MERCER

TALENT • HEALTH • RETIREMENT • INVESTMENTS

NORTH CAROLINA SUPLEMENTAL RETIREMENT PLANS
ANNUAL REVIEW 2014

Jay Love, CFA

Partner

Kelly S. Henson
Principal

MARSH & McLENNAN COMPANIES

Annual Review 2014
Table of Contents

Retirement Readiness Check

Plan Benchmarking
Total Plan Benchmarking Considerations

- Currently NCSRP looks at the number of participants who are positioned to be able to replace 80% of their income in retirement
  - This benchmark is industry standard and commonly used by plan sponsors and the investment community
- NCSRP may want to consider additional benchmarks for your Plan to form a more comprehensive view of retirement readiness for your participants
- Additional benchmark considerations
  - Average participant performance versus the cost to purchase the DB annuity
  - Percentage of participants that are positioned to be able to live above the poverty line until the age of 85 or older
  - Projected outcomes of an average NCSRP participant relative to actual participant results over time

Plan Line-up Review

Plan Line-up Review
Current Structure

Conservative ↔ Aggressive

Tier I Lifecycle Fund (Reluctant Investor)	Tier II - A Passive Core Options (Proactive Investor)	Tier II - B Active Core Options (Proactive Investor)	Tier III Specialty Options (Very Active Investor)
		Capital Preservation	
	Core Fixed Income	Core Fixed Income	
		Inflation Sensitive	
Target Date Funds			
		Large Cap Growth Equity	
	Large Cap Equity		
		Large Cap Value Equity	
	Non- US Equity		
		World ex-US Equity	
		Small/Mid Cap Growth Equity	
	Small/Mid Cap Equity		
		Small/Mid Cap Value Equity	
		Global Equity	

Plan Line-up Review
Consolidate and Streamline

- Having too many investment choices has been shown to create participant confusion and lead to ineffective investment results
- The optimal plan lineup reduces the investment options to only those needed to create an appropriate risk/return or growth/income profile
- Each plan option should be designed to provide the optimal long term exposure for a broad investment goal
  - Eliminate all portfolio construction decisions below the asset allocation level
- The required investment types may be:
  - High Growth (Global Equity)
  - Low Growth (Diversified Bonds)
  - Capital Preservation (Stable Value)
  - Inflation Protection (Diversified Inflation Fund)

Plan Line-up Review
Streamlined Structure

Conservative

Tier I Lifecycle Fund (Reluctant Investor)	Tier II - A Passive Core Options (Proactive Investor)	Tier II - B Active Core Options (Proactive Investor)	Tier III Specialty Options (Very Active Investor)
		Capital Preservation	
	Fixed Income	Core Plus Fixed Income	
		Inflation Sensitive	
Target Date Funds			
	Broad Equity	Broad Equity	

Aggressive

- Most plan sponsors currently have a structure like NC
- Large plan sponsors are actively considering how to streamline investment options for their participants
- Plan sponsors that have implemented this type of streamlined structure have either done so with one change communication or in a few, phased steps

Plan Line-up Review
Streamlined Structure - Equity Consolidation Menu

Current Active Equity Array
- Large Cap Growth Equity
- Large Cap Value Equity
- Small/Mid Cap Growth Equity
- Small/Mid Cap Value Equity
- World ex-US Equity
- Broad Equity

Consolidate Styles
- Large Cap Equity
- Small/Mid Cap Equity
- World ex-US Equity
- Broad Equity

Consolidate Regions
- US Equity
- World ex-US Equity
- Broad Equity

Optimal Equity Portfolio
- Broad Equity

Goal Maker Review

Goal Maker Review
Observations and Recommendations

- **Participant objectives are the key consideration**
  - Target a reasonable and sustainable real income in retirement
  - Running out of funds during retirement is a significant concern
- **Develop a custom Glidepath based on participants and other benefits**
  - The glidepath should be customized to provide the best expected replacement ratio for the typical North Carolina employee
  - Scenario and simulation modelling provides insight into the most effective glidepath
- **Through Retirement**
  - Our preference is for solutions through a participant's life not just to retirement
  - At least a low risk stable income fund for the post retirement period should be added
  - 71% of TDF programs offer through retirement programs (not to retirement)*
- **Event-risk reduction**
  - Protect participants from losing significant portions of their savings near or during retirement
  - Protect savings and income against the loss of purchasing power due to inflation
- **Explicitly Incorporate North Carolina's DB annuity purchase option into the design**
  - The inclusion of the DB option in the analysis will have a significant impact on the optimal design

*Statistic pulled from Mercer's quarterly target date survey

Goal Maker Review
Observations and Recommendations

- **Fund Spacing: 5 Years**
  - The spacing between funds should be 5 years but no more than 10 years
  - This will require at least five new funds, seven if post-retirement funds are added
- **Include Investments that are not in the Core Lineup**
  - There are investments that would be beneficial to the target date funds that are not appropriate as standalone funds, such as emerging market debt, bank loans or emerging markets equity
  - A mechanism to include such assets would improve fund effectiveness
- **Offer one fund per age cohort**
  - Offering multiple funds for each age group introduces additional complexity to the participants decision process
  - With multi-year time horizons, there is no benefit to offering various risk levels, there is an optimal allocation for a given time horizon
  - A customized glidepath for the North Carolina participant base also helps reduce the need for various risk levels
- **Default to auto-rolldown**
  - The GoalMaker program historically defaulted to a static allocation without age adjustment
  - Currently it is an “opt out” procedure for the age adjustment

Performance and Fee Review

Performance Review
Evaluation Criteria

Overall Assessment

- 🔴 If the fund/manager is failing 2 of the three criteria or is currently on the watch list
- 🟡 If the fund/manager is failing one of the three criteria or has personnel or business concern
- 🟢 If the fund/manager is achieving all objectives

Vs. Benchmark

- ✔ If the fund/manager's three year return is outperforming two or more of the trailing four quarters
- ✘ If the fund/manager's three year return is trailing three or more of the trailing four quarters

Vs. Peer Group

- ✔ If the fund/manager's three year return is outperforming two or more of the trailing four quarters
- ✘ If the fund/manager's three year return is trailing three or more of the trailing four quarters

Standard Deviation

- ✔ If the fund/manager's 5 year standard deviation is either less than 150% of the benchmark or greater with additional return
- ✘ If the fund/manager's 5 year standard deviation is either greater than 150% of the benchmark or greater with less return

Firm, Team, Strategy

- ✔ If there have been no changes of concern at the firm, team and strategy
- ✘ If there have been any changes at the firm, team or strategy that cause concern

Manager Performance Review

2013 Year End Review	Overall Assessment	Vs Benchmark	Vs Peer Group	Standard Deviation	Firm, Team, Process
Sands Capital	🟢	✓	✓	✓	✓
Wellington	🟡	✗	✓	✓	✓
Neuberger Berman	🔴	✗	✗	✓	✗
Hotchkis & Wiley	🟢	✓	✓	✓	✓
Wellington	🔴	✗	✗	✓	✓
Robeco	🟢	✓	✓	✓	✓
Timesquare	🟢	✓	✗	✓	✓
Brown	🟡	✓	✗	✓	✗
Hotchkis & Wiley	🟢	✓	✓	✓	✓
Wedge Capital	🟢	✓	✓	✓	✓
Earnest Partners	🟡	✓	✗	✓	✓
Bailie Gifford	🟢	✓	✓	✓	✓
Mondrian	🟢	✓	✗	✓	✓
Wellington	🟢	✓	✓	✓	✓
Arrowstreet	🟢	✓	✓	✓	✓
JP Morgan	🟢	✓	✓	✓	✓
PIMCO	🟡	✓	✗	✓	✓

Fund Performance Review

2013 Year End Review	Overall Assessment	vs Benchmark	Vs Peer Group	Standard Deviation
Large Cap Growth Fund	🟢	✔	✔	N/A
Large Cap Value Fund	🟢	✔	✔	N/A
Large Cap Passive	🟢	✔	N/A	N/A
SMID Growth Fund	🟡	✘	✔	N/A
SMID Value Fund	🟢	✔	✔	N/A
SMID Passive Fund	🟢	✔	N/A	N/A
International Equity Fund	🟡	✔	✘	N/A
International Passive Fund	🟢	✔	N/A	N/A
Global Equity Fund	🟢	✔	✔	N/A
Inflation Sensitive Fund	N/A	N/A	N/A	N/A
Fixed Income Fund	🟢	✔	✔	N/A
Fixed Income Passive Fund	N/A	N/A	N/A	N/A
Stable Value Fund	🟢	✔	✔	N/A

Business Management Score

As part of Mercer's overall rating analysis for a strategy, our investment researchers review the strategy based on four specific factors: idea generation, portfolio construction, implementation, and business management. Mercer's rating for the business management factor reflects how well we think the business and the people who work in it are managed. The core belief here is that well-managed firms are more likely to maintain and enhance the competitiveness of their investment strategies over time than poorly-managed firms.

Manager	Business Management Factor Score (-, =, + or ++)	Business Management Factor Score Comments	Overall Strategy Rating
Arrowstreet	+	The founding partners hold the majority interest in this employee-owned firm, but we expect the ownership to gradually broaden over time as new partners are named. Partners focus on investment management while outsourcing non-value-added operational activities. In the last few years, Arrowstreet has experienced notable asset growth, and to date we find the firm has managed that growth effectively.	A
Baillie Gifford	++	The partnership structure has almost certainly contributed to the stability across the firm. We do not anticipate any corporate activity with this firm. Baillie Gifford has consistently demonstrated the ability to attract and retain quality staff. By growing steadily over the years, it has been able to give opportunities to up and coming staff members. Many join as graduates, advancing through to senior positions.	A
BlackRock (Equity)	+	BlackRock, through its predecessor BGI, has a good historical track-record in passive investment. The investment team is large and experienced, and the size and scale of the firm allows for continuous development and refinement of the portfolio construction systems that provide minimal tracking error to the benchmark. In addition, the firm appears to be focused on minimizing costs and managing portfolios efficiently.	Preferred Provider
Wellington	+	Wellington is one of the largest privately owned investment management firms in the industry, managed by over 100 partners. We believe that the firm is well-managed, that the partnership structure supports the larger organization, all of which helps to retain top tier investment talent. We note that the firm has grown considerably in recent years, and it may become more challenging to focus on client service and high performance standards. We hope the firm's continued growth will not stifle its unique culture.	Quality Value: N Opportunistic Growth: A Global Opportunities: B+

Business Management Score

Manager	Business Management Factor Score (-, =, + or ++)	Business Management Factor Score Comments	Overall Strategy Rating
BlackRock (Fixed Income)	=	BlackRock's senior management team has built a strong reputation with institutional investors and the firm has developed and attracted a top-notch talent base. BlackRock's track record of successful integrations appears to have benefited the integration process with BGI, though the size of this integration and the turnover of senior fixed income professionals following the merger makes this an area of marginal, continued concern.	N
Brown Advisory	+	There is a high degree of ownership by employees in Brown. Equity is broadly distributed with no ownership concentration among management or investment professionals. We believe this has contributed to a relatively low degree of turnover among investment professionals. Moreover, strategies benefit from the firm's compensation structure. Analysts are rewarded on the overall success of the firm and the performance of its investment strategies.	R
EARNEST	+	The firm is 100% employee owned and has expressed a continued interest to allow others to purchase an equity stake when appropriate; although this has been slow in development. Presently, ownership is concentrated in a limited number of partners with CEO Viera owning approximately 60% of the firm. The firm has no corporate indebtedness. The investment team has remained stable and continues to expand. The firm's compensation structure, while subjective, appears to be properly aligned with client interests and includes a deferred component. EARNEST's investment professionals are personally invested in the firm's US equity strategies.	B+
Galliard	+	Galliard operates as an autonomous, wholly owned subsidiary. The managing partners, who have been with the firm since its founding, are responsible for the firm culture and investment philosophy. Staff turnover has been historically low and is not a major concern going forward.	N

Business Management Score

Manager	Business Management Factor Score (-, =, + or ++)	Business Management Factor Score Comments	Overall Strategy Rating
Hotchkis & Wiley	+	HWCM has benefitted from a stable investment team throughout its history and has demonstrated a consistent commitment to bolster its resources in terms of investment personnel and infrastructure improvements despite the vagaries of the investment markets. The current decision-makers represent the firm's second generation of management, which has worked together since the early 1990s. Team members are highly motivated to succeed, and nearly all have equity in the firm. In addition, HWCM has a focus on only offering strategies that will maximize value for the firm's clients rather than the firm itself. As a result, we believe the business is strongly aligned with investors.	B+ (T)
JPMorgan (Columbus)	+	The Columbus-based fixed income team has been able to keep its investment management team wholly separate and intact from its New York team. Also, despite mergers and changes to the reporting hierarchy over the last decade, the firm has retained key personnel affiliated with the Multi-Sector and Mortgage strategies.	A
Mondrian	++	Existing and retired employees now own 100% of the business, having bought out Hellman & Friedman's 27% private equity stake in July 2011. This completes the road to full ownership which they have been on for some time. We have discussed this in detail with Mondrian and are comfortable with the transaction, the reasons behind it and financing of it. Mondrian has made significant headway in paying down the debt that they took on to finance this transaction. They have an impressive record of staff retention which we expect to continue. We feel assured that their interests are reasonably aligned with their clients'.	B+

Business Management Score

Manager	Business Management Factor Score (-, =, + or ++)	Business Management Factor Score Comments	Overall Strategy Rating
Neuberger Berman	+	In December 2008, following the bankruptcy of Lehman, a group of senior investment and management professionals agreed to acquire a majority interest in Lehman's Investment Management Division. We viewed this as a positive development for investors in Neuberger Berman and Lehman Brothers funds as the alignment of interests and the longer-term direction of the business was made more stable and clear. Since then, the firm has demonstrated its ability to operate as a stand alone entity while retaining talent within the firm and is moving toward 100% employee ownership over the next three years. The firm remains in a strong financial position with revenues from approximately $214 billion in assets under management. Neuberger's compensation scheme includes a deferred element of up to 25% that, for the Disciplined Large Cap Growth investment team, is invested in either Neuberger shares or this strategy.	B+
PIMCO	+	PIMCO is one of the largest, deepest, and best known fixed income managers, and the firm's brand name continues to be one of its greatest assets for attracting clients and investment professionals. The firm understands that its market-leading position is not indefinitely secured and offers clients a wealth of resources (monthly investment commentaries from senior investors, market research and white papers, a multitude of client service personnel) to complement and enhance investment management product. Despite PIMCO's stature in the industry, the culture of the firm is ultra-competitive. Intensity and professionalism permeate the investment team as well as non-investment functions at PIMCO. This can lead to periodic bouts of turnover, but is considered to be a net positive. PIMCO's unwillingness to provide capacity guidance for various products, however, leads to our belief that the firm is too focused on its own asset goals.	Total Return Full Authority: A Inflation Response Multi-Asset: B+

Business Management Score

Manager	Business Management Factor Score (-, =, + or ++)	Business Management Factor Score Comments	Overall Strategy Rating
Robeco	+	RIM allows each of the firms it owns to operate independently, yet shows a strong commitment to the success of each product. In turn, RIM has an operating agreement with Robeco in force until July 1, 2018, which ensures RIM's autonomy in all investment and operations related matters. RIM had experienced turnover within its analyst ranks, but the firm created a phantom equity plan for its analysts. In addition, RIM undertook a full review of its total compensation program to ensure it is competitive with its peers. These steps should help RIM attract and retain top investment talent.	A
Sands	+	Sands is 100% employee-owned and focused on large cap growth investing. In 2005, the firm reorganized into a LLC which enabled it to distribute equity to its employees. All investment professionals have equity ownership and the team has remained stable. Overall, we have a favorable view of its business management. However, the firm is highly reliant on the success of a single product. The firm introduced a global strategy which leverages the team's strength in growth investing and helps to diversify some of the firm's product risk.	A (T)
TimesSquare	+	The core of the investment team has a seasoned tenure together and is cohesive. The firm is stable and meticulous in its growth with clients' interests aligned with the firm's.	A
WEDGE	+	WEDGE is an independently owned partnership that continues to recycle ownership to its key employees and conservatively manage its business. The firm is financially stable and debt free. The eight current partners have crafted a meritocracy culture in which individuals are motivated by well-aligned compensation incentives that contribute to team stability and the firm's ability to attract talent. Furthermore, the firm is committed to ensuring adequate resources are in place to manage its existing strategies as well as deliberately introduce new equity strategies.	A

Manager Fee Review

2013 Year End Review	Fee Rank	Performance Rank
Sands Capital	3rd Quartile	1st Quartile
Wellington	1st Quartile	1st Quartile
Neuberger Berman	1st Quartile	1st Quartile
Hotchkis & Wiley	3rd Quartile	2nd Quartile
Wellington	1st Quartile	2nd Quartile
Robeco	1st Quartile	1st Quartile
Timesquare	4th Quartile	1st Quartile
Brown	1st Quartile	1st Quartile
Hotchkis & Wiley	2nd Quartile	1st Quartile
Wedge Capital	3rd Quartile	2nd Quartile
Earnest Partners	1st Quartile	1st Quartile
Bailie Gifford	1st Quartile	1st Quartile
Mondrian	1st Quartile	1st Quartile
Wellington	2nd Quartile	1st Quartile
Arrowstreet	3rd Quartile	1st Quartile
JP Morgan	1st Quartile	1st Quartile
PIMCO	2nd Quartile	1st Quartile

1st quartile is the best and 4th quartile is the worst

Fund Fee Review

2013 Year End Review	Fee Rank	Performance Rank
Large Cap Growth Fund	1st Quartile	1st Quartile
Large Cap Value Fund	1st Quartile	3rd Quartile
SMID Growth Fund	2nd Quartile	2nd Quartile
SMID Value Fund	1st Quartile	1st Quartile
International Equity Fund	1st Quartile	Median
Global Equity Fund	1st Quartile	Median
Fixed Income Fund	1st Quartile	Median

1st quartile is the best and 4th quartile is the worst

Stable Value Review
Fees

- The North Carolina Stable Value Fund's weighted average wrap fee is currently 0.16%; according to providers surveyed by Mercer, fees for new wrap contracts typically range from 0.20% to 0.25%, with the median averaging 0.21%.

Plan	Stable Value Assets	Stable Value Manager	Total Expense Ratio
North Carolina	$2.0 billion	Galliard	0.34%
Maryland	$0.8 billion	Deutsche Asset & Wealth Management	0.50%
MTA	$1.7 billion	Galliard	0.31%
New York City	$4.8 billion	7 managers	0.30%
City of Los Angeles	$0.9 billion[1]	Galliard	0.28%[2]
LA County	$3.8 billion	Invesco	0.32%
State of Kentucky	$0.7 billion	Invesco	0.36%

Data was primarily gathered from websites for each Plan. Asset amounts cited are approximations as of 9/30/2013 unless otherwise noted.

[1] As of 6/30/2013.
[2] 0.28% expense ratio reflects investment management fees only and does not include wrap fees.

Underlying Investment Management Fees
Intermediate and Short Duration Universe Comparison

Prudential*	
Account Size ($MM)	$557
Fee (bps)	6.0
Percent Rank	1st Quartile
Upper Quartile:	25.5
Median:	20.9
Lower Quartile:	16.8
Number of Vehicles:	113

PIMCO	
Account Size ($MM)	$327
Fee (bps)	23.0
Percent Rank	3rd Quartile
Upper Quartile:	26.0
Median:	22.3
Lower Quartile:	18.2
Number of Vehicles:	115

Great West Life*	
Account Size ($MM)	$526
Fee (bps)	5.0
Percent Rank	1st Quartile
Upper Quartile:	25.6
Median:	21.0
Lower Quartile:	16.9
Number of Vehicles:	113

Payden & Rygel	
Account Size ($MM)	$334
Fee (bps)	14.0
Percent Rank	2nd Quartile
Upper Quartile:	20.7
Median:	16.3
Lower Quartile:	12.8
Number of Vehicles:	136

Galliard	
Account Size ($MM)	$270
Fee (bps)	7.3
Percent Rank	1st Quartile
Upper Quartile:	20.9
Median:	17.0
Lower Quartile:	13.6
Number of Vehicles:	135

- All underlying investment management fees are significantly below or in-line with the peer group median.

* These managers offer provide wrap coverage for the portfolio. Prudential wraps 39.2% at 17bps and Great West wraps 22.9% at 15bps.

Disclaimer

Disclaimer
Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualized investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Mercer universes: Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

The value of your investments can go down as well as up, and you may not get back the amount you have invested. Investments denominated in a foreign currency will fluctuate with the value of the currency. Certain investments, such as securities issued by small capitalization, foreign and emerging market issuers, real property, and illiquid, leveraged or high-yield funds, carry additional risks that should be considered before choosing an investment manager or making an investment decision.

Returns for periods greater than one year are annualized. Returns are calculated net of investment management fees, unless noted as gross of fees.

Style analysis graph time periods may differ reflecting the length of performance history available.

THE FOLLOWING PROVISIONS APPLY TO DATA OR OTHER SERVICES PROVIDED BY THE FOLLOWING COMPANIES: Where "End User" appears before the Vendor name, a direct end-user license with the Vendor is required to receive some indices. You are responsible for ensuring you have in place all such licenses as are required by Vendors.

BARCLAYS: © Barclays Bank PLC 2013. This data is provided by Barclays Bank PLC. Barclays Bank PLC and its affiliated companies accept no liability for the accuracy, timeliness or completeness of such data which is provided "as is." All warranties in relation to such data are hereby extended to the fullest extent permitted under applicable law.

BARCLAYS CAPITAL: The Barclays Indices are a proprietary product of Barclays. Barclays shall maintain exclusive ownership of and rights to the Barclays Indices and that inclusion of the Barclays Indices in this Service shall not be construed to vest in the subscriber any rights with respect to the Indices. The subscriber agrees that it will not remove any copyright notice or other notification or trade name or marks of Barclays that may appear in the Barclays Indices and that any reproduction and/or distribution of the Barclays Indices (if authorized) shall contain such notices and/or marks.

BLOOMBERG L.P.: © 2013 Bloomberg L.P. All rights reserved. BLOOMBERG, BLOOMBERG PROFESSIONAL, BLOOMBERG FINANCIAL MARKETS, BLOOMBERG NEWS, BLOOMBERG TRADEMARK, BLOOMBERG BONDTRADER, AND BLOOMBERG TELEVISION are trademarks and service marks of Bloomberg L.P. a Delaware Limited Partnership.

Disclaimer
Important Notices

Disclaimer
Important Notices

LIPPER: Performance data was supplied by Lipper, A Thomson Reuters Company, subject to the following: Copyright 2013 © Thomson Reuters. All rights reserved. Any copying, republication or redistribution of Lipper Information, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper. Lipper shall not be liable for any errors or delays in the Information, or for any actions taken in reliance thereon. Lipper performance data is total return, and is preliminary and subject to revision. The data contained herein has been obtained from company reports, financial reporting services, periodicals, and other resources believed to be reasonable. Although carefully verified, data on compilations is not guaranteed by Lipper Inc. - A Reuters Company and may be incomplete. No offer or solicitations to buy or sell any of the securities herein is being made by Lipper. Portions of the information contained in this report was derived by Mercer using Content supplied by Lipper, A Thomson Reuters Company.

***MERRILL LYNCH:** The Merrill Lynch Indices are used with permission. Copyright 2013, Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. The Merrill Lynch Indices may not be copied, used, or distributed without Merrill Lynch's prior written approval.*

This Product is not sponsored, endorsed, sold or promoted by Merrill Lynch. Merrill Lynch makes no guarantees, representations or warranties of any kind, express or implied, to any person, including, without limitation, any member of the public regarding the use of the Indices in the Product, the advisability of investing in securities generally or of the ability of the Index to track any market performance. Merrill Lynch's only relationship to Mellon Analytical Solutions or any other person or entity in respect to this Product is limited to the licensing of the Merrill Lynch Indices, which are determined, composed, and calculated by Merrill Lynch without regard to Mellon Analytical Solutions or this Product. Merrill Lynch retains exclusive ownership of the Indices and the programs and trademarks used in connection with the Indices. Merrill Lynch has no obligation to take the needs of Mellon Analytical Solutions or the purchasers, investors or participants in the Product into consideration in determining, composing or calculating the Indices, nor shall Merrill Lynch have any obligation to continue to calculate or provide the Indices in the future. Merrill Lynch may, in its absolute discretion and without prior notice, revise or terminate the Indices at any time. IN NO EVENT SHALL MERRILL LYNCH OR ANY OF ITS PARTNERS, AFFILIATES, EMPLOYEES, OFFICERS, DIRECTORS OR AGENTS HAVE ANY LIABILITY TO ANY PERSON OR ENTITY FOR ANY INDIRECT, PUNITIVE, SPECIAL, OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFITS.

MOODY'S INVESTORS SERVICE: Moody's © Copyright 2013, Moody's Investors Service, Inc. ("Moody's"). Moody's ratings ("Ratings") are proprietary to Moody's or its affiliates and are protected by copyright and other intellectual property laws. Ratings are licensed to Distributor by Moody's. RATINGS MAY NOT BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. Moody's® is a registered trademark of Moody's Investors Service, Inc.

MSCI®: Portions of this report are copyright MSCI 2013. Unpublished. All Rights Reserved. This information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used to create any financial instruments or products or any indices. This information is provided on an "as is" basis and the user of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information makes any express or implied warranties or representations with respect to such information or the results to be obtained by the use thereof, and MSCI, its affiliates and each such other person hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated, the possibility of such damages. MSCI is a registered trademark of MSCI, Inc.

NAREIT: NAREIT® is the exclusive registered mark of the National Association of Real Estate Investment Trusts.

NCREIF: All NCREIF Data - Copyright by the National Council of Real Estate Investment Fiduciaries. This information is proprietary and may not be reported in whole or in part without written permission.

STANDARD & POOR'S: Standard & Poor's information contained in this document is subject to change without notice. Standard & Poor's cannot guarantee the accuracy, adequacy or completeness of the information and is not responsible for any errors or omissions or for results obtained from use of such information. Standard & Poor's makes no warranties or merchantability or fitness for a particular purpose. In no event shall Standard & Poor's be liable for direct, indirect or incidental, special or consequential damages from the information here regardless or whether such damages were foreseen or unforeseen.

WILSHIRE ASSOCIATES: Copyright © 2013 Wilshire Associates Incorporated.

Services provided by Mercer Investment Consulting, Inc.