

Memorandum to: Supplemental Retirement Board of Trustees

From: Mary Laurie Cece, Assistant General Counsel

Re: Change in PIMCO Structure

Date: October 13, 2015

During the re-papering process of the SRP Investment Management Agreements, an issue arose with regard to PIMCO, the manager of the NC Inflation Responsive Fund. PIMCO, along with several other managers, requested the Plans represent that they are a "Qualified Purchaser" as defined by the Investment Company Act of 1940. After conducting legal research and discussing with outside counsel, it was determined that with respect to PIMCO's request, the Plans could not make this representation. The legal analysis turned on the fact that PIMCO is the sole manager in the NC Inflation Responsive Fund.

The fact that this representation cannot be made necessitates a change in the investment structure for the Inflation Responsive Fund. Rather than have PICMO manage the strategy in a separate account, the Plans will need to utilize a PIMCO mutual fund managed with the same strategy.

We will be sending you a memo in the next few days that gives a bullet point comparison between the current separate account structure and the proposed mutual fund structure, particularly as it relates to fees. At the Board meeting on Thursday, we will be requesting the Board approve this change.