

# North Carolina Supplemental Retirement Plans

401(k) and 457 Plans

Investment Holding Guideline Compliance Summary

As of December 31, 2012

Mercer Investments

EQUITY PORTFOLIOS - FUND LEVEL

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

Manager self-report	
Galliard to monitor	
Prudential to monitor	
✓	In compliance with IPS.
✗	Not in compliance with IPS.
○	In compliance with manager guidelines, but not with fund guidelines.

EQUITY PORTFOLIOS - MANAGER LEVEL

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

Manager self-report	
Galliard to monitor	
Prudential to monitor	
✓	In compliance with IPS.
✗	Not in compliance with IPS.
○	In compliance with manager guidelines, but not with fund guidelines.

**FIXED INCOME PORTFOLIOS**

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

Manager self-report	
Galliard to monitor	
Prudential to monitor	
✓	In compliance with IPS.
✗	Not in compliance with IPS.
○	In compliance with manager guidelines, but not with fund guidelines.

## EQUITY PORTFOLIOS - FUND LEVEL

### GLOBAL EQUITY FUND

Manager self-report categories - Arrowstreet not willing to provide, but Mercer verified based on review of holdings

## EQUITY PORTFOLIOS - MANAGER LEVEL

### SANDS - LARGE CAP GROWTH

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

Portfolio largest position size: 7.9%; Portfolio largest excess weight over BM: 6.8%

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

### HOTCHKIS & WILEY - MID/SMALL CAP VALUE

Guideline: Max ADR/Foreign: 10%

Foreign: 9.41%; ADR: 1.36%; Total: 10.77%

Manager's contractual guideline: **IN COMPLIANCE.** Max ADR/Foreign: 15%

### MONDRIAN - INTERNATIONAL EQUITY

Guideline: Max individual country weight: 2x Index weight but must be less than 50%; if Index weight < 5%, then must be less than 10%

Portfolio allocation to France: 12.9%; BM allocation: 6.5%

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding country weight, except that EM exposure must be less than 30%

### ARROWSTREET - GLOBAL EQUITY

Manager self-report categories - Arrowstreet not willing to provide, but Mercer verified based on review of holdings

## FIXED INCOME PORTFOLIOS - FUND LEVEL

### FIXED INCOME FUND

Individual security weight guideline - Mercer does not have PIMCO's holdings, and cannot calculate aggregate fund exposure to individual securities

### FIXED INCOME FUND

Guideline: Individual corporate sector weight must be within +/- 5% of Index weight to that corporate sector

Fund allocation to Industrials: 4.1%; BM allocation: 12.2%

Largely due to PIMCO's significant underweight

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

## FIXED INCOME PORTFOLIOS - MANAGER LEVEL

### JPMORGAN - FIXED INCOME

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

### PIMCO - FIXED INCOME

Guideline: Individual corporate sector weight must be within +/- 5% of Index weight to that corporate sector

Portfolio allocation to Industrials: 0.5%; BM allocation: 12.2%

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

### PIMCO - FIXED INCOME

Guideline: Currency hedging RESTRICTED

PIMCO employs currency hedging to hedge out non-USD security FX exposure or to take minor positions in FX as a complement to non-US positions

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding currency hedging

## STABLE VALUE

### GALLIARD - STABLE VALUE

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