



Memorandum

To: Jeff Hancock
Director, North Carolina Supplemental Retirement Plans

From: Elizabeth Hood and Weston Lewis
Senior Vice Presidents, Callan LLC

Date: May 6, 2024

Subject: Glidepath Project Proposal

In the February Board meeting, Callan presented the glidepath suitability analysis we conducted with NCSRP Staff. The Board agreed to further pursue the following considerations:

- Recognizing the distinct differences across the participant population in savings behavior, tenure, and retirement benefits, additional analysis on the glidepaths may help the Board evaluate whether changes to the glidepaths could benefit participant outcomes.
- With Empower's planned changes to the service, the Board may consider conducting a deeper review of the current GoalMaker asset class allocations through a lens of expected risk & return.
- The Board may also weigh how the solution could be impacted going forward—in particular, Empower's continued support of the legacy Prudential service.
- If the solution were to be discontinued, a new default investment option (DIA) would need to be selected and the appropriate transition and participant communication would need to be considered.

Callan is pleased to propose the following project proposal to help the Board evaluate these considerations.

Phase I: \$45,000

Evaluate GoalMaker vs Target Date Funds:

- Define existing GoalMaker program, including benefits, considerations, and recent GoalMaker enhancements
- Provide education on target date funds, including off-the-shelf vs custom, "To" vs "Through" retirement glidepath approaches, active vs passive vs hybrid, operational and administrative considerations, and asset classes typically included

- Provide education on differences between GoalMaker service and target date offerings and benefits and considerations for each

Evaluate Current Glidepaths' Optimality:

- Evaluate participant demographics and participation data
 - Analysis of NCRS DB Plan benefits across participant base
 - Social security benefits
 - Define meaningfully distinct participant cohorts (up to 3)
- Estimate efficient frontier utilizing Callan's asset class forecast assumptions and analyze current glidepath allocations
- Consider whether any asset classes/strategies should be added or removed and weigh their impact on the glidepath in terms of outcomes and cost
- Evaluate the underlying allocations along the glidepath and provide recommendations on any changes to the underlying asset classes/strategies
- Provide summary evaluation of benefits and consideration of current glidepath
- Analyze whether a custom glidepath(s) remain beneficial relative to off-the-shelf
- Evaluate the optimal number of glidepaths
 - If retaining GoalMaker, evaluate default glidepath
- Assist Staff and Board in determining whether the existing glidepaths are optimal
- Collaborate with the NCSRP team and Board, providing full transparency throughout the process and access to all members of the Callan project team
- Provide reports and presentations to Staff and the Board of Trustees

Decision Points:

- Retain current glidepaths within goal maker (status quo)
- Revise glidepath(s) within GoalMaker service (IIA)
- Explore glidepath options in target date fund framework (IIB)
- Evaluate off-the-shelf target date fund solutions (IIC)