

# North Carolina Supplemental Retirement Plans Second Quarter Performance Review

September 2013

# Agenda

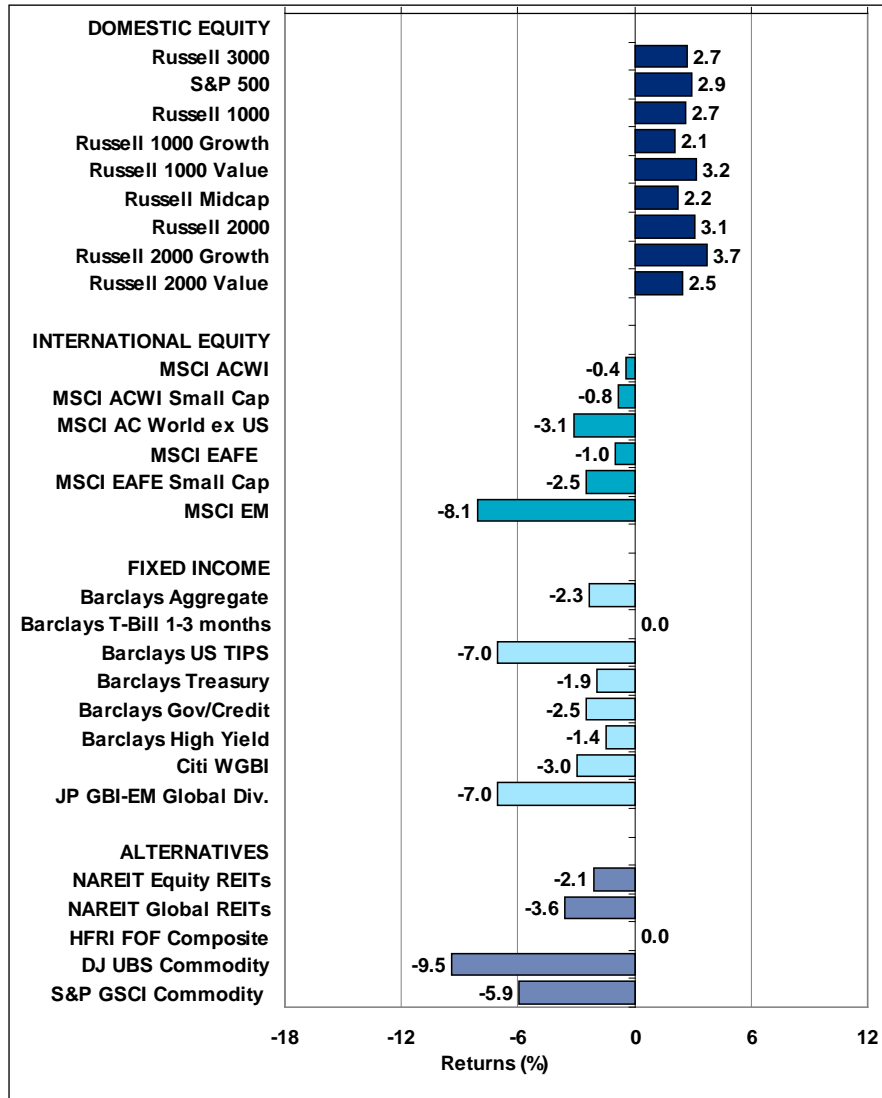
- Capital Markets Review
- Second Quarter Performance
- Appendix

# Capital Markets Review

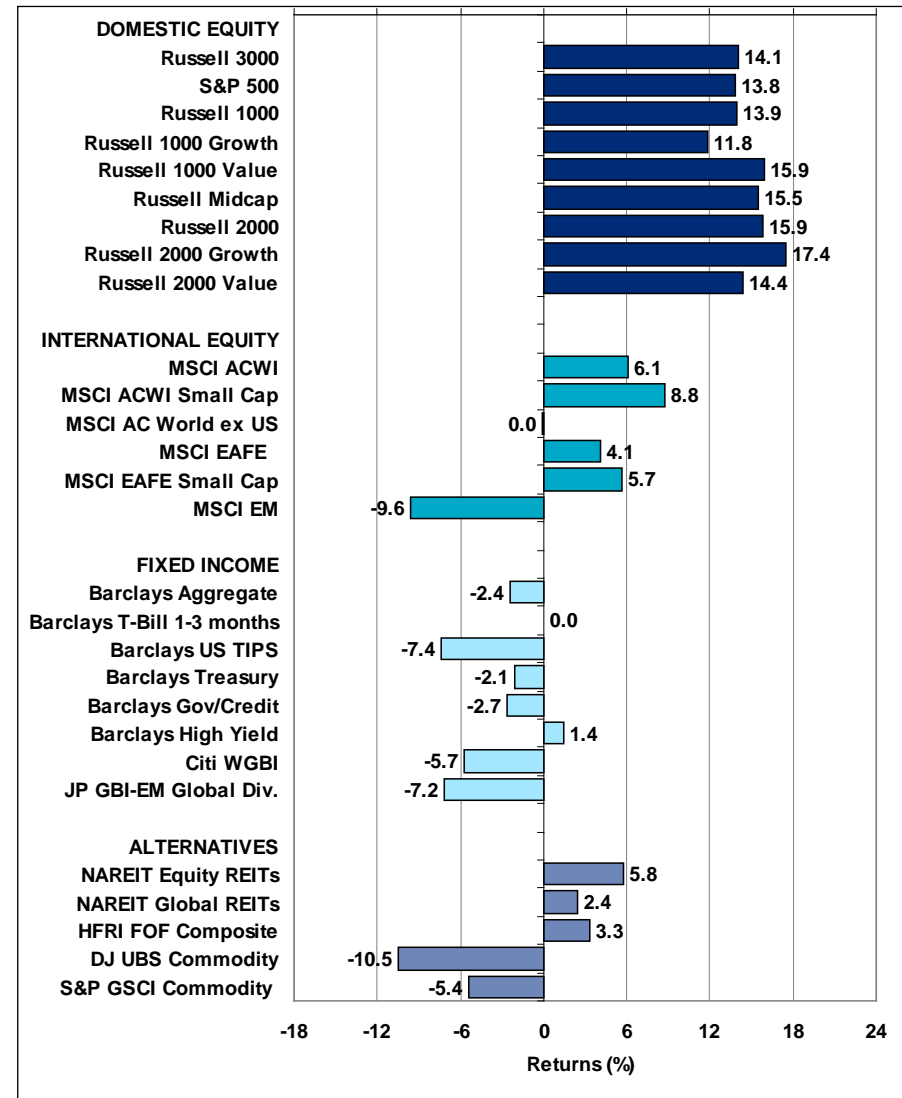


# Performance Summary: Quarter in Review

**Market Performance**  
Second Quarter 2013



**Market Performance**  
YTD

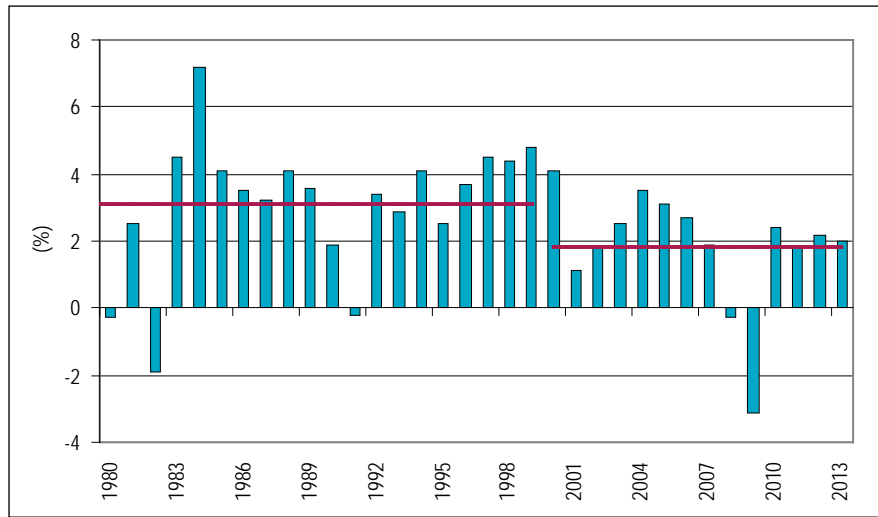


Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg  
MERCER

Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

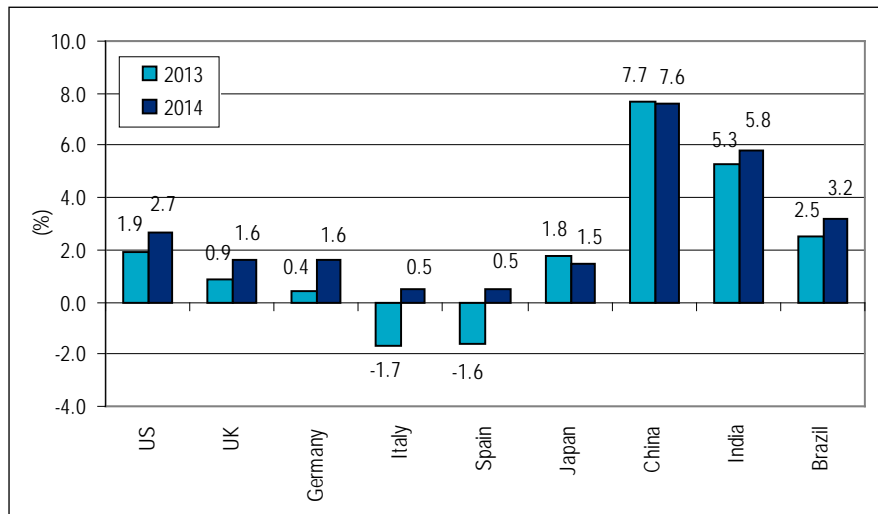
# Macro Environment: Economic Review

Annual GDP Growth



Source: Bureau of Economic Analysis

World Economic Growth  
(Projections as of June 2013)

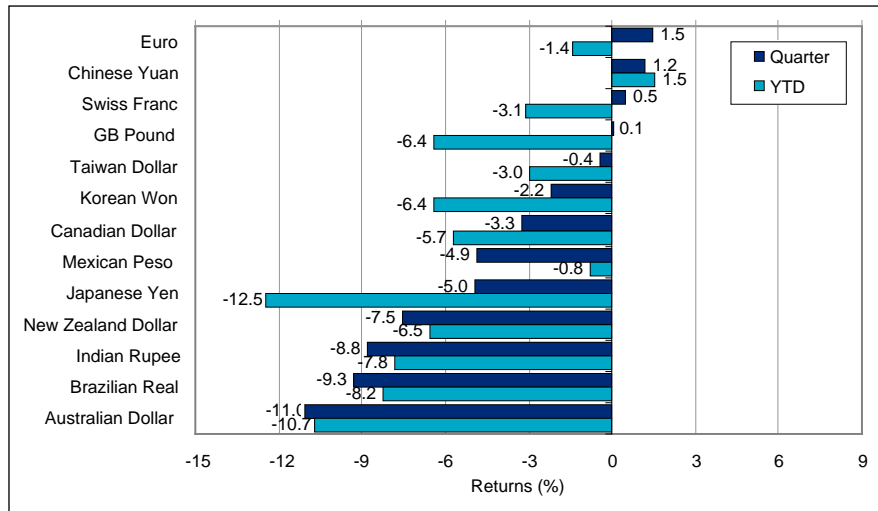


Source: Bloomberg  
MERCER

- Economic growth was weak in the first half of 2013, but was partially offset by positive developments in the private sector. Growth in the second half of the year should improve as the effects of fiscal tightening fade. The improvement in the job market is encouraging. The economy added an average of 196k jobs per month in the second quarter. The unemployment rate remained unchanged at 7.6% for the quarter as labor force participation inched up by 0.2%. Job gains have bolstered personal income, ahead 3.3% from a year ago (through May), providing support to consumer spending. The near-term growth outlook for the US appears solid, especially relative to the rest of the developed world. A recession appears very unlikely over the next twelve months.
- The Eurozone remains stuck in recession; however, a rise in the composite PMI suggests the economy could emerge from recession later this year. Still, the region is likely to struggle for some time and ongoing economic weaknesses could lead to political tensions. The outlook for Japan has improved. Stronger economic growth, improved business confidence and less deflation suggest the BOJ's and PM Abe's policies have gotten off to a good start.
- While the outlook for the developed world has improved marginally, economic data in emerging economies has deteriorated and the outlook remains weak. Chinese money market rates have recently risen reflecting the tightening bias of the PBOC and a desire to squeeze the shadow banking system. While this is a positive development for the long run, it has further dampened economic activity in the short run. In Brazil and India, the structural problems facing the economy and the unwillingness (or inability) of the authorities to enact reforms continue to hamper growth. Despite these short-term headwinds, the secular growth outlook for EM economies is bright due to their structural advantages.

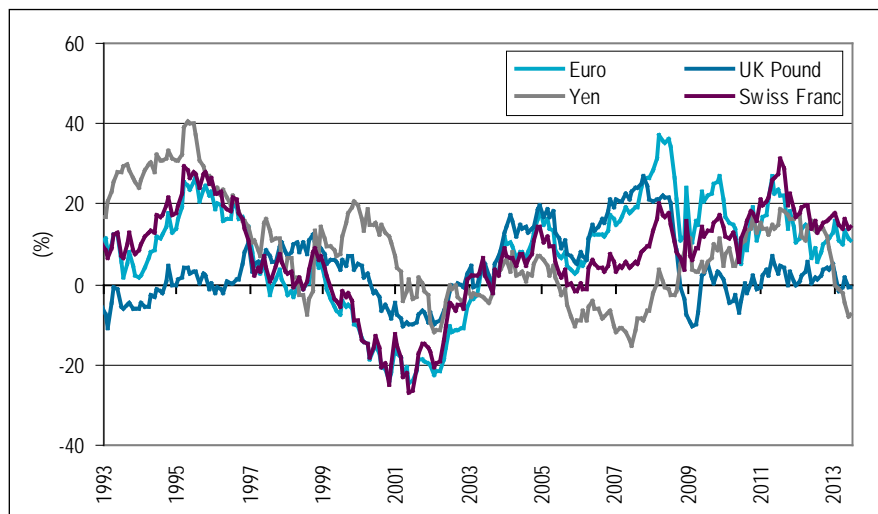
# Macro Environment: Currencies

Performance of Foreign Currencies versus the US Dollar



Source: Bloomberg

Currency Valuation versus US Dollar (Based on Relative PPP)

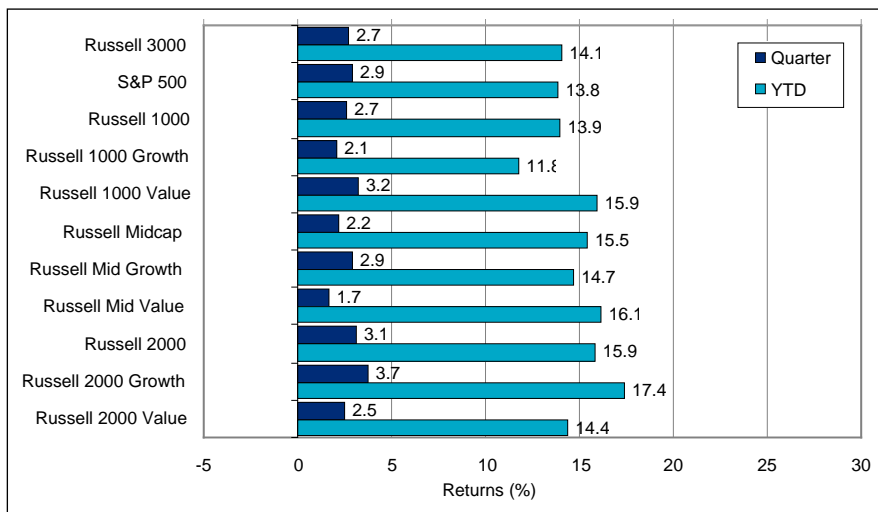


Source: Bloomberg  
MERCER

- On a trade-weighted basis, the dollar advanced by 0.2% in the second quarter. The yen continued its decline, losing another 5.0%, and the Australian dollar dropped 11%. Without significant negative news headlines, the euro appreciated 1.5%. Most major emerging market currencies experienced declines.
- Most developed foreign currencies seem expensive compared to the dollar based on relative purchasing power parity. While the US continues to run a current account deficit, the dollar could benefit from a favorable US economic outlook relative to most developed countries. Higher interest rates amidst the Fed's prospective tapering of QE3 could also boost the dollar.
- While the yen now trades at a discount to the dollar on relative purchasing power parity, the currency tends to move in long cycles, swinging from one valuation extreme to the other. Additionally, the BOJ continues to aggressively pursue a doubling in its monetary base, so the trend of yen weakness could continue over the medium-term. The euro will likely continue to be negatively affected by weak economic fundamentals, leaving it susceptible to declines.
- Emerging market currencies tumbled against the dollar in the second quarter due to growth concerns and speculation on the future course of Fed policy. Central banks have moved to tighter policies and increased interest rates to support their currencies; however, counter-cyclical policy could further depress growth rates. While the secular outlook for emerging market currencies is bright, they could continue to come under short-term pressure.

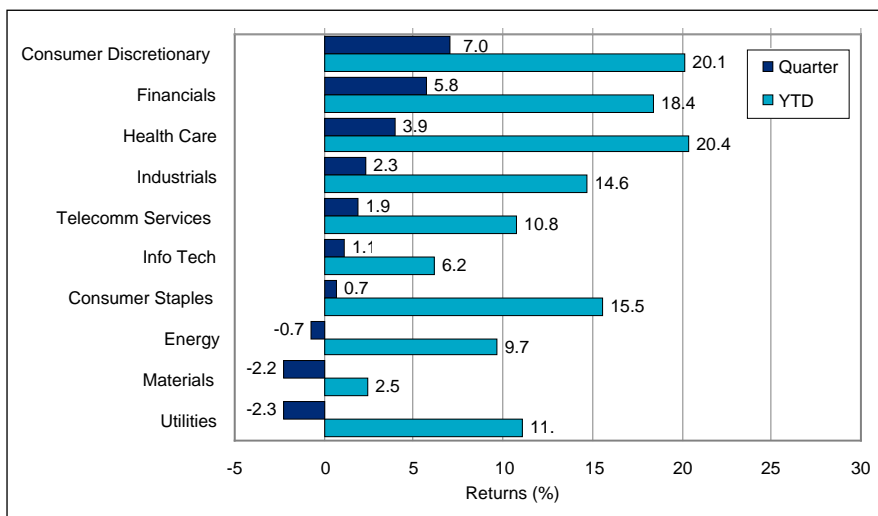
# Asset Class: US Equities – Style, Sector, Cap Performance

## Style and Capitalization Market Performance



Source: Standard & Poor's, Russell, Bloomberg

## Sector Performance



Source: Russell 1000 GICs Sector  
MERCER

## Broad Market

- Stocks shrugged off higher interest rates and posted solid gains with the Russell 3000 Index returning 2.7% for the quarter. For the year, the Russell 3000 index is up 14.1%.

## Market Cap

- Large Caps:** The S&P500 Index increased 2.9% in the second quarter and has returned 13.8% year-to-date. Large cap stocks have lagged mid cap and small cap stocks year-to-date.
- Mid Caps:** The Russell Midcap Index returned 2.2% in the second quarter and is now gaining 15.5% year-to-date.
- Small Caps:** Small cap stocks outperformed large and mid cap stocks as the Russell 2000 Index rose 3.1% year-to-date, small caps have jumped 15.9%, outperforming the S&P 500 by 210 basis points.

## Style

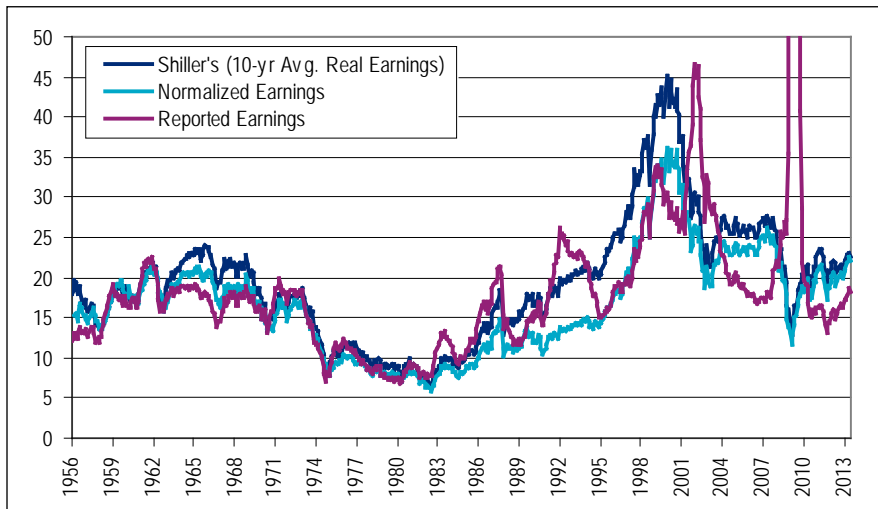
- Value vs. Growth:** Style performance was mixed in the second quarter. Large cap value stocks outperformed large cap growth stocks by 110 basis points, but growth outperformed value within small caps and mid caps by 120 basis points. Small cap growth was the best performing style, gaining 3.7% and is now up 17.4% year-to-date.

## Sector

- The utilities, materials, energy, consumer staples and information technology sectors were the laggards for the quarter, while the consumer discretionary, financials and health care sectors outperformed the broad market.

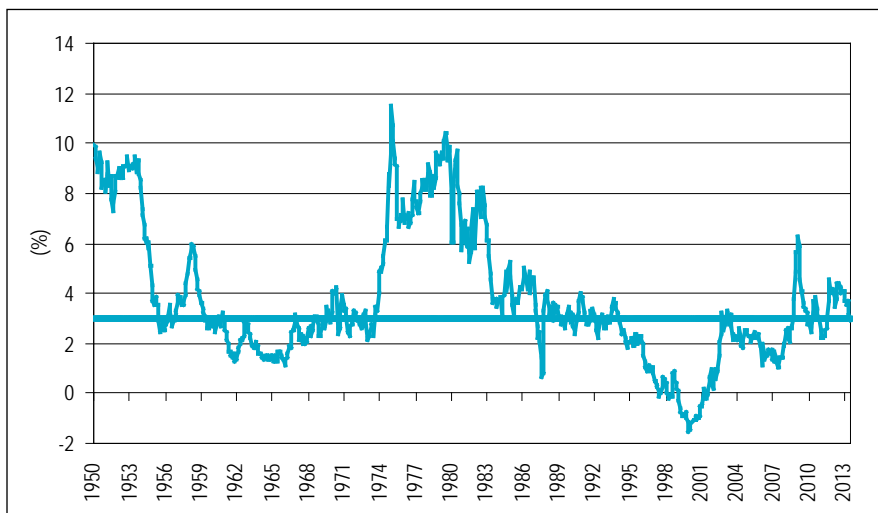
# Asset Class: US Equities – Valuation Review

S&P500 – P/E Ratio



Source: S&P, Bloomberg, Mercer

S&P500 – Estimated Equity Risk Premium<sup>1</sup>  
Versus Long-Term Treasuries



Source: S&P, Bloomberg, Mercer

MERCER

- Valuations crept up during the quarter. The P/E ratio on trailing reported earnings advanced to 18.3, which is slightly above the 17.2 median since 1956. The reported P/E ratio is supported by historically high corporate profitability.
- While analysts have been revising their earnings per share estimates downward, they still expect a significant improvement in earnings growth in the second half of 2013. This may prove difficult as estimated revenue growth rates are well below estimated earnings growth rates. Since the financial crisis, US corporations have been extremely adept at controlling labor costs, which have aided margins. However, there are signs that this trend has played out, and corporate capital investment remains below trend, which may hurt long-term productivity and profit growth. While we expect profit margins to decline, absent a recession, they should remain above average for the intermediate-term.
- Cyclically-adjusted valuations, which adjust for high profit margins, remain uncomfortably high on an absolute basis. The P/E ratio based on normalized earnings stood at 22.0, which is above the historical median of 16.6 (since 1956), while the P/E based on average 10-year real earnings (Shiller's methodology) finished the quarter at 22.7 compared to a median of 18.9 (since 1956).
- With the rise in interest rates, the appeal of US equities relative to bonds has decreased. Based on the normalized P/E ratio of 22.0, the S&P 500 is priced to provide a real return of 4.0% to 4.5%. While this still compares favorably to yields on Treasuries and corporate bonds, we estimate that the equity risk premium over long-term Treasuries declined to 2.9% at quarter-end, in line with the historical average.

<sup>1</sup> Definitions:

Shiller's P/E= Current S&P 500 price/average 10-year real earnings

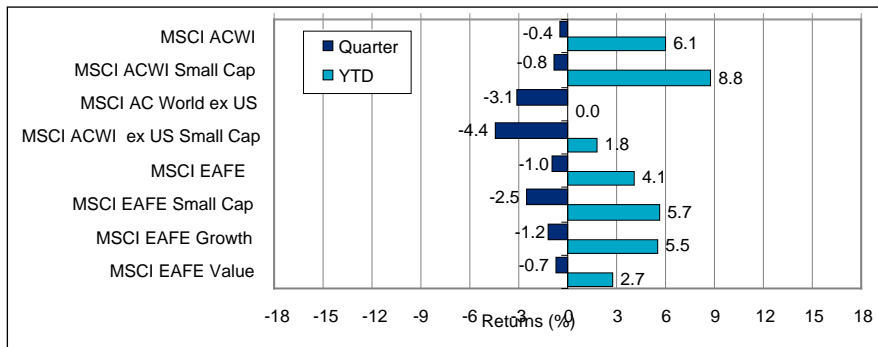
Normalized P/E= Current S&P 500 price/(current trailing twelve month sales \* 6.6% profit margin)

Equity Risk Premium= Earnings yield (1/PE) minus the real yield on long-term Treasuries



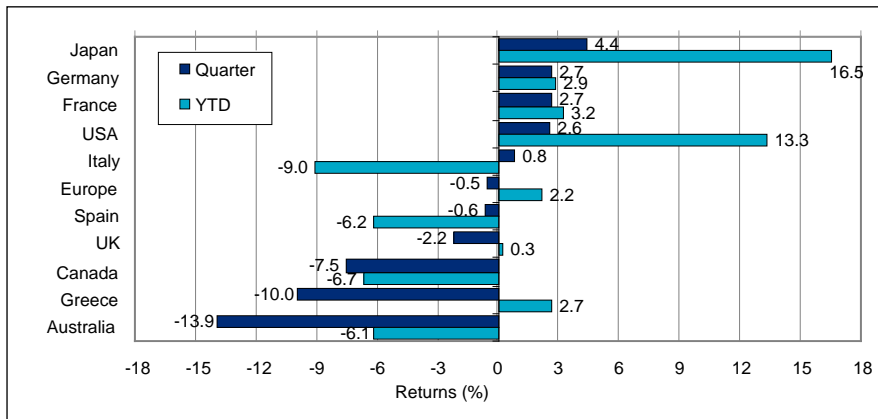
# Asset Class: International Equities – Performance Review

## International Equity Performance



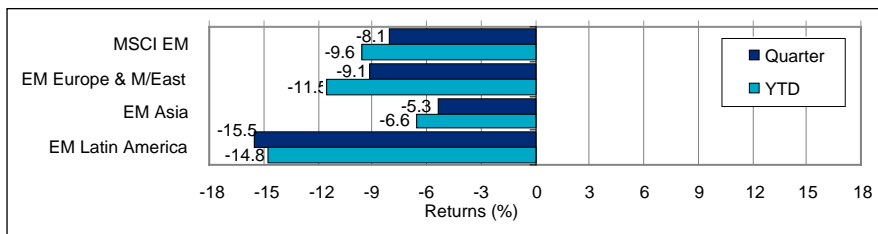
Source: MSCI, Bloomberg

## Developed Country Performance



Source: MSCI, Bloomberg

## Emerging Market Performance



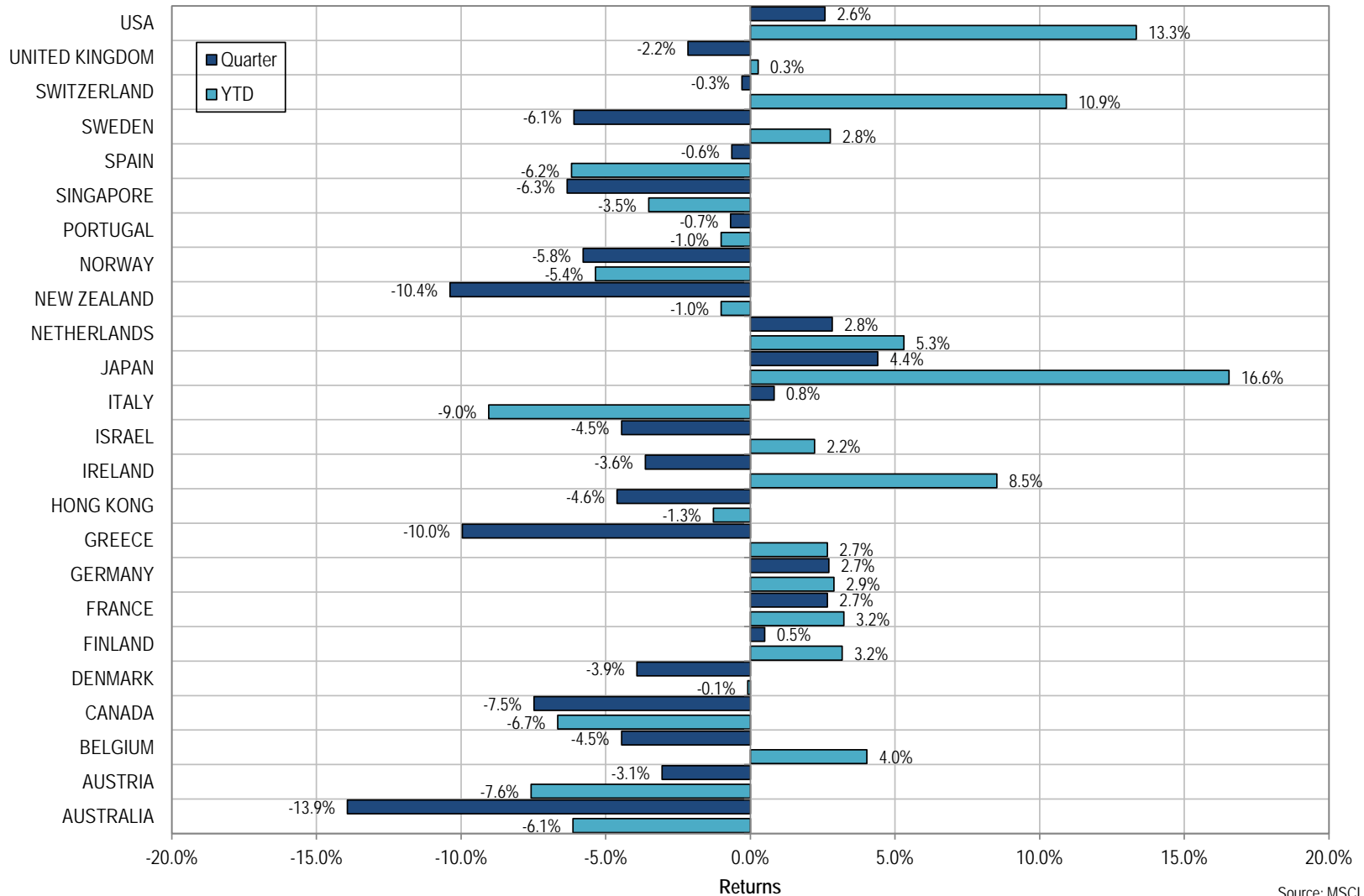
Source: MSCI, Bloomberg

MERCER

- International equities** lagged US equities for the quarter and emerging market stocks struggled. The MSCI ACWI-ex US Index shed 3.1% for the quarter and is flat year-to-date, trailing the Russell 3000 by 580 and 1,410 basis points, respectively.
- International developed stocks** lost 1.0% for the quarter, but is up 4.1% year-to-date. European stocks declined 0.5% and are up just 2.2% year-to-date as the region continues to experience economic struggles. Japanese stocks continued to soar on the heels of the BOJ's stimulus efforts. Japanese stocks returned 4.4% in the second quarter and are up a solid 16.5% so far this year.
- International small cap stocks** underperformed international developed large cap stocks by 130 basis points for the quarter. The MSCI EAFE Small Cap Index contracted 4.4% for the quarter, but have gained 1.8% year-to-date.
- Emerging markets** fell sharply, reflecting slowing economies, signs of financial stress in China and political instability in Brazil and Turkey. The MSCI Emerging Markets Index fell 8.1% during the quarter and is down 9.6% year-to-date. Regionally, in the second quarter Asian stocks shed 5.3%, with Chinese equities losing 7.0%. European and Middle Eastern markets slid 9.1% for the quarter and are down 11.5% year-to-date. Latin American equities experienced a steep decline of 15.5% in the second quarter and have now fallen 14.8% year-to-date. The S&P 500 has outperformed emerging markets stocks by 234 percentage points (13.8 vs. -9.6) year-to-date.

# Asset Class: International Equities – Developed Country Performance

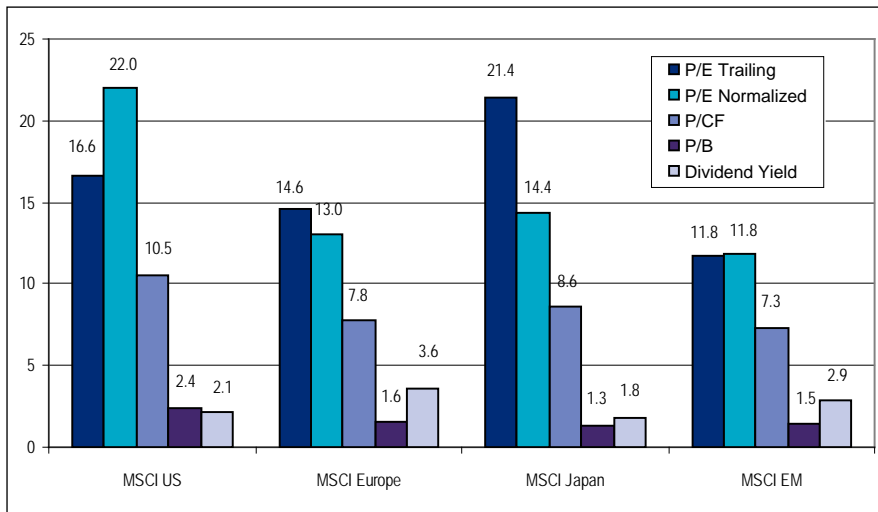
## Developed Country Performance



Source: MSCI

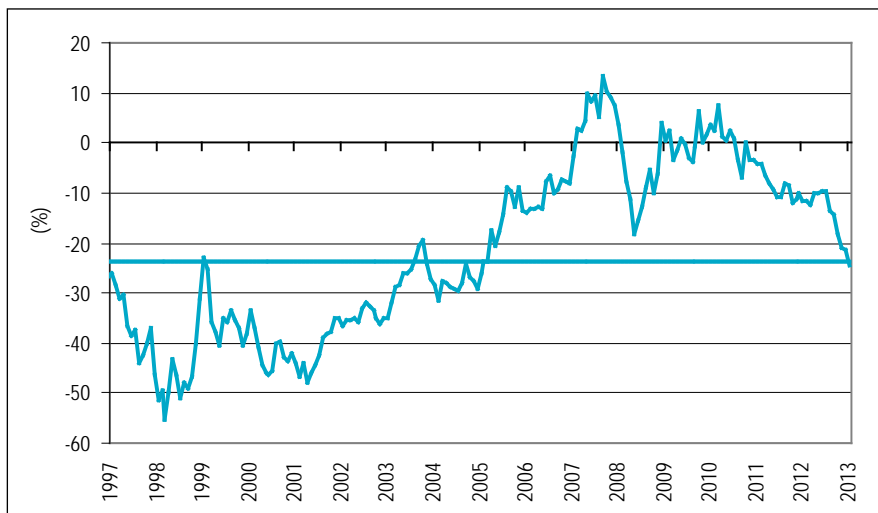
# Asset Class: International Equities – Valuation Review

## Global Valuations



Source: MSCI, Bloomberg

## Valuation of MSCI Emerging Markets to MSCI World (Based on Average of P/E, P/B and P/CF)

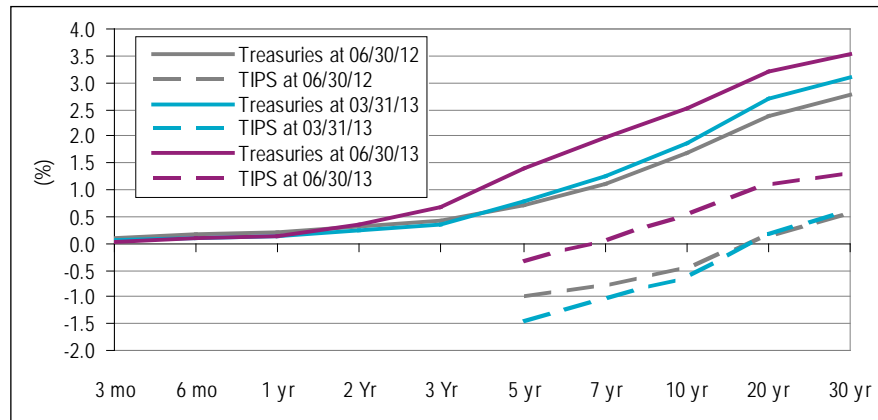


Source: MSCI, Bloomberg  
MERCER

- The recession has taken a toll on European earnings. However, corporations have increasingly turned to bond markets for financing, which should help reduce borrowing costs. The region could also emerge from recession later this year. European equities appear reasonably valued, trading at just 15x trailing earnings. Based on 10-year average real earnings, European stocks traded at a P/E of just 13, a 24% discount to their historical median and a 43% discount to US stocks (13% average).
- The steep decline in the yen coupled with potential structural reforms should be supportive of stocks and profitability. Profit margins have been consistently lower in Japan than elsewhere, and while there are some signs of improvement, it remains to be seen if recent policy changes can translate into improved competitiveness and governance. The valuation picture for Japanese stocks is mixed. Based on 10-year average real earnings, equities appear expensive due to poor historical profitability, trading at a P/E of 23.7. However, if margins can return to pre-crisis levels, stocks appear more reasonable at a P/E of 14.4.
- Softening macro conditions have weighed on EM equity performance. As growth has come in below expectations, profitability has taken a hit. Increases in labor costs and falling commodity prices are also weighing on profits. Earnings per share for EM firms have fallen by 4% over the last year and profit margins have compressed by 8%. Equities appear to be discounting weaker economic conditions and are very attractively valued in absolute and relative terms, trading below their historical averages and at a significant discount to developed stocks. For example, they traded at just 1.5x book value, their lowest level since March 2009 and a 22% discount to developed stocks. Based on its trailing P/E, EM stocks traded at a 21% discount to their historical average and a steep 30% discount to US stocks.

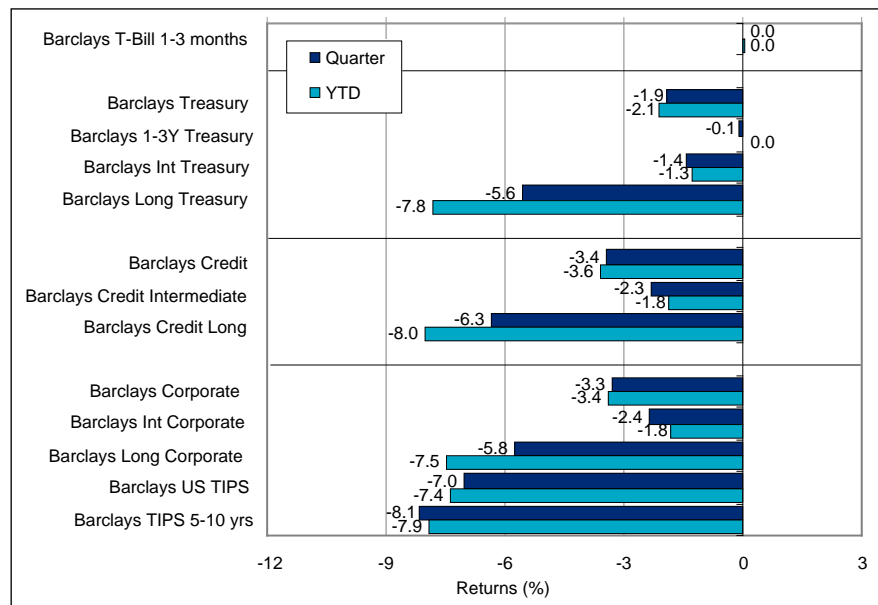
# Asset Class: Fixed Income – Interest Rates and Yield Curve

## Treasury Yield Curve



Source: Federal Reserve

## Bond Performance by Duration



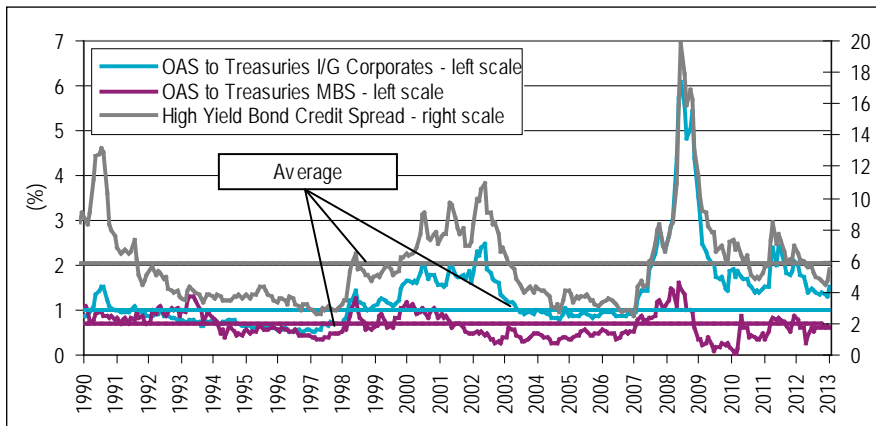
Source: Barclays, Bloomberg

MERCER

- Interest rates spiked amidst relatively strong US economic data and indications the Fed may reduce asset purchases later in 2013 and end the QE program by mid 2014. The 10-year yield increased from 1.87% to 2.52%, its highest level since the third quarter 2011.
- Real yields on TIPS increased substantially and inflation breakeven rates declined. Five-year TIPS ended the quarter with a real yield of -0.4%, while 10-year TIPS yielded 0.5%, both over 110 basis points higher than at the start of the quarter. The real yield on 10-year TIPS turned positive, reaching its highest level since July 2011. The inflation breakeven rate on 10-year TIPS declined 52 basis points during the quarter to only 2.0%.
- The yield curve steepened during the quarter. Short term rates were close to unchanged; however, longer term yields, which are more heavily influenced by expectations regarding Fed tightening, moved upward.
- US Bonds** declined during the quarter with the Barclays Aggregate Index falling 2.3%.
- Long-Duration Bonds** posted heavy losses as the yield on the 20-year Treasury rose by 51 basis points. The Barclays Long Treasury Index fell 5.6% in the second quarter and has dropped 7.8% year-to-date.
- TIPS** fell a steep 7.1% as the real yield on 10-year TIPS rose from -0.6% to +0.5%. TIPS have underperformed Treasuries by 530 basis points year-to-date as 10-year inflation breakeven rates have fallen from 2.5% to 2.0%. The TIPS index also has a longer duration than the Treasury index.

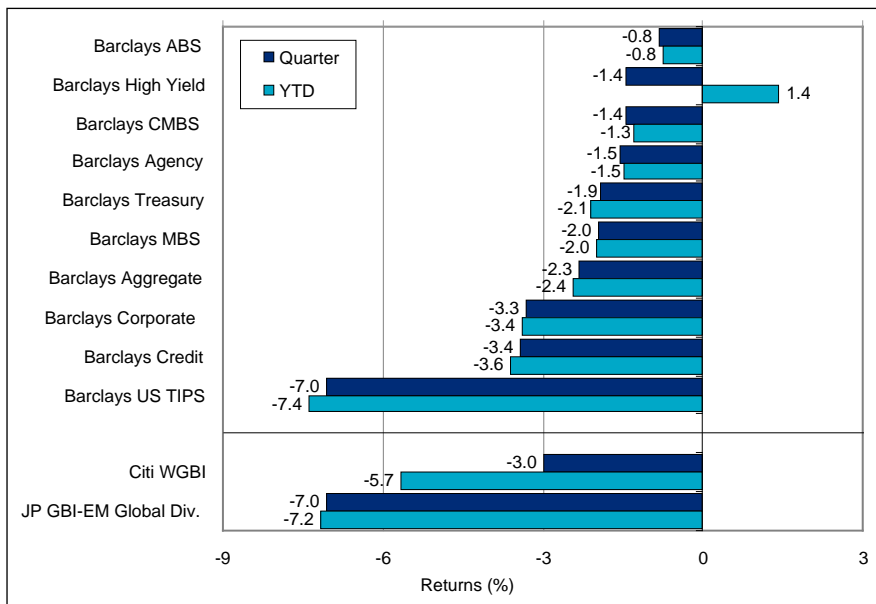
# Asset Class: Fixed Income – Credit and Non-US Bonds

Credit Spreads



Source: Barclays

Sector, Credit, and Global Bond Performance



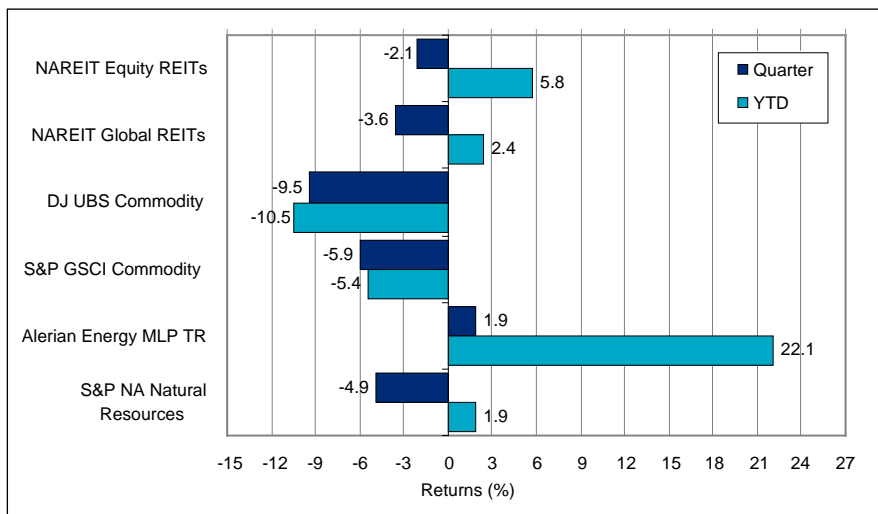
Source: Barclays, Citigroup, JP Morgan, Bloomberg

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- The option-adjusted spread on I/G bonds rose by 13 basis points to 1.5%, which is above the historical average of 1.0%. Should the economy continue to recover and Treasury yields revert to the norm, corporate yields will likely follow, but credit spreads should decline, cushioning the impact. Corporate bond spreads are likely to be driven by other factors such as corporate profitability and leverage, and these should remain supportive for some time to come. The option-adjusted spread on HY bonds increased by 36 basis points to 4.9%, in line with the historical median. While there are signs that issuance quality has declined, the current default look remains favorable.
- US Treasuries** experienced losses as Treasury yields rose sharply. The Barclays Treasury Index lost 1.9% in the second quarter and is down 2.1% year-to-date. TIPS shed 7.0% during the quarter.
- US Corporate** bonds underperformed Treasuries for the quarter, declining 3.3%. The yield on the Barclays I/G Corporate index rebounded from record lows to 3.4%, a 59 basis points increase.
- US MBS** bonds shed 2.0%, lagging Treasuries as spreads widened, while **ABS, CMBS, and Agency** bonds outperformed Treasuries.
- High Yield** bonds held up relatively well, declining by a modest 1.4% and outperforming Treasuries by 50 basis points. The yield on junk bonds increased from 5.7% to 6.7%.
- Global Bonds** fell most as most currencies declined against the dollar. The Citigroup World Government Bond Index lost 3.0% in the second quarter and is down 5.7% year-to-date.
- Local Currency Emerging Market Debt** tumbled 7.0% as currencies fell relative to the dollar and interest rates increased.

# Asset Class: Alternatives – Performance Review

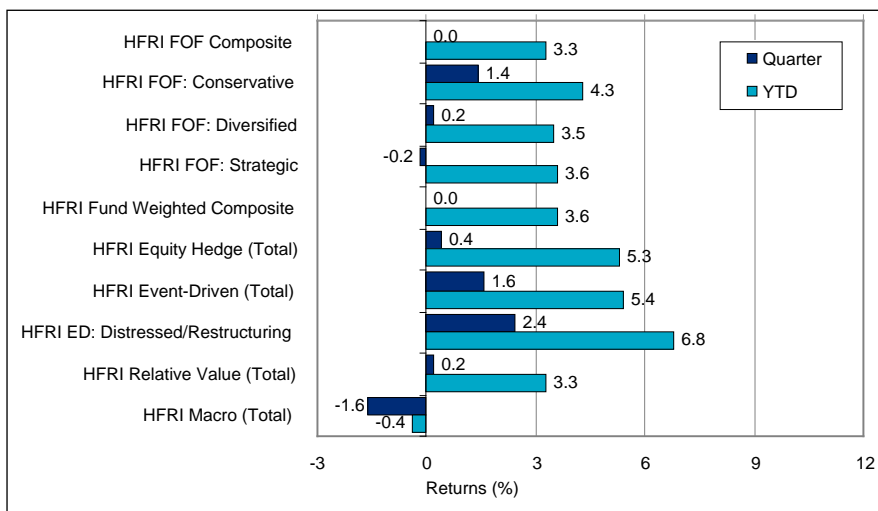
## Real Asset Performance



Source: NAREIT, Dow-Jones, UBS, Goldman Sachs

- **Global REITs** fell 3.6% in the second quarter, but are still up 2.4% year-to-date. US REITs have outperformed international REITs over both periods.
- **Commodities:** Commodities have posted heavy losses in 2013 due to growth concerns in China. The DJ Commodity Index declined 9.5% in the second quarter and has shed 10.5% year-to-date, while the S&P GSCI Index, which has a larger weighting to energy, has fallen 5.9% and 5.4% for the quarter and year-to-date periods, respectively.

## Hedge Fund Performance



Source: HFR  
MERCER

- **Hedge funds** outperformed both global equities and US bonds. The HFRI Fund of Funds Composite Index was flat for the second quarter, while the MSCI ACWI index fell 0.4% and the Barclays Aggregate index tumbled 2.3%. Year-to-date, hedge funds have trailed global equities, but outperformed bonds.

Macro strategies have struggled in recent periods, while the fund of funds conservative, event driven, and distressed/restructuring strategies posted better returns, benefiting from credit dislocations and fairly wide sector dispersion.

# Second Quarter Performance

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# Manager Updates

- **BlackRock:** In June 2013, Mercer met with BlackRock and reaffirmed the “Preferred Provider” rating on all of BlackRock’s passive equity strategies.
- **Robeco:** In July 2013, Rabobank’s sale of 90.01% of its stake in Robeco to Orix Corporation was completed. Mercer views the completion of this sale as a positive development for Rabobank Investment Management. As a result, the “Watch (W)” designation was removed from Robeco’s strategies, and Mercer is maintaining the Large Cap Value strategy’s “A” rating.
- **Sands:** In May 2013, Sands Capital announced that effective June 1, 2013, Perry Williams, then co-portfolio manager for the Select Growth strategy and Global Consumer Sector Head, would step back from his role as co-portfolio manager for Select Growth and join the portfolio management team for the Global Growth Equity strategy. Williams’ responsibilities in Select Growth were assumed by Michael Sramek, portfolio manager for the Focus strategies and Global Energy Sector Head. Mercer does not expect this announcement to significantly impact the portfolios or the investment process at Sands. In addition, Sands announced that the Select Growth strategy is closed to new investors effective August 21, 2013. The strategy remains open to existing clients. Mercer views this action favorably and neither of these events affects the Select Growth strategy’s “A(T)” rating at this time.
- **Wellington:** In June 2013, Mercer met with Wellington Capital Management to discuss their large cap growth strategies, including Opportunistic Growth. We maintain our conviction in lead portfolio manager Drew Shilling and the investment team members. As a result, Mercer reaffirmed the Opportunistic Growth strategy’s “A” rating.



# Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Neuberger Large Cap Growth	4Q12	B+	Monitor	<p>The Neuberger Berman Large Cap Disciplined Growth strategy was placed on watch at the fourth quarter of 2012 meeting due to performance struggles over the recent four rolling three-year periods. Neuberger has historically produced solid results, even through the difficult market environment in calendar year 2008. However, since 2009, Neuberger has struggled.</p> <p>Two primary factors are believed to have driven the underperformance. The first is a series of changes in the portfolio management group, as it went from two decision makers to four, and in 2011 went back to two. It is expected that the smaller decision-making team will be more effective. The other cause of underperformance may have been the strong bull market rally, which favored more cyclical names than Neuberger generally holds.</p> <p>Mercer expects that market environments favoring lower quality and smaller cap names may present performance headwinds for Neuberger. The strategy's underperformance during the recent risk-on/risk-off environment is in line with that expectation, and we believe that performance should be strong in a more fundamentally-driven market environment.</p> <p>Performance has improved year to date and Neuberger ranked in the top third of its peer universe over the three- and six-month periods as of June 30, 2013. Mercer recommends continuing to closely monitor Neuberger for improved longer-term performance.</p>

\* A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

# Fund Review

## Fund Performance as of June 30, 2013

Name	Market Value (\$m)	Market (%)	Inception									Comments	
			3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	Return		Since
<b>Large Cap Passive</b> S&P 500	\$1,150.3	15.3%	2.8%	--	13.7%	--	20.5%	--	18.3%	--	20.3%	Mar-09	Closely tracked its benchmark over all time periods measured.
			2.9%	--	13.8%	--	20.6%	--	18.5%	--	20.4%	Mar-09	
<b>Large Cap Value</b> Russell 1000 Value	\$809.8	10.7%	5.0%	18	17.4%	14	27.2%	22	18.7%	16	19.3%	Mar-09	Strong performance against the peer group. Top-quartile universe ranking over all time periods measured.
			3.2%	70	15.9%	41	25.3%	37	18.5%	19	21.3%	Mar-09	
<b>Large Cap Growth</b> Russell 1000 Growth	\$752.4	10.0%	2.6%	22	11.5%	31	18.9%	20	19.9%	6	23.6%	Mar-09	Strong performance over longer time periods measured.
			2.1%	39	11.8%	26	17.1%	35	18.7%	14	20.5%	Mar-09	
<b>Mid/Small Cap Passive</b> Russell 2500	\$403.0	5.3%	2.3%	--	15.4%	--	25.6%	--	19.6%	--	24.6%	Mar-09	Closely tracked its benchmark over all time periods measured.
			2.3%	--	15.4%	--	25.6%	--	19.6%	--	24.6%	Mar-09	
<b>Mid/Small Cap Value</b> Russell 2500 Value	\$264.8	3.5%	1.5%	78	16.1%	50	28.9%	32	21.1%	6	28.3%	Mar-09	Strong performance over all time periods measured.
			1.5%	78	15.1%	63	26.9%	49	18.9%	33	24.4%	Mar-09	
<b>Mid/Small Cap Growth</b> Russell 2500 Growth	\$161.2	2.1%	3.0%	48	15.3%	46	24.9%	21	19.7%	31	23.3%	Mar-09	Modestly lagged benchmark over the second quarter, but produced strong results against peers over all time periods.
			3.2%	47	15.8%	40	24.0%	27	20.2%	26	24.9%	Mar-09	
<b>International Passive</b> MSCI ACWI ex USA Gross	\$315.7	4.2%	-3.1%	--	-0.7%	--	13.3%	--	9.3%	--	15.1%	Mar-09	Tracking error largely due to fair value pricing issues.
			-2.9%	--	0.3%	--	14.1%	--	8.5%	--	15.0%	Mar-09	
<b>International Equity</b> MSCI ACWI ex USA Gross	\$454.1	6.0%	-2.8%	87	0.3%	85	13.2%	84	10.0%	52	14.9%	Mar-09	Competitive results versus benchmark despite underperformance among peers.
			-2.9%	88	0.3%	85	14.1%	77	8.5%	75	15.0%	Mar-09	
<b>Global Equity</b> MSCI ACWI Gross	\$182.7	2.4%	2.3%	23	10.6%	25	22.2%	21	14.5%	32	16.9%	Mar-09	Strong results from both underlying managers contributed to outperformance at the fund level.
			-0.2%	68	6.4%	68	17.2%	60	13.0%	53	17.5%	Mar-09	
<b>Fixed Income Passive Fund</b> Barclays Aggregate	\$259.5	3.4%	-2.4%	--	-2.4%	--	-0.7%	--	--	--	2.8%	Sep-10	Closely tracked its benchmark over all time periods measured.
			-2.3%	--	-2.4%	--	-0.7%	--	3.5%	--	2.9%	Sep-10	
<b>Fixed Income Fund</b> Barclays Aggregate	\$515.5	6.8%	-3.0%	80	-2.4%	63	0.8%	57	4.1%	51	6.3%	Mar-09	Strong results from both managers have driven fund performance.
			-2.3%	46	-2.4%	65	-0.7%	90	3.5%	63	5.1%	Mar-09	
<b>Stable Value Fund</b> T-BILLS + 1%	\$2,265.5	30.1%	0.6%	26	1.2%	23	2.5%	10	3.0%	40	3.3%	Jun-09	Added value.
			0.3%	84	0.5%	84	1.1%	92	1.1%	99	1.1%	Jun-09	

# Fund Review

## GoalMaker Performance as of June 30, 2013

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
<b>Conservative 0-5 Yrs</b>	<b>-0.3%</b>	<b>10</b>	<b>5.8%</b>	<b>88</b>	<b>7.4%</b>	<b>86</b>	--	--
Conservative 0-5 Yrs Benchmark	-0.4%	12	4.8%	89	5.4%	98	3.8%	79
<b>Conservative 6-10 Yrs</b>	<b>-0.1%</b>	<b>8</b>	<b>7.7%</b>	<b>77</b>	<b>8.7%</b>	<b>83</b>	--	--
Conservative 6-10 Yrs Benchmark	-0.3%	21	6.6%	87	6.7%	96	4.1%	70
<b>Conservative 11-15 Yrs</b>	<b>0.0%</b>	<b>21</b>	<b>10.7%</b>	<b>76</b>	<b>10.5%</b>	<b>85</b>	--	--
Conservative 11-15 Yrs Benchmark	-0.1%	42	9.8%	82	9.2%	99	4.8%	55
<b>Conservative 16+ Yrs</b>	<b>0.4%</b>	<b>14</b>	<b>14.3%</b>	<b>42</b>	<b>12.4%</b>	<b>50</b>	--	--
Conservative +16 Yrs Benchmark	0.2%	33	13.5%	52	11.6%	71	5.0%	29

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
<b>Moderate 0-5 Yrs</b>	<b>0.0%</b>	<b>5</b>	<b>8.7%</b>	<b>50</b>	<b>9.1%</b>	<b>67</b>	--	--
Moderate 0-5 Yrs Benchmark	-0.2%	7	7.8%	74	7.5%	85	4.3%	71
<b>Moderate 6-10 Yrs</b>	<b>0.0%</b>	<b>6</b>	<b>10.7%</b>	<b>47</b>	<b>10.1%</b>	<b>61</b>	--	--
Moderate 6-10 Yrs Benchmark	-0.1%	8	9.8%	56	9.2%	76	4.8%	44
<b>Moderate 11-15 Yrs</b>	<b>0.3%</b>	<b>7</b>	<b>13.2%</b>	<b>31</b>	<b>11.9%</b>	<b>42</b>	--	--
Moderate 11-15 Yrs Benchmark	0.0%	20	12.4%	46	10.9%	70	4.9%	41
<b>Moderate 16+ Yrs</b>	<b>0.7%</b>	<b>9</b>	<b>17.2%</b>	<b>2</b>	<b>13.8%</b>	<b>11</b>	--	--
Moderate +16 Yrs Benchmark	0.3%	19	16.4%	4	13.3%	27	5.0%	34

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
<b>Aggressive 0-5 Yrs</b>	<b>0.1%</b>	<b>4</b>	<b>11.3%</b>	<b>4</b>	<b>11.1%</b>	<b>7</b>	--	--
Aggressive 0-5 Yrs Benchmark	-0.1%	5	10.3%	20	9.6%	53	4.9%	53
<b>Aggressive 6-10 Yrs</b>	<b>0.3%</b>	<b>5</b>	<b>13.2%</b>	<b>2</b>	<b>12.2%</b>	<b>3</b>	--	--
Aggressive 6-10 Yrs Benchmark	0.0%	6	12.4%	10	10.9%	42	4.9%	42
<b>Aggressive 11-15 Yrs</b>	<b>0.6%</b>	<b>3</b>	<b>16.3%</b>	<b>1</b>	<b>13.3%</b>	<b>5</b>	--	--
Aggressive 11-15 Yrs Benchmark	0.3%	7	15.5%	2	12.8%	19	5.1%	32
<b>Aggressive 16+ Yrs</b>	<b>1.0%</b>	<b>5</b>	<b>20.2%</b>	<b>1</b>	<b>15.3%</b>	<b>1</b>	--	--
Aggressive +16 Yrs Benchmark	0.6%	9	19.7%	1	15.2%	1	5.0%	30

- The GoalMaker Portfolios had competitive performance versus their benchmarks over the time periods evaluated ended June 30, 2013.

# Fund Review

## Manager Performance as of June 30, 2013

Name	Market Value		Inception												Comments
	(\$m)	(%)	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since	
NCSRP BlackRock Equity Index	\$1,150.3	15.3%	2.9%	--	13.8%	--	20.6%	--	18.5%	--	--	--	20.5%	Mar-09	Closely tracked its benchmark over all time periods measured.
BlackRock Equity Index Strategy			2.9%	--	13.8%	--	20.6%	--	18.5%	--	7.1%	--	20.5%	Mar-09	
S&P 500			2.9%	--	13.8%	--	20.6%	--	18.5%	--	7.0%	--	20.4%	Mar-09	
NCSRP Hotchkis & Wiley Large Cap Value	\$277.9	3.7%	6.4%	7	21.0%	3	31.9%	7	20.3%	13	--	--	25.8%	Mar-09	The manager focuses on strong fundamentals. Select financial issues drove outperformance during the quarter.
Hotchkis & Wiley Large Cap Value Strategy			6.3%	8	20.8%	5	31.6%	9	20.2%	14	9.3%	12	25.7%	Mar-09	
Russell 1000 Value			3.2%	65	15.9%	48	25.3%	48	18.5%	48	6.7%	61	21.3%	Mar-09	
NCSRP Wellington Value Composite	\$254.8	3.4%	2.9%	77	14.0%	79	21.7%	78	17.2%	75	--	--	12.9%	Mar-09	Select holdings among several cyclical sectors detracted value. Five-year composite results were strong.
NCSRP Wellington Quality Value			2.9%	77	14.0%	79	21.7%	78	17.2%	75	--	--	--	Jul-10	
Wellington Quality Value Strategy			2.8%	78	14.0%	81	21.6%	80	17.2%	75	7.9%	33	19.8%	Mar-09	
Russell 1000 Value			3.2%	65	15.9%	48	25.3%	48	18.5%	48	6.7%	61	21.3%	Mar-09	
NCSRP Robeco BP Large Cap Value	\$277.1	3.7%	6.0%	9	18.0%	18	29.7%	17	--	--	--	--	26.8%	Nov-11	Security selection within every sector except utilities was a boon to relative performance over the second quarter. Longer-term composite performance remained robust.
Robeco BP Large Cap Value Strategy			5.8%	11	17.8%	22	29.4%	20	20.4%	11	10.2%	9	26.4%	Nov-11	
Russell 1000 Value			3.2%	65	15.9%	48	25.3%	48	18.5%	48	6.7%	61	23.1%	Nov-11	
NCSRP Sands Capital Large Cap Growth	\$259.2	3.4%	1.7%	62	9.2%	84	17.4%	51	23.9%	1	--	--	28.8%	Mar-09	Three- and five-year results ranked at the top of the peer universe.
Sands Capital Large Cap Growth Strategy			1.7%	64	9.1%	85	17.3%	52	23.8%	1	12.2%	2	28.7%	Mar-09	
Russell 1000 Growth			2.1%	49	11.8%	43	17.1%	57	18.7%	32	7.5%	38	20.5%	Mar-09	
NCSRP Wellington Opportunistic Growth	\$253.8	3.4%	3.3%	15	13.6%	14	25.0%	4	18.4%	40	--	--	20.7%	Mar-09	Significant overweight in consumer discretionary and strong overall security selection boosted relative results.
Wellington Opportunistic Growth Strategy			3.3%	15	13.7%	14	24.9%	4	18.2%	44	6.7%	51	20.7%	Mar-09	
Russell 1000 Growth			2.1%	49	11.8%	43	17.1%	57	18.7%	32	7.5%	38	20.5%	Mar-09	
Russell 3000 Growth			2.2%	43	12.2%	37	17.6%	50	18.8%	30	7.6%	36	20.8%	Mar-09	
NCSRP Neuberger Large Cap Growth	\$239.4	3.2%	3.4%	13	12.8%	28	15.9%	71	--	--	--	--	14.4%	Oct-11	Select health care and information technology holdings added value over the quarter.
Neuberger Large Cap Growth Strategy			3.4%	12	12.9%	27	16.0%	71	15.4%	86	5.5%	74	13.8%	Oct-11	
Russell 1000 Growth			2.1%	49	11.8%	43	17.1%	57	18.7%	32	7.5%	38	16.2%	Oct-11	
NCSRP BlackRock Russell 2500 Index Fund	\$403.0	5.3%	2.3%	--	15.5%	--	25.8%	--	19.7%	--	--	--	24.8%	Mar-09	Closely tracked its benchmark over all time periods measured.
BlackRock Russell 2500 Index Fund Strategy			2.3%	--	15.5%	--	25.8%	--	19.7%	--	--	--	24.8%	Mar-09	
Russell 2500			2.3%	--	15.4%	--	25.6%	--	19.6%	--	9.2%	--	24.6%	Mar-09	
NCSRP Hotchkis & Wiley	\$91.5	1.2%	5.6%	5	24.4%	1	37.8%	1	26.4%	1	--	--	34.0%	Mar-09	Hotchkis's deep value bias had even better absolute results in the SMID cap segment.
Hotchkis & Wiley Value Strategy			5.7%	5	24.4%	1	37.9%	1	26.5%	1	17.1%	1	34.4%	Mar-09	
Hotchkis Custom SMID Value Index			1.5%	59	15.1%	48	26.9%	36	18.8%	49	8.5%	70	25.4%	Mar-09	
NCSRP EARNEST Partners	\$85.9	1.1%	-0.2%	88	9.7%	91	24.5%	67	17.1%	73	--	--	22.2%	Mar-09	Select information technology holdings detracted value over the quarter. Longer-term results were more competitive.
EARNEST Partners Value Strategy			-0.2%	89	9.9%	90	24.4%	68	18.2%	56	7.8%	77	23.3%	Mar-09	
EARNEST Custom SMID Value Index			1.5%	59	15.1%	48	26.9%	36	18.0%	58	8.9%	64	23.2%	Mar-09	
NCSRP WEDGE SMID Cap Value	\$87.4	1.2%	-0.2%	87	15.2%	47	26.8%	38	--	--	--	--	--	Dec-11	Strong performance over longer time periods measured.
WEDGE SMID Cap Value Strategy			-0.1%	84	15.4%	45	26.9%	34	19.8%	30	11.0%	34	23.8%	Dec-11	
Russell 2500 Value			1.5%	59	15.1%	48	26.9%	36	18.9%	48	9.4%	50	23.3%	Dec-11	
NCSRP TimesSquare	\$80.8	1.1%	2.3%	74	16.0%	37	27.8%	20	21.4%	39	--	--	24.2%	Mar-09	Strong performance over longer time periods measured.
TimesSquare SMID Growth			2.3%	74	16.0%	37	27.8%	20	--	--	--	--	--	Jul-11	
TimesSquare Growth Strategy			2.2%	75	15.9%	39	27.8%	20	23.7%	18	12.9%	16	27.1%	Mar-09	
TimesSquare Custom SMID Growth Index			3.2%	59	15.8%	41	24.0%	45	19.8%	59	7.8%	67	24.3%	Mar-09	

# Fund Review

## Manager Performance as of June 30, 2013

Name	Market Value		Inception										Return Since	Comments	
	(\$m)	(%)	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank			
<b>NCSR Brown Advisory</b>	<b>\$80.4</b>	<b>1.1%</b>	<b>4.3%</b>	<b>34</b>	<b>15.6%</b>	<b>43</b>	<b>24.1%</b>	<b>43</b>	<b>20.7%</b>	<b>41</b>	--	--	<b>24.7%</b>	<b>Mar-09</b>	Modestly lagged benchmark year-to-date, but exhibited strong performance over all other periods measured.
<b>Brown Advisory Growth Strategy</b>			<b>4.4%</b>	<b>32</b>	<b>16.1%</b>	<b>36</b>	<b>24.8%</b>	<b>38</b>	<b>20.7%</b>	<b>41</b>	<b>10.0%</b>	<b>38</b>	<b>24.8%</b>	<b>Mar-09</b>	
Brown Custom SMID Growth Index			3.2%	59	15.8%	41	24.0%	45	19.9%	59	8.8%	52	24.1%	Mar-09	
<b>NCSR BlackRock ACWI ex US Fund</b>	<b>\$315.7</b>	<b>4.2%</b>	<b>-3.0%</b>	--	<b>-0.6%</b>	--	<b>13.5%</b>	--	<b>8.9%</b>	--	--	--	<b>15.0%</b>	<b>Mar-09</b>	Tracking error largely due to fair value pricing issues.
<b>BlackRock ACWI ex US Fund Strategy</b>			<b>-3.0%</b>	--	<b>-0.6%</b>	--	<b>13.5%</b>	--	<b>8.9%</b>	--	<b>-0.4%</b>	--	<b>15.0%</b>	<b>Mar-09</b>	
MSCI ACWI ex USA Gross			-2.9%	--	0.3%	--	14.1%	--	8.5%	--	-0.3%	--	15.0%	Mar-09	
<b>NCSR Baillie Gifford ACWI ex US Growth</b>	<b>\$224.0</b>	<b>3.0%</b>	<b>-3.5%</b>	<b>94</b>	<b>0.1%</b>	<b>92</b>	<b>14.9%</b>	<b>83</b>	<b>11.7%</b>	<b>42</b>	--	--	<b>18.5%</b>	<b>Mar-09</b>	Select British, French, and Swiss holdings detracted relative value over the quarter. Strong performance over longer time periods measured.
<b>Baillie Gifford ACWI ex US Growth Strategy</b>			<b>-3.5%</b>	<b>94</b>	<b>0.2%</b>	<b>92</b>	<b>15.0%</b>	<b>82</b>	<b>11.9%</b>	<b>38</b>	<b>1.6%</b>	<b>37</b>	<b>18.6%</b>	<b>Mar-09</b>	
MSCI ACWI ex USA GrossB			-2.9%	90	0.3%	91	14.1%	90	8.5%	89	-0.3%	75	15.0%	Mar-09	
MSCI AC Wld ex US Growth Gross			-2.8%	90	1.6%	81	14.7%	84	9.1%	84	-0.7%	81	14.9%	Mar-09	
<b>NCSR Mondrian ACWI ex US Value</b>	<b>\$230.1</b>	<b>3.1%</b>	<b>-1.3%</b>	<b>68</b>	<b>2.7%</b>	<b>68</b>	<b>13.9%</b>	<b>91</b>	<b>9.4%</b>	<b>80</b>	--	--	<b>13.3%</b>	<b>Mar-09</b>	Holdings in the developed markets and underweight exposure to weak materials added value.
<b>Mondrian ACWI ex US Value Strategy</b>			<b>-1.3%</b>	<b>67</b>	<b>2.9%</b>	<b>66</b>	<b>13.9%</b>	<b>91</b>	<b>9.7%</b>	<b>76</b>	<b>0.7%</b>	<b>56</b>	<b>13.6%</b>	<b>Mar-09</b>	
MSCI ACWI ex USA Gross			-2.9%	90	0.3%	91	14.1%	90	8.5%	89	-0.3%	75	15.0%	Mar-09	
MSCI AC Wld Ex US Value Gross			-3.0%	91	-1.1%	96	13.5%	93	7.8%	92	0.0%	71	15.1%	Mar-09	
<b>NCSR Wellington Global Composite</b>	<b>\$93.7</b>	<b>1.2%</b>	<b>3.6%</b>	<b>9</b>	<b>12.0%</b>	<b>14</b>	<b>25.2%</b>	<b>14</b>	<b>16.3%</b>	<b>17</b>	--	--	<b>18.4%</b>	<b>Mar-09</b>	Strong performance over all time periods measured.
<b>NCSR Wellington Global Opportunities</b>			<b>3.6%</b>	<b>9</b>	<b>12.0%</b>	<b>14</b>	<b>25.2%</b>	<b>14</b>	--	--	--	--	--	<b>Jun-10</b>	
<b>Wellington Global Opportunities Strategy</b>			<b>3.7%</b>	<b>8</b>	<b>12.2%</b>	<b>13</b>	<b>25.4%</b>	<b>14</b>	<b>17.1%</b>	<b>11</b>	<b>6.1%</b>	<b>18</b>	<b>20.7%</b>	<b>Mar-09</b>	
MSCI ACWI Gross			-0.2%	67	6.4%	75	17.2%	72	13.0%	66	2.9%	62	17.5%	Mar-09	
<b>NCSR Arrowstreet Global Equity ACWI</b>	<b>\$88.9</b>	<b>1.2%</b>	<b>1.6%</b>	<b>28</b>	<b>11.0%</b>	<b>20</b>	<b>21.4%</b>	<b>32</b>	--	--	--	--	<b>11.0%</b>	<b>Mar-12</b>	Strong performance over all time periods measured.
<b>Arrowstreet Global Equity ACWI</b>			<b>2.0%</b>	<b>23</b>	<b>11.4%</b>	<b>19</b>	<b>23.5%</b>	<b>20</b>	<b>14.7%</b>	<b>39</b>	<b>6.1%</b>	<b>17</b>	<b>12.4%</b>	<b>Mar-12</b>	
MSCI ACWI Gross			-0.2%	67	6.4%	75	17.2%	72	13.0%	66	2.9%	62	8.7%	Mar-12	
<b>NCSR BlackRock Debt Index Fund</b>	<b>\$259.5</b>	<b>3.4%</b>	<b>-2.3%</b>	--	<b>-2.3%</b>	--	<b>-0.5%</b>	--	--	--	--	--	<b>3.0%</b>	<b>Sep-10</b>	Closely tracked its benchmark over all time period measured.
<b>BlackRock Debt Index Fund Strategy</b>			<b>-2.3%</b>	--	<b>-2.3%</b>	--	<b>-0.5%</b>	--	<b>3.6%</b>	--	<b>5.2%</b>	--	<b>2.9%</b>	<b>Sep-10</b>	
Barclays Aggregate			-2.3%	--	-2.4%	--	-0.7%	--	3.5%	--	5.2%	--	2.9%	Sep-10	
<b>NCSR JP Morgan Core Bond</b>	<b>\$259.8</b>	<b>3.4%</b>	<b>-2.2%</b>	<b>28</b>	<b>-1.9%</b>	<b>32</b>	<b>0.4%</b>	<b>64</b>	<b>4.9%</b>	<b>39</b>	--	--	<b>6.1%</b>	<b>Mar-09</b>	Strong mortgage selection drives outperformance.
<b>JP Morgan Core Bond Strategy</b>			<b>-2.0%</b>	<b>17</b>	<b>-1.8%</b>	<b>26</b>	<b>0.6%</b>	<b>57</b>	<b>4.7%</b>	<b>49</b>	<b>6.6%</b>	<b>40</b>	<b>6.6%</b>	<b>Mar-09</b>	
Barclays Aggregate			-2.3%	39	-2.4%	67	-0.7%	94	3.5%	94	5.2%	96	5.1%	Mar-09	
<b>NCSR PIMCO Total Return Full Authority</b>	<b>\$255.7</b>	<b>3.4%</b>	<b>-3.5%</b>	<b>99</b>	<b>-2.6%</b>	<b>81</b>	<b>1.9%</b>	<b>24</b>	<b>3.9%</b>	<b>81</b>	--	--	<b>7.1%</b>	<b>Mar-09</b>	Holdings of inflation-linked bonds and a focus on intermediate maturities placed a drag on second-quarter results. Strong issue selection across a variety of sectors drives outperformance over the longer-term periods.
<b>PIMCO Total Return Full Authority Strategy</b>			<b>-3.4%</b>	<b>99</b>	<b>-2.8%</b>	<b>88</b>	<b>1.5%</b>	<b>32</b>	<b>4.9%</b>	<b>38</b>	<b>7.5%</b>	<b>14</b>	<b>8.0%</b>	<b>Mar-09</b>	
Barclays Aggregate			-2.3%	39	-2.4%	67	-0.7%	94	3.5%	94	5.2%	96	5.1%	Mar-09	

# Fee Review

Funds and Sub-Advisors	Assets	Inv. Mgmt. Fee	Other Inv. Exp. <sup>1</sup>	R/K Fee	NC Budget <sup>2</sup>	Total Estimated Expense (%)	Total Estimated Expense (\$) <sup>3</sup>	Mercer Median Expense	Difference
<b>North Carolina Stable Value Fund</b>	<b>\$2,265,463,465</b>	<b>0.319%</b>	<b>0.000%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.440%</b>	<b>\$9,968,039</b>	0.47%	-0.03%
Galliard	\$2,265,463,465	0.319%	0.000%				\$7,226,828	0.47%	-0.15%
<b>North Carolina Fixed Income Passive</b>	<b>\$259,479,872</b>	<b>0.070%</b>	<b>0.055%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.246%</b>	<b>\$638,320</b>	0.20%	0.05%
BlackRock	\$259,479,872	0.070%	0.055%				\$324,350	0.02%	0.05%
<b>North Carolina Fixed Income Fund</b>	<b>\$515,491,817</b>	<b>0.219%</b>	<b>0.076%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.416%</b>	<b>\$2,144,185</b>	0.53%	-0.11%
50% JP Morgan	\$259,777,404	0.188%	0.071%				\$673,080	0.23%	-0.04%
50% PIMCO	\$255,714,413	0.250%	0.081%				\$845,903	0.26%	-0.01%
<b>North Carolina Large Cap Passive Fund</b>	<b>\$1,150,267,810</b>	<b>0.025%</b>	<b>0.055%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.201%</b>	<b>\$2,312,038</b>	0.20%	0.00%
BlackRock	\$1,150,267,810	0.025%	0.055%				\$920,214	0.01%	0.02%
<b>North Carolina Large Cap Value Fund</b>	<b>\$809,773,032</b>	<b>0.378%</b>	<b>0.067%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.566%</b>	<b>\$4,585,773</b>	0.79%	-0.22%
33.3% Hotchkis & Wiley	\$277,896,999	0.500%	0.071%				\$1,587,626	0.43%	0.07%
33.3% Wellington Management Company	\$254,779,335	0.290%	0.072%				\$921,282	0.44%	-0.15%
33.3% Robeco BP	\$277,096,698	0.345%	0.058%				\$1,116,729	0.43%	-0.09%
<b>North Carolina Large Cap Growth Fund</b>	<b>\$752,392,484</b>	<b>0.378%</b>	<b>0.067%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.566%</b>	<b>\$4,261,454</b>	0.85%	-0.28%
33.3% Sands Capital Management	\$259,179,600	0.510%	0.071%				\$1,507,029	0.46%	0.05%
33.3% Wellington Management Company	\$253,817,394	0.350%	0.072%				\$1,070,602	0.46%	-0.11%
33.3% Neuberger Berman	\$239,395,490	0.275%	0.058%				\$796,948	0.47%	-0.19%
<b>North Carolina SMID Cap Passive Fund</b>	<b>\$402,995,751</b>	<b>0.050%</b>	<b>0.055%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.226%</b>	<b>\$910,770</b>	0.29%	-0.06%
BlackRock	\$402,995,751	0.050%	0.055%				\$423,146	0.02%	0.03%
<b>North Carolina SMID Value Fund</b>	<b>\$264,813,013</b>	<b>0.553%</b>	<b>0.066%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.741%</b>	<b>\$1,961,129</b>	1.00%	-0.26%
33.3% Hotchkis & Wiley	\$91,494,188	0.631%	0.071%				\$642,615	0.66%	-0.02%
33.3% EARNEST Partners	\$85,936,273	0.529%	0.071%				\$515,410	0.79%	-0.27%
33.3% WEDGE Capital Management	\$87,382,551	0.500%	0.057%				\$486,371	0.79%	-0.29%
<b>North Carolina SMID Growth Fund</b>	<b>\$161,246,436</b>	<b>0.765%</b>	<b>0.071%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.958%</b>	<b>\$1,544,118</b>	1.04%	-0.08%
50% TimesSquare Capital Management	\$80,822,387	0.962%	0.071%				\$834,947	0.81%	0.16%
50% Brown Advisory	\$80,424,049	0.569%	0.071%				\$514,845	0.86%	-0.29%
<b>North Carolina International Passive Fund</b>	<b>\$315,730,300</b>	<b>0.140%</b>	<b>0.055%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.316%</b>	<b>\$997,708</b>	0.40%	-0.08%
BlackRock	\$315,730,300	0.140%	0.055%				\$615,674	0.06%	0.08%
<b>North Carolina International Equity Fund</b>	<b>\$454,080,012</b>	<b>0.460%</b>	<b>0.119%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.700%</b>	<b>\$3,180,144</b>	1.04%	-0.34%
50% Baillie Gifford	\$223,987,525	0.456%	0.119%				\$1,287,271	0.57%	-0.11%
50% Mondrian Investment Partners	\$230,092,487	0.465%	0.119%				\$1,343,720	0.57%	-0.10%
<b>North Carolina Global Equity Fund</b>	<b>\$182,694,256</b>	<b>0.617%</b>	<b>0.092%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.830%</b>	<b>\$1,516,381</b>	1.08%	-0.25%
50% Wellington Management Company	\$93,747,441	0.500%	0.091%				\$554,047	0.63%	-0.13%
50% Arrowstreet	\$88,946,814	0.734%	0.093%				\$735,608	0.64%	0.09%
<b>Total</b>	<b>\$7,534,428,248</b>	<b>0.283%</b>	<b>0.048%</b>	<b>0.096%</b>	<b>0.025%</b>	<b>0.452%</b>	<b>\$34,020,061</b>	<b>0.563%</b>	

<sup>1</sup>Includes the ongoing administration, legal, accounting, auditing, custody, NAV calculation, reporting, compliance, and other miscellaneous fund expenses associated with the separate account.

<sup>2</sup>The cost of the budget associated with the management of the Supplemental Retirement Plans, borne by each investment option in proportion to the pro-rate share of the applicable assets in that fund.

<sup>3</sup>Manager fee estimates do not include recordkeeping fee and NC budget.



# Fee Review

## 401(k) Plan Stable Value Fund

### Benefit Responsive Wrap Fees

Great West Life	0.15%
Prudential	0.17%
MetLife	0.20%
United of Omaha	<u>0.25%</u>
Weighted Average Wrap Fee	<b>0.17%</b>

### Investment Management Fees

Payden & Rygel	0.14%
Prudential	0.06%
Great West Life	0.05%
PIMCO	<u>0.23%</u>
Weighted Average Management Fee	<b>0.08%</b>

**Galliard Oversight & Management** **0.07%**

**Fund Admin / Audit** **0.00%**

**Total Management & Wrap** **0.32%**

**Admin Fee** **0.12%**

**Total Fees** **0.44%**

## 457 Plan Stable Value Fund

### Benefit Responsive Wrap Fees

Great West Life	0.15%
Prudential	0.17%
MetLife	0.20%
United of Omaha	<u>0.25%</u>
Weighted Average Wrap Fee	<b>0.17%</b>

### Investment Management Fees

Payden & Rygel	0.14%
Prudential	0.06%
Great West Life	0.05%
PIMCO	<u>0.23%</u>
Weighted Average Management Fee	<b>0.08%</b>

**Galliard Oversight & Management** **0.07%**

**Fund Admin / Audit** **0.00%**

**Total Management & Wrap** **0.33%**

**Admin Fee** **0.12%**

**Total Fees** **0.45%**

# Appendix



# Net Performance as of June 30, 2013

	Ending June 30, 2013					Inception	
	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Return	Since
<b>Large Cap Passive</b>	<b>2.8%</b>	<b>13.7%</b>	<b>20.5%</b>	<b>18.3%</b>	--	<b>20.3%</b>	<b>Mar-09</b>
S&P 500	2.9%	13.8%	20.6%	18.5%	7.0%	20.4%	Mar-09
NCSRP BlackRock Equity Index	2.9%	13.8%	20.6%	18.4%	--	20.5%	Mar-09
S&P 500	2.9%	13.8%	20.6%	18.5%	7.0%	20.4%	Mar-09
<b>Large Cap Value</b>	<b>5.0%</b>	<b>17.4%</b>	<b>27.2%</b>	<b>18.7%</b>	--	<b>19.3%</b>	<b>Mar-09</b>
Russell 1000 Value	3.2%	15.9%	25.3%	18.5%	6.7%	21.3%	Mar-09
NCSRP Hotchkis & Wiley Large Cap Value	6.3%	20.7%	31.2%	19.7%	--	25.1%	Mar-09
Russell 1000 Value	3.2%	15.9%	25.3%	18.5%	6.7%	21.3%	Mar-09
NCSRP Wellington Value Composite	2.8%	13.9%	21.4%	16.8%	--	12.6%	Mar-09
Russell 1000 Value	3.2%	15.9%	25.3%	18.5%	6.7%	21.3%	Mar-09
NCSRP Robeco BP Large Cap Value	5.9%	17.8%	29.2%	--	--	26.3%	Nov-11
Russell 1000 Value	3.2%	15.9%	25.3%	18.5%	6.7%	23.1%	Nov-11
<b>Large Cap Growth</b>	<b>2.6%</b>	<b>11.5%</b>	<b>18.9%</b>	<b>19.9%</b>	--	<b>23.6%</b>	<b>Mar-09</b>
Russell 1000 Growth	2.1%	11.8%	17.1%	18.7%	7.5%	20.5%	Mar-09
NCSRP Sands Capital Large Cap Growth	1.6%	8.9%	16.8%	23.2%	--	28.2%	Mar-09
Russell 1000 Growth	2.1%	11.8%	17.1%	18.7%	7.5%	20.5%	Mar-09
NCSRP Wellington Opportunistic Growth	3.2%	13.4%	24.6%	18.0%	--	20.3%	Mar-09
Russell 1000 Growth	2.1%	11.8%	17.1%	18.7%	7.5%	20.5%	Mar-09
Russell 3000 Growth	2.2%	12.2%	17.6%	18.8%	7.6%	20.8%	Mar-09
NCSRP Neuberger Large Cap Growth	3.3%	12.6%	15.6%	--	--	14.1%	Oct-11
Russell 1000 Growth	2.1%	11.8%	17.1%	18.7%	7.5%	16.2%	Oct-11
<b>Mid/Small Cap Passive</b>	<b>2.3%</b>	<b>15.4%</b>	<b>25.6%</b>	<b>19.6%</b>	--	<b>24.6%</b>	<b>Mar-09</b>
Russell 2500	2.3%	15.4%	25.6%	19.6%	9.2%	24.6%	Mar-09
NCSRP BlackRock Russell 2500 Index Fund	2.3%	15.5%	25.7%	19.7%	--	24.7%	Mar-09
Russell 2500	2.3%	15.4%	25.6%	19.6%	9.2%	24.6%	Mar-09
<b>Mid/Small Cap Value</b>	<b>1.5%</b>	<b>16.1%</b>	<b>28.9%</b>	<b>21.1%</b>	--	<b>28.3%</b>	<b>Mar-09</b>
Russell 2500 Value	1.5%	15.1%	26.9%	18.9%	9.4%	23.3%	Dec-11
NCSRP Hotchkis & Wiley	5.5%	24.1%	36.9%	25.6%	--	33.2%	Mar-09
Hotchkis Custom SMID Value Index	1.5%	15.1%	26.9%	18.8%	8.5%	25.4%	Mar-09
NCSRP EARNEST Partners	-0.4%	9.3%	23.7%	16.4%	--	21.5%	Mar-09
EARNEST Custom SMID Value Index	1.5%	15.1%	26.9%	18.0%	8.9%	23.2%	Mar-09
NCSRP WEDGE SMID Cap Value	-0.4%	14.8%	25.8%	--	--	--	Dec-11
Russell 2500 Value	1.5%	15.1%	26.9%	18.9%	9.4%	23.3%	Dec-11

	Ending June 30, 2013					Inception	
	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Return	Since
<b>Mid/Small Cap Growth</b>	<b>3.0%</b>	<b>15.3%</b>	<b>24.9%</b>	<b>19.7%</b>	--	<b>23.3%</b>	<b>Mar-09</b>
Russell 2500 Growth	3.2%	15.8%	24.0%	20.2%	8.9%	24.9%	Dec-11
NCSRP TimesSquare	2.1%	15.5%	26.7%	20.4%	--	23.4%	Mar-09
TimesSquare Custom SMID Growth Index	3.2%	15.8%	24.0%	19.8%	7.8%	24.3%	Mar-09
NCSRP Brown Advisory	4.1%	15.3%	23.5%	20.0%	--	24.1%	Mar-09
Brown Custom SMID Growth Index	3.2%	15.8%	24.0%	19.9%	8.8%	24.1%	Mar-09
<b>International Passive</b>	<b>-3.1%</b>	<b>-0.7%</b>	<b>13.3%</b>	<b>9.3%</b>	--	<b>15.1%</b>	<b>Mar-09</b>
MSCI ACWI ex USA Gross	-2.9%	0.3%	14.1%	8.5%	-0.3%	15.0%	Mar-09
NCSRP BlackRock ACWI ex US Fund	-3.0%	-0.7%	13.4%	8.8%	--	14.8%	Mar-09
MSCI ACWI ex USA Gross	-2.9%	0.3%	14.1%	8.5%	-0.3%	15.0%	Mar-09
<b>International Equity</b>	<b>-2.8%</b>	<b>0.3%</b>	<b>13.2%</b>	<b>10.0%</b>	--	<b>14.9%</b>	<b>Mar-09</b>
MSCI ACWI ex USA Gross	-2.9%	0.3%	14.1%	8.5%	-0.3%	15.0%	Mar-09
NCSRP Baillie Gifford ACWI ex US Growth	-3.6%	-0.1%	14.4%	11.2%	--	17.9%	Mar-09
MSCI ACWI ex USA Gross	-2.9%	0.3%	14.1%	8.5%	-0.3%	15.0%	Mar-09
MSCI AC Wild ex US Growth Gross	-2.8%	1.6%	14.7%	9.1%	-0.7%	14.9%	Mar-09
NCSRP Mondrian ACWI ex US Value	-1.4%	2.5%	13.4%	8.9%	--	12.8%	Mar-09
MSCI ACWI ex USA Gross	-2.9%	0.3%	14.1%	8.5%	-0.3%	15.0%	Mar-09
MSCI AC Wild Ex US Value Gross	-3.0%	-1.1%	13.5%	7.8%	0.0%	15.1%	Mar-09
<b>Global Equity</b>	<b>2.3%</b>	<b>10.6%</b>	<b>22.2%</b>	<b>14.5%</b>	--	<b>16.9%</b>	<b>Mar-09</b>
MSCI ACWI Gross	-0.2%	6.4%	17.2%	13.0%	2.9%	17.5%	Mar-09
NCSRP Wellington Global Composite	3.4%	11.7%	24.6%	15.7%	--	17.8%	Mar-09
MSCI ACWI Gross	-0.2%	6.4%	17.2%	13.0%	2.9%	17.5%	Mar-09
NCSRP Arrowstreet Global Equity ACWI	1.5%	10.6%	20.6%	--	--	10.2%	Mar-12
MSCI ACWI Gross	-0.2%	6.4%	17.2%	13.0%	2.9%	8.7%	Mar-12
<b>Fixed Income Passive Fund</b>	<b>-2.4%</b>	<b>-2.4%</b>	<b>-0.7%</b>	--	--	<b>2.8%</b>	<b>Sep-10</b>
Barclays Aggregate	-2.3%	-2.4%	-0.7%	3.5%	5.2%	2.9%	Sep-10
NCSRP BlackRock Debt Index Fund	-2.4%	-2.4%	-0.6%	--	--	3.0%	Sep-10
Barclays Aggregate	-2.3%	-2.4%	-0.7%	3.5%	5.2%	2.9%	Sep-10
<b>Fixed Income Fund</b>	<b>-3.0%</b>	<b>-2.4%</b>	<b>0.8%</b>	<b>4.1%</b>	--	<b>6.3%</b>	<b>Mar-09</b>
Barclays Aggregate	-2.3%	-2.4%	-0.7%	3.5%	5.2%	2.9%	Sep-10
NCSRP JP Morgan Core Bond	-2.3%	-2.0%	0.2%	4.7%	--	5.9%	Mar-09
Barclays Aggregate	-2.3%	-2.4%	-0.7%	3.5%	5.2%	5.1%	Mar-09
NCSRP PIMCO Total Return Full Authority	-3.6%	-2.7%	1.7%	3.7%	--	6.9%	Mar-09
Barclays Aggregate	-2.3%	-2.4%	-0.7%	3.5%	5.2%	5.1%	Mar-09

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