

North Carolina Supplemental Retirement Plans

401(k) and 457 Plans

Investment Holding Guideline Compliance Summary

As of September 30, 2015

Mercer Investments

EQUITY PORTFOLIOS - FUND LEVEL

Category	Applicable asset class	Guideline	LARGE CAP PASSIVE	LARGE CAP VALUE	LARGE CAP GROWTH	MID/SMALL PASSIVE	MID/SMALL VALUE	MID/SMALL GROWTH	INTL PASSIVE	INTL EQUITY	GLOBAL EQUITY
Individual securities	Passive domestic equity	Must mirror index by full replication or sampling	✓	--	--	✓	--	--	--	--	--
	Active domestic equity	Max: greater of 5% or index weight + 2.5%, but must be less than 10%	--	✓	✗	--	✓	✓	--	--	--
	Large cap value equity	ADR/Foreign Max: 20%	--	✓	--	--	--	--	--	--	--
	Large cap growth equity, Mid/Small cap equity	ADR/Foreign Max: 10%	--	--	✓	--	✓	✓	--	--	--
	Passive international equity	Max: greater of 5% or index weight	--	--	--	--	--	--	✓	--	--
	Active international equity	Max: 7.5%	--	--	--	--	--	--	--	✓	✓
	Active equity	Futures, options, swaps RESTRICTED	--	✓	✓	--	✓	✓	--	✓	✓
	Equity	144A Max: 15%	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Equity	Manager's own security RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Equity	Restricted securities RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sector diversification	Large cap equity	Individual sector weight Max: greater of 25% or 2x index weight	--	✓	✓	--	--	--	--	--	--
	Mid/Small cap equity	Diversification Min: 5 sectors	--	--	--	--	✓	✓	--	--	--
Country diversification	International equity	Max: 2x index weight but must be less than 50%; if index weight < 5%, then must be less than 10%; for global equity, max US weight: 60%	--	--	--	--	--	--	--	✓	✗
Average market cap	Equity	Within benchmark market cap range	--	✓	✓	--	✓	✓	--	✓	✓
Style	Value Equity	P/B, P/E < Broad market	--	✓	--	--	✓	--	--	--	--
	Growth equity	P/B, P/E > Broad market	--	--	✓	--	--	✓	--	--	--
Positioning	Equity	Short positions RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Equity	Leverage RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓
Currency hedging	Domestic equity	RESTRICTED	✓	✓	✓	✓	✓	✓	--	--	--
Cash reserves	Equity	Must be fully invested	✓	✓	✓	✓	✓	✓	✓	✓	✓

Manager self-report
 Gaillard to monitor
 Prudential to monitor

✓ In compliance with IPS.

✗ Not in compliance with IPS.

○ In compliance with manager guidelines, but not with fund guidelines.

EQUITY PORTFOLIOS - MANAGER LEVEL

Category	Applicable asset class	Guideline	LARGE CAP PASSIVE	LARGE CAP VALUE			LARGE CAP GROWTH			MID/SMALL CAP PASSIVE	MID/SMALL CAP VALUE			MID/SMALL CAP GROWTH		INTL PASSIVE	INTL EQUITY		GLOBAL EQUITY	
			BlackRock	Hotchkis & Wiley	Delaware	Robeco BP	Sands Capital	Wellington	Loomis	BlackRock	Hotchkis & Wiley	EARNEST	WEDGE	Times Square	Brown Advisory	BlackRock	Baillie Gifford	Mondrian Investment Partners	Wellington	Arrowstreet
Individual securities	Passive domestic equity	Must mirror index by full replication or sampling	✓	--	--	--	--	--	--	✓	--	--	--	--	--	--	--	--	--	
	Active domestic equity	Max: greater of 5% or index weight + 2.5%, but must be less than 10%	--	○	✓	✓	○	✓	○	--	✓	✓	✓	✓	✓	--	--	--	--	
	Large cap value equity	ADR/Foreign Max: 20%	--	✓	✓	✓	--	--	--	--	--	--	--	--	--	--	--	--	--	
	Large cap growth equity, Mid/Small cap equity	ADR/Foreign Max: 10%	--	--	--	--	○	✓	○	--	○	✓	✓	✓	✓	--	--	--	--	
	Passive international equity	Max: greater of 5% or index weight	--	--	--	--	--	--	--	--	--	--	--	--	✓	--	--	--	--	
	Active international equity	Max: 7.5%	--	--	--	--	--	--	--	--	--	--	--	--	--	✓	✓	✓	✓	
	Active equity	Futures, options, swaps RESTRICTED	--	✓	✓	✓	✓	✓	✓	--	✓	✓	✓	✓	✓	--	✓	✓	✓	
	Equity	144A Max: 15%	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Equity	Manager's own security RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Equity	Restricted securities RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Sector diversification	Large cap equity	Individual sector weight Max: greater of 25% or 2x index weight	--	✓	✓	✓	✓	✓	✓	--	--	--	--	--	--	--	--	--	--	
	Mid/Small cap equity	Diversification Min: 5 sectors	--	--	--	--	--	--	--	--	✓	✓	✓	✓	✓	--	--	--		
Country diversification	International equity	Max: 2x index weight but must be less than 50%; if index weight < 5%, then must be less than 10%; for global equity, max US weight: 60%	--	--	--	--	--	--	--	--	--	--	--	--	--	✓	✓	○	✓	
Average market cap	Equity	Within benchmark market cap range	--	✓	✓	✓	✓	✓	✓	--	✓	✓	✓	✓	✓	--	✓	✓	✓	
Style	Value equity	P/B, P/E < Broad market	--	✓	✓	✓	--	--	--	--	✓	✓	✓	--	--	--	--	--	--	
	Growth equity	P/B, P/E > Broad market	--	--	--	--	✓	✓	✓	--	--	--	--	✓	✓	--	--	--		
Positioning	Equity	Short positions RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
	Equity	Leverage RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Currency hedging	Domestic equity	RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	--	--	--	--		
Cash reserves	Equity	Must be fully invested	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Manager self-report
 Gaillard to monitor
 Prudential to monitor

✓ In compliance with IPS.

✗ Not in compliance with IPS.

○ In compliance with manager guidelines, but not with fund guidelines.

FIXED INCOME PORTFOLIOS

Category	Applicable asset class	Guideline	FIXED INCOME PASSIVE	FIXED INCOME	FIXED INCOME		STABLE VALUE
			BlackRock	FUND	JPMorgan	Prudential	Galliard
Individual securities	Fixed income	Max: 5%	✓	NA	✓	NA	--
	Fixed income	144A Max: 15%	✓	✗	✓	○	--
	Fixed income	Restricted securities RESTRICTED	✓	✓	✓	✓	--
Sector diversification	Fixed income	Corporate sector allocations similar to benchmark	✓	✓	✓	○	--
Quality	Fixed income	Min average quality: A-; Max HY: 20%; Max non-US Government & Corporates: 20%;	--	✓	✓	✓	--
	Passive fixed income	HY and non-USD-denominated RESTRICTED	✓	--	--	--	--
	Cash	Min average quality: A1/P1	--	--	--	--	NA
Duration	Fixed income	Max: +/- 25% of benchmark	--	✓	✓	✓	--
	Passive fixed income	Must match index	✓	--	--	--	--
Maturity	Cash	Max: 1 year	--	--	--	--	NA
Underwriter	Fixed income	Purchases of securities in which JPM is the underwriter from JPM investment bank prohibited	--	--	✓	--	--
Currency hedging	Fixed income	RESTRICTED at manager level	✓	--	✓	✓	--
Cash reserves	Fixed income	Must be fully invested	✓	✓	✓	✓	--

Manager self-report
 Galliard to monitor
 Prudential to monitor

✓ In compliance with IPS.


✗ Not in compliance with IPS.


○ In compliance with manager guidelines, but not with fund guidelines.


INFLATION SENSITIVE PORTFOLIO

Category	Applicable asset class	Guideline	INFLATION Responsive
			PIMCO
Individual securities	Fixed income	144A Max: 15%	✓
	Fixed income	Manager's own security RESTRICTED	✓
	Fixed income	Restricted securities RESTRICTED	✓
Sector diversification	Commodities	Max: 40%	✓
	Equity and REITs	Max: 15%	✓
	Gold	Max: 25%	✓
Quality	Fixed income	Min average quality: A-	--
	Cash	Min average quality: A1/P1	--
Maturity	Cash	Max: 1 year	--
Cash reserves	Fixed income	Must be fully invested	✓

Manager self-report
Galliard to monitor
Prudential to monitor

 In compliance with IPS.

 Not in compliance with IPS.

 In compliance with manager guidelines, but not with fund guidelines.

EQUITY PORTFOLIOS - FUND LEVEL

Guideline: Max position 5%

Large Cap Growth Fund has positions that exceed 5%: Visa (5.1%) and Facebook(5.0%)

All three underlying LCG managers have positions in both VISA and Facebook

Manager's contractual guideline: **While the fund is out of guideline, the benchmark position in both VISA and Facebook is substantial. The Fund is still in-line with the overall objectives**

EQUITY PORTFOLIOS - FUND LEVEL

Guideline: Max US Position 60%

Global Equity Fund exposure: 62.2%

Largely due to Wellington (65.7%)

Manager's contractual guideline: **While the fund is out of guideline it is not significantly different than benchmark and still in-line with overall objectives of the fund.**

EQUITY PORTFOLIOS - MANAGER LEVEL

Hotchkis - LARGE CAP VALUE

Guideline: Max individual security weight: greater of 5% or Index weight + 2.5%, but must be less than 10%

Portfolio largest position size: 5.12%; Portfolio largest excess weight over BM: 4.3%

Manager's contractual guideline: **IN COMPLIANCE.** Market fluctuations caused position to exceed target, to limit excess trading costs manager not required to immediately sell securities

SANDS - LARGE CAP GROWTH

Guideline: Max individual security weight: greater of 5% or Index weight + 2.5%, but must be less than 10%

Portfolio largest position size: 8.5%; Portfolio largest excess weight over BM: 7.1%

Manager's contractual guideline: **IN COMPLIANCE.** Max percentage size of largest position: 15%

Loomis - LARGE CAP GROWTH

Guideline: Max individual security weight: greater of 5% or Index weight + 2.5%, but must be less than 10%

Portfolio largest position size: 6.3%; Portfolio largest excess weight over BM: 5.5%

Manager's contractual guideline: **IN COMPLIANCE.** Max percentage size of largest position: 8%

SANDS - LARGE CAP GROWTH

Guideline: ADR/Foreign Max 10%

Portfolio ADR exposure 11.6%

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding ADR/Foreign Max

Loomis - LARGE CAP GROWTH

Guideline: ADR/Foreign Max 10%

Portfolio ADR exposure 14.8%

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding ADR/Foreign Max

Hotchkis & Wiley - Mid Cap Value

Guideline: ADR/Foreign Max 10%

Portfolio Non-US exposure 16.4%

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding ADR/Foreign Max

Wellington Global Opportunities

Guideline: Max US Position 60%

Portfolio US exposure 65.7%

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding US Exposure

EQUITY PORTFOLIOS - FUND LEVEL

Guideline: 14A Max 15%

Fixed Income Fund exposure 22.2%

Fund out of Compliance largely due to Prudential

Manager's contractual guideline: **While the fund is out of guideline it is still in-line with the overall objectives of the fund.**

FIXED INCOME PORTFOLIOS - MANAGER LEVEL

Prudential- FIXED INCOME

Guideline: 14A Max 15%

14A Allocation 34.1%

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding 14A allocation

Prudential- FIXED INCOME

Guideline: Corporates allocation to the benchmark

Prudential Allocation 52.0, benchmark allocation 24.0

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding corporate allocation

STABLE VALUE

GALLIARD - STABLE VALUE

Galliard did not have information available at the time of report production