

*North Carolina Supplemental Retirement Plans*

**STATEMENT OF INVESTMENT POLICY  
FOR THE NC 401(k) AND NC 457(b)**

**EFFECTIVE DECEMBER ~~19~~<sup>2</sup>, 2019**

## APPENDIX A

### INVESTMENT FUND MANAGER MANDATES AND BENCHMARKS

#### Definitions

Investment option (or option): A specific investment fund offered to a participant. May be composed of one or more Commingled Funds and/or Separate Accounts.

Pooled investment: A pooled investment option or fund is a structure where multiple investment managers are responsible for managing a portion of the option's or fund's assets.

Mandate: A set of objectives and guidelines that describe a type of portfolio. Mandates are assigned to individual portfolio managers.

## APPENDIX A

Asset Class	Investment Manager	Benchmark	Universe
Stable Value	Galliard	3-Year Constant Maturity Yield	Stable Value
Fixed Income	Total Fund	Bloomberg Barclays Capital Aggregate	Core Plus Bond
	Prudential Global Investment Management	Bloomberg Barclays Capital Aggregate	Core Plus Bond
	TCW	Bloomberg Barclays Capital Aggregate	Core Plus Bond
Fixed Income Index	BlackRock	Bloomberg Barclays Capital Aggregate	Core Bond
Inflation Sensitive Fund	BlackRock	Custom <sup>1</sup>	Real Assets
Large Cap Index	BlackRock	S & P 500	Large Cap Core
Large Cap Core	Total Fund	Russell 1000	Large Cap Broad
	Hotchkis & Wiley	Russell 1000 Value	Large Cap Value Equity
	Macquarie	Russell 1000 Value	Large Cap Value

<sup>1</sup> Inflation Sensitive Index: Bloomberg Barclays US TIPS Index: 41.4%; FTSE EPRA NAREIT Developed Index: 37.1%; Bloomberg Roll Select Commodity Total Return Index: 21.5%.

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			Equity
	Sands Capital	Russell 1000 Growth	Large Cap Growth Equity
	Loomis Sayles & Company	Russell 1000 Growth	Large Cap Growth Equity
	BlackRock	Russell 1000	Large Cap Core
Small / Mid Cap Index	BlackRock	Russell 2500	SMID Cap Core
Small / Mid Cap	Total Fund	Russell 2500	SMID Broad
	<del>Hotchkis &amp; Wiley</del>	<del>Russell 2500 Value</del>	<del>SMID Cap Value Equity</del>
	Earnest Partners	Russell 2500 Value	SMID Cap Value Equity
	Wedge Capital Management	Russell 2500 Value	SMID Cap Value Equity
	Brown Advisory	Russell 2500 Growth	SMID Cap Growth Equity
	BlackRock	Russell 2500	SMID Cap Core
International Equity Index	BlackRock	MSCI ACWI ex US	Non-US Equity
International Equity	Total Fund	MSCI ACWI ex US	Non-US Equity
	Baillie Gifford	MSCI ACWI ex US	Non-US Equity
	Mondrian	MSCI ACWI ex US	
TIPS	BlackRock	Bloomberg Barclays 1-10 Year U.S. Government Inflation-linked Bond	TIPS

## APPENDIX B

### INVESTMENT FUND MANAGER MANDATES AND BENCHMARKS

## Appendix B

The following tables list the current investment managers utilized in each fund. Each investment manager is assigned a target allocation of the fund and a range around that target which describes the minimum and maximum allocation to that investment manager. The Board has charged the Custodian with maintaining each investment manager's allocation of the individual funds' assets within these ranges. The Board designates Departmental staff with the authority to move assets between the investment managers in order to bring the allocations more closely in line with these target allocations.

### Large Cap Index Fund

Investment Manager	Target Allocation
BlackRock	100.0%

### Large Cap Core Fund

Investment Manager	Target Allocation	Allocation Range
Hotchkis & Wiley	18.75%	+/- 3%
Macquarie	18.75%	+/- 3%
Sands Capital	18.75	+/- 3%
Loomis Sayles	18.75	+/- 3%
BlackRock Russell 1000 Index	25.0%	+/- 3%

### Small/Mid Cap Index Fund

Investment Manager	Target Allocation
BlackRock	100.0%

### Small/Mid Cap Fund

Investment Manager	Target Allocation	Allocation Range
Earnest Partners	<del>23.75</del> 15.83%	+/- 3%
<del>Hotchkis &amp; Wiley</del>	<del>15.83%</del>	<del>+/- 3%</del>
Wedge Capital Management	<del>23.75</del> 15.83%	+/- 3%
Brown Advisory	23.75%	+/- 3%
BlackRock Russell 2500 Index	28.75%	+/- 3%

### International Equity Index Fund

Investment Manager	Target Allocation
BlackRock	100.0%

### International Equity Fund

Investment Manager	Target Allocation	Allocation Range
Baillie Gifford	50.0%	+/- 3%
Mondrian	50.0%	+/- 3%

## APPENDIX B

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#### TIPS Fund

Investment Manager	Target Allocation
BlackRock	100.0%

#### Inflation Sensitive Fund

Investment Manager	Target Allocation
BlackRock	100%

#### Fixed Income Fund

Investment Manager	Target Allocation	Allocation Range
TCW	50.0%	+/- 3%
Prudential Global Investment Management	50.0%	+/- 3%

#### Fixed Income Index Fund

Investment Manager	Target Allocation
BlackRock	100%

### IPS Revision History

Version	Approved	Summary of Changes
1.4	Dec 2011	<ul style="list-style-type: none"> <li>▪ Change Stable Value guidelines to refer to “manager” generically and not Galliard specifically</li> </ul>
1.5	June 2012	<ul style="list-style-type: none"> <li>▪ Change consultant reporting to quarterly</li> <li>▪ Change global equity from “Opportunistic” to just Global Equity Fund, updated guidelines to traditional long equity</li> <li>▪ Add Max 10% security limit to all equity funds</li> <li>▪ Add new managers and update fund target allocations:</li> <li>▪ Neuberger, Robeco, Wedge, Arrowstreet</li> </ul>
1.6	June 2013	<ul style="list-style-type: none"> <li>▪ Move Global Equity country max limit to 60% from 50% (Approved Nov 2012)</li> <li>▪ Add Inflation Fund</li> <li>▪ Add revision history</li> </ul>
1.7	September 2013	<ul style="list-style-type: none"> <li>▪ Clarify language around use of leverage in general; leverage prohibited except where permission granted by the Board.</li> <li>▪ Add prohibition against purchasing initial offerings from affiliated entities of the investment manager</li> <li>▪ Add Exceptions Granted table</li> <li>▪ Modify global equity fund guidelines to allow smaller cap companies and frontier market countries</li> </ul>
1.8	December 2013	<ul style="list-style-type: none"> <li>▪ Prohibited from purchasing securities from affiliates of the Manager in an initial offering, unless granted permission by the Board</li> </ul>
2.0	December 2015	<ul style="list-style-type: none"> <li>▪ Removed detailed investment guidelines for each of the funds</li> </ul>
2.1	May 2016	<ul style="list-style-type: none"> <li>▪ Separate and revise duties of investment consultant and IMD</li> <li>▪ Revise duties of RSD</li> <li>▪ Add delegated glidepath provider to definition of investment manager</li> </ul>
3.0	September 2017	<ul style="list-style-type: none"> <li>▪ Eliminate Large Cap Growth, Large Cap Value, Small/Mid Cap Growth, and Small/Mid Cap Value Funds</li> <li>▪ Add Large Cap Core and Small/Mid Cap Core Funds</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Separate and revise duties of investment consultant and IMD</li> <li>▪ Add glidepath review, recommendation, and approval</li> <li>▪ Make other revisions and clarification</li> </ul>
3.1	March 12, 2018	<ul style="list-style-type: none"> <li>▪ Change default retirement age for asset allocation model</li> <li>▪ Correct the weighting of the JPM Emerging Local Market ELMI Plus Index in the Inflation Sensitive Index in the footnote of Appendix A</li> </ul>
3.2	June 21, 2018	<ul style="list-style-type: none"> <li>▪ Remove the Global Equity Fund</li> <li>▪ Add the TIPS Fund</li> <li>▪ Change the Small/Mid Cap Core Fund to the Small/Mid Cap Fund</li> </ul>
3.3	March 21, 2019	<ul style="list-style-type: none"> <li>▪ Change manager for Inflation Responsive Fund</li> </ul>
4.0	June 20, 2019	<ul style="list-style-type: none"> <li>▪ Conform policy to consolidation of Investment Subcommittee's duties with the Board's, as reflected in the Board's charter</li> </ul>
5.0	December 12, 2019	<ul style="list-style-type: none"> <li>▪ Revise watch list guidelines</li> <li>▪ Revise tracking errors</li> <li>▪ Add total fund benchmarks and universes for actively managed options</li> <li>▪ Make other revisions and clarifications</li> </ul>
<u>5.1</u>	<u>February 27, 2020</u>	<ul style="list-style-type: none"> <li>▪ <u>Remove Hotchkis &amp; Wiley from the NC Small/Mid Cap Fund and reallocate assets to WEDGE and Earnest Partners</u></li> </ul>