North Carolina Investment Authority

Strategic Assessment 2026–2031

Market positioning, capabilities, and initiatives

Prepared for the NCIA Board

May 22, 2026 (revised)

How to read this document

This document sets out what NCIA should be over the next five years, how we get there, and what could go wrong along the way. The document is intended to supplement key governance documents already approved by the Board such as the Board Charter and Investment Policy Statements.

The structure follows a simple arc:

- Situation — what NCIA is and why this matters now.
- Recommendation — the posture we should adopt for 2026–2031.
- Plan — the five initiatives, in plain language.
- Risks — what could prevent success, ordered by materiality.
- Culture — whether the institution can execute the strategy.
- Oversight — how the Board governs this work.

Executive summary

Situation

NCIA principally exists to grow the North Carolina Retirement System ("NCRS") more than 6.5% per year, through market cycles and across decades within the risk appetite established by the Board. That is a high bar. Public markets alone will not reliably clear it. Reaching the target requires putting institutional weight where NCIA has genuine advantages — and being honest about where we do not.

Three forces shape what "genuine advantage" means today. First, the best private-market managers ration access; capital alone is not enough. Second, organizational capability is finite, so choices about where to build determine future returns. Third, long-horizon institutions face short-horizon pressures, which means strategy has to be a commitment device the Board and management hold across cycles.

Recommendation

> **Recommended strategic posture**
> NCIA should compete as a market-leading investor and partner in public and private markets, through cycles and across decades. We will do that by being selective about where we invest, building the team and tools to invest well, and earning a reputation as the partner top investment managers seek out.

Three commitments follow:

- Where we compete. U.S. private equity, credit, infra & natural resources, and real estate; public markets as a co-equal engine of liquidity, diversification, and returns.
- How we win. Long-term money, the right check size, sharp judgment and focus, and fast, clean decisions. Top general partners should want NCIA as a partner — not just as a source of capital.
- What it requires. Better tools to manage the whole portfolio, faster execution on private deals, secure and widely-used AI, and a deeper bench — while improving returns today.

The plan, at a glance

Five initiatives carry the strategy from posture to execution. They are sequenced so the foundations (continuity, talent) precede the platforms (total plan, private markets) and the in-house active work (public market edge) is paced by what the platforms can support.

Initiative	What it does	Who owns it
1. Institutional Continuity	Keeps NCIA operating the same way through political and leadership change.	Board

Initiative	What it does	Who owns it
2. Talent and Operating Environment	Builds clear career paths, real performance management, and a single proper workspace.	Joint Board–Management
3. Total Plan Operating System	Integrates data, decisions, and AI across the whole portfolio.	Management, Board oversight
4. Private Market Platform	Matches the deal speed of the best institutional investors and gets us into the best deals.	Management, Board oversight
5. Public Market Active Edge	Runs a focused set of in-house active strategies — only where they clearly earn their keep.	Management, Board oversight

Top risks

- Missing the 6.5% target over a full market cycle. This is the biggest risk and the reason for the whole strategy.
- Taking on too much, too fast. The largest risk we control directly: scaling complex strategies faster than people and systems can absorb.
- Talent loss and key-person risk. The platform stops moving if critical staff leave.

External risks — private-market crowding, competition for top managers, public-disclosure friction — are real but secondary. They shape execution; they don't change the posture.

1. Where we compete

NCIA must be present competently across the full range of asset classes for the NCRS. The strategic choice is where to build new capability and where to deemphasize. The table below states the focus and the execution model for each arena.

Some of these choices will evolve materially over the five-year horizon. Management will monitor and bring recommendations to the Board as conditions change.

Private markets — where capability is being built

Arena	What we focus on	How we deliver
Private Equity	U.S. venture and growth with access to top firms. Highly selective global LBO	Primary funds + co-investment SMAs; expanding internal capability for co-invests and selective directs.
Credit	U.S. performing corporate and asset-based credit as the core; specialist opportunistic and distressed.	External custom mandates with co-invest SMAs; potential matrix internal management of public High Yield bonds and Leveraged Loans.
Infrastructure & Natural Resources	Developed-market core holdings, with non-core and emerging markets where the risk-reward case is strong.	External funds coupled with co-investment SMAs; continued expansion of internal investment capability for co-investments and selective stand-alone directs.
Real Estate	Existing portfolio needs rebalancing and restructuring against a market-aware end-state.	External SMAs, funds coupled with co-investment SMAs; continued expansion of internal investment capability for co-investments (including joint ventures) and selective directs.

Public markets and overlays — where we use scale and low cost

Arena	What we focus on	How we deliver
Public Equity	Mostly low-cost index strategies, with active management only where the cost-benefit case is clear (non-U.S., small-cap, thematic).	Internal U.S. passive and specialty mandates; external for the rest. selective extensions of existing internal active management; matrix internal equity staging portfolios

Arena	What we focus on	How we deliver
Investment Grade Fixed Income	All sectors of U.S. high-quality bonds and cash.	Managed in-house, where NCIA has long-standing cost and performance advantages. Potential for matrix internal management of public High Yield bonds and Leveraged Loans.
Multi-Strategy & Overlays	Hedge funds for nimble cross-market positioning; overlays for liquidity, hedging, and portfolio-level tilts.	External hedge funds, SMAs, and co-investment SMAs; potential expansion of total plan overlays.

What NCIA should not become

Mechanically allocating to hit pacing targets. Cost minimization as the primary value. Diffuse direct investing before the platform, relationships, and talent are in place. Private-market commitments justified primarily by "diversification."

2. How we win

Top managers ration their capacity. Capital alone is not what gets NCIA into the best deals. Three things, taken together, do.

Long-term, flexible capital

NCIA can write big, patient checks and hold positions through cycles when the case is still sound. We can also shift capital across asset classes when conviction develops — an advantage few peers have because few peers run a true total-plan view (this is what Initiative 3 builds).

Trusted, fast partner

Managers should know NCIA as fast but disciplined: clear decision rights, sharp internal analysis, fair dealing, and the confidentiality and seriousness of a true public fiduciary. Speed comes from cutting process for process's sake — not from cutting diligence. The deal infrastructure in Initiative 4 is what turns this from aspiration into measurable advantage.

Beating the 6.5% target, not a benchmark

The pension needs 6.5% annualized to meet its obligations. NCIA can look for that return in less crowded corners of the market while peers chase short-term performance against market indices. That ethos disciplines manager selection and asset allocation choices throughout.

Why we must carefully balance concentration and underwriting conviction

Public markets already give the NCRS broad diversification. Private-market investments must earn their place by delivering premium returns we cannot get there. The excess returns private managers offer are scarce, and they tend to fade over time.

Three mechanisms erode manager edge:

- Asset growth. Strategies that worked at $1B may not work at $20B.
- Team and culture change. The firm we backed five years ago is not the firm today.
- Key-person risk. The people behind the track record may leave.

This shapes how we pick managers in two specific ways. First, it disciplines us against re-upping with managers whose edge has likely been competed away or whose team has changed. Second, it elevates differentiated sourcing, operational value-add, and aligned incentives over headline track record.

A standing rule

Diversification alone is never a sufficient reason to make a private-market commitment. Every commitment must be defended on the basis of conviction in a specific, repeatable manager edge — and the absence of over-concentration in that exposure.

3. The plan — five initiatives

Each initiative is described the same way: what it is, why it matters, what is in scope, and what success looks like by year.

Initiative 1 — Institutional Continuity

Outcome: an independent, mission-driven investor that operates the same way through political and leadership change.

Why it matters

A long-horizon investment posture is impossible without an institution that can hold that posture across cycles. Every other initiative depends on this one — without continuity, the platform built in Initiatives 2 and 3 is fragile, and the relationships built in Initiative 4 cannot accumulate.

What is in scope

- Codify governance, ethics, and operating rules so they outlive any one team.
- Set clear rules for who speaks for NCIA externally and how we handle media and public inquiries.
- Complete a first succession review for the CIO and senior leadership.
- Review strategic progress annually, with objective post-mortems on big wins, misses, and near-misses.
- Build a regular Board-staff rhythm: a deep dive each Board meeting, plus an annual strategy review.

What success looks like by year

0–12 months	12–24 months	24–60 months
Governance and policy framework adopted. External communications protocol in operation. First succession review completed. Board-staff deep-dive cadence established with first four sessions held.	First annual strategic plan review completed. Post-mortem discipline institutionalized. Communications posture reviewed.	Routines tested through at least one leadership transition (Treasurer cycle, senior management change, or Board rotation) with continuity of decision-making quality.

Initiative 2 — Talent and Operating Environment

Outcome: top-tier talent attracted, developed, and kept in a properly resourced single workspace.

Why it matters

Without this initiative, every other initiative becomes vulnerable to talent loss and the slow erosion of capability that follows when career paths and performance differentiation are unclear. Talent is a true binding constraint on the strategy.

What is in scope

- Build clear career paths, promotion criteria, and feedback expectations for every professional role.
- Launch a professional development program tied to those career paths, with protected time to use it.
- Run real performance reviews: pay top performers accordingly, address underperformance, retain the best.
- Solve the office space constraint, and decide what shared services (HR, IT, IS) to keep in-house vs. outsource.
- Plan hiring in line with what the five initiatives require, in the order they need it.
- Build the next layer of leadership beneath the CIO and senior team.

What success looks like by year

0–12 months	12–24 months	24–60 months
Career mapping framework approved with calibration completed for all professional staff. Professional development cohort enrolled. Space strategy resolved. Shared-services decisions made.	Performance management deployed end-to-end with differentiated compensation outcomes. Leaders' 360 reviews completed. First annual talent and culture review presented to the Board.	CIO and senior management bench at depth. Cultural transformation visible in engagement survey trends improving on the March 2026 baseline.

Initiative 3 — Total Plan Operating System

Outcome: every investment decision is made with the whole portfolio in view, supported by integrated data, modern tools, and AI used across the team.

Why it matters

Without this initiative, NCIA is a collection of teams pursuing locally optimal decisions. This initiative converts NCRS capital and a sophisticated team into a single, coherent fiduciary program.

What is in scope

- Hire a Head of Total Plan at Director level. Mandate: cross-asset positioning, liquidity, hedging, and risk budgeting.
- Build the data and analytics architecture: total exposure across all asset classes, liquidity modeling, future commitments, and stress-testing.
- Bring an opportunity-cost lens for Investment Committee deliberations.
- Relaunch the manager-relationship system as core institutional infrastructure.
- Build a secure internal AI environment in three phases: productivity tools today, decision support in 1–2 years, and a durable institutional knowledge advantage by year five.

What success looks like by year

0–12 months	12–24 months	24–60 months
Head of Total Plan filled. Total plan analytics live for the Investment Committee. AI Phase 1 environment live with ~80% of staff onboarded and first productivity gains documented. Manager-relationship system relaunched.	Systematic TAA program implemented. AI Phase 2 decision-support workflows in routine use for at least three use cases (e.g., manager monitoring, deal triage, IC preparation). Opportunity-cost view required in IC papers.	AI Phase 3 capabilities operating: internal data platform, knowledge base, total-plan portfolio engine, and a post-mortem library that compounds institutional learning across cycles. External benchmarking against peers.

Initiative 4 — Private Market Platform

Outcome: deal speed that rivals the best institutional investors, plus the reputation that gets NCIA into the best deals.

Why it matters

The strategic positioning in Section 1 — private equity, credit, infrastructure, natural resources, real estate — succeeds only if NCIA accesses top-tier opportunities and executes them well. The manager-edge discipline in Section 2 is enforced through the deal infrastructure built here.

What is in scope

- Build the deal team and infrastructure — people, outside counsel, diligence support — that matches peers' speed end-to-end. Use fee-for-service arrangements with established platforms where appropriate.
- Run a proper go-to-market plan: target the firms we want as partners, articulate clearly what NCIA brings to them, and track every relationship and every co-invest/direct deal proposed. Evaluate banker coverage and a capital-markets function for leverage and execution.
- Build a structured way to assess whether each manager we're backing still has their original edge.
- Restructure and rebalance the real estate portfolio: decide what to keep, what to sell, and where joint ventures or direct deals can complement the rest.

What success looks like by year

0–12 months	12–24 months	24–60 months
Fee-for-service deal infrastructure materially built. Transaction-experienced staff onboarded. Co-investment capacity demonstrated on multiple transactions. Average deal lifecycle time materially	Co-investment deployment as a share of private exposure materially increased. Real estate showing interim progress against target end-state. Go-to-market plan operational. Manager-edge	Assessment of the expanded private-market platform informs any scale-back decisions. Real estate portfolio at target state. Manager-edge assessment applied

0–12 months	12–24 months	24–60 months
reduced. Real estate restructuring plan approved.	assessment in use for IC recommendations.	annually to all material relationships.

Initiative 5 — Public Market Active Edge

Outcome: a focused set of in-house active strategies that meaningfully add to returns — or get scaled back if they don't.

Why it matters

NCIA already runs active management at scale in public markets: in-house active in long-duration investment-grade fixed income, cash management, and public equities; external active in multi-strategy hedge funds. The strategic question for the next five years is whether and how to extend that established active footprint into new mandates. Without discipline, in-house active can degrade performance rather than serve as an institutional capability.

What is in scope

- Require a clear cost-benefit case for every new in-house active strategy — and apply the same test to existing ones as they come up for review.
- Pilot a sequenced set of new strategies: thematic U.S. equity first, then potentially high-yield bonds and leveraged loans, hedge-fund co-investments, and portfolio-level hedging overlays.
- Upgrade the systems and processes behind in-house active management so they integrate cleanly with the total-plan platform built in Initiative 3.
- Review each strategy regularly on its three-year track record and make a clear call: continue, scale up, or scale back.

What success looks like by year

0–12 months	12–24 months	24–60 months
First new mandate (thematic U.S. equity) brought to IC for funding decision. Decision made on whether and how to launch high-yield / leveraged loans. Multi-strategy and overlay infrastructure evaluated.	Subject to launch decisions: research and trading staff deployed; counterparties and operating protocols in place; risk attribution framework integrated. Pilot reviews at month 24.	Each strategy reviewed on three-year evidence. Clear decisions: continue, scale up, or scale back.

4. What could go wrong

Risks below are ordered by materiality. The first two are the ones the Board should be most concerned about.

Missing the 6.5% target over a full market cycle

This is the principal risk and the reason for the whole strategy. The five initiatives are designed to raise the probability of meeting it, but no posture removes the risk entirely. Market conditions, public-policy changes, and our own execution all matter.

Trying to do too much, too fast

The biggest risk NCIA controls directly is execution-pace risk — scaling complex strategies faster than people and systems can absorb. This is why the initiatives are explicitly sequenced (talent and continuity before platforms; platforms before pace-dependent in-house active work) and why management retains discretion to slow expansion if the platform isn't ready.

Crowding in private markets

More money is chasing private deals than ever before. Locking up capital alone doesn't produce extra returns — access, judgment, and manager selection do. Initiative 4 (Private Market Platform) and the manager-edge discipline are the operational responses.

Competition for the best managers

Endowments, family offices, and nimble institutional investors can outpace NCIA for the best deals unless we're visibly fast, sophisticated, and valuable as a partner. This is what "go-to-market strategy" means in Initiative 4.

Public disclosure vs. manager confidentiality

As a public fiduciary, NCIA may face friction around information handling and manager access that private peers do not. Governance design must compensate — specifically the communications protocol in Initiative 1.

Talent and key-person risk

Platform build-out slows materially if critical staff or future leaders don't see credible paths to growth and responsibility. This is why Initiative 2 is a binding constraint on every other initiative.

5. Does the culture match the strategy?

The values are right. The challenge is putting them into practice — in how we pay, promote, decide, and adopt new tools. The staff survey shows strong agreement on fiduciary responsibility and transparency, with collaboration and innovation also positive. The work is operationalization.

What is already working

- Staff take the fiduciary duty seriously, the institution is trusted, and governance and decision-making are getting better.
- The Board and management agree on what NCIA should become — an foundation that makes every initiative easier.

What needs operationalizing

- Career paths aren't yet clear, urgency varies by team, and pay-for-performance is uneven. Initiative 2 directly addresses this.
- The best people want more than pay — they want clear standards, mentorship/coaching, and a credible path to bigger roles.
- AI adoption and process innovation lag aspiration. Embedding them in daily work is the operationalization challenge for Initiative 3.

What this means

If NCIA wants to sustain a differentiated strategy, it must deliberately cultivate a culture in which high standards, urgency, rigorous dissent, professional development, and knowledge-sharing are part of the operating system — not aspirations.

6. How the Board oversees this work

The five initiatives are governed through the Board-staff operating rhythm established in Initiative 1. The reporting cadence is set out below; each item slots into existing Board meetings.

Initiative	Reporting cadence
1. Institutional Continuity	Quarterly governance updates; annual succession review; annual strategy review.
2. Talent and Operating Environment	Annual talent and culture review; quarterly hiring updates.
3. Total Plan Operating System	Quarterly progress updates through Major Initiatives & Performance Updates; annual AI capabilities report.
4. Private Market Platform	Covered in the rotating quarterly Board deep dives.
5. Public Market Active Edge	Annual review of each active strategy; covered in Board deep dives.

Appendix A. Reference documents

This assessment is built on the following internal and external materials. The companion presentation pulls its visual content from this document and from these sources.

Document	Date	Role in this assessment
NCIA Strategic Planning Summary (RVK)	April 2026	Consultant-facilitated synthesis of interviews with the Treasurer, Board members, senior management, and staff. Primary source for governance, succession, and Board-staff interaction themes.
NCIA Investment Beliefs / Organizational Values / Staff Survey	March 2026	Compiled staff survey ratings and comments. Used to assess alignment, execution gaps, urgency, and cultural themes.
NCIA Investment Beliefs v6	April 2026	Current-version document setting out NCIA's investment beliefs and organizational values. Anchors the recommended posture, capability requirements, and organizational implications.
Beath, Betermier, Flynn & Spehner. "The Canadian Pension Fund Model." Journal of Portfolio Management.	March 2021	Peer-reviewed analysis of 250 pension, endowment, and sovereign wealth funds. Empirical support for in-house management efficiency and real-asset allocation.
Beath, Flynn, Jethalal & Reid. "A Case for Scale." CEM Benchmarking.	February 2022	Quantitative analysis of ~9,000 fund-year observations. Supports the case for the private-market platform build-out (Initiative 4) and selective in-house active mandates (Initiative 5).