

May 23, 2024



## **North Carolina Supplemental Retirement Plans**

Investment Management Fee  
Review

---

**Elizabeth Hood, CFA**  
Atlanta Fund Sponsor Consulting

**Weston Lewis, CFA, CAIA**  
Atlanta Fund Sponsor Consulting

# North Carolina Supplemental Retirement Plans

## Investment Manager Fee Evaluation Overview

---

- The NC SRP Board reviews investment fees on an ongoing basis
- The following sections benchmark investment fees relative to peers:
  - Passive option fees are benchmarked relative to published fees in the Callan database
  - Active options are compared to the cheapest institutional mutual fund option peer groups
  - Underlying investment manager strategies are compared to separate account/CIT peer groups
- 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.

# North Carolina Supplemental Retirement Plans

## Fee Observations

- NC SRP fees are competitive across at both the option level and at the underlying investment manager level
  - All BlackRock passive strategies are in the lowest cost vehicles
  - NC SRP predominantly uses separate account vehicles. No lower cost alternate vehicles are available for existing strategies
  - 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

# North Carolina Supplemental Retirement Plans

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

Option	Assets	All in Fee	Peer Group Median Fee*
<b>PASSIVE:</b>			
North Carolina Fixed Income Passive Fund	\$ 92,845,092	0.04%	0.04%**
North Carolina TIPS Fund <sup>1</sup>	\$ 341,811,163	0.03%	0.04% <sup>1</sup>
North Carolina Large Cap Passive Fund	\$ 4,327,913,625	0.01%	0.02%**
North Carolina International Passive Fund	\$ 116,233,753	0.05%	0.06%**
North Carolina SMID Passive Fund	\$ 421,862,318	0.02%	0.03%**
North Carolina Inflation Sensitive Fund	\$ 603,297,836	0.10%	0.11%**
<b>ACTIVE:</b>			
North Carolina Stable Value Fund	\$ 2,418,036,522	0.27%	0.27%
North Carolina Fixed Income Fund	\$ 2,286,683,722	0.13%	0.40%
North Carolina Large Cap Core Fund	\$ 2,457,784,508	0.29%	0.59%
North Carolina International Equity	\$ 2,625,730,598	0.40%	0.80%
North Carolina SMID Core Fund	\$ 1,214,075,767	0.31%	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

<sup>1</sup>Passive Fixed Core Income Group used for comparison

# North Carolina Supplemental Retirement Plans

## Manager Level Fees Relative to Separate Account Peer Groups

Manager	Assets	Investment Mgmt Fee	Peer Group Median Fee*	Vehicle	Comments
<b>North Carolina Stable Value Fund</b>					
Galliard Stable Value	\$ 2,418,036,522	0.27%	0.27%	Separate Account	Currently in lowest cost investment vehicle.
<b>North Carolina Fixed Income Fund</b>					
TCW	\$ 1,136,912,713	0.14%	0.21%	Separate Account	Currently in lowest cost investment vehicle.
Prudential	\$ 1,149,771,015	0.12%	0.21%	Separate Account	Currently in lowest cost investment vehicle.
<b>North Carolina Large Cap Core Fund</b>					
Hotchkis & Wiley	\$ 470,367,365	0.40%	0.38%	Separate Account	Currently in lowest cost investment vehicle
Macquarie Large Cap Value	\$ 457,026,235	0.26%	0.38%	Separate Account	Currently in lowest cost investment vehicle.
Sands Capital Management	\$ 495,761,585	0.45%	0.42%	Separate Account	Currently in lowest cost investment vehicle.
Loomis Sayles	\$ 476,559,260	0.36%	0.42%	Separate Account	Currently in lowest cost investment vehicle.
<b>North Carolina SMID Core Fund</b>					
Earnest Partners	\$ 347,681,301	0.47%	0.67%	Separate Account	Currently in lowest cost investment vehicle
Alliance Bernstein	\$ 360,096,603	0.42%	0.65%	Separate Account	Currently in lowest cost investment vehicle
Brown Advisory	\$ 353,280,617	0.37%	0.70%	Separate Account	Currently in lowest cost investment vehicle
<b>North Carolina International Equity</b>					
Baillie Gifford Growth	\$ 1,139,908,765	0.27%	0.51%	Separate Account	Currently in lowest cost investment vehicle
Mondrian Investment Partners Value	\$ 1,111,053,422	0.38%	0.50%	Separate Account	Currently in lowest cost investment vehicle
Acadian	\$ 187,846,537	0.63%	0.83%	Separate Account	Currently in lowest cost investment vehicle
WCM	\$ 186,647,386	0.70%	0.84%	Separate Account	Currently in lowest cost investment vehicle

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

Callan

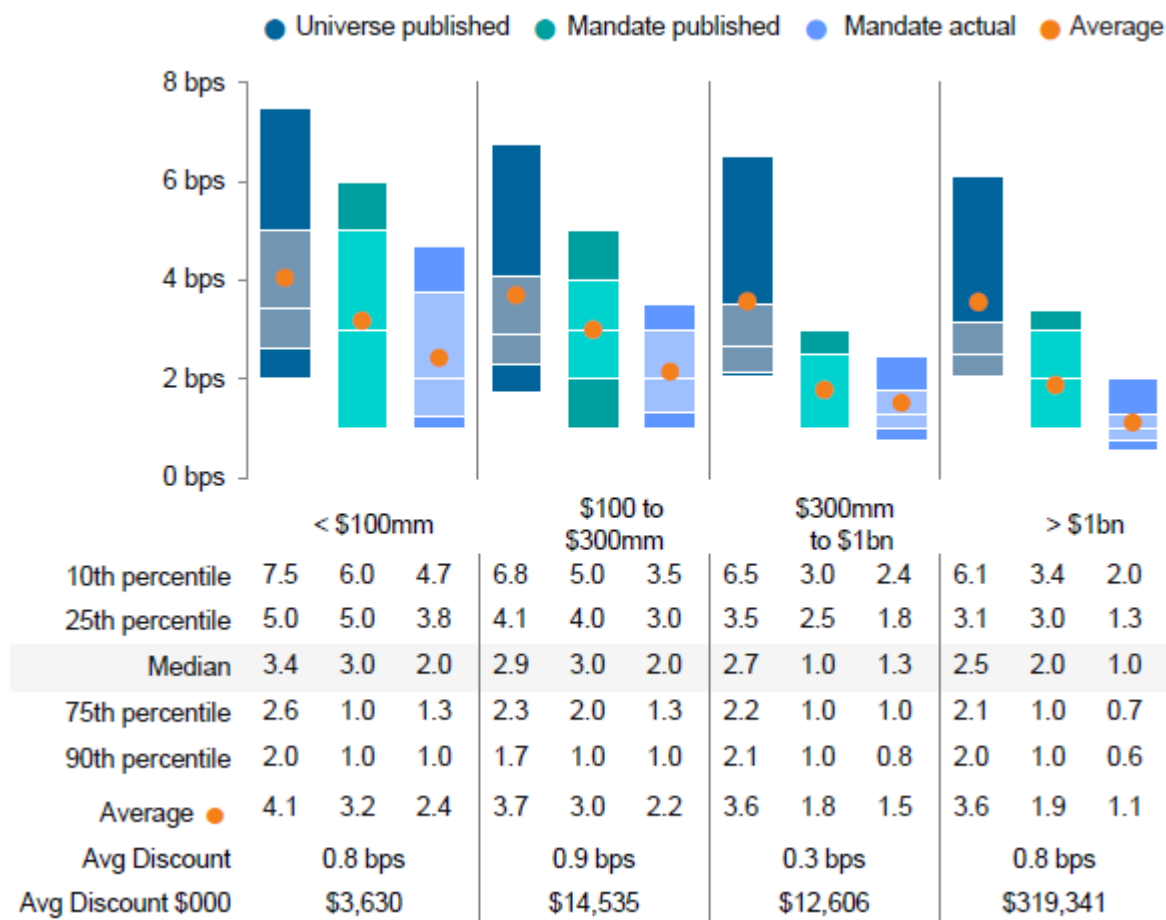
---

**Appendix**

# Callan 2023 Fee Study

## Passive U.S. Large Cap and All Equity

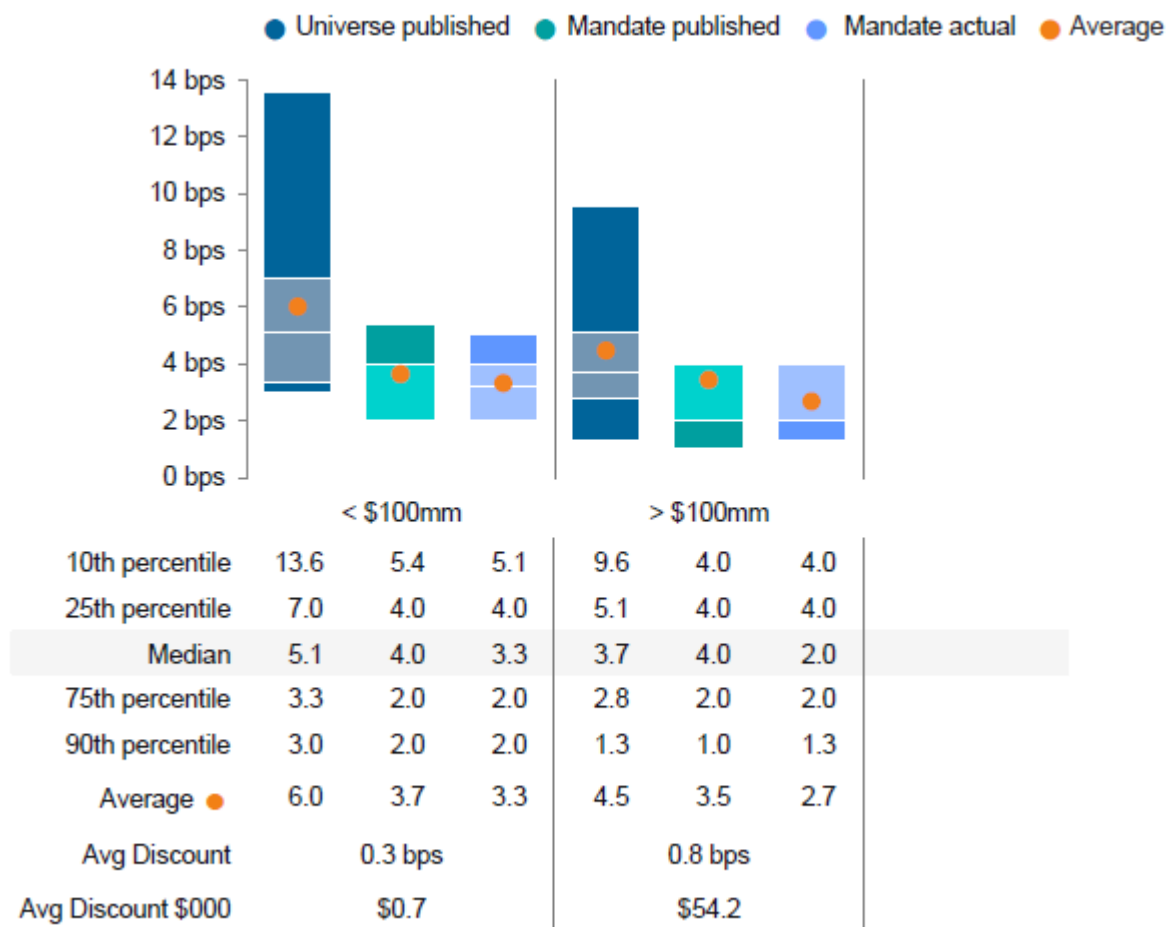
Fees by account size



# Callan 2023 Fee Study

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

Fees by account size

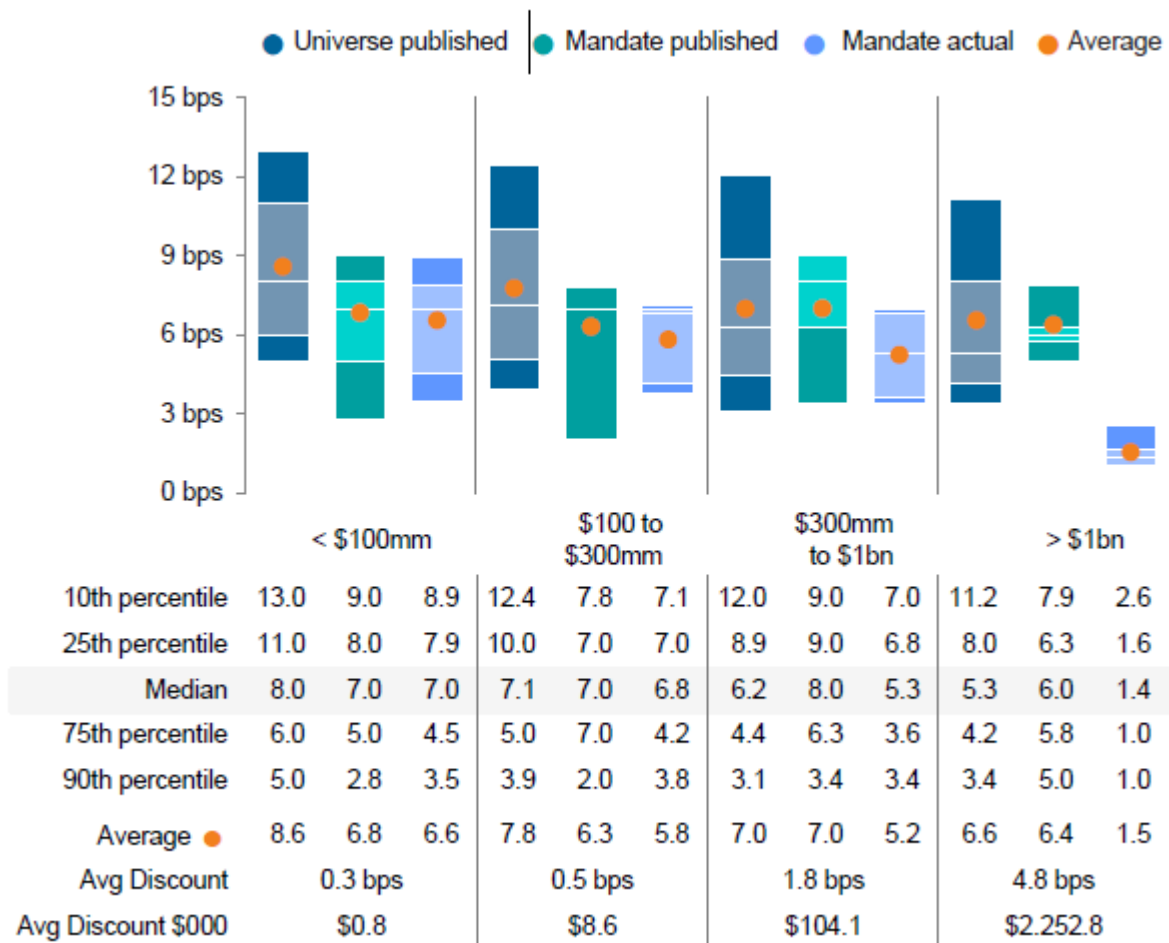




# Callan 2023 Fee Study

## Passive Global ex-U.S. Large Cap Equity

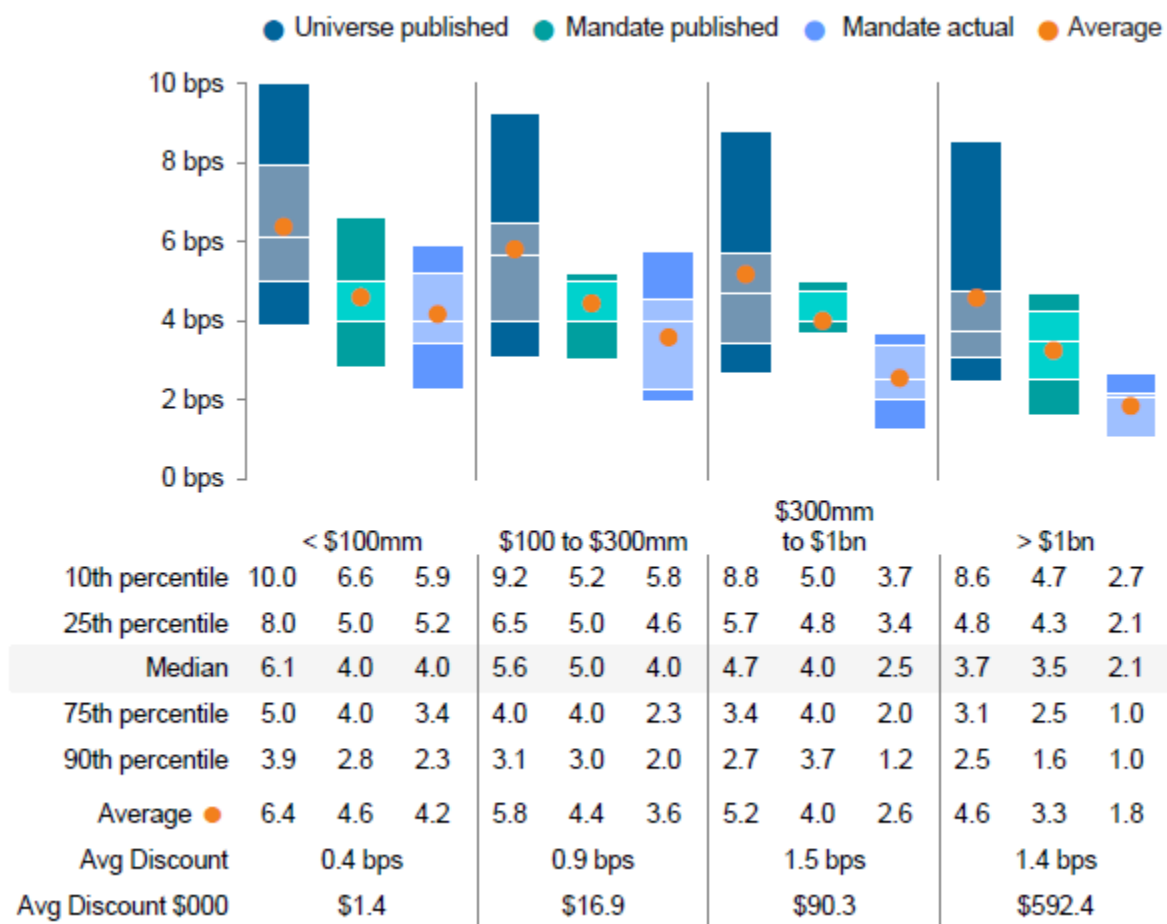
Fees by account size



# Callan 2023 Fee Study

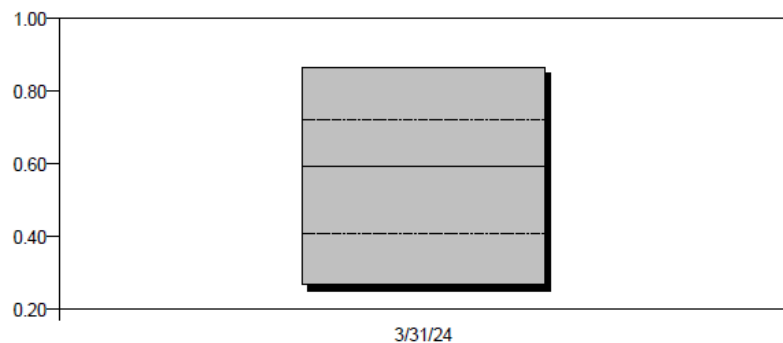
## Passive U.S. Core Fixed Income

Fees by account size



# Callan Peer Group Mutual Funds

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

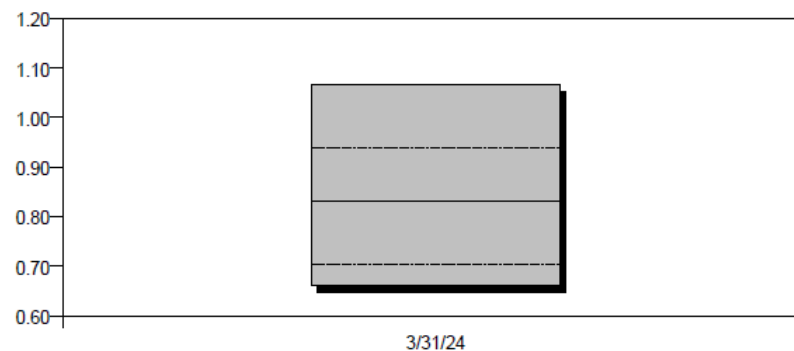


10th Percentile  
25th Percentile  
Median  
75th Percentile  
90th Percentile

3/31/24

0.86  
0.72  
0.59  
0.41  
0.27

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

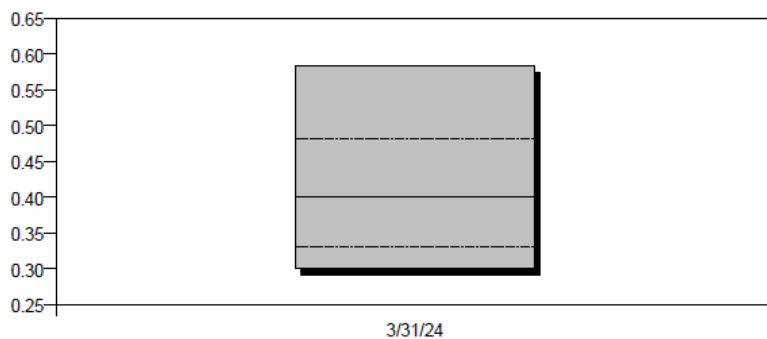


10th Percentile  
25th Percentile  
Median  
75th Percentile  
90th Percentile

3/31/24

1.07  
0.94  
0.83  
0.71  
0.66

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

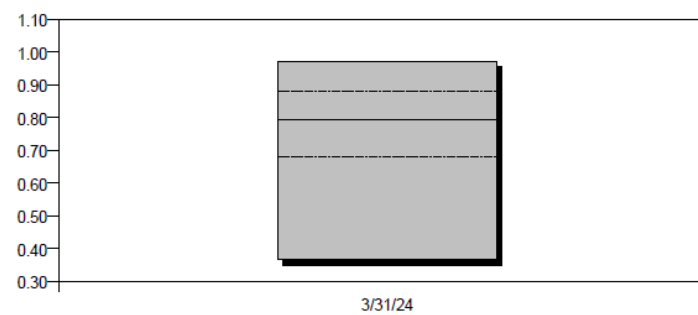


10th Percentile  
25th Percentile  
Median  
75th Percentile  
90th Percentile

3/31/24

0.58  
0.48  
0.40  
0.33  
0.30

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



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

3/31/24

0.97  
0.88  
0.80  
0.68  
0.37