NORTH CAROLINA
INVESTMENT AUTHORITY

NCRS Investment Policy Statement

February 25, 2026

BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

Investment Objectives

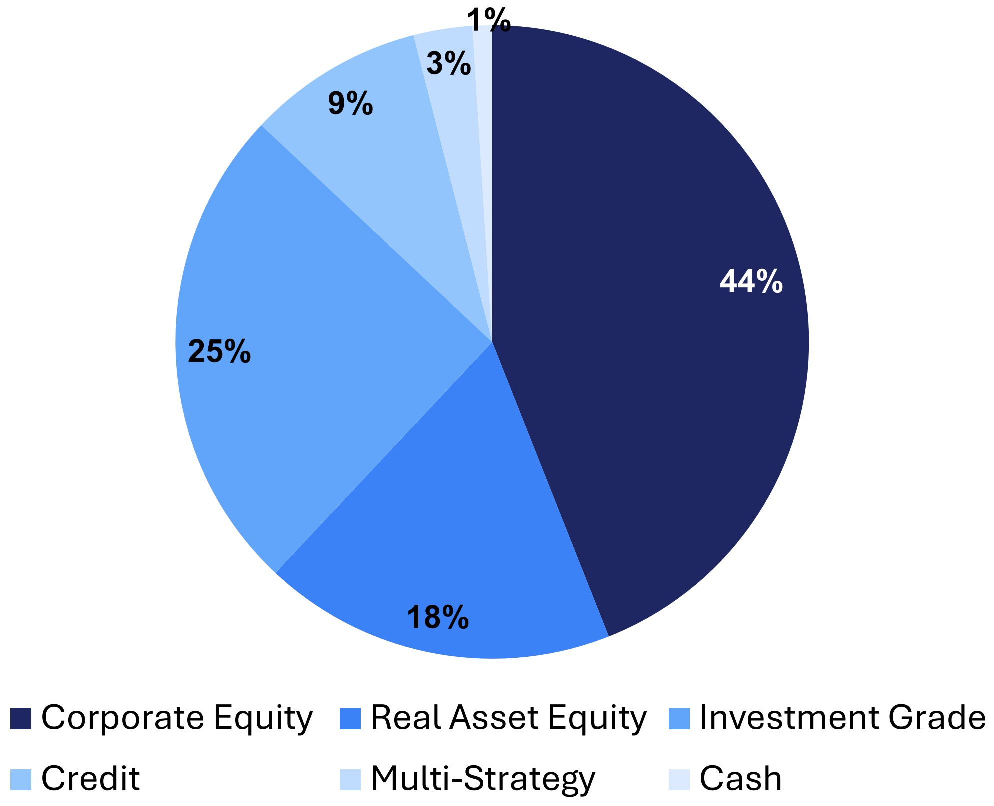
Full Funding
Provide investment returns consistent with the 6.5% actuarial assumed rate of return to support timely benefit payments and reasonable contribution rates

Risk Management
Maintain appropriate absolute risk levels to maximize long-term returns while considering funding obligations and peer comparisons

Value-Add Performance
Exceed benchmark returns net of fees over the long-term within reasonable risk limits and across market cycles

Compliance
Maintain full compliance with governing statutes, regulations, fiduciary obligations, and policies

Strategic Asset Allocation



Asset Class	Target	Range
Equity	62%	55% - 75%
Corporate Equity	44%	23% - 66%
Real Asset Equity	18%	6% - 28%
Debt	35%	25% - 45%
Investment Grade	25%	15% - 37%
Credit	9%	3% - 14%
Cash	1%	0% - 5%
Multi-Strategy	3%	0% - 10%

Strategic Asset Allocation: Corporate and Real Asset Equity

Categories	Minimum	Targets	Maximum
Equity	**55%**	**62%**	**75%**
Corporate Equity	23%	44%	66%
Public Equity	20%		48%
Private Equity	3%		18%
Real Asset Equity	6%	18%	28%
Real Estate	3%		10%
Infrastructure and Natural Resources	3%		18%

Risk Management Framework

Risk Budget

- Monitor key risk indicators vs expected ranges
- Track excess returns, volatility, and tracking error
- Review Sharpe and Information Ratios
- Monitor funded ratio and CVaR of funded ratio

Rebalancing

- ±3% trigger for interim rebalancing
- Board approval required for >1% outside policy range >4 weeks
- Use physical securities and derivatives
- Suspension authority up to 6 months for interim rebalancing

Controls

- Liquidity: Max 40% illiquid investments
- Cost-effectiveness monitoring vs peers
- Regular compliance procedures
- Asset-liability studies every 1-3 years

Performance Benchmarks

1

Actuarial Assumed Rate

6.5%

Set by Retirement Boards of Trustees to ensure long-term funding adequacy

2

Reference Portfolio

65/35

Low-cost passive benchmark: 65% MSCI ACWI IMI (net) + 35% ICE BofA 5+ Yr US Treasury

3

Implementation Benchmark

Custom

Floating weights during transitions, broadly diversified asset class benchmarks approved by CIO
Board will receive a Whitepaper detailing methodology for discussion later this year

Risk Budget

Key Risk Indicators and Expected Ranges (for various horizons)

Key Risk Indicators	3 Years	5 Years	10 Years
Excess Returns vs Actuarial Return	-4.0% to 4.0%	-3.0% to 3.0%	-1.5% to 3.0%
Excess Returns vs Reference Portfolio	-1.0% to 2.0%	-1.0% to 2.0%	-0.5% to 1.0%
Volatility	7.0% to 10.0%	7.0% to 10.0%	8.0% to 10.0%
Tracking Error	3.0% to 4.0%	3.0% to 4.0%	3.0% to 4.0%
Sharpe Ratio	-0.1 to 0.9	0.0 to 0.7	0.1 to 0.6
Information Ratio	-0.3 to 0.5	-0.2 to 0.4	-0.1 to 0.3
Blended Funded Ratio (TSERS/LGERS)	85% to 100%	80% to 105%	80% to 125%
CVAR Blended Funded Ratio (TSERS/LGERS)	65% to 90%	65% to 95%	65% to 95%

Key Implementation Guidelines

Competition for Capital
Prioritize capital allocation across asset classes with team-oriented approach

Diversification
Strong public market diversification; concentrated private market relationships

Active Management
Public markets: low active risk;
Private markets: maximize attractive opportunities at scale

Leverage
Authorized unless prohibited; monitored for reasonableness and risk contribution

Internal vs External
Expanding internal capabilities from passive/low risk active to higher active risk and co-investments

Pacing Plans
Updated every 18 months considering market opportunities and strategic positioning

Liquidity Scoring Overview

Horizon Periods

Liquidity is assessed over 3 months, 6 months, 1 year, and 2 years.

Baseline Scenario

Assumes 0% return over each horizon period. Liquidity percentage calculated against the Time 0 market value.

Stress Scenario

- Models a repeat of **CY 2022 market shock** (sharp declines in equities and fixed income).
- Losses occur instantly and valuations remain depressed over each horizon period.
- Longer liquidation timeframes for open ended vehicles with gating and accelerated capital calls for closed-end and comparable vehicles.
- Liquidity percentage calculated against shock-adjusted Time 0 market value.

Liquidity Scoring: Key Assumptions by Asset Class

- Public Equity – 10% of the recent average daily volume/per day
- Public IG Fixed Income – 100% within 3 months
- Commodities Futures – 100% within 10 days
- Open-Ended Vehicles – Redemption rights determined by legal documents
- Closed-Ended Vehicles – 25% liquid in 9 months and 25% more within 18 months at haircuts determined by current secondary market conditions (applied by strategy), with the remaining 50% not liquid within 2 years.
- High Control Structures – 25% within 6 months at 20% discount, 60% more within 12 months at 20% discount, 10% more within 24 months at 20% discount, with the remaining not liquid within 2 years

Monitoring Output

Recommendation

Use 2 year % Illiquid metric to assess statutory compliance

Baseline				Stress		
Timeframe	% Liquid	% Illiquid		Timeframe	% Liquid	% Illiquid
3 months	X%	1-X%		3 months	X%	1-X%
6 months	X%	1-X%		6 months	X%	1-X%
1 year	X%	1-X%		1 year	X%	1-X%
2 years	X%	1-X%		2 years	X%	1-X%

Transition Plan: NCRS Preliminary Asset Allocation

	Market Value ($MM)	%	Range			Target Relative %	Mid Relative $
			Min	Target	Max		
Equity	**$82,160**	**57.3%**	**55%**	**62%**	**75%**	**-4.74%**	**($6,808)**
Corporate Equity	69,672	48.6%	23%	44%	66%	4.55%	6,533
Public Equity	62,802	43.8%	20%		48%		
Private Equity	6,870	4.8%	3%		18%		
Real Asset Equity	12,488	8.7%	6%	18%	28%	-9.30%	($13,342)
Real Estate	8,966	6.3%	3%		10%		
Infra and Natural Resources	3,522	2.5%	3%		18%		
Debt	**$56,862**	**39.6%**	**25%**	**35%**	**45%**	**4.63%**	**$6,638**
Investment Grade	37,025	25.8%	15%	25%	37%	0.80%	1,151
Credit	12,841	9.0%	3%	9%	14%	-0.05%	($74)
Cash	6,996	4.9%	0%	1%	5%	3.88%	5,561
Multi-Strategy	**$4,475**	**3.1%**	**0%**	**3%**	**10%**	**0.12%**	**$170**
Grand Total	**$143,497**						

Transition Plan: Areas of Emphasis

Staging and Tactical

- Forward Calendar supports deployment to high conviction investments over next 12-18 months
- Mitigate risk of Equity underweight by funding Global REITS, Listed Infra, and Natural Resources Equity Staging Portfolios (i.e., $4-$8 billion)
- Source liquidity from Cash, Public Equity, legacy “Inflation Sensitive” mandates, and rotation within Credit

Forward Calendar ($MM)

Private Equity	Real Estate	Infra/Nat Resources	Credit	Multi- Strategy	Total
$4,800	$500	$3,850	$1,700	$850	**$11,900**

Interim Rebalancing

Investment Committee will suspend +/-3% of Target for 6 months and will advise Board quarterly of progress

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