)	Sample Statistics	Database	NCSRP*
90 th Percentile	\$51	Assets	\$6,244,467,912 (average)	\$17,673,093,805
75 th Percentile	\$49	Participants	75,336 (average)	319,239
50 th Percentile	\$37	# Pricing Points / # Pricing Points Assuming Managed Account Offering	30 / 26	--
25 th Percentile	\$31	*As of Dec. 31, 2024		
10 th Percentile	\$20			
NCSRP	\$25			

	Loan Initiation	Loan Maintenance	In-Service Withdrawals	RMDs	Hardship Withdrawals	DRO Processing
Median fee (when assessed)	\$50	\$25	\$23	\$23	\$25	\$350
Prevalence	87%	57%	20%	7%	17%	57%
NCSRP	\$60	\$0	\$0	\$0	\$0	\$0

Sources: Empower and Callan's DC fees database

Comparison of NCSRP Administrative & Transaction Fees – Public Plans >\$5B in Assets

Empower's base per participant administration fee is \$25, which falls below the median base per participant administration fee of public plans in Callan's DC fees database with more than \$5 billion in plan assets (\$28). Most public plans in the database have trust & custody fees included within their base fee. The NCSRP utilize an external custodian, and based on Callan's comprehensive fee review in 2024, NCSRP's fees for external custody services equated to approximately \$3 per participant. The NCSRP's base fee also includes 18 full-time education representatives.

	Base Per Participant Administration Fee (\$)	Sample Statistics	Database	NCSRP*
90 th Percentile	\$42	Assets	\$13,452,746,288 (average)	\$17,673,093,805
75 th Percentile	\$36	Participants	167,969 (average)	319,239
50 th Percentile	\$28	# Pricing Points / # Pricing Points Assuming Managed Account Offering	10 / 7	--
25 th Percentile	\$19	*As of Dec. 31, 2024		
10 th Percentile	\$18			
NCSRP	\$25			

	Loan Initiation	Loan Maintenance	In-Service Withdrawals	RMDs	Hardship Withdrawals	DRO Processing
Median fee (when assessed)	\$60	\$45	\$20	\$20	\$20	\$400
Prevalence	90%	20%	10%	10%	10%	50%
NCSRP	\$60	\$0	\$0	\$0	\$0	\$0

Sources: Empower and Callan's DC fees database

NCSRP Annual Investment Fee Review

Fee Observations

- NCSRP fees are competitive at both the option level and the underlying investment manager level
 - All BlackRock passive strategies are in the lowest cost vehicles
 - NCSRP predominantly uses separate account vehicles. No lower cost alternate vehicles are available for existing strategies
 - As in prior years, there are two funds where manager fees are modestly higher than the published median for a separate account peer group, Sands Capital and Hotchkis & Wiley
 - Callan does not recommend any changes
- In addition to reviewing relative to published fees, Callan compared fees to negotiated (actual) rates as listed in the Callan 2023 Investment Management Fee Survey
 - All participant options are at or below the negotiated actual median from the Callan survey

NCSRP Annual Investment Fee Review

Option Level Fees Relative to Callan Investment Mgmt Fee Survey and Mutual Fund Peer Groups

Option	12.31.24 Assets	All in Fee	Peer Group Median Fee*
PASSIVE:			
North Carolina Fixed Income Passive Fund	\$ 95,966,446	0.03%	0.04%**
North Carolina TIPS Fund ¹	\$ 313,344,048	0.03%	0.04% ¹
North Carolina Large Cap Passive Fund	\$ 4,775,971,798	0.01%	0.02%**
North Carolina International Passive Fund	\$ 119,334,289	0.05%	0.06%**
North Carolina SMID Passive Fund	\$ 441,174,108	0.02%	0.03%**
North Carolina Inflation Sensitive Fund	\$ 677,152,607	0.10%	0.11%**
ACTIVE:			
North Carolina Stable Value Fund	\$ 2,216,891,768	0.26%	0.27%
North Carolina Fixed Income Fund	\$ 2,360,374,374	0.13%	0.40%
North Carolina Large Cap Core Fund	\$ 2,520,996,999	0.28%	0.59%
North Carolina International Equity	\$ 2,868,147,021	0.40%	0.79%
North Carolina SMID Core Fund	\$ 1,277,393,542	0.39%	0.83%

*Peer Group Median Fee calculated using effective annual fee (CIT/Separate Accounts) or cheapest fee (mutual funds) in Callan's Performance Evaluation Program.

**Based on published fees in 2023 Callan Investment Management Fee Survey

¹Passive Fixed Core Income Group used for comparison

NCSRP Annual Investment Fee Review

Manager Level Fees Relative to Separate Account Peer Groups

Manager	12.31.24 Assets	All in Fee	Peer Group Median Fee*	Vehicle	Comments
North Carolina Stable Value Fund					
Galliard Stable Value	\$ 2,216,891,768	0.26%	0.27%	Separate Account	Currently in lowest cost investment vehicle.
North Carolina Fixed Income Fund					
TCW	\$ 1,180,103,975	0.13%	0.21%	Separate Account	Currently in lowest cost investment vehicle.
Prudential	\$ 1,180,270,347	0.12%	0.21%	Separate Account	Currently in lowest cost investment vehicle.
North Carolina Large Cap Core Fund					
Hotchkis & Wiley	\$ 475,921,390	0.40%	0.38%	Separate Account	Currently in lowest cost investment vehicle.
Macquarie Large Cap Value	\$ 476,150,948	0.26%	0.38%	Separate Account	Currently in lowest cost investment vehicle.
Sands Capital Management	\$ 468,834,164	0.45%	0.42%	Separate Account	Currently in lowest cost investment vehicle.
Loomis Sayles	\$ 470,418,393	0.36%	0.42%	Separate Account	Currently in lowest cost investment vehicle.
North Carolina SMID Core Fund					
Earnest Partners	\$ 383,363,537	0.47%	0.67%	Separate Account	Currently in lowest cost investment vehicle.
Alliance Bernstein	\$ 383,703,733	0.42%	0.65%	Separate Account	Currently in lowest cost investment vehicle.
Brown Advisory	\$ 382,671,583	0.37%	0.69%	Separate Account	Currently in lowest cost investment vehicle.
North Carolina International Equity					
Baillie Gifford Growth	\$ 1,231,625,566	0.26%	0.51%	Separate Account	Currently in lowest cost investment vehicle.
Mondrian Investment Partners Value	\$ 1,234,195,742	0.38%	0.49%	Separate Account	Currently in lowest cost investment vehicle.
Acadian	\$ 200,928,681	0.62%	0.83%	Separate Account	Currently in lowest cost investment vehicle.
WCM	\$ 201,189,307	0.70%	0.84%	Separate Account	Currently in lowest cost investment vehicle.

*Peer Group Median Fee calculated using effective annual fee (CIT/Separate Accounts) or cheapest fee (mutual funds) in Callan's Performance Evaluation Program

Appendix

Key Factors That Impact DC Recordkeeping Pricing

The universe of statewide DC plan systems is inherently small, while the variation in total prices charged can be large. In Callan's view, using a universe with only a handful of true points of comparison without looking deeper into the economic forces that impact plan pricing can cause plan fiduciaries to fail to receive important insights. For very large plans, the differences in overall pricing are driven mostly by the (i) the complexity of the scope of services required, (ii) the presence (or lack thereof) of managed account services, and (iii) the staffing requirements from the recordkeeper. These three factors drive most differences in plan pricing, and they explain far more of the degree of variation in plan expenses between large plans than assets or participant counts.

- **Managed Accounts**

- One of the most important factors in determining overall DC plan fees today is the presence, or lack thereof, of managed account services. Depending upon an array of factors, including both the pricing schedule and degree of participant adoption, Callan has observed many instances in which the revenue from managed accounts rivals or exceeds the revenue paid to recordkeepers from explicit fees for recordkeeping.

- **Recordkeeper Staffing Requirements**

- Another important factor that varies significantly across public DC clients is the staffing requirement associated with the scope of services. For example, one client in Callan's public DC fees database includes no fewer than 32 full-time education (FTE) representatives from its recordkeeper, as well as accommodating a plan-specific call center. Conversely, several statewide plans in the database only include the client team assigned to administer the plan, employing no statewide field staff, enrollers, advisors, or other additional staff. Given that a registered representative capable of providing enrollment meetings, participant education, and one-on-one meetings is frequently reported to cost recordkeepers between \$125,000 to \$150,000 per FTE per year, variations in staffing requirements can result in significant cost differences. These two factors, combined with aspects of the scope of services, explain why some of the plans in the database are priced so much lower than others.

Key Factors That Impact DC Recordkeeping Pricing (cont.)

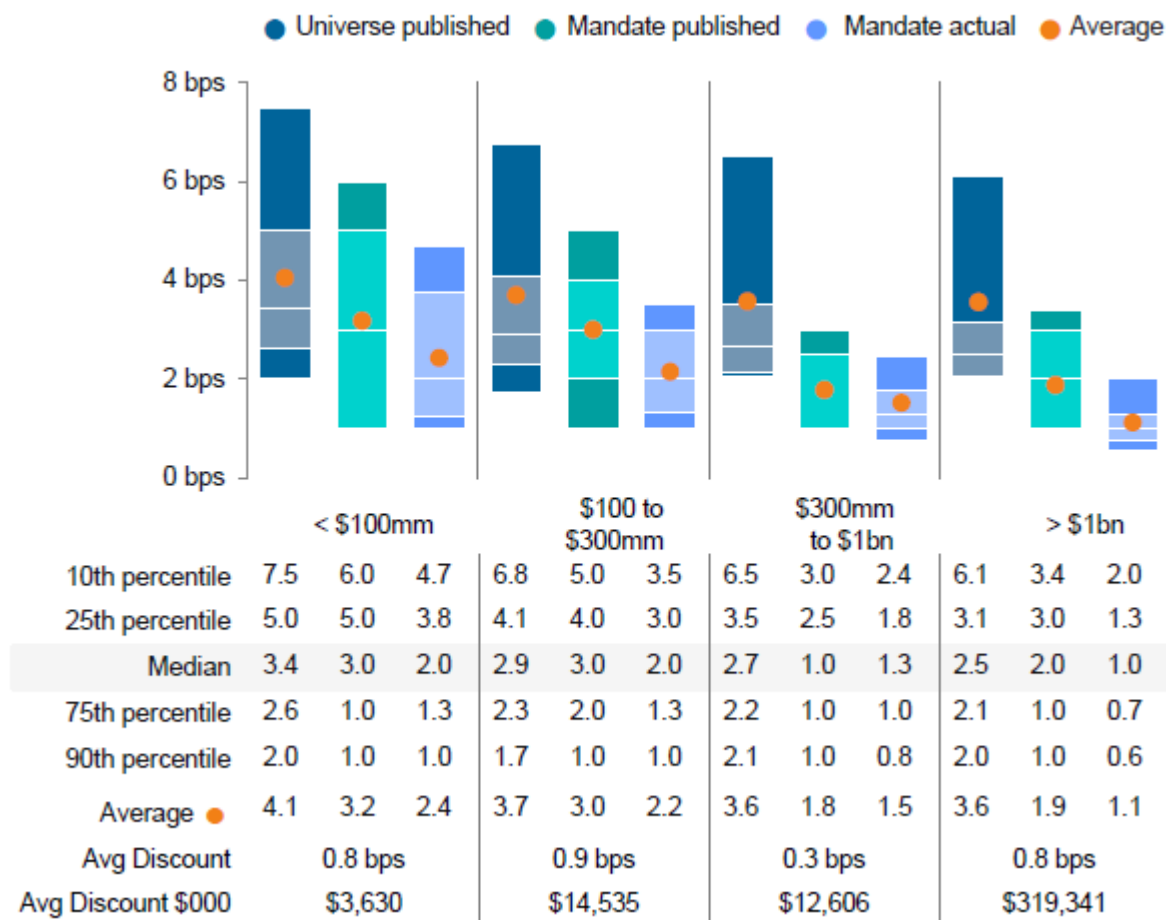
- Overall Complexity of Scope

- The degree to which the required scope of services for a large plan requires significant investments in either technology, staff, or both from the recordkeeper can have a significant impact on plan pricing. A highly complicated plan scope can require hundreds of thousands or millions of dollars of investment, or ongoing staffing costs, from a recordkeeper to accommodate, if the recordkeeper's systems do not function as required by the client. It is common that smaller clients are simply required to conform their service requirements to those that are available today from the market, as it is infeasible to require large institutions to change. Larger plans often do have sufficient bargaining power to enable them require highly customized solutions from the market.

Callan 2023 Fee Study

Passive U.S. Large Cap and All Equity

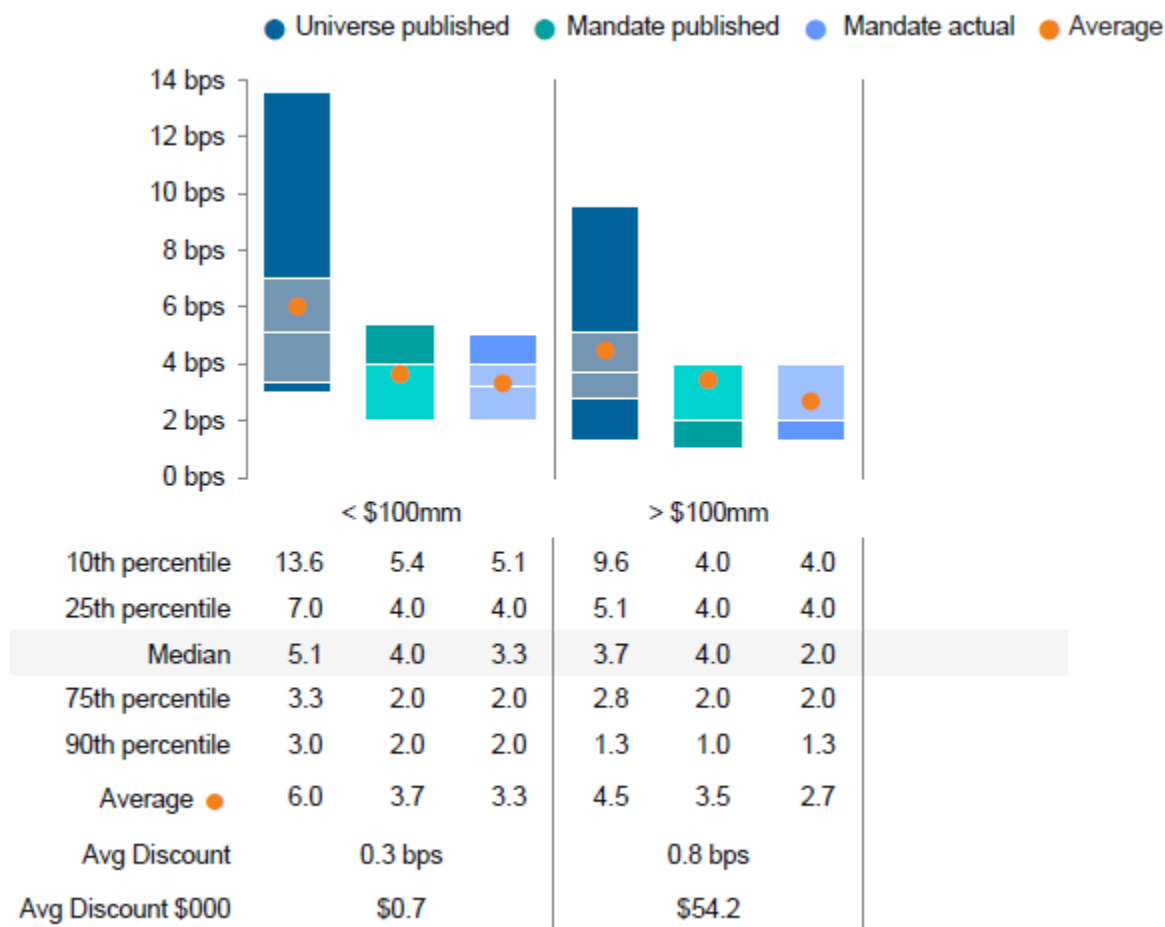
Fees by account size



Callan 2023 Fee Study

Passive U.S. Smid, Small, and Micro Equity

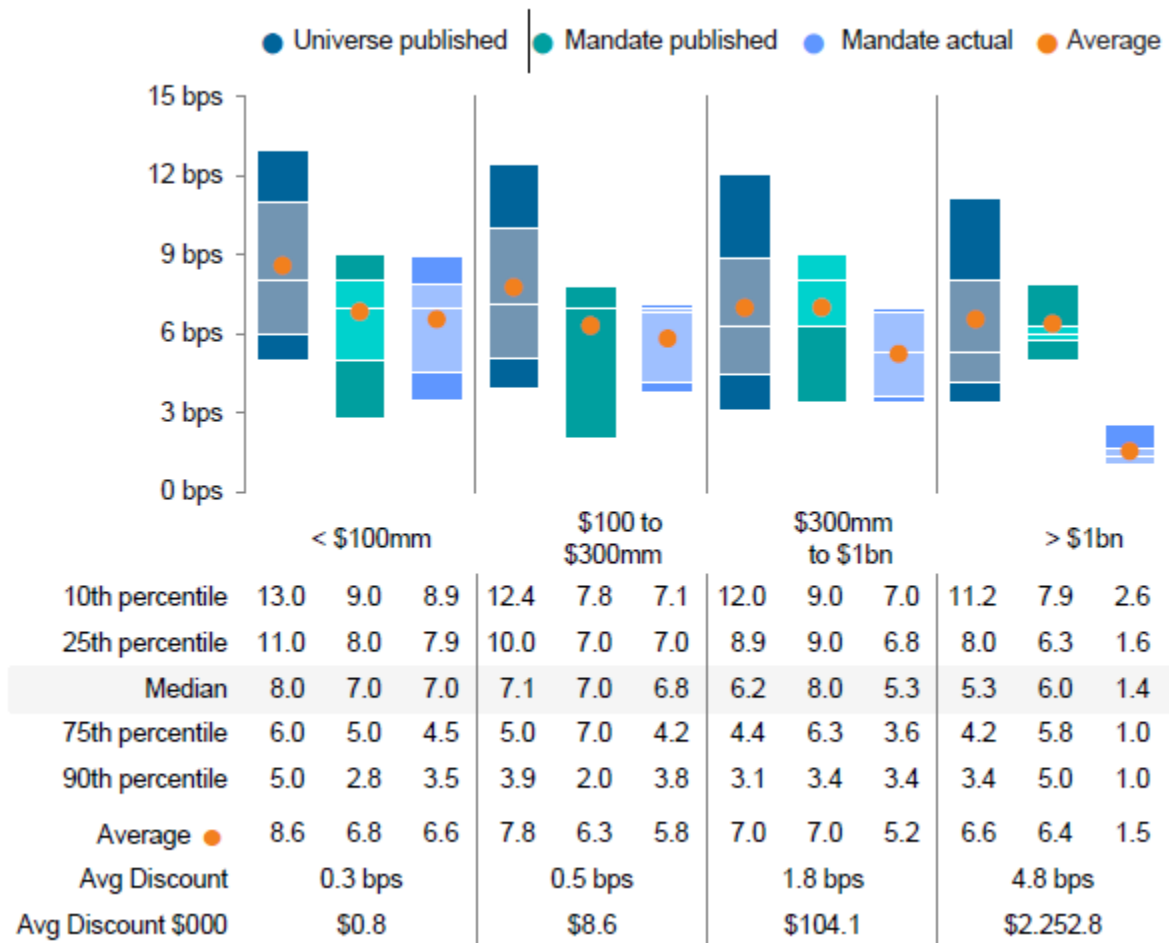
Fees by account size



Callan 2023 Fee Study

Passive Global ex-U.S. Large Cap Equity

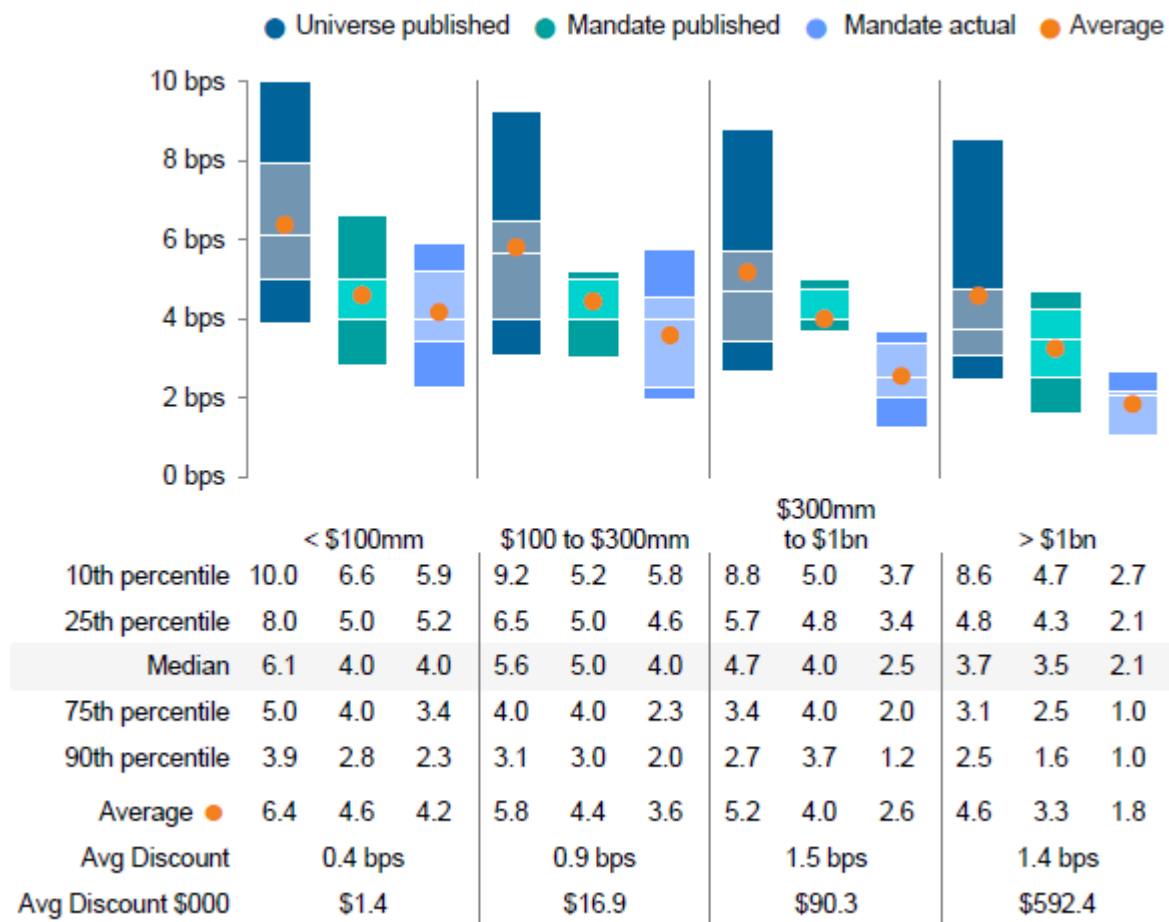
Fees by account size



Callan 2023 Fee Study

Passive U.S. Core Fixed Income

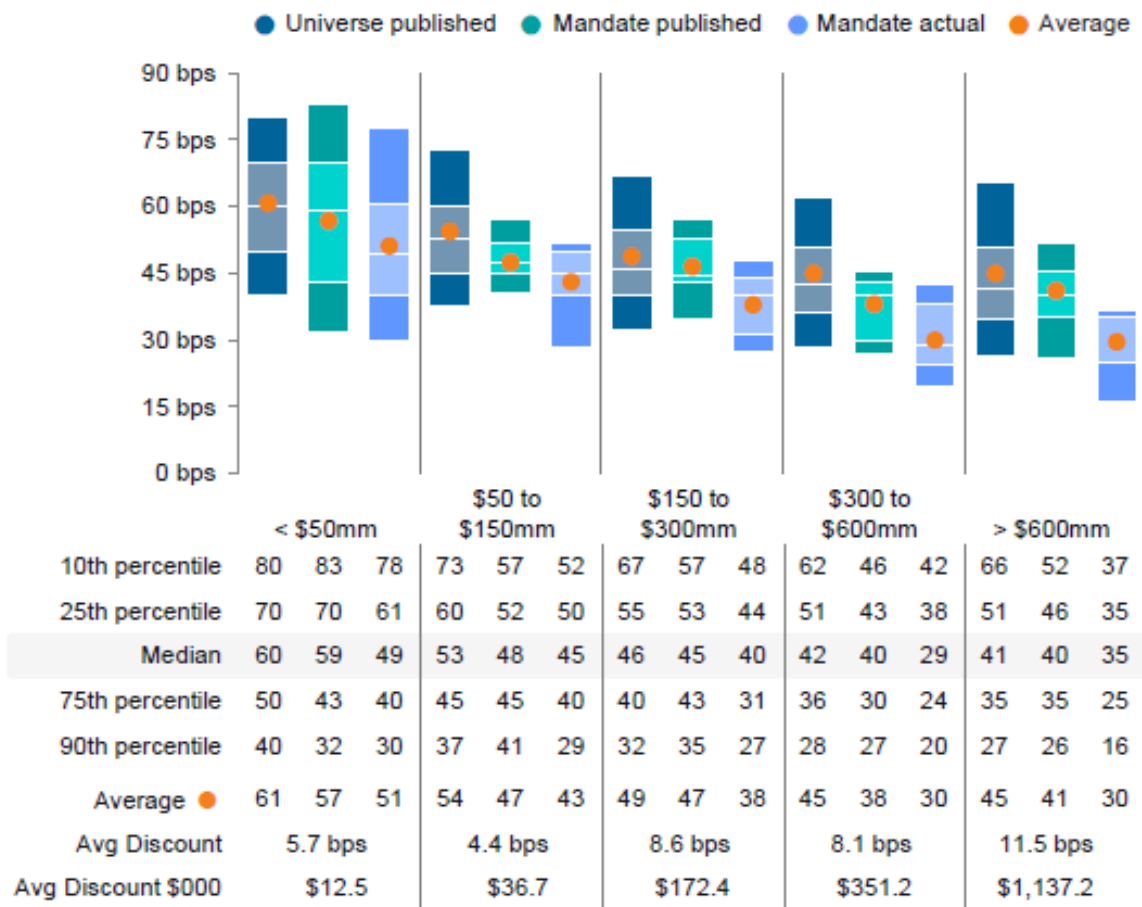
Fees by account size



Callan 2023 Fee Study

Active U.S. Large Cap and All Cap Equity

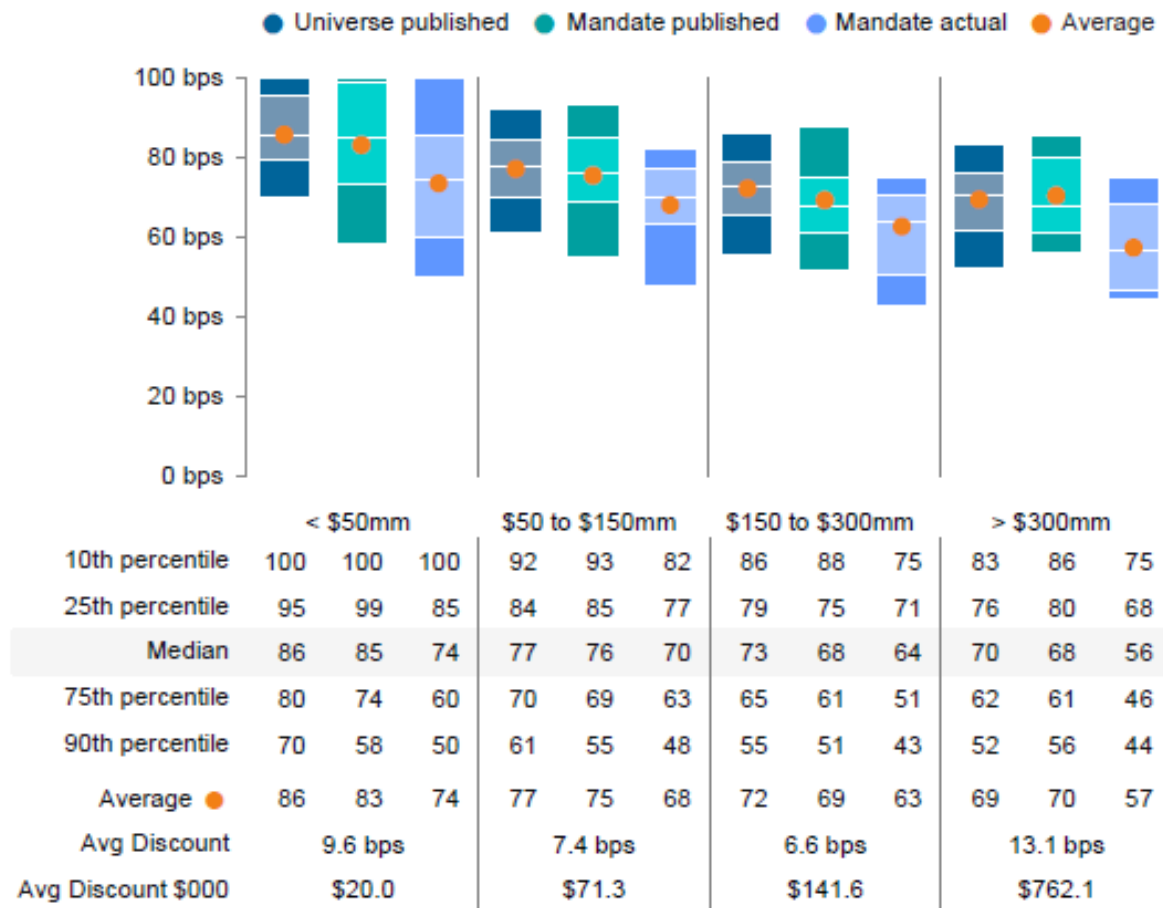
Fees by account size



Callan 2023 Fee Study

Active U.S. Smid, Small, and Micro Cap Equity

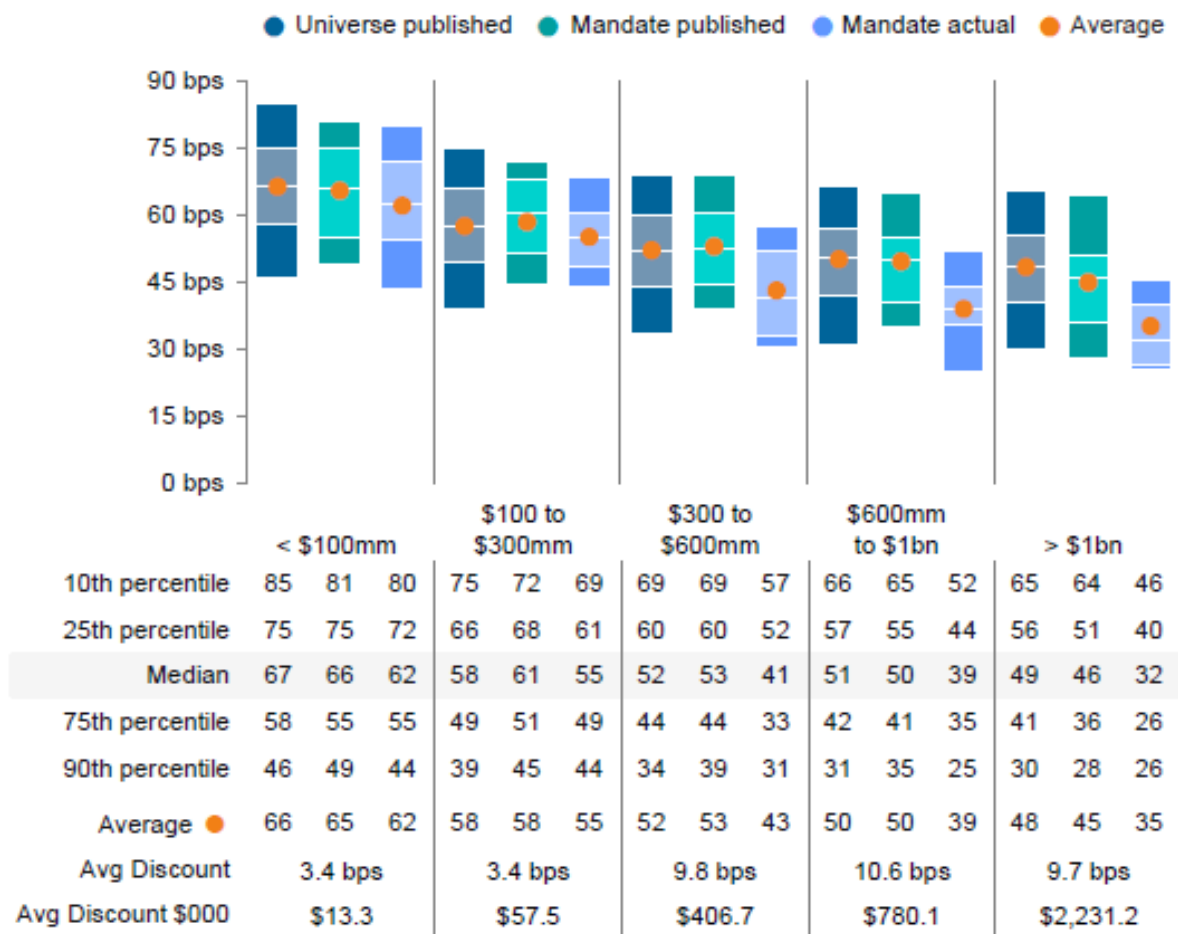
Fees by account size



Callan 2023 Fee Study

Active Global ex-U.S. Large Cap Equity (all types)

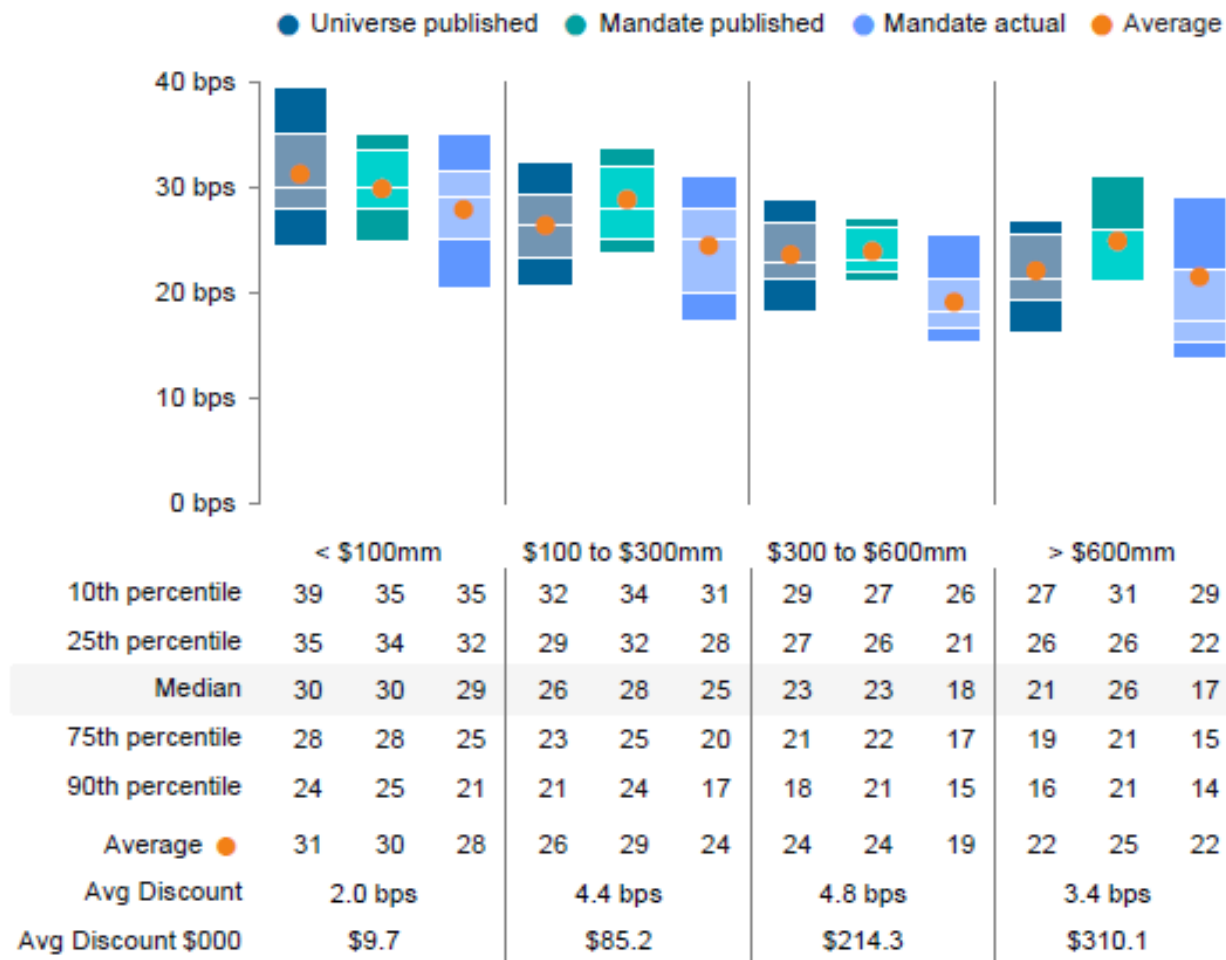
Fees by account size



Callan 2023 Fee Study

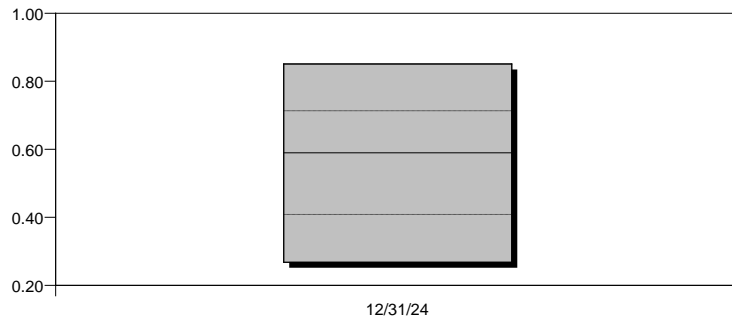
Active Core Plus Fixed Income

Fees by account size



Callan Peer Group Mutual Funds

Cheapest Fee
for Periods Ended December 31, 2024
Group: Callan Large Cap Core Mutual Funds

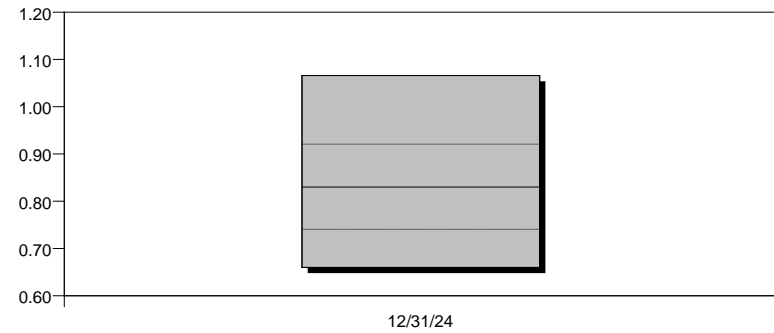


10th Percentile
25th Percentile
Median
75th Percentile
90th Percentile

12/31/24

0.85
0.71
0.59
0.41
0.27

Cheapest Fee
for Periods Ended December 31, 2024
Group: Callan Small/MidCap Broad Mutual Funds

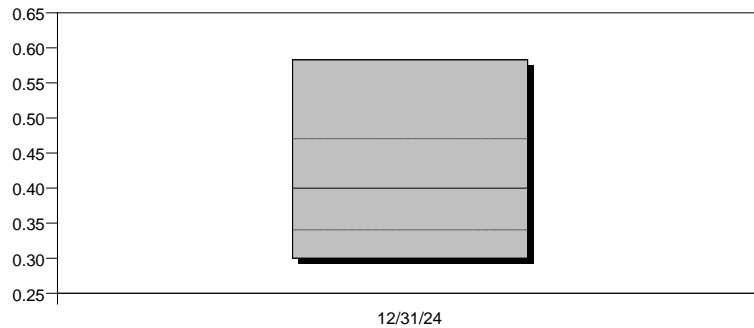


10th Percentile
25th Percentile
Median
75th Percentile
90th Percentile

12/31/24

1.07
0.92
0.83
0.74
0.66

Cheapest Fee
for Periods Ended December 31, 2024
Group: Callan Core Plus Mutual Funds

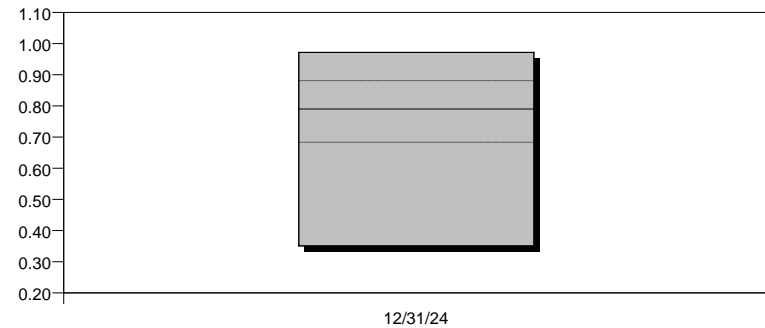


10th Percentile
25th Percentile
Median
75th Percentile
90th Percentile

12/31/24

0.58
0.47
0.40
0.34
0.30

Cheapest Fee
for Periods Ended December 31, 2024
Group: Callan Non US Equity Mutual Funds



10th Percentile
25th Percentile
Median
75th Percentile
90th Percentile

12/31/24

0.97
0.88
0.79
0.68
0.35

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