North Carolina 403(b) Program Investment Lineup

Summary

The Board of Trustees convened a sub-committee and tasked it with designing the investment lineup for the 403(b) program. The committee implemented a three tiered structure, as follows:

Asset Allocation Portfolios (Target Date Mutual Fund or Custom Portfolios)
Core Index Investment Options
Expanded Core Investment Options

The criteria for inclusion was as follows:

A core menu that was low cost and provided the ability to gain exposure to major asset classes in a passive manner (index) in order to diversify.

An expanded menu that was also low cost but allowed for additional asset classes and active management.

Always use the least expensive share class and prefer investment options that do not have revenue sharing.

Active managers must have a sound, repeatable investment philosophy with a track record that had reasonable risk/return characteristics in relation to a proper index and peer group.

Active managers must have stability in terms of tenure and corporate history.

The inflation option must have a broad mandate.

The consultant was tasked with the above criteria and presented the core index options and several options in each of the following categories:

Domestic Large Value
Domestic Large Growth
Foreign Large Developed+Emerging Markets Growth
Foreign Large Developed+Emerging Markets Value
Inflation Responsive
Multi-Asset
Active Fixed Income
Socially Responsible

After careful deliberation by the sub-committee the presented options were narrowed down to one, which is represented below.

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The Asset Allocation Portfolio(s) chosen are:

TIAA Stable Value Separate Account Fund - 1.7/1.3 Crediting Rate (net) Sole / Multi-Vendor, A/A2 credit quality, 3 to 5 years duration, 3 to 24 months payout period and recordkeeping fee is waived.

The Wells Fargo Advantage DJ Target Suite Net Expense is .35% - .37%*

*The Gross Expense Ratio is .50% to .52% and their is .15% of revenue share built in, netting to .35% - 37%.

The Core Index Investment Options chosen are:

Asset Category	Investment Selection	Expense	Ticker	12b-1	Net
Domestic Large Blend	Vanguard Index 500 Signal	0.05%	VIFSX		0.05%
Domestic Mid Cap	Vanguard Mid Cap Index Signal	0.10%	VMISX		0.10%
Domestic Small Cap	Vanguard Small Cap Index Signal	0.16%	VSISX		0.16%
Foreign Large	Vanguard Developed Markets Investor	0.20%	VDMIX		0.20%
Foreign SMID	DFA International Small	0.55%	DFISX		0.55%
Domestic Fixed Income	Vanguard Short Term Bond Index Signal	0.11%	VBSSX		0.11%

The Expanded Core Investment Options chosen are:

Asset Category	Investment Selection	Expense	Ticker	12b-1	Net
Domestic Large Value	Vanguard Windsor II	0.35%	VWNFX		0.35%
Domestic Large Growth	T. Rowe Price Growth & Income	0.71%	PRGIX	0.15%	0.56%
Foreign Large Dev & EM Growth	American EuroPacific Growth R6	0.50%	RERGX		0.50%
Foreign Large Dev & EM Value	Allianz NFJ International Value Inst	0.90%	ANJIX		0.90%
Inflation Responsive	PIMCO Inflation Response Multi Asset Inst	0.80%	PIRMX		0.80%
Direct Real Estate	TIAA Real Estate	0.91%		0.24%	0.67%
Active Fixed Income	JP Morgan Core Bond R6	0.39%	JCBUX		0.39%
Multi-Asset	PIMCO All Asset Inst	0.88%	PAAIX		0.88%
ESG/Socially Responsible	TIAA Social Choice Equity Inst	0.19%	TISCX		0.19%

The following pages contain the performance information for the above investment options.