

North Carolina Supplemental Retirement Plans Third Quarter Performance Review

December 2013

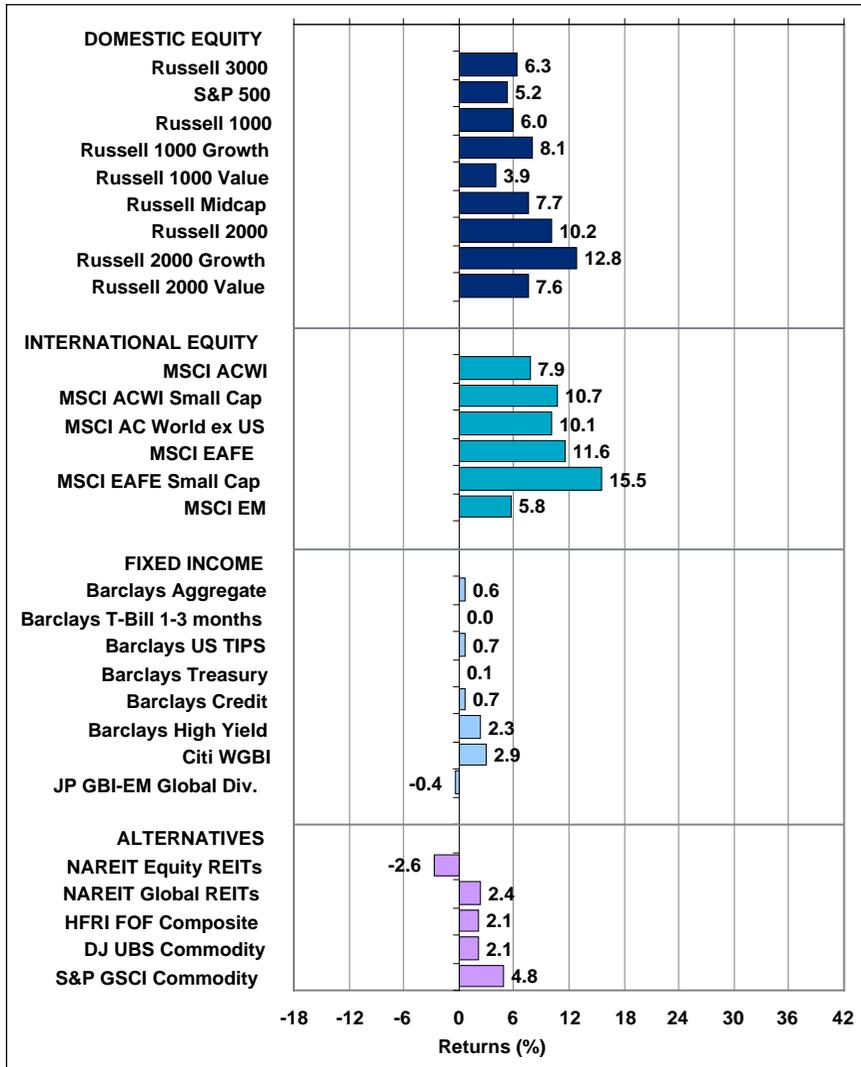
Agenda

- Capital Markets Review
- Third Quarter Performance
- Appendix

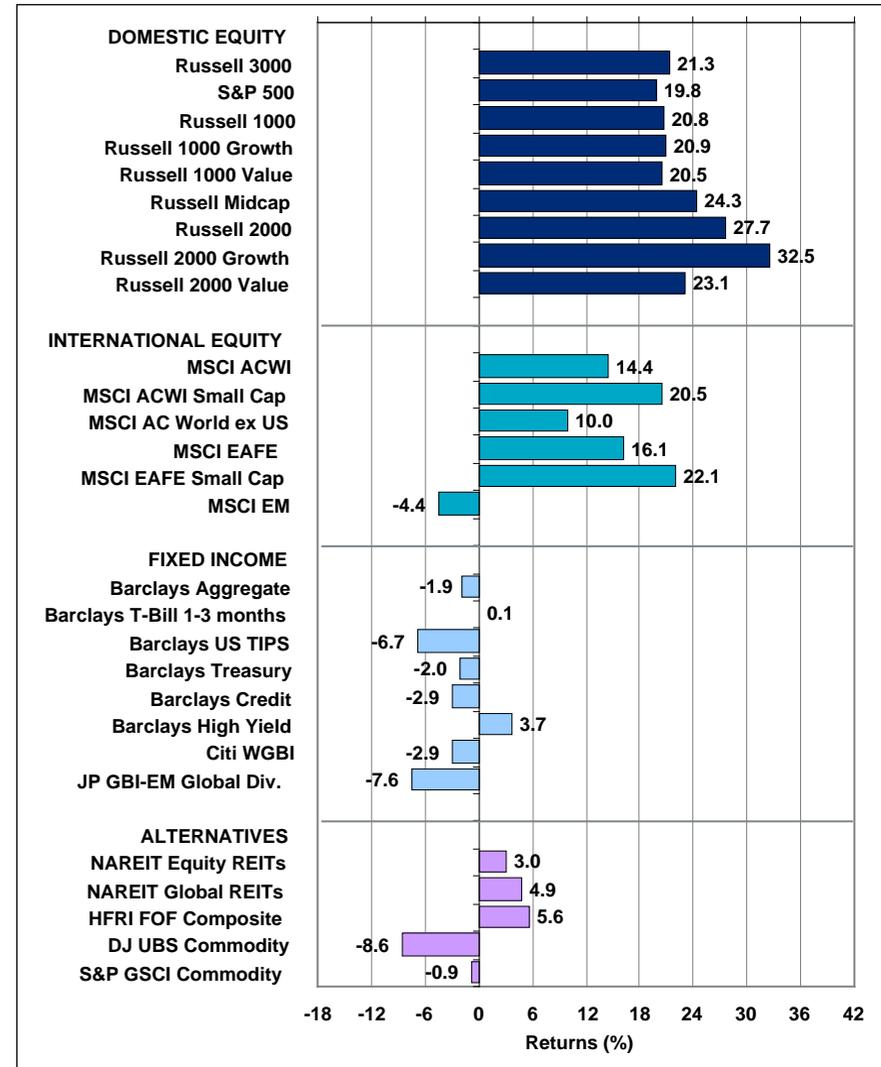
Capital Markets Review

Performance Summary: Quarter in Review

Market Performance
Third Quarter 2013



Market Performance
YTD

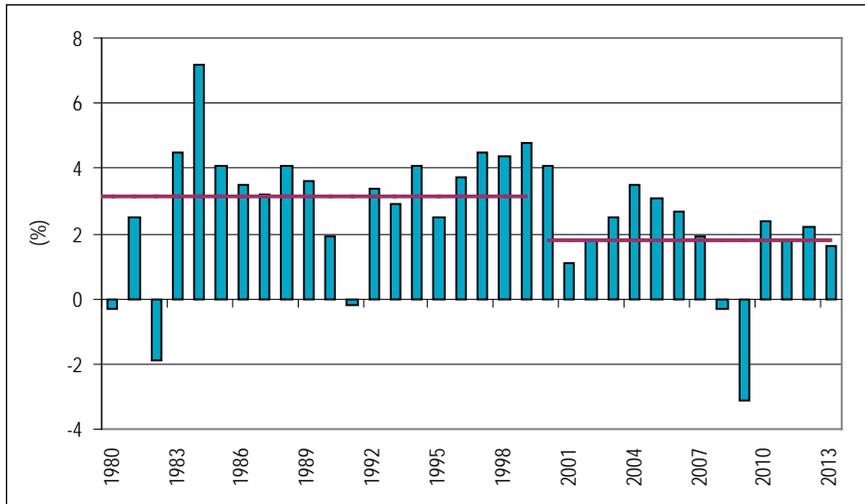


Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

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

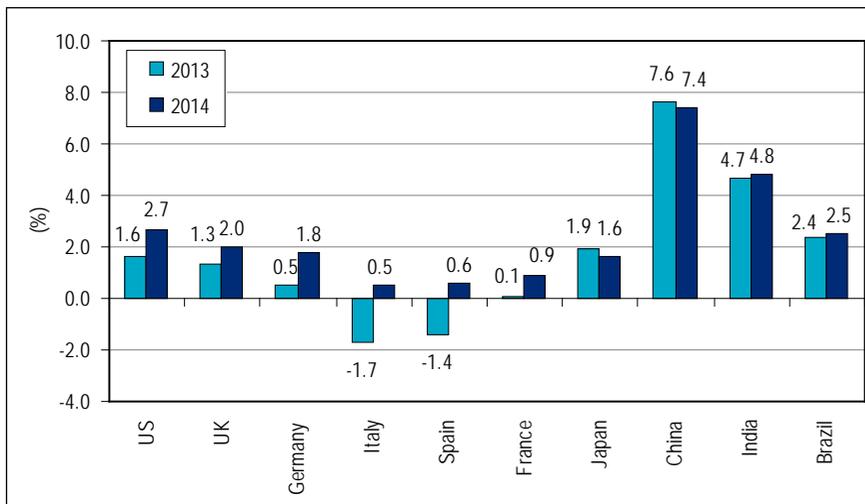
Macro Environment: Economic Review

Annual GDP Growth



Source: Bureau of Economic Analysis

World Economic Growth
(Projections as of September 2013)

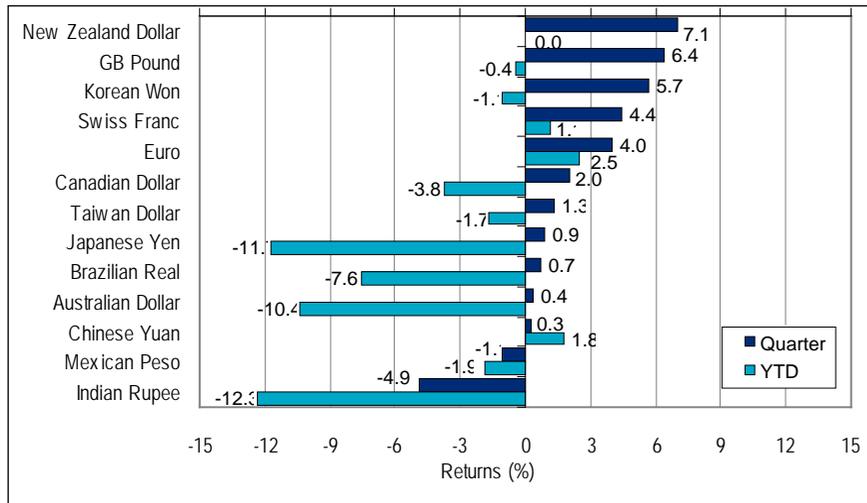


Source: Bloomberg

- The IMF projects advanced economies will expand just 1.2% this year. However, the outlook for developed economies in 2014 is brighter as the Eurozone emerges from recession and the pace of fiscal tightening slows. Still, while downside risks are lower and the global economy faces fewer headwinds, growth is likely to be modest with the IMF projecting that the developed world will expand 2.0% next year.
- Economic and job growth within the US remain moderate. Growth is expected to pick-up in 2014 as the fiscal drag slows and economists polled by Bloomberg project that the economy will expand 2.7%. The Eurozone's PMI rose to 52, its highest rate since June 2011. However, while the recession has ended, the resulting upturn is likely to be modest. The IMF expects that the region will expand just 1.0% next year. The early results from "Abenomics" in Japan have been positive. For example, 5-year inflation expectations have risen from 0.6% to 1.3% over the last 12 months and the yen has weakened. However, it remains uncertain if the new government can implement the reforms needed to improve the longer-term growth potential of the economy.
- Emerging economies are arguably facing their most difficult period since the Asian financial crisis. External and internal imbalances have worsened and the recent reversal in capital flows coupled with steep currency declines has increased fears that some EM countries could experience a 1997 styled crisis. However, unlike, 1997, EM countries are not saddled with fixed exchange rates and a massive burden of foreign debt. Importantly, currency reserves have grown to nearly \$7.4T, which provides a significant source of protection. While the risk of a crisis appears small, the recent troubles are a reminder that their growth trajectory will not be perfectly smooth. The IMF projects that EM economies will grow just 4.5% this year. We continue to think that the secular growth outlook for emerging economies is bright, particularly if they use the current downturn as opportunity to implement needed reforms.

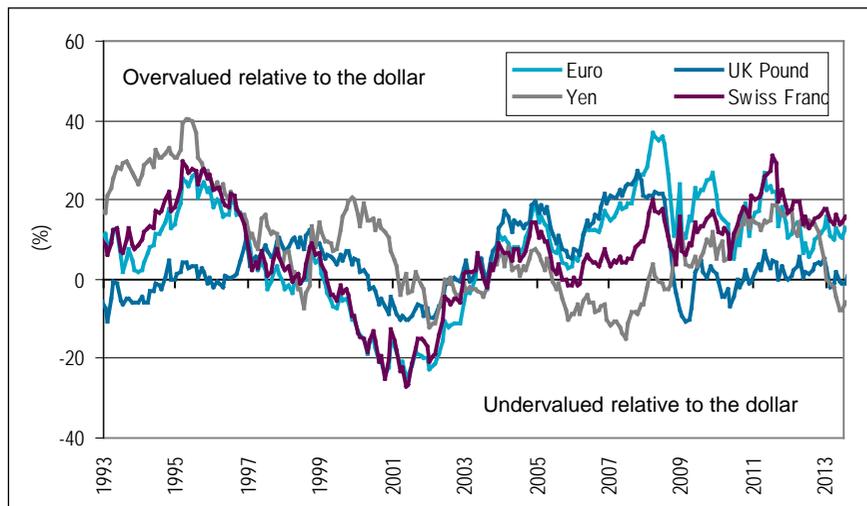
Macro Environment: Currencies

Performance of Foreign Currencies versus the US Dollar



Source: Bloomberg

Currency Valuation versus US Dollar (Based on Relative PPP)

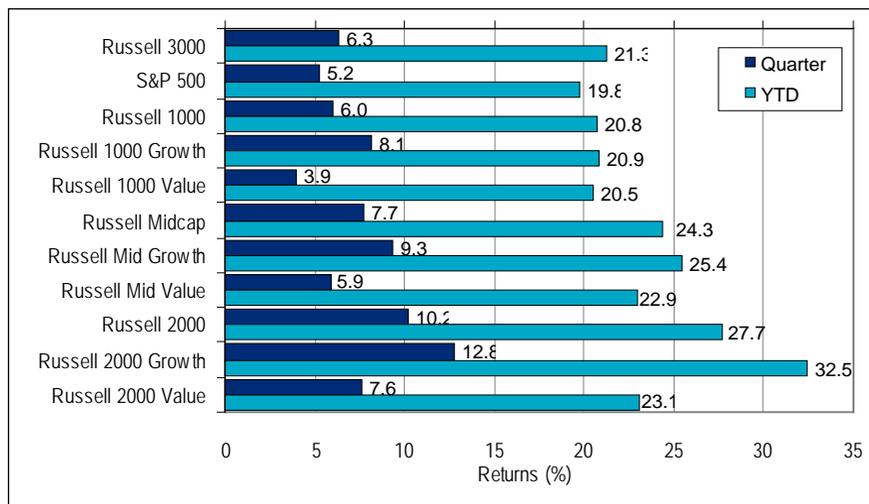


Source: Bloomberg

- On a trade-weighted basis, the US dollar declined 3.0% for the third quarter. The dollar showed weakness throughout most of the quarter, and extended losses after the September FOMC meeting. The yen reversed its losing streak against the dollar, adding 0.9%, while the euro advanced a robust 4.0%. Most emerging market currencies declined.
- During Q3, the euro reached its highest level since February, a development the ECB most likely views unfavorably. Despite subsiding financial tensions, the euro should trend lower over the medium-term as slow growth and weak inflation give the ECB room for more monetary stimulus. Further, the euro continues to appear rich on a trade-weighted basis.
- While the yen trades at a discount to the dollar on relative purchasing power parity (PPP), the currency tends to move in long cycles, swinging from one valuation extreme to the other. Yen weakness could persist as aggressive monetary easing and fiscal contraction via a higher consumption tax weigh on the currency.
- Emerging market currencies rallied on the Fed's decision to continue full scale asset purchases, but gave up some of the gains by quarter end. This suggests that economic challenges are increasingly outweighing the effects of US monetary policy. Countries with large current account deficits were punished the hardest as they are the most vulnerable to capital outflows. EM currency weakness may persist in the short-term as growth slows, but the longer-term outlook is bullish, particular if countries can implement reforms to improve the secular growth outlook.

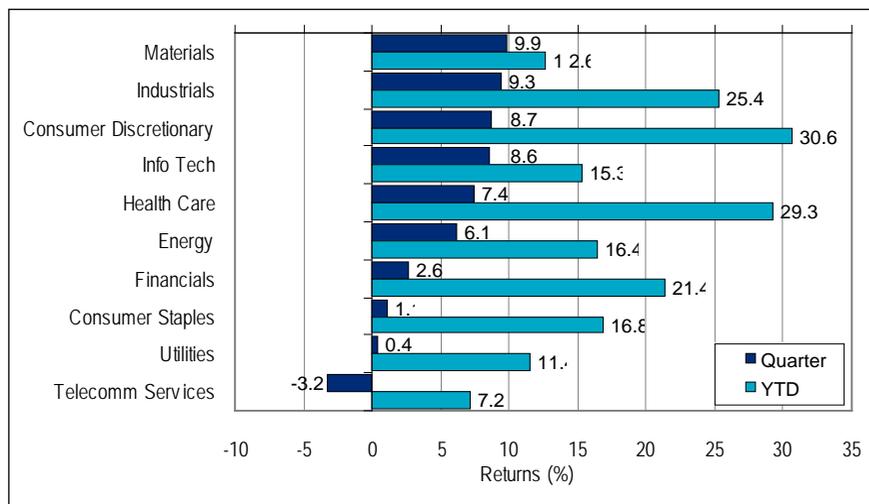
Asset Class: US Equities – Style, Sector, Cap Performance

Style and Capitalization Market Performance



Source: Standard & Poor's, Russell, Bloomberg

Sector Performance



Source: Russell 1000 GICs Sector

Broad Market

- Stocks moved higher in Q3 as the Fed held off on tapering QE3 and economic growth remained moderate. The Russell 3000 Index posted a solid gain of 6.3% for the quarter and is now up 21.3% year-to-date. The US market remains the top performer in 2013 with the S&P 500 outperforming international developed and emerging markets by 420 and 2420 basis points, respectively.

Market Cap

- Large Caps:** The S&P 500 Index rose 5.2% in the third quarter and has returned 19.8% in 2013. Large cap stocks lagged mid cap and small cap stocks for the quarter and for the year.
- Mid Caps:** The Russell Midcap Index advanced 7.7% in Q3 and has gained 24.3% this year.
- Small Caps:** Small cap stocks outperformed large and mid cap stocks as the Russell 2000 Index rose 10.2%. Year-to-date, small caps are up 27.7%, outpacing the S&P 500 by 790 basis points.

Style

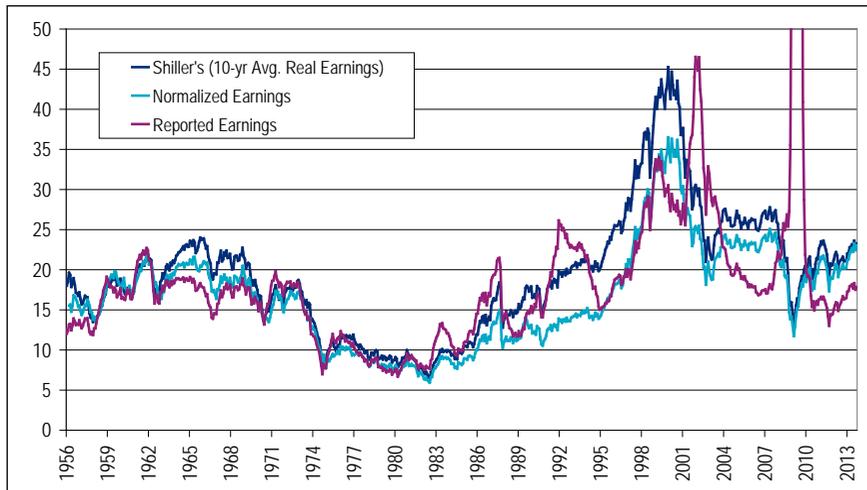
- Value vs. Growth:** Growth stocks have surpassed value across all capitalizations for the quarter and for the year. Small cap growth was the best performing style, gaining 12.8% in Q3 and is now up 32.5% this year.

Sector

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

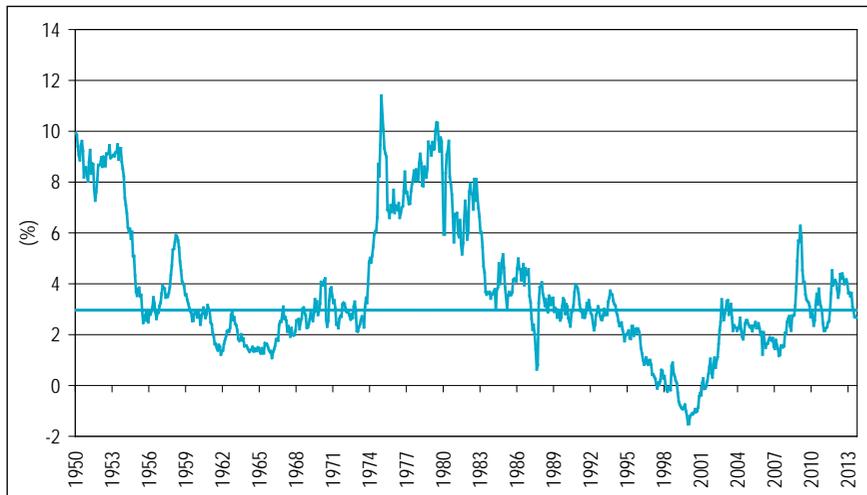
Asset Class: US Equities – Valuation Review

S&P500 – P/E Ratio



Source: S&P, Bloomberg, Mercer

S&P500 – Estimated Equity Risk Premium¹ Versus Long-Term Treasuries



Source: S&P, Bloomberg, Mercer

- The P/E ratio on trailing reported earnings advanced from 17.7 to 18.5, which is above the 17.2 median since 1956. P/E multiples have expanded in 2013 as equity returns have outpaced modest earnings growth.
- Productivity growth is slowing and unit labor costs are rising, which suggests companies have mostly exhausted cost cutting as a source of profit growth. Capital investments and hiring remain below trend, but are likely to increase if the economic recovery continues as we expect. While this will be good for the economy over the short-term, it could put downward pressure on margins.
- Although we expect margins to decline, they will likely remain above average for some time. Low interest costs should continue to boost profit margins as US corporations have refinanced into lower rate debt and extended maturities. While corporate rates have rebounded from record lows set earlier this year, many companies can still borrow at a steep discount to their cost of equity. This effectively allows cheap share buybacks, which can increase earnings per share without aggregate profit growth.
- Cyclically-adjusted valuations, which adjust for abnormally high profit margins, remain uncomfortably high. The P/E ratio based on normalized earnings stood at 23.0, which is above the historical median of 16.7 (since 1956), while the P/E based on average 10-year real earnings (Shiller's methodology) finished the quarter at 23.3, compared to a median of 18.9 (since 1956).
- US equity valuations remain rich on an absolute basis and their appeal relative to bonds has decreased. We estimate that the equity risk premium over long-term Treasuries declined from 2.9% to 2.7% at quarter-end, below the historical median of 3%.

¹ Definitions:

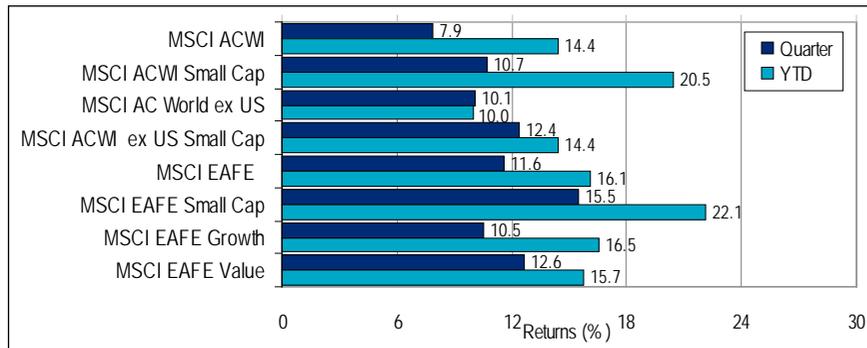
Shiller's P/E= Current S&P 500 price/average 10-year real earnings

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

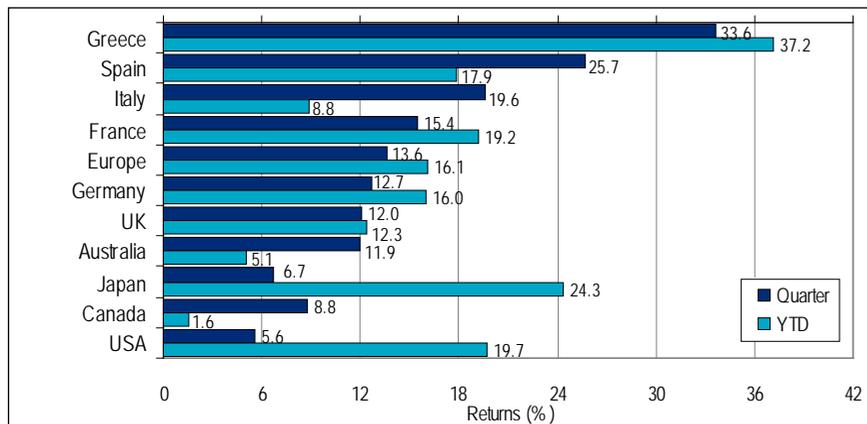
Asset Class: International Equities – Performance Review

International Equity Performance



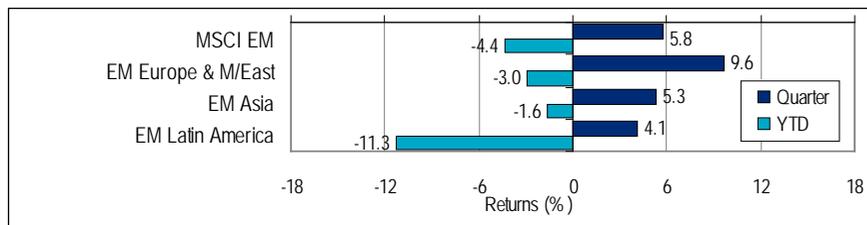
Source: MSCI, Bloomberg

Developed Country Performance



Source: MSCI, Bloomberg

Emerging Market Performance

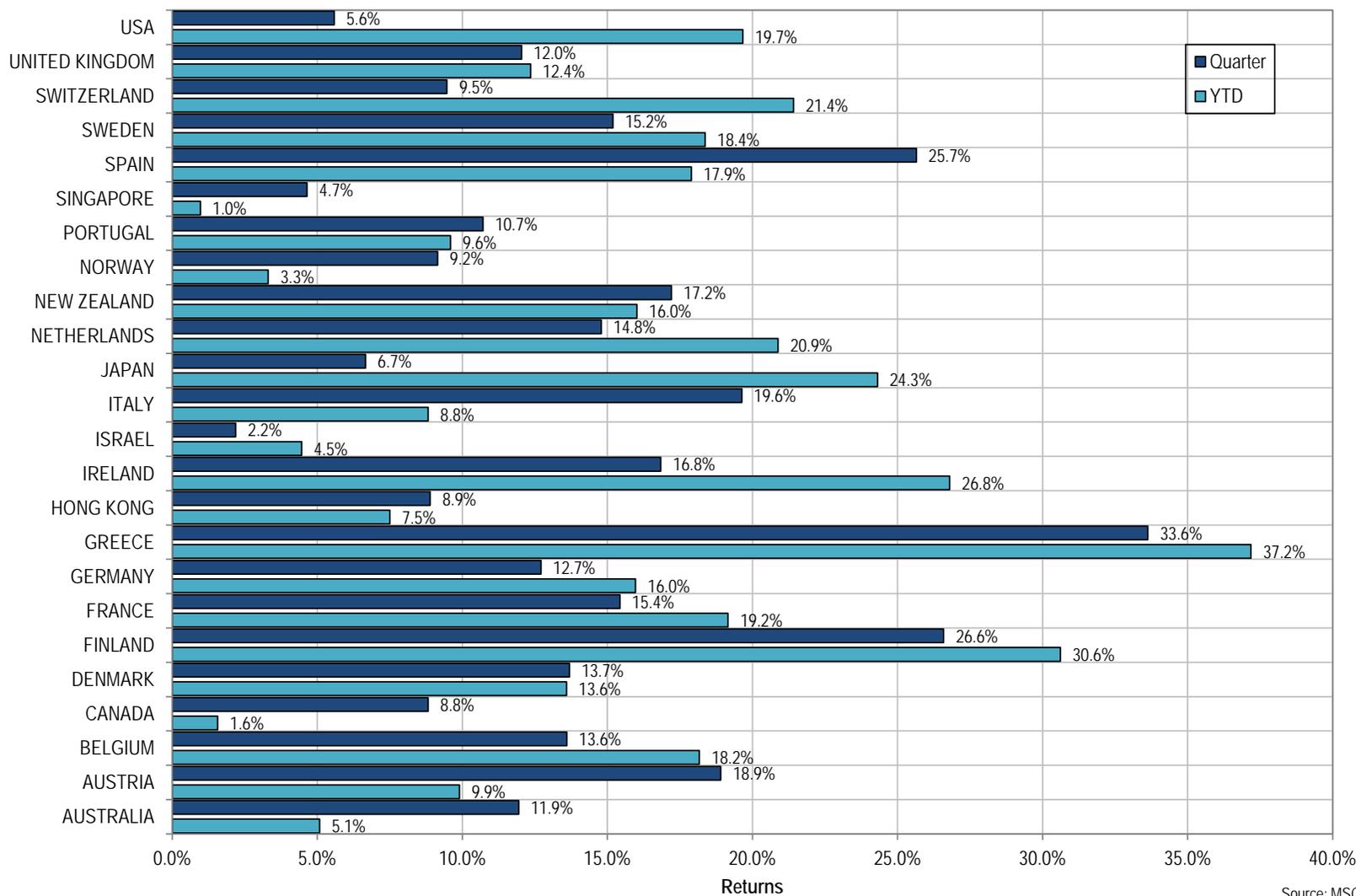


Source: MSCI, Bloomberg

- International equities** outperformed US equities in the third quarter. The MSCI ACWI ex-US Index gained 10.1%, surpassing the Russell 3000 by 380 basis points. However, YTD the index has lagged the Russell 3000 by 1,130 basis points.
- International developed stocks** surged 11.6% for the quarter and are up 16.1% in 2013. European stocks rose 13.6% Q3 as the region's economy shows signs of an economic recovery. YTD European stocks are up 16.1%. Japanese stocks continued to soar on the heels of the BOJ's stimulus efforts and hopes of an economic renaissance. Japanese stocks returned 6.7% in the third quarter and have returned a solid 24.3% so far this year.
- International small cap stocks** gained 15.5% for the quarter and have risen 22.1% year-to-date. International small caps have outperformed international developed large cap stocks by 396 and 595 basis points for the quarter and year-to-date periods, respectively.
- Emerging markets** recovered in Q3, returning 5.8%. However, for the year the emerging markets are still down 4.4%. Regionally, European and Middle Eastern markets gained 9.6% for the quarter and are down 3.0% during 2013. Asian and Latin American equities advanced 5.3% and 4.1%, respectively, in the third quarter, but have fallen 1.6% and 11.3%, respectively, this year. Year-to-date emerging markets have lagged developed markets by 1030 basis points.

Asset Class: International Equities – Developed Country Performance

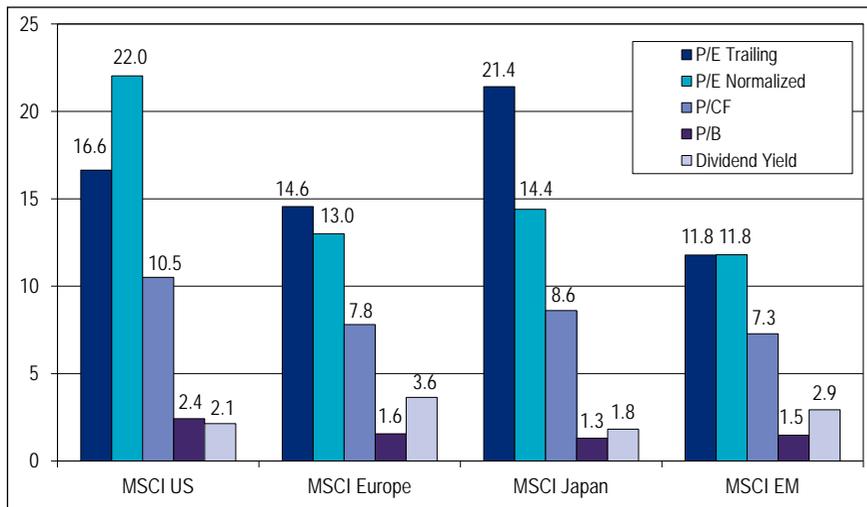
Developed Country Performance



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)

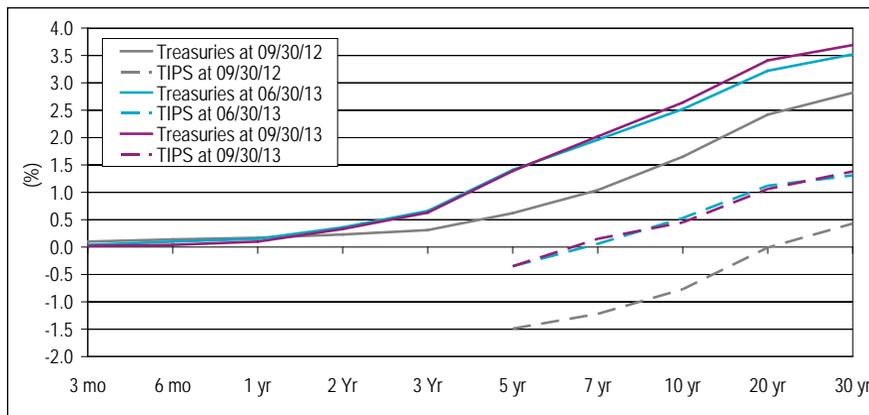


Source: MSCI, Bloomberg

- Improving financial conditions and the end of the recession should lead to an improved earnings outlook for European firms. Margins are currently 10% below their historical average and EPS are 25% below the 2007-peak, suggesting the potential for expansion. However, the recovery within the region is likely to be modest and the recent strength of the euro could weigh on exports. Also, while the risk of a disorderly collapse of the euro has fallen, the structural issues facing the region remain unresolved, suggesting the possibility that the crisis could resurface.
- Based on P/CF and P/B, European stocks traded at 13% discount to their historical median since 1970. Based on Shiller's P/E, European stocks traded at nearly a 34% discount to US equities compared to a historical average of 13%. Sentiment on Europe has improved significantly. According to a Bloomberg investor survey, 34% of participants see Europe as offering the best opportunities. In May, 45% of this surveyed saw Europe as offering the worst prospects.
- EPS for Japanese firms are up nearly 50% over the last year and profitability has returned to pre-earthquake levels. The steep slide in the yen coupled with an improved developed world growth outlook should be a positive for Japanese firms. However, slowing growth in China is likely to present a headwind. The WSJ estimates Japanese companies garner roughly 20% of their sales from China. It remains uncertain if Japan can improve corporate profitability and the secular growth potential of the economy.
- The valuation picture for Japanese stocks is mixed, but on a positive balance due to the potential for upside surprises. They are trading at 19x trailing earnings; however, if margins can return to pre-2008 levels, stocks appear more reasonable at a P/E of 15.

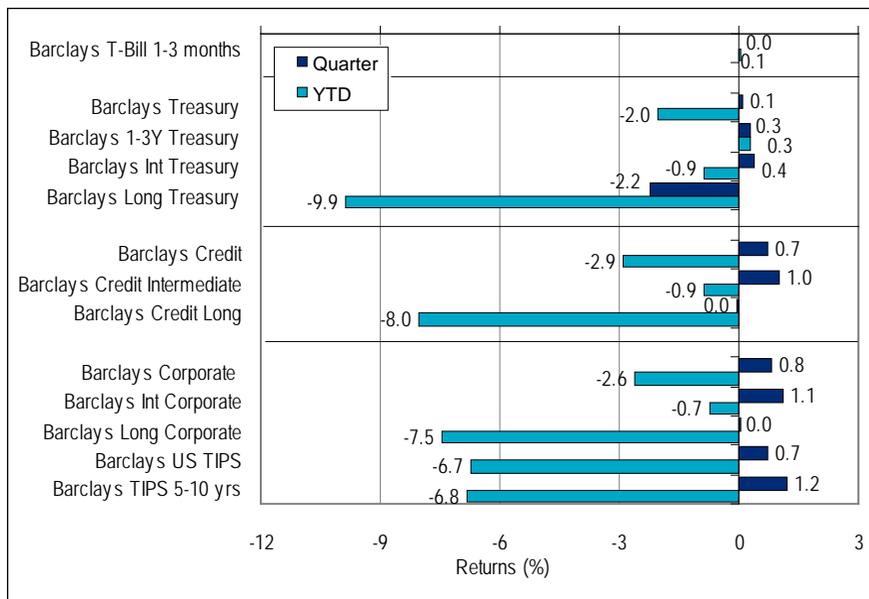
Asset Class: Fixed Income – Interest Rates and Yield Curve

Treasury Yield Curve



Source: Federal Reserve

Bond Performance by Duration

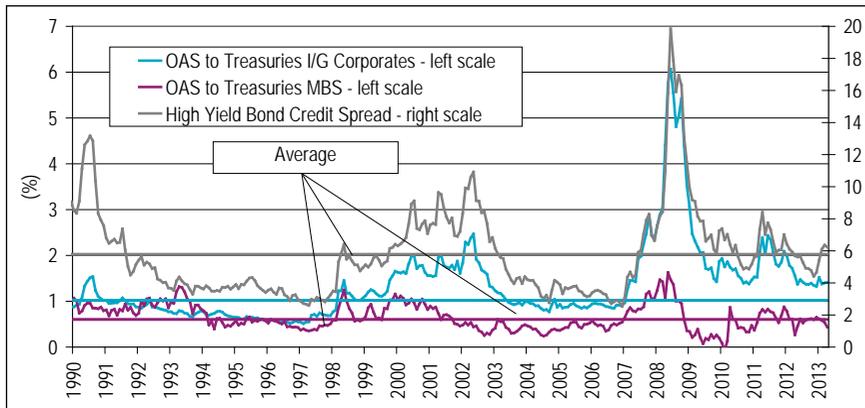


Source: Barclays, Bloomberg

- Shifting market expectations regarding Fed policy led to significant intra-quarter interest rate volatility. The yield on the 10-year Treasury spiked from 2.52% to over 3% in early September before finishing the quarter at 2.64% as the Fed held off on tapering QE3. The real yield on 10-year TIPS declined from 0.53% to 0.45%, while the inflation breakeven rate rose modestly from 2.0% to 2.2%.
- The yield curve steepened slightly. Yields on the short end of the curve declined modestly, while long-term yields advanced. The yield on 30 year Treasuries rose 17bps, even as the Fed maintained full scale asset purchases.
- We suspect the Treasury bond market has largely priced in the end of QE3. The key issue to watch now is the timing and pace of interest rate increases. Based on US economic data and Fed guidance, we expect short term rates to remain near zero until 2015.
- **US Bonds** moved higher during the quarter with Barclays Aggregate gaining 0.6%, but they are still down 1.9% in 2013.
- **Long-Duration Bonds** posted losses as the yield on the 30-year Treasury rose by 17 basis points. The Barclays Long Treasury Index fell 2.2% in the third quarter and has dropped 9.9% year-to-date.
- **TIPS** gained 0.7% as the real yield on 10-year TIPS declined slightly. TIPS have underperformed Treasuries by 473 basis points in 2013 due their higher duration and a decline in breakeven rates.

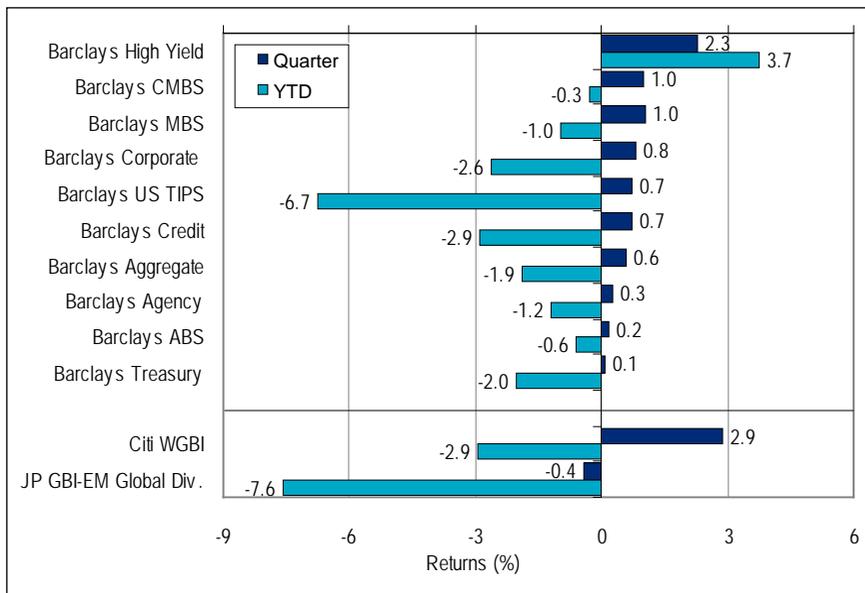
Asset Class: Fixed Income – Credit and Non-US Bonds

Credit Spreads



Source: Barclays

Sector, Credit, and Global Bond Performance

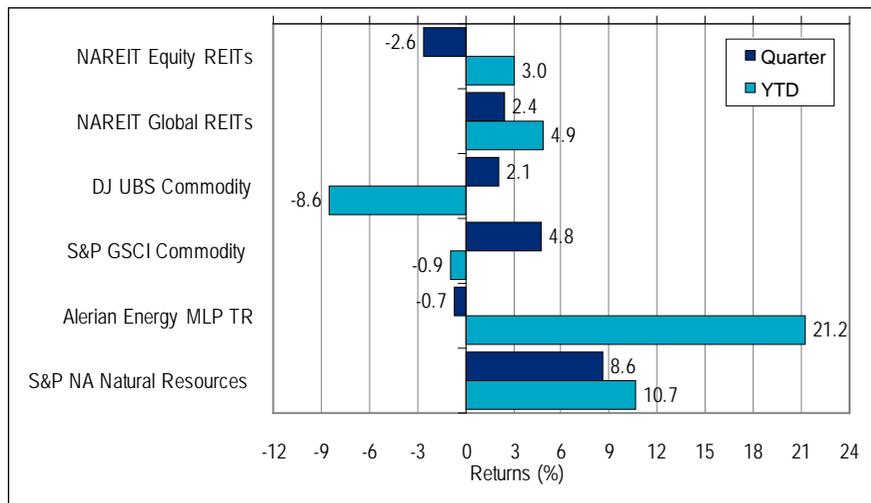


Source: Barclays, Citigroup, JP Morgan, Bloomberg

- The yield on the Barclays I/G Corporate index declined 5bps to 3.3%. This decline was entirely driven by a 17bps drop in financial yields as industrial yields remained unchanged. The option-adjusted spread to Treasuries fell from 1.5% to 1.4%, compared to the historical median of 1%.
- The yield on high yield bonds declined from 6.7% to 6.2%. The option-adjusted spread narrowed by 31bps to 4.6%, below the historical median, but in line with our equilibrium spread estimate of 4.6%. Although the short-term default outlook remains favorable and could drive spreads even lower, there are signs that issuance quality has worsened.
- US Treasuries** experienced small gains as yields declined. The Barclays Treasury Index advanced 0.1% in the third quarter and is down 2.0% year-to-date. TIPS gained 0.7% during the quarter, but have lost 6.7% in 2013.
- US Corporate** bonds outperformed Treasuries for the quarter, moving 0.8% higher. For the year, I/G bonds have trailed Treasuries by 60 bps.
- US MBS, CMBS, Credit, Agency and ABS, CMBS** bonds outperformed Treasuries as yields declined and spreads narrowed.
- High Yield** bonds were the best performing domestic bond sector, gaining 2.3%. YTD, HY bonds are up 3.7%.
- Global Bonds** benefited as the dollar depreciated relative to developed currencies. The Citigroup World Government Bond Index gained 2.9% in the third quarter, but is down 2.9% year-to-date.
- Local Currency Emerging Market Debt** fell 0.4% in Q3. YTD, LC EMD has lost 7.6% as currencies have tumbled against the dollar.

Asset Class: Alternatives – Performance Review

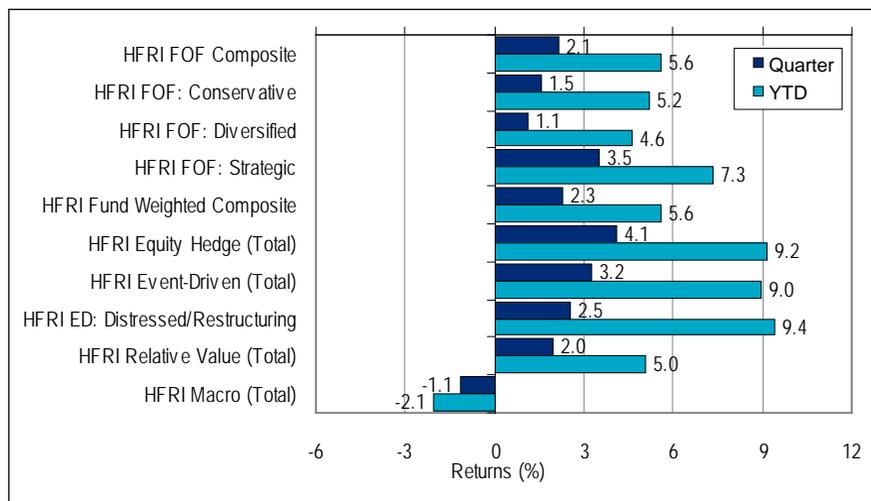
Real Asset Performance



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

- **Global REITs** gained 2.4% in the third quarter and are up 4.9% in 2013. US REITs have underperformed international REITs over both periods.
- **Commodities:** Commodities recovered their losses somewhat in the third quarter. The DJ Commodity Index increased 2.1% for the quarter, but has shed 8.6% this year. The S&P GSCI Index, which has a larger weighting to energy, advanced 4.8% for the quarter, but has also declined 0.9% YTD.

Hedge Fund Performance



Source: HFR

- **Hedge funds** lagged global equities, but outperformed US bonds. The HFRI Fund of Funds Composite Index inched 2.1% higher for the third quarter, while the MSCI ACWI index advanced 7.9% and the Barclays Aggregate index rose 0.6%. Year-to-date, hedge funds have trailed global equities, but outperformed bonds.

Third Quarter Performance

The background of the slide is composed of three distinct horizontal bands of color. The top band is a dark, deep blue. The middle band is a medium teal or turquoise color. The bottom band is a light, pale blue. The boundaries between these bands are slightly wavy, creating a layered, abstract effect.

Manager Updates

- **WEDGE:** In September 2013, Mercer met with WEDGE Capital Management and reaffirmed the Small/Mid Cap Value strategy's "A" rating.
- **Mondrian:** In July 2013, Mercer met with Mondrian Investment Partners and reaffirmed the Focused All Countries World ex US strategy's "B+" rating.
- **PIMCO:** In June 2013, Mercer met with Pacific Investment Management Company to obtain a business update. Following this meeting, Mercer sees no reason to change the rating of any of PIMCO's strategies.

Performance Scorecard

	Mercer Rating	Return								Risk ¹
		3 Years to 9/30/2013		3 Years to 6/30/2013		3 Years to 3/31/2013		3 Years to 12/31/2012		5 Years to 9/30/2013
		I	U	I	U	I	U	I	U	I
Large Cap Passive Fund (tracked within 20bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Equity Index Fund	PP	✓	NA	✓	NA	✓	NA	✓	NA	NA
Large Cap Value Fund		✓	✓	✓	✓	✗	✓	✗	✓	NA
Hotchkis & Wiley Large Cap Value	B+ (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Wellington Quality Value	N	✗	✗	✗	✗	✗	✗	✗	✗	✓
Robeco BP Large Cap Value	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Large Cap Growth Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA
Sands Capital Large Cap Growth	A (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Wellington Opportunistic Growth	A	✓	✓	✗	✓	✗	✗	✗	✓	✓
Neuberger Large Cap Growth	B+	✗	✗	✗	✗	✗	✗	✗	✗	✓

¹ A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

* 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).

Performance Scorecard

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		I	U	I	U	I	U	I	U	I
Mid/Small Cap Passive Fund (tracked within 30 bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Russell 2500 Index Fund	PP	✓	NA	✓	NA	✓	NA	✓	NA	NA
Mid/Small Cap Value Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA
Hotchkis & Wiley SMID Cap Value	B+ (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓
EARNEST Partners SMID Cap Value	B+	✓	✗	✗	✗	✓	✗	✓	✓	✓
WEDGE SMID Cap Value	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mid/Small Cap Growth Fund		✗	✓	✗	✓	✗	✓	✗	✓	NA
TimesSquare SMID Cap Growth	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Brown Advisory	R	✓	✗	✓	✓	✗	✗	✓	✓	✓

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Performance Scorecard

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		3 Years to 9/30/2013		3 Years to 6/30/2013		3 Years to 3/31/2013		3 Years to 12/31/2012		5 Years to 9/30/2013
		I	U	I	U	I	U	I	U	I
International Passive Fund (tracked within 10 bps)		✗	NA	✗	NA	✗	NA	✗	NA	NA
BlackRock ACWI ex US Fund	PP	✓	NA	✓	NA	✗	NA	✓	NA	NA
International Equity Fund		✓	✗	✓	✗	✓	✓	✓	✓	NA
Baillie Gifford ACWI ex US Growth	A	✓	✗	✓	✓	✓	✓	✓	✓	✓
Mondrian ACWI ex US Value	B+	✓	✗	✓	✗	✓	✗	✗	✗	✓
Global Equity Fund		✓	✓	✓	✓	✓	✓	✗	✓	NA
Wellington Global Opportunities	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓
Arrowstreet Global Equity ACWI	A	✓	✓	✓	✓	✓	✓	✓	✓	✓

¹ A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

* 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).

Performance Scorecard

	Mercer Rating	Return								Risk ¹	
		3 Years to 9/30/2013		3 Years to 6/30/2013		3 Years to 3/31/2013		3 Years to 12/31/2012		5 Years to 9/30/2013	
		I	U	I	U	I	U	I	U	I	
Inflation Sensitive Fund		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
PIMCO Inflation Response-Multi Asset	B+	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Fixed Income Passive Fund (tracked within 25 bps)		✓	NA	NA	NA	NA	NA	NA	NA	NA	NA
BlackRock Debt Index Fund	N	✓	NA	✓	NA	✓	NA	✓	NA	NA	NA
Fixed Income Fund		✓	✓	✓	✗	✓	✓	✓	✓	NA	NA
JP Morgan Core Bond	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PIMCO Total Return Full Authority	A	✓	✗	✓	✗	✓	✗	✓	✓	✓	✓
Stable Value Fund		✓	✓	✓	✓	✓	✗	✓	✗	NA	NA

¹ A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

* 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).

Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Wellington Quality Value	3Q13 Proposed	N	Monitor	Mercer recommends that the Wellington Quality Value strategy be placed on watch due to underperformance over the recent four rolling three-year periods. Although Wellington's five-year composite return as of September 30, 2013 is strong on both absolute and relative bases, the strategy's high quality focus has held the portfolio back in recent periods. Mercer is comfortable that Wellington's performance is consistent with its philosophy and will recover when the market moves to favor higher quality securities. However, ongoing monitoring is appropriate to ensure this remains the case.
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>After ranking in the top third of its peer universe over the three- and six-month periods ending June 30, 2013, Neuberger failed to beat its benchmark and peer group median over all periods measured as of September 30, 2013. At this time, 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 September 30, 2013

Name	Market Value (\$m)	Market (%)	Inception									
			3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	Return	Since
Large Cap Passive	\$1,063.1	13.4%	5.2%	--	19.6%	--	19.2%	--	16.1%	--	20.5%	Mar-09
S&P 500			5.2%	--	19.8%	--	19.3%	--	16.3%	--	20.6%	Mar-09
Large Cap Value	\$790.2	10.0%	4.8%	44	23.0%	18	25.1%	22	16.5%	20	19.4%	Mar-09
Russell 1000 Value			3.9%	81	20.5%	55	22.3%	49	16.2%	24	21.0%	Mar-09
Large Cap Growth	\$771.1	9.7%	11.6%	20	24.4%	12	24.3%	14	18.5%	7	25.2%	Mar-09
Russell 1000 Growth			8.1%	70	20.9%	52	19.3%	56	16.9%	23	21.3%	Mar-09
Mid/Small Cap Passive	\$187.9	2.4%	9.0%	--	25.8%	--	29.7%	--	18.4%	--	25.4%	Mar-09
Russell 2500			9.1%	--	25.9%	--	29.8%	--	18.4%	--	25.5%	Mar-09
Mid/Small Cap Value	\$385.4	4.9%	8.4%	37	25.8%	42	32.7%	27	20.1%	8	28.9%	Mar-09
Russell 2500 Value			6.4%	75	22.5%	71	27.6%	63	17.1%	44	24.6%	Mar-09
Mid/Small Cap Growth	\$278.1	3.5%	11.8%	45	28.9%	48	33.0%	26	19.2%	36	24.9%	Mar-09
Russell 2500 Growth			11.9%	43	29.6%	46	32.0%	33	19.8%	27	26.5%	Mar-09
International Passive	\$34.7	0.4%	10.0%	--	9.2%	--	16.4%	--	5.9%	--	16.0%	Mar-09
MSCI ACWI ex USA Gross			10.2%	--	10.5%	--	17.0%	--	6.4%	--	16.6%	Mar-09
International Equity	\$485.4	6.1%	9.1%	78	9.4%	88	15.6%	88	7.3%	64	16.3%	Mar-09
MSCI ACWI ex USA Gross			10.2%	57	10.5%	83	17.0%	80	6.4%	78	16.6%	Mar-09
Global Equity	\$606.2	7.6%	9.8%	29	21.4%	20	26.4%	20	13.0%	27	18.4%	Mar-09
MSCI ACWI Gross			8.0%	54	14.9%	68	18.4%	68	10.8%	57	18.5%	Mar-09
Inflation Sensitive Fund	\$277.2	3.5%	--	--	--	--	--	--	--	--	--	Sep-13
PIMCO Inflation Response Index			1.4%	--	-6.9%	--	-7.9%	--	2.7%	--	--	Sep-13
Fixed Income Passive Fund	\$285.9	3.6%	0.5%	--	-1.9%	--	-1.8%	--	--	--	2.7%	Sep-10
Barclays Aggregate			0.6%	--	-1.9%	--	-1.7%	--	2.9%	--	2.9%	Sep-10
Fixed Income Fund	\$530.1	6.7%	1.2%	7	-1.2%	47	-0.5%	48	3.3%	48	6.2%	Mar-09
Barclays Aggregate			0.6%	57	-1.9%	68	-1.7%	81	2.9%	62	5.0%	Mar-09
Stable Value Fund	\$2,237.9	28.2%	0.5%	25	1.7%	18	2.4%	18	2.9%	35	3.2%	Jun-09
T-BILLS + 1%			0.3%	99	0.8%	79	1.1%	87	1.1%	99	1.1%	Jun-09

Fund Review

GoalMaker Performance as of September 30, 2013

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Conservative 0-5 Yrs	2.5%	88	5.9%	78	6.4%	84	--	--
Conservative 0-5 Yrs Benchmark	2.2%	90	4.8%	85	4.7%	97	4.9%	96
Conservative 6-10 Yrs	3.3%	87	8.0%	66	7.5%	80	--	--
Conservative 6-10 Yrs Benchmark	3.0%	89	6.9%	85	5.8%	95	5.6%	97
Conservative 11-15 Yrs	4.6%	80	11.4%	60	9.2%	75	--	--
Conservative 11-15 Yrs Benchmark	4.3%	85	10.3%	72	8.0%	99	7.1%	99
Conservative 16+ Yrs	6.1%	23	15.6%	29	11.0%	41	--	--
Conservative +16 Yrs Benchmark	5.7%	50	14.4%	43	10.1%	57	8.2%	58

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Moderate 0-5 Yrs	3.8%	56	9.3%	37	7.9%	61	--	--
Moderate 0-5 Yrs Benchmark	3.5%	72	8.1%	56	6.6%	83	6.1%	83
Moderate 6-10 Yrs	4.6%	35	11.4%	32	8.9%	45	--	--
Moderate 6-10 Yrs Benchmark	4.3%	60	10.3%	43	8.0%	67	7.1%	70
Moderate 11-15 Yrs	5.7%	18	14.4%	21	10.5%	34	--	--
Moderate 11-15 Yrs Benchmark	5.3%	41	13.2%	39	9.5%	71	7.9%	73
Moderate 16+ Yrs	7.4%	2	19.1%	1	12.4%	9	--	--
Moderate +16 Yrs Benchmark	7.0%	8	17.8%	4	11.6%	21	9.0%	20

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Aggressive 0-5 Yrs	4.9%	9	12.1%	1	9.7%	2	--	--
Aggressive 0-5 Yrs Benchmark	4.5%	15	10.9%	12	8.4%	43	7.3%	57
Aggressive 6-10 Yrs	5.7%	5	14.4%	1	10.7%	2	--	--
Aggressive 6-10 Yrs Benchmark	5.3%	7	13.2%	6	9.5%	29	7.9%	49
Aggressive 11-15 Yrs	7.0%	3	18.2%	1	11.9%	2	--	--
Aggressive 11-15 Yrs Benchmark	6.6%	8	16.8%	2	11.2%	11	8.8%	23
Aggressive 16+ Yrs	8.6%	1	22.7%	1	13.7%	1	--	--
Aggressive +16 Yrs Benchmark	8.2%	1	21.5%	1	13.3%	1	9.7%	7

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

Fund Review

Manager Performance as of September 30, 2013

Name	Market Value												Inception	
	(\$m)	(%)	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
NCSRP BlackRock Equity Index	\$1,063.1	13.4%	5.3%	--	19.8%	--	19.4%	--	16.3%	--	--	--	20.6%	Mar-09
BlackRock Equity Index Strategy			5.3%	--	19.8%	--	19.4%	--	16.3%	--	10.1%	--	20.7%	Mar-09
S&P 500			5.2%	--	19.8%	--	19.3%	--	16.3%	--	10.0%	--	20.6%	Mar-09
NCSRP Hotchkis & Wiley Large Cap Value	\$266.4	3.4%	6.4%	19	28.7%	4	33.1%	4	18.5%	11	--	--	25.9%	Mar-09
Hotchkis & Wiley Large Cap Value Strategy			6.3%	21	28.4%	6	32.7%	5	18.3%	12	13.3%	4	25.8%	Mar-09
Russell 1000 Value			3.9%	84	20.5%	67	22.3%	64	16.2%	51	8.9%	75	21.0%	Mar-09
NCSRP Wellington Value Composite	\$261.4	3.3%	3.1%	94	17.6%	95	18.2%	91	14.6%	83	--	--	12.9%	Mar-09
NCSRP Wellington Quality Value			3.1%	94	17.6%	95	18.2%	91	14.6%	83	--	--	--	Jul-10
Wellington Quality Value Strategy			3.1%	94	17.6%	95	18.1%	92	14.5%	84	10.1%	46	19.4%	Mar-09
Russell 1000 Value			3.9%	84	20.5%	67	22.3%	64	16.2%	51	8.9%	75	21.0%	Mar-09
NCSRP Robeco BP Large Cap Value	\$262.4	3.3%	5.1%	50	24.0%	27	25.9%	30	--	--	--	--	26.1%	Nov-11
Robeco BP Large Cap Value Strategy			5.1%	50	23.8%	27	25.7%	33	18.9%	8	11.7%	16	25.8%	Nov-11
Russell 1000 Value			3.9%	84	20.5%	67	22.3%	64	16.2%	51	8.9%	75	22.2%	Nov-11
NCSRP Sands Capital Large Cap Growth	\$268.5	3.4%	19.1%	1	30.0%	4	29.1%	6	24.6%	1	--	--	32.1%	Mar-09
Sands Capital Large Cap Growth Strategy			19.1%	1	29.9%	4	28.9%	6	24.5%	1	20.5%	1	31.9%	Mar-09
Russell 1000 Growth			8.1%	62	20.9%	54	19.3%	65	16.9%	39	12.1%	37	21.3%	Mar-09
NCSRP Wellington Opportunistic Growth	\$252.0	3.2%	10.2%	35	25.2%	11	29.5%	5	17.1%	36	--	--	22.1%	Mar-09
Wellington Opportunistic Growth Strategy			10.2%	35	25.2%	11	29.4%	5	16.9%	39	12.6%	37	22.0%	Mar-09
Russell 1000 Growth			8.1%	62	20.9%	54	19.3%	65	16.9%	39	12.1%	37	21.3%	Mar-09
Russell 3000 Growth			8.5%	54	21.8%	45	20.3%	50	17.2%	36	12.2%	34	21.7%	Mar-09
NCSRP Neuberger Large Cap Growth	\$250.6	3.2%	5.5%	95	19.0%	77	15.8%	92	--	--	--	--	15.6%	Oct-11
Neuberger Large Cap Growth Strategy			5.6%	95	19.2%	76	16.0%	91	12.7%	97	8.8%	92	15.1%	Oct-11
Russell 1000 Growth			8.1%	62	20.9%	54	19.3%	65	16.9%	39	12.1%	37	18.7%	Oct-11
NCSRP BlackRock Russell 2500 Index Fund	\$187.9	2.4%	9.1%	--	26.0%	--	29.9%	--	18.6%	--	--	--	25.7%	Mar-09
BlackRock Russell 2500 Index Fund Strategy			9.1%	--	26.0%	--	29.9%	--	18.6%	--	--	--	25.7%	Mar-09
Russell 2500			9.1%	--	25.9%	--	29.8%	--	18.4%	--	12.7%	--	25.5%	Mar-09
NCSRP Hotchkis & Wiley	\$129.7	1.6%	8.6%	46	35.2%	1	42.8%	2	24.5%	2	--	--	34.3%	Mar-09
Hotchkis & Wiley Value Strategy			8.5%	51	35.0%	1	42.7%	2	24.6%	2	21.8%	1	34.6%	Mar-09
Hotchkis Custom SMID Value Index			6.4%	93	22.5%	63	27.6%	70	16.8%	66	11.6%	75	25.6%	Mar-09
NCSRP EARNEST Partners	\$128.2	1.6%	9.9%	22	20.5%	84	28.0%	68	17.3%	61	--	--	23.4%	Mar-09
EARNEST Partners Value Strategy			9.8%	24	20.7%	82	28.2%	66	18.6%	34	10.9%	81	24.4%	Mar-09
EARNEST Custom SMID Value Index			6.4%	93	22.5%	63	27.6%	70	16.8%	67	9.3%	94	23.4%	Mar-09
NCSRP WEDGE SMID Cap Value	\$127.5	1.6%	7.4%	74	23.7%	56	30.0%	51	--	--	--	--	25.8%	Dec-11
WEDGE SMID Cap Value Strategy			7.4%	75	23.9%	56	30.2%	47	19.0%	25	13.0%	47	25.9%	Dec-11
Russell 2500 Value			6.4%	93	22.5%	63	27.6%	70	17.1%	63	11.1%	80	24.2%	Dec-11
NCSRP TimesSquare Composite	\$138.3	1.7%	11.0%	68	28.7%	57	33.3%	27	21.1%	35	--	--	25.6%	Mar-09
NCSRP TimesSquare SMID Growth			11.0%	68	28.7%	57	33.3%	27	--	--	--	--	--	Jul-11
TimesSquare Growth Strategy			11.0%	67	28.7%	59	33.3%	29	23.3%	10	17.5%	17	28.4%	Mar-09
TimesSquare Custom SMID Growth Index			11.9%	49	29.6%	48	32.0%	45	18.9%	69	14.6%	59	25.9%	Mar-09

Fund Review

Manager Performance as of September 30, 2013

Name	Market Value												Inception	
	(\$m)	(%)	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
NCSRP Brown Advisory	\$139.8	1.8%	13.0%	33	30.7%	45	34.8%	18	19.7%	55	--	--	26.6%	Mar-09
Brown Advisory Growth Strategy			13.4%	31	31.6%	38	35.7%	13	19.9%	53	15.3%	46	26.7%	Mar-09
Brown Custom SMID Growth Index			11.9%	49	29.6%	48	32.0%	45	19.6%	56	12.9%	81	25.8%	Mar-09
NCSRP BlackRock ACWI ex US Fund	\$34.7	0.4%	10.1%	--	9.4%	--	16.6%	--	6.5%	--	--	--	16.5%	Mar-09
BlackRock ACWI ex US Fund Strategy			10.1%	--	9.5%	--	16.7%	--	6.5%	--	6.7%	--	16.6%	Mar-09
MSCI ACWI ex USA Gross			10.2%	--	10.5%	--	17.0%	--	6.4%	--	6.7%	--	16.6%	Mar-09
NCSRP Baillie Gifford ACWI ex US Growth	\$242.4	3.1%	11.2%	38	11.3%	83	17.3%	84	9.4%	53	--	--	20.2%	Mar-09
Baillie Gifford ACWI ex US Growth Strategy			11.2%	37	11.4%	81	17.5%	83	9.6%	49	9.3%	27	20.3%	Mar-09
MSCI ACWI ex USA GrossB			10.2%	62	10.5%	88	17.0%	86	6.4%	92	6.7%	75	16.6%	Mar-09
MSCI AC Wld ex US Growth Gross			8.9%	83	10.7%	88	16.5%	89	6.5%	92	6.7%	76	16.2%	Mar-09
NCSRP Mondrian ACWI ex US Value	\$242.9	3.1%	7.1%	97	9.9%	92	15.0%	95	6.7%	90	--	--	14.3%	Mar-09
Mondrian ACWI ex US Value Strategy			7.1%	97	10.2%	91	15.1%	94	6.9%	87	5.7%	91	14.5%	Mar-09
MSCI ACWI ex USA Gross			10.2%	62	10.5%	88	17.0%	86	6.4%	92	6.7%	75	16.6%	Mar-09
MSCI AC Wld Ex US Value Gross			11.5%	31	10.2%	89	17.4%	84	6.4%	93	6.8%	75	17.0%	Mar-09
NCSRP Wellington Global Composite	\$302.9	3.8%	9.7%	29	22.9%	15	28.5%	15	14.8%	14	--	--	19.7%	Mar-09
NCSRP Wellington Global Opportunities			9.7%	29	22.9%	15	28.5%	15	14.8%	14	--	--	--	Jun-10
Wellington Global Opportunities Strategy			9.8%	27	23.2%	13	28.6%	14	14.7%	15	12.8%	9	21.9%	Mar-09
MSCI ACWI Gross			8.0%	58	14.9%	76	18.4%	77	10.8%	72	8.3%	65	18.5%	Mar-09
NCSRP Arrowstreet Global Equity ACWI	\$303.3	3.8%	10.2%	23	22.3%	18	26.1%	22	--	--	--	--	16.4%	Mar-12
Arrowstreet Global Equity ACWI			9.9%	25	22.5%	17	26.9%	19	13.0%	36	12.6%	9	17.5%	Mar-12
MSCI ACWI Gross			8.0%	58	14.9%	76	18.4%	77	10.8%	72	8.3%	65	12.8%	Mar-12
NCSRP PIMCO Inflation Response Multi-Asset	\$277.2	3.5%	--	--	--	--	--	--	--	--	--	--	--	Sep-13
PIMCO Inflation Response Multi-Asset Strategy			1.8%	56	-7.3%	99	-7.9%	99	--	--	--	--	--	Sep-13
PIMCO Inflation Response Index			1.4%	63	-6.9%	96	-7.9%	99	2.7%	47	3.7%	74	--	Sep-13
Consumer Price Index			0.3%	99	2.0%	19	1.2%	36	2.2%	51	1.3%	99	--	Sep-13
NCSRP BlackRock Debt Index Fund	\$285.9	3.6%	0.6%	--	-1.8%	--	-1.6%	--	--	--	--	--	2.9%	Sep-10
BlackRock Debt Index Fund Strategy			0.6%	--	-1.8%	--	-1.6%	--	2.9%	--	5.5%	--	2.9%	Sep-10
Barclays Aggregate			0.6%	--	-1.9%	--	-1.7%	--	2.9%	--	5.4%	--	2.9%	Sep-10
NCSRP JP Morgan Core Bond	\$263.8	3.3%	0.8%	39	-1.1%	29	-0.6%	39	4.0%	44	--	--	6.0%	Mar-09
JP Morgan Core Bond Strategy			0.5%	83	-1.3%	38	-0.8%	49	3.8%	55	6.9%	50	6.3%	Mar-09
Barclays Aggregate			0.6%	74	-1.9%	75	-1.7%	87	2.9%	92	5.4%	95	5.0%	Mar-09
NCSRP PIMCO Total Return Full Authority	\$266.3	3.4%	1.9%	2	-0.7%	17	0.3%	19	3.4%	72	--	--	7.2%	Mar-09
PIMCO Total Return Full Authority Strategy			1.2%	6	-1.6%	55	-0.4%	37	4.0%	44	8.2%	17	7.8%	Mar-09
Barclays Aggregate			0.6%	74	-1.9%	75	-1.7%	87	2.9%	92	5.4%	95	5.0%	Mar-09

Fee Review

Funds and Sub-Advisors	Assets	Inv. Mgmt. Fee	Other Inv. Exp. ¹	R/K Fee	NC Budget ²	Total Estimated Expense (%)	Total Estimated Expense (\$) ³	Mercer Median Expense	Difference
North Carolina Stable Value Fund	\$2,237,868,726	0.339%	0.000%	0.096%	0.025%	0.460%	\$10,294,196	0.46%	0.00%
Galliard	\$2,237,868,726	0.339%	0.000%				\$7,586,375	0.46%	-0.12%
North Carolina Fixed Income Passive	\$285,866,351	0.070%	0.055%	0.096%	0.025%	0.246%	\$703,231	0.20%	0.05%
BlackRock	\$285,866,351	0.070%	0.055%				\$200,106	0.02%	0.05%
North Carolina Fixed Income Fund	\$530,145,180	0.219%	0.077%	0.096%	0.025%	0.416%	\$2,206,944	0.53%	-0.11%
50% JP Morgan	\$263,815,421	0.188%	0.071%				\$494,868	0.23%	-0.04%
50% PIMCO	\$266,329,759	0.250%	0.082%				\$665,824	0.26%	-0.01%
North Carolina Inflation Sensitive Fund	\$277,175,195	0.800%	0.055%	0.096%	0.025%	0.976%	\$2,705,230	0.87%	0.11%
PIMCO	\$277,175,195	0.800%	0.055%				\$2,217,402	0.87%	-0.07%
North Carolina Large Cap Passive Fund	\$1,063,110,285	0.025%	0.055%	0.096%	0.025%	0.201%	\$2,136,852	0.20%	0.00%
BlackRock	\$1,063,110,285	0.025%	0.055%				\$265,778	0.01%	0.02%
North Carolina Large Cap Value Fund	\$790,221,068	0.379%	0.071%	0.096%	0.025%	0.572%	\$4,516,749	0.79%	-0.21%
33.3% Hotchkis & Wiley	\$266,423,022	0.500%	0.072%				\$1,332,115	0.44%	0.06%
33.3% Wellington Management Company	\$261,420,367	0.290%	0.072%				\$758,119	0.44%	-0.15%
33.3% Robeco BP	\$262,377,679	0.348%	0.071%				\$912,133	0.44%	-0.09%
North Carolina Large Cap Growth Fund	\$771,134,394	0.378%	0.072%	0.096%	0.025%	0.571%	\$4,402,109	0.86%	-0.29%
33.3% Sands Capital Management	\$268,542,490	0.510%	0.072%				\$1,369,793	0.46%	0.05%
33.3% Wellington Management Company	\$251,953,745	0.350%	0.072%				\$881,838	0.47%	-0.12%
33.3% Neuberger Berman	\$250,638,159	0.275%	0.071%				\$689,255	0.47%	-0.19%
North Carolina SMID Cap Passive Fund	\$187,879,018	0.050%	0.055%	0.096%	0.025%	0.226%	\$424,607	0.29%	-0.06%
BlackRock	\$187,879,018	0.050%	0.055%				\$93,940	0.02%	0.03%
North Carolina SMID Value Fund	\$385,388,196	0.632%	0.071%	0.096%	0.025%	0.824%	\$3,175,402	1.00%	-0.18%
33.3% Hotchkis & Wiley	\$129,668,571	0.593%	0.072%				\$768,343	0.63%	-0.03%
33.3% EARNEST Partners	\$128,176,694	0.526%	0.072%				\$673,943	0.77%	-0.24%
33.3% WEDGE Capital Management	\$127,542,930	0.776%	0.071%				\$990,258	0.77%	0.01%
North Carolina SMID Growth Fund	\$278,086,392	0.713%	0.071%	0.096%	0.025%	0.905%	\$2,516,543	1.01%	-0.11%
50% TimesSquare Capital Management	\$138,331,823	0.858%	0.072%				\$1,187,489	0.77%	0.09%
50% Brown Advisory	\$139,754,569	0.567%	0.071%				\$791,801	0.81%	-0.25%
North Carolina International Passive Fund	\$34,730,006	0.140%	0.055%	0.096%	0.025%	0.316%	\$109,747	0.40%	-0.08%
BlackRock	\$34,730,006	0.140%	0.055%				\$48,622	0.06%	0.08%
North Carolina International Equity Fund	\$485,351,262	0.457%	0.123%	0.096%	0.025%	0.700%	\$3,399,667	1.00%	-0.30%
50% Baillie Gifford	\$242,434,384	0.452%	0.124%				\$1,094,738	0.56%	-0.11%
50% Mondrian Investment Partners	\$242,916,878	0.462%	0.122%				\$1,121,668	0.56%	-0.10%
North Carolina Global Equity Fund	\$606,172,280	0.554%	0.088%	0.096%	0.025%	0.763%	\$4,626,025	1.08%	-0.32%
50% Wellington Management Company	\$302,916,780	0.500%	0.093%				\$1,514,584	0.55%	-0.05%
50% Arrowstreet	\$303,255,499	0.608%	0.083%				\$1,842,905	0.55%	0.06%
Total	\$7,933,128,353	0.346%	0.052%	0.096%	0.025%	0.520%	\$41,217,302	0.628%	

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

²The 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.

³Manager fee estimates reflect investment management fee only.

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	0.17%

Investment Management Fees

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

Galliard Oversight & Management **0.07%**

Fund Admin / Audit **0.01%**

Total Management & Wrap **0.34%**

Admin Fee **0.12%**

Total Fees **0.46%**

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	0.17%

Investment Management Fees

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

Galliard Oversight & Management **0.07%**

Fund Admin / Audit **0.01%**

Total Management & Wrap **0.34%**

Admin Fee **0.12%**

Total Fees **0.46%**

Appendix

Net Performance as of September 30, 2013

	Ending September 30, 2013					Inception	
	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Return	Since
Large Cap Passive	5.2%	19.6%	19.2%	16.1%	--	20.5%	Mar-09
S&P 500	5.2%	19.8%	19.3%	16.3%	10.0%	20.6%	Mar-09
NCSRP BlackRock Equity Index S&P 500	5.3%	19.7%	19.3%	16.2%	--	20.6%	Mar-09
	5.2%	19.8%	19.3%	16.3%	10.0%	20.6%	Mar-09
Large Cap Value	4.8%	23.0%	25.1%	16.5%	--	19.4%	Mar-09
Russell 1000 Value	3.9%	20.5%	22.3%	16.2%	8.9%	21.0%	Mar-09
NCSRP Hotchkis & Wiley Large Cap Value Russell 1000 Value	6.3%	28.3%	32.5%	17.9%	--	25.3%	Mar-09
	3.9%	20.5%	22.3%	16.2%	8.9%	21.0%	Mar-09
NCSRP Wellington Value Composite Russell 1000 Value	3.1%	17.4%	17.8%	14.2%	--	12.6%	Mar-09
	3.9%	20.5%	22.3%	16.2%	8.9%	21.0%	Mar-09
NCSRP Robeco BP Large Cap Value Russell 1000 Value	5.0%	23.6%	25.4%	--	--	25.7%	Nov-11
	3.9%	20.5%	22.3%	16.2%	8.9%	22.2%	Nov-11
Large Cap Growth	11.6%	24.4%	24.3%	18.5%	--	25.2%	Mar-09
Russell 1000 Growth	8.1%	20.9%	19.3%	16.9%	12.1%	21.3%	Mar-09
NCSRP Sands Capital Large Cap Growth Russell 1000 Growth	19.0%	29.5%	28.4%	23.9%	--	31.4%	Mar-09
	8.1%	20.9%	19.3%	16.9%	12.1%	21.3%	Mar-09
NCSRP Wellington Opportunistic Growth Russell 1000 Growth	10.1%	24.9%	29.1%	16.7%	--	21.7%	Mar-09
	8.1%	20.9%	19.3%	16.9%	12.1%	21.3%	Mar-09
Russell 3000 Growth	8.5%	21.8%	20.3%	17.2%	12.2%	21.7%	Mar-09
NCSRP Neuberger Large Cap Growth Russell 1000 Growth	5.5%	18.8%	15.5%	--	--	15.3%	Oct-11
	8.1%	20.9%	19.3%	16.9%	12.1%	18.7%	Oct-11
Mid/Small Cap Passive	9.0%	25.8%	29.7%	18.4%	--	25.4%	Mar-09
Russell 2500	9.1%	25.9%	29.8%	18.4%	12.7%	25.5%	Mar-09
NCSRP BlackRock Russell 2500 Index Fund Russell 2500	9.1%	25.9%	29.8%	18.5%	--	25.6%	Mar-09
	9.1%	25.9%	29.8%	18.4%	12.7%	25.5%	Mar-09
Mid/Small Cap Value	8.4%	25.8%	32.7%	20.1%	--	28.9%	Mar-09
Russell 2500 Value	6.4%	22.5%	27.6%	17.1%	11.1%	24.6%	Dec-11
NCSRP Hotchkis & Wiley Hotchkis Custom SMID Value Index	8.5%	34.6%	41.9%	23.8%	--	33.5%	Mar-09
	6.4%	22.5%	27.6%	16.8%	11.6%	25.6%	Mar-09
NCSRP EARNEST Partners EARNEST Custom SMID Value Index	9.8%	20.0%	27.3%	16.7%	--	22.7%	Mar-09
	6.4%	22.5%	27.6%	16.8%	9.3%	23.4%	Mar-09
NCSRP WEDGE SMID Cap Value Russell 2500 Value	7.2%	23.1%	29.0%	--	--	24.9%	Dec-11
	6.4%	22.5%	27.6%	17.1%	11.1%	24.2%	Dec-11
Mid/Small Cap Growth	11.8%	28.9%	33.0%	19.2%	--	24.9%	Mar-09
Russell 2500 Growth	11.9%	29.6%	32.0%	19.8%	14.3%	26.5%	Dec-11
NCSRP TimesSquare Composite TimesSquare Custom SMID Growth Index	10.8%	27.9%	32.2%	20.2%	--	24.7%	Mar-09
	11.9%	29.6%	32.0%	18.9%	14.6%	25.9%	Mar-09

	Ending September 30, 2013					Inception	
	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Return	Since
NCSRP Brown Advisory Brown Custom SMID Growth Index	12.9%	30.2%	34.0%	19.1%	--	25.9%	Mar-09
	11.9%	29.6%	32.0%	19.6%	12.9%	25.8%	Mar-09
International Passive	10.0%	9.2%	16.4%	5.9%	--	16.0%	Mar-09
MSCI ACWI ex USA Gross	10.2%	10.5%	17.0%	6.4%	6.7%	16.6%	Mar-09
NCSRP BlackRock ACWI ex US Fund MSCI ACWI ex USA Gross	10.1%	9.3%	16.5%	6.4%	--	16.4%	Mar-09
	10.2%	10.5%	17.0%	6.4%	6.7%	16.6%	Mar-09
International Equity	9.1%	9.4%	15.6%	7.3%	--	16.3%	Mar-09
MSCI ACWI ex USA Gross	10.2%	10.5%	17.0%	6.4%	6.7%	16.6%	Mar-09
NCSRP Baillie Gifford ACWI ex US Growth MSCI ACWI ex USA Gross	11.0%	10.9%	16.8%	8.9%	--	19.6%	Mar-09
	10.2%	10.5%	17.0%	6.4%	6.7%	16.6%	Mar-09
MSCI AC Wid ex US Growth Gross	8.9%	10.7%	16.5%	6.5%	6.7%	16.2%	Mar-09
NCSRP Mondrian ACWI ex US Value MSCI ACWI ex USA Gross	6.9%	9.6%	14.5%	6.2%	--	13.7%	Mar-09
	10.2%	10.5%	17.0%	6.4%	6.7%	16.6%	Mar-09
MSCI AC Wid Ex US Value Gross	11.5%	10.2%	17.4%	6.4%	6.8%	17.0%	Mar-09
Global Equity	9.8%	21.4%	26.4%	13.0%	--	18.4%	Mar-09
MSCI ACWI Gross	8.0%	14.9%	18.4%	10.8%	8.3%	18.5%	Mar-09
NCSRP Wellington Global Composite MSCI ACWI Gross	9.6%	22.5%	27.9%	14.2%	--	19.1%	Mar-09
	8.0%	14.9%	18.4%	10.8%	8.3%	18.5%	Mar-09
NCSRP Arrowstreet Global Equity ACWI MSCI ACWI Gross	10.1%	21.7%	25.2%	--	--	15.6%	Mar-12
	8.0%	14.9%	18.4%	10.8%	8.3%	12.8%	Mar-12
Inflation Sensitive Fund	--	--	--	--	--	--	Sep-13
PIMCO Inflation Response Index	1.4%	-6.9%	-7.9%	2.7%	3.7%	--	Sep-13
NCSRP PIMCO Inflation Response Multi-Asset PIMCO Inflation Response Index	--	--	--	--	--	--	Sep-13
	1.4%	-6.9%	-7.9%	2.7%	3.7%	--	Sep-13
Consumer Price Index	0.3%	2.0%	1.2%	2.2%	1.3%	--	Sep-13
Fixed Income Passive Fund	0.5%	-1.9%	-1.8%	2.7%	--	2.7%	Sep-10
Barclays Aggregate	0.6%	-1.9%	-1.7%	2.9%	5.4%	2.9%	Sep-10
NCSRP BlackRock Debt Index Fund Barclays Aggregate	0.5%	-1.8%	-1.7%	2.8%	--	2.8%	Sep-10
	0.6%	-1.9%	-1.7%	2.9%	5.4%	2.9%	Sep-10
Fixed Income Fund	1.2%	-1.2%	-0.5%	3.3%	--	6.2%	Mar-09
Barclays Aggregate	0.6%	-1.9%	-1.7%	2.9%	5.4%	5.0%	Sep-10
NCSRP JP Morgan Core Bond Barclays Aggregate	0.8%	-1.2%	-0.7%	3.8%	--	5.8%	Mar-09
	0.6%	-1.9%	-1.7%	2.9%	5.4%	5.0%	Mar-09
NCSRP PIMCO Total Return Full Authority Barclays Aggregate	1.9%	-0.9%	0.1%	3.1%	--	6.9%	Mar-09
	0.6%	-1.9%	-1.7%	2.9%	5.4%	5.0%	Mar-09

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