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INVESTMENT SUBCOMMITTEE OF THE NORTH CAROLINA SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES

MINUTES OF MEETING
NOVEMBER 13, 2014

Time and Location: Investment Subcommittee (the "Subcommittee") of the North Carolina Supplemental Retirement Board of Trustees (the "Board") met at 9 a.m. on Thursday, November 13, 2014 in the Dawson Conference Room of the Albemarle Building, 325 North Salisbury Street, Raleigh, North Carolina.

Members Present: The following members were present: Melinda Baran, Chair, and Karin Cochran. Robert Orr attended via telephone. Keith Burns, Board member, also attended the meeting.

Staff and Guests present: The following staff and guests attended the meeting. From the Department of State Treasurer: Steve Toole, Mary Buonfiglio, Blake Thomas, Mary Laurie Cece, Rekha Krishnan, Lisa Page, Rosita Sabrosso-Rennick, Erica Hinton, and Maja Moseley. From the Investment Management Division: Rhonda Smith. From the Financial Operations Department: Koreen Billman. From Mercer: Kelly Henson, Liana Magner, and Andrew Ness. From Prudential: Michael McCann, Jessica Quimby, Thomas Conlon, and Kathleen Neville. From TIAA-CREF: James Summerlin. From Galliard: William Weber; Erol Sonderegger and Jennifer Hopper attended a portion of the meeting via telephone. Member of the public: Bob Slade.

AGENDA ITEM – WELCOME AND INTRODUCTIONS

Meeting convened at 9 a.m.

The Chair welcomed everyone and asked that public comments be held until the end of the meeting. The Chair also asked everyone to sign the attendance sheet.

AGENDA ITEM – ETHICS AWARENESS AND IDENTIFICATION OF CONFLICTS OR POTENTIAL CONFLICTS OF INTEREST

The Chair asked Subcommittee members to review the agenda for the meeting and identify any actual, implied, or potential conflicts of interest. There were no conflicts identified.

AGENDA ITEM – APPROVAL OF MINUTES

The Chair stated that the minutes from both Investment Subcommittee special meetings from October 3 and October 30, 2014, have already been approved at the Supplemental Retirement Board of Trustees at the special meeting held on November 12, 2014, and are included in the Board book for reference only.

AGENDA ITEM – STABLE VALUE PORTFOLIO REVIEW

Mr. William Weber from Galliard presented the Stable Value Fund (SVF) review for the NC 401(k) and NC 457. As background on the firm, he noted that Galliard has $86.2 billion in assets under management in total, with $77.5 billion in stable value funds. The firm has acquired 15 new clients since the beginning of the year, as well as brought in new staff members. He said the stable value market has experienced little change since the second quarter of the year, but that wrap capacity continues to improve. For the first time since the financial crisis, supply is equal to, or greater, than demand. This should eventually affect fees, and may even bring them down to the high teens. Mr. Weber said there is no update on the Dodd Frank money market reforms.

As for the SVF of the Plans, Mr. Weber noted there has been no change in credit quality of the wrap issuers. He said that, overall, the portfolio is in good shape and fully invested. Galliard continues to work with Great West to reduce the Great West portion of the SVF down to 20 percent from the current 23 percent. Mr. Weber said Galliard made a due diligence visit to Great West to meet with their senior management. At the meeting they discussed re-negotiating some of the Great West contract terms and these negotiations are ongoing. Ms. Buonfiglio asked for more detail regarding contract terms to be re-negotiated. Mr. Weber stated that Galliard wants the contract terms to be more specific as to how participants are paid out, specifically it should be clear that if there is a market event, the participants should be paid out at book value. Mr. Toole asked how long these negotiations have been going on. Mr. Weber said really since Galliard took over the management of the Plans, but discussions have been more pointed over the last year. He explained Great West is a bit of an outlier from the Plans other contracts because Great West has both the management piece and the wrap contract. Mr. Weber noted that he thinks the open receivable issue has stalled the discussions a bit, and that if Galliard can't get a contract they are comfortable with, they will replace Great West. Mr. Toole asked if there was any risk associated with the Great West contract. Mr. Weber said he did not think so, but explained the Great West contract is a legacy contract that is broad and vague, and Galliard wants to have more consistency across all contracts.

Mr. Weber discussed the addition of a trustee fee that Wells Fargo is planning to add to several sleeves of the SVF for which it serves as custodian, effective February 2, 2015. He said that previously Wells Fargo had been doing this trusteeship pro bono. The total impact to the Plans overall would add 1 basis point to the fees. Mr. Toole asked which funds are affected. Mr. Weber stated: Jenison, Prudential, Galliard Short, and Wells Fargo Stable Return. Mr. Toole said that staff is working with Mercer to try to avoid the fee. He stated he wants a net neutral on the funds, so perhaps Galliard would be willing to reduce their fee.

Mr. Weber went on to discuss performance of the SVF. He noted that the fund's average duration is about 3 years, and the quality remains high. He explained that the book value performance is what the participants' experience. He noted the market value performance is negative, but this is not what participants receive. Total assets are pretty flat and average quality remains AA+. The blended yield after fees remains 1.81 percent and market to book value ratio is 101.8 percent. Page 12 of Galliard's presentation gives the fund level portfolio distribution and manager distribution. The portfolio is fully invested. The SVF is very diversified across sector and issuers. He also noted that cash flows have been flat. This goes against the trend they have seen with other clients. Ms. Baran pointed out the year-to-date net cash flow has been very low, and inquired if participants have been pulling back from the Stable Value Fund. Mr. Weber said that transfers in have offset transfers out.

Mr. Toole inquired if the implementation of auto enrollment and auto escalation would be a cause for concern. Mr. Weber answered that while it would pose no concerns to the new enrollees, it may create a challenge for plans considering re-enrolling because stable value tends to be the default in some plans. However, since the Plans use GoalMaker as the default, this may offset the impact. He noted that if the plans chose to re-enroll members Galliard can accommodate the re-enrollment if given a minimum of 6 months' notice, and depending on the market-to-book environment. Ms. Cochran asked if the Board would be involved in this decision. Mr. Toole said yes, and that the auto enrollment policy and Board term lengths will be a part of the December 2014 Board meeting agenda.

Mr. Weber went on to discuss the performance of the individual investment managers. He noted that the bond market has flattened, thus yields are up, but overall this is pretty immaterial. Mr. Weber said the only open item is to modestly reduce the allocation to Great West, and to work with all parties to resolve the open receivable issue. Ms. Buonfiglio made the point that reducing Great West's allocation is separate and apart from the open receivable issue. Mr. Weber agreed. The reduction is to get better diversity in the portfolio. He said the reduction should be completed within a year.

AGENDA ITEM – PIMCO ALLOCATION IN NC STABLE VALUE

Mr. Weber introduced his colleagues, Mr. Erol Sonderegger and Ms. Jenny Hopper, who joined the meeting via conference call. Mr. Sonderegger explained Galliard's view on PIMCO as a top-down manager, and how that was a useful compliment to the bottom-up style of most other managers in the fund. He noted that PIMCO was first monitored with heightened surveillance by Galliard when Mohammed El-Erian left in March. Galliard met with PIMCO's six co-CIO's and got a reasonably good feeling about their succession planning. At that time, there had been no portfolio manager departures in the NC and Galliard stable value fund. Over the months after El-Erian's departure, Bill Gross became difficult to work with, and while PIMCO had been preparing for his departure, that plan was not well-executed. Again, Mr. Sonderegger noted there has been no turnover at the portfolio manager level for the funds in the SVF. He also said the promotion of Daniel Ivascyn was a positive change. Galliard has met with Mr. Ivascyn and a deeper relationship is being established. In Galliard's opinion, PIMCO could still remain a very profitable firm even if an outflow of 30-40 percent of assets is experienced. Nevertheless, Galliard has placed PIMCO on watch and has stopped putting new clients or additional funds in PIMCO. He said during the next 6-12 months, Galliard will focus on monitoring the performance, watching for key departures and making sure that any occurring asset losses are manageable.

Ms. Baran asked about the sale of PIMCO by Allianz. Mr. Sonderegger confirmed this is also being closely monitored, but as of yet, no specific reports have been received.

Ms. Cochran expressed concerned that the distraction of PIMCO's leadership trying to convince clients to remain with PIMCO would harm the performance of the funds. In Mr. Sonderegger's opinion, PIMCO's senior management will be focused on persuading clients to stay; however, PIMCO is a multi-layered organization and the portfolio managers will remain focused on managing assets. He noted their investment teams are fully aware their value comes from strong performance, and he feels PIMCO is well-situated to deal with the change, as the employ more than 750 portfolio managers and more than 1,000 service associates.

Mr. Toole and Mr. Burns both asked how the watch list is monitored, the frequency of updates, and the contingency plan in the event that our ability to react is exceeded. Mr. Sonderegger stated that Galliard is watching PIMCO closely, and would be happy to update the Committee as their opinion evolves. He stated that being on a watch list, from Galliard's perspective, is defined as heightened evaluation, and Galliard would not be making any new placements in the fund. Ms. Buonfiglio said she was having a hard time reconciling the fact that no new funds would go in, but Galliard recommended the North Carolina portfolios stay invested in the fund. She also noted that PIMCO should have already been on a watch list, as they have been underperforming since 2013. Mr. Sonderegger responded that PIMCO still has an exceptionally talented team, and that not adding new money is really a risk management decision. He also noted that it is important to not necessarily sell when a manager is down, especially if there is not another manager that does the same strategy. He stressed that Galliard understands the Board's position; however, they take up a longer view in terms of performance: a 1- and 3-year period. He also noted that Galliard stands ready to replace PIMCO, if needed, with just several days' notice. Ms. Henson pointed out that NC funds are in a separate account and that Galliard owns the assets. Mr. Toole stated that more specific information was required regarding Galliard's fulfillment of their fiduciary role with respect to PIMCO. Mr. Sonderegger asked Ms. Hopper to provide specific details regarding Galliard's visits with PIMCO.

Ms. Hopper stated that Galliard has been in repeated contact with PIMCO since Mr. El-Erian's departure. A visit took place in June, and another is scheduled for the third week of November. Surveillance of PIMCO was increased in August, and they have been in weekly contact with PIMCO since Bill Gross left. Galliard believes Daniel Ivascyn is very impressive and can bring the organization culturally together, also noting he is a strong investor. Mr. Toole requested the Board be kept informed on PIMCO on a monthly basis. Ms. Magner suggested that distinct metrics would help the Boards assess the portfolio performance. Ms. Cochran asked when Galliard would consider putting new money in the PIMCO funds? Mr. Sonderegger said they are waiting for 3-6 months, especially looking to see if there is turnover after bonuses are paid. Ms. Buonfiglio asked that underperformance for 4 quarters in a 3-year rolling average be put in the metrics. Mr. Toole requested that Galliard provide the specific metrics by November 21 and those metrics should tie back to Plans' Investment Policy Statement.

AGENDA ITEM – STABLE VALUE PORTFOLIO AUDIT ISSUE UPDATE

Ms. Buonfiglio presented the ongoing work with Galliard and Prudential regarding the approximate $4.8 million open accounts receivable with Great West. Galliard reported to staff this open receivable in the Great West portfolio in June 2014. Great West had contacted them at that time to inform Galliard that it has had this open receivable since the transition in 2009. Ms. Buonfiglio stated that DST senior management, legal counsel, and an independent auditor, CliftonLarsenAllen, have been involved in trying to understand the facts surrounding this issue. An audit will be performed by CliftonLarsenAllen, spanning the period of 2009 to the present, to determine the impact to the crediting rate, the effect on past and future participants, and the impact to fees paid by the Plans. Mr. Burns asked if there was a concern around the fact that so much time had passed since the receivable was opened at Great West. Ms. Cece stated the error was only discovered by the new team at Galliard in June of this year, and that staff was notified immediately. Ms. Buonfiglio stated that the full presentation of the findings will take place at the March 2015 Board meeting. In addition, updates will be provided to the Board on an ongoing basis.

AGENDA ITEM – ECONOMIC OVERVIEW AND THIRD QUARTER INVESTMENT PERFORMANCE REPORT

Ms. Magner and Ms. Henson introduced Andrew Ness, the lead consultant for the recordkeeper search process. Mr. Ness said he has been with Mercer for 12 years and looks forward to working with the North Carolina Plans.

Ms. Magner gave the overview of the quarter's market environment. She said that the general economic outlook for the quarter was mixed. Business investment was low, but unemployment was down a bit. This environment leads to more defensive managers doing better. Nationally, larger cap stock performed better than small- and mid-cap. Sector allocation played a big role in the performance of managers. The health care sector showed the best performance, while the energy sector had the worst performance. Thus, Sands performed well. The Eurozone economy and Japan slowed down for the third quarter of the year, and internationally, growth was also faltering. That is why the funds' international managers and emerging markets are down. The underperformance of these managers was caused by investments in materials and energy. Also there has been weak growth in Latin America following falling commodities prices. The Eastern European stress has also hurt emerging markets. In the fixed income market, treasuries outperformed other offerings. There is a flattening of the yield curve, and a tight spread level limits the upside potential. High yield also did not perform well in the quarter. Ms. Magner noted that valuations continue to be high in the small cap, so we do not expect them to rebound soon. She noted it is expected that the Federal Reserve may increase rates in mid-2015. Ms. Henson noted we will continue to see volatility in the short term and that, in general, the Plans' money managers have a long-term outlook, but the current environment is difficult for active managers.

Ms. Magner described several changes made to Executive Summary report. She explained the report is organized by the three tiers in the Plans' investment structure. She said there are a few manager updates. Mercer has done a manager research update on Hotchkis and Wiley, whose rating continues to remain at "B+". She said there has been turnover in the lead health care analyst for TimeSquare, but this event had no impact on the manager rating overall. Wedge hired a new lead portfolio manager, and Mercer will be reviewing their "B+" in the near future. Ms. Magner also noted that as of 10/31/2014, PIMCO Total Return reported $170.9 billion in assets. In October, PIMCO experienced a $27 billion asset outflow, and $50 billion overall since Bill Gross departed. Ms. Magner noted these outflows are only in the mutual fund – the Plans' assets are held in a separate account and its holdings are not impacted by flows in the mutual fund. Mercer anticipates greater outflows following the year-end. Ms. Baran stated she had read in the news that PIMCO executives said PIMCO can expect as much as $350 billion in outflows, which would amount to 17-18 percent of the entire firm assets. Ms. Baran requested that Mercer monitor those outflows diligently, and Ms. Henson assured that this is being done and that Mercer has a lot of exposure to PIMCO overall. Mr. Burns asked whether the exposure to PIMCO funds is okay so long as the portfolio manager is still at the firm. Ms. Henson said yes, but that Mercer is looking at each strategy, recognizing that the portfolio managers need a viable firm around them to support them. Ms. Magner added that both PIMCO strategies have been placed on watch list. Ms. Buonfiglio inquired whether the funds within the NC 403(b) Program should also be placed on watch, and Ms. Magner replied that Mercer will have a separate NC 403(b) report. Mr. Toole asked about the fee reduction for the Inflation

Responsive fund, and Mr. Henson affirmed Mercer has started this conversation with PIMCO, but there has not yet been a result.

Ms. Magner continued with an overview of fees. The total fund level fees have been compared to institutional mutual fund medians. The report also contains the individual investment management fees. Ms. Henson pointed out that these are in the institutional mutual fund universe, and Ms. Magner said what is important to review is whether the fees are reasonable compared to the service the manager is providing Ms. Henson pointed out that the recently reduced fees implemented across the index funds were now reflected in the Mercer report. She also noted that international funds are typically the most expensive; in our funds, participants pay 30 bps less than the average. She also confirmed for Mr. Toole that it is a weighted average based upon the assets held in each strategy.

Ms. Magner stated that plan assets were $8.7 billion at the end of the quarter, and discussed the performance on the total fund level. She noted this is the performance participants see. In general, Ms. Magner noted the performance of the small- and mid-cap funds show it has been hard to beat the benchmark, but the funds still rank high within the peer universe. Ms. Smith asked if Mercer could show growth in assets based on performance, versus growth in assets because of inflows. Ms. Henson replied that prior quarter data could be added, as well as allocation percentage.

Ms. Henson described the funds' performance scorecard. She highlighted that Wellington Opportunistic Growth has been hurt by the stock selection, but its underperformance has not yet triggered the watch list. Ms. Cochran inquired whether a "heightened watch" category should be added, and based on both the PIMCO situation and Wellington's performance, justify such heightened watch. She also asked whether the Board should meet with Wellington in person. It was agreed there would be a heightened awareness list and that Wellington is on it. Ms. Henson stated that while Mercer has spoken with Wellington—and basically their style is out of favor—but are sticking with it. Ms. Buonfiglio agreed to ask them to the next meeting. Ms. Henson also said Brown Advisory could be added to the possible meeting. Ms. Buonfiglio stated that the meeting with the managers could take place in February 2015. Ms. Henson noted the Mid/Small Cap Value Fund performed very well, and Wedge has outperformed the benchmark. International Equity Fund has a substantial allocation in emerging markets and this caused some volatility. However, she does not believe this is a cause for concern, as the management styles of both Baillie Gifford and Mondrian are steady and long term in nature. She noted that the Inflation Responsive Fund has provided good defensive benefits to participants. With regard to the performance of the Core Bond Fund, they are outperforming the benchmark, but not their peers. Ms. Henson noted that J.P. Morgan is the more conservative of the two managers. Finally, Ms. Magner noted the Stable Value Fund is doing well.

Ms. Magner pointed out there could be some headline risk associated with J.P. Morgan's banking division. Ms. Buonfiglio noted that approximately 1 year ago, J. P. Morgan asked if they could purchase bonds underwritten by their investment banking division for the North Carolina portfolio. It was agreed that such bonds would not be purchased for the portfolio. Ms. Baran stated that she is concerned with the J.P. Morgan headline risk and the ongoing criminal investigation against the firm. Ms. Henson noted that J. P. Morgan's investment management division is a separate component of the overall business structure, and not affected by the current banking investigation. Mr. Orr also noted the large size of the J. P. Morgan organization, and his personal experience with their commercial loan division, which has been positive and reassuring. Mr. Burns asked the Chair if she was recommending a particular course of action. Ms. Baran indicated the corporate governance should be monitored, and requested Mercer monitor J.P. Morgan's legal situation. The Board will reassess the situation in June 2015.

There was a scheduled break in the meeting from 11:05 -11:15 a.m.

AGENDA ITEM – INVESTMENT POLICY STATEMENT PROJECT REVIEW

Ms. Magner presented the proposed edits to the Investment Policy Statement. The objective of the review is to keep the Investment Policy Statement as a general process guideline, moving the manager-specific fund level guidelines outside of this policy in order to make it more cohesive and high-level. She also noted that Section III of the policy, "Responsible Parties," has been left unchanged intentionally, and will be revisited after the 3(21) vs. 3(38) investment advisor decision is made. Ms. Buonfiglio noted that focus should be placed on money manager guidelines to ensure consistency. Ms. Henson added that the process was designed intentionally with the unbundling project in mind, and that investment manager guidelines need to align with the Investment Policy Statement. Mr. Toole said he wanted the new Investment Policy Statement to contain a section which describes placing a money manager on a watch list, and Mr. Henson stated that it does, but also added that it is important not to be too restrictive when designing such criteria due to changing market conditions. Ms. Henson also confirmed the policy will continue addressing the Stable Value Fund. Mr. Orr asked if the policy should be more explicit around managers who don't technically make the watch list definition, and Ms. Magner replied this is the a purpose of the regular quarterly review—to highlight issues that need to be brought to the attention of the Investment Subcommittee. Ms. Henson summarized two main policy change goals: managing portfolio guidelines and potential changes to the guidelines more effectively, and ensuring manager guidelines are consistent with the Investment Policy Statement.

AGENDA ITEM – INVESTMENT COMPLIANCE REPORT REVIEW

Ms. Henson noted there is very little new material in the review of manager compliance, and there is nothing of concern, as none of the investment managers went outside of their respective guidelines. Ms. Buonfiglio asked if there was any risk at the fund level. Ms. Henson did not believe there was. She added, however, that Mercer and the Board may need to address how to deal with American Repository Receipts (ADRs) in the large cap stock sector in particular. Ms. Smith stated that the Investment Management Division is also seeing that ADRs could become an issue in the large cap area. It was agreed that Mercer will come back with recommendations on ADR exposure, to ensure those guidelines are reasonable and reflect the market. Ms. Baran asked if there were any more questions on manager and fund compliance. There were none.

AGENDA ITEM – MERCER REVIEW OF REAL ASSET/DIVERSIFIED INFLATION HEDGE FUND

Ms. Henson stated that Mercer does not have the same concerns with replacing PIMCO in this strategy as they did with the Total Return Fund. She stated that the Real Asset/Diversified Inflation Hedge Fund is still rated a B+ by Mercer, and all of the other replacement managers are rated "B+" as well. Those managers are BlackRock, J.P. Morgan, Principal, and Wellington. Mercer continues to monitor the portfolio management team in this strategy, and they are also monitoring the outflows. The State of Florida withdrew approximately

$500 million from the fund in October, which was about one-third of the fund. Ms. Henson again pointed out that North Carolina holdings were not impacted, as they are in a separate account.

Ms. Magner noted that since the last search for a manager in this strategy, many managers have gained more assets. The investments are TIPS, REITs, and commodities to hedge inflation risk. She noted there are significant differences in the way the various managers manage their portfolios, and Mercer focuses mainly on the beta target of the different portfolios. BlackRock offers the lowest cost, but it is a passive fund, and Mercer does not think that is a good way to manage this type of portfolio. J.P. Morgan is actively managed, and is the most similar to PIMCO; however, J.P. Morgan is now undergoing Mercer's rating review and Ms. Magner is not advising they be considered. Principal is a multi-manager portfolio, and they manage the overall allocation to the various sub-advisors. In addition, she noted that real estate is Principal's strong suit. Wellington's strategy is more focused on TIPS and equities rather than REITs, and takes a barbell approach with these two asset classes. Other important things to note are that, with regards to fees, PIMCO's fee is higher than Principal's and J.P. Morgan's. In addition, Wellington and Principal would not offer a separate account. They only manage in a commingled fund. Mr. Burns asked if having the funds in commingled pool rather than a separate account is a risk concern, and Ms. Henson replied that striving for a separate account is good from the perspective of the Plan size and comfort; however, it may also be appropriate to make an exception. Ms. Magner added that Principal has such a large number of assets under management that our mandate would not be too large to be managed within that commingled fund. Ms. Baran then asked if a standard performance for each candidate could be provided, and Ms. Henson noted that little history is available, as the longest track record is only a 4-year period. Ms. Magner added that this manager comparison is not "apples-to-apples," as they are all quite different. She said that Principal is Mercer's recommended replacement; however, Principals' profile is very different from PIMCO's. Ms. Cochran asked if the replacement decision needed to be made at this time. Ms. Henson said no, and explained they were providing these options at this time just as an evaluation in order to be prepared should more outflows occur. Ms. Buonfiglio noted that during the February 2015 Investment Subcommittee meeting, the Committee should also focus on the glide path, as Principal's profile is different. Mr. Orr added that he is also interested in reviewing GoalMaker as compared to other target date programs. Mr. Toole suggested that a special meeting could be called to further discuss this issue should the need arise.

AGENDA ITEM – MERCER REVIEW OF WELLINGTON QUALITY VALUE

Ms. Henson stated that Wellington has been on the watch list for 4 continuous quarters, and the purpose of today's meeting is to complete the retention review and provide a preliminary list of the replacement managers to the Subcommittee. The primary focus of the review was to find a higher quality, more defensive large cap manager to complement Hotchkis and Wiley, a high tracking error manager. She noted the other manager in the strategy, Robeco, already does this to an extent. Mercer is recommending a search for an alternative manager to replace Wellington. Ms. Cochran asked if the search can be conducted, and then the decision made as to replacing Wellington. Both Ms. Buonfiglio and Ms. Hanson said yes. Ms. Baran asked why Wellington is not rated by Mercer, and Ms. Magner replied that while Wellington is in Mercer's database, they have better candidates and a large enough candidate pool to work with, and therefore did not want to utilize the resources to rate them. Ms. Smith added that the Investment Management Division selected Wellington due to a specific style that worked with their portfolio. Ms. Smith also endorsed the search for alternative manager.

Ms. Cochran made a motion to commence the search for alternative manager to Wellington Quality Value. Mr. Orr seconded, and the motion passed unanimously.

AGENDA ITEM – 403(B) PROGRAM INVESTMENT PERFORMANCE TEMPLATE

Ms. Henson reported that Mercer will be tasked with monitoring the NC 403(b) Program beginning January, 2015. She provided a sample report for today's meeting, and the February 2015 report will reflect the same data we now receive for the NC 401(k) and NC 457 Plans to ensure consistency; a scorecard will also be provided. Ms. Buonfiglio pointed out there are two PIMCO funds in the NC 403(b) Program investment lineup: the PIMCO Inflation Responsive Fund and the PIMCO All-Asset Fund. She noted there is only one participant in the Inflation Responsive Fund, so the exposure is minimal. Ms. Henson also added the All-Asset Fund is separate from the Total Return Fund, and a third party manager handles that strategy and invests in PIMCO underlying funds.

AGENDA ITEM – STAFF REPORTS

The Chair asked about staff reports, and Ms. Buonfiglio confirmed all have been covered.

AGENDA ITEM - SUBCOMMITTEE MEMBERS QUESTIONS/COMMENTS

The Chair noted that as NC 403(b) Program reports go into production, this may require a further time commitment from the Investment Subcommittee. The Chair suggested revising the meeting duration and asked other members about their preferences. It was agreed that recommendations and preferences will be emailed to staff.

AGENDA ITEM – PUBLIC COMMENT

No public comments were offered.

Ms. Cochran made a motion to adjourn and Mr. Orr seconded. The Subcommittee adjourned at 12:14 p.m.

Secretary