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North Carolina
Supplemental Retirement Plans

Performance Evaluation Report

Second Quarter 2017

Services provided by Mercer Investment Consulting LLC

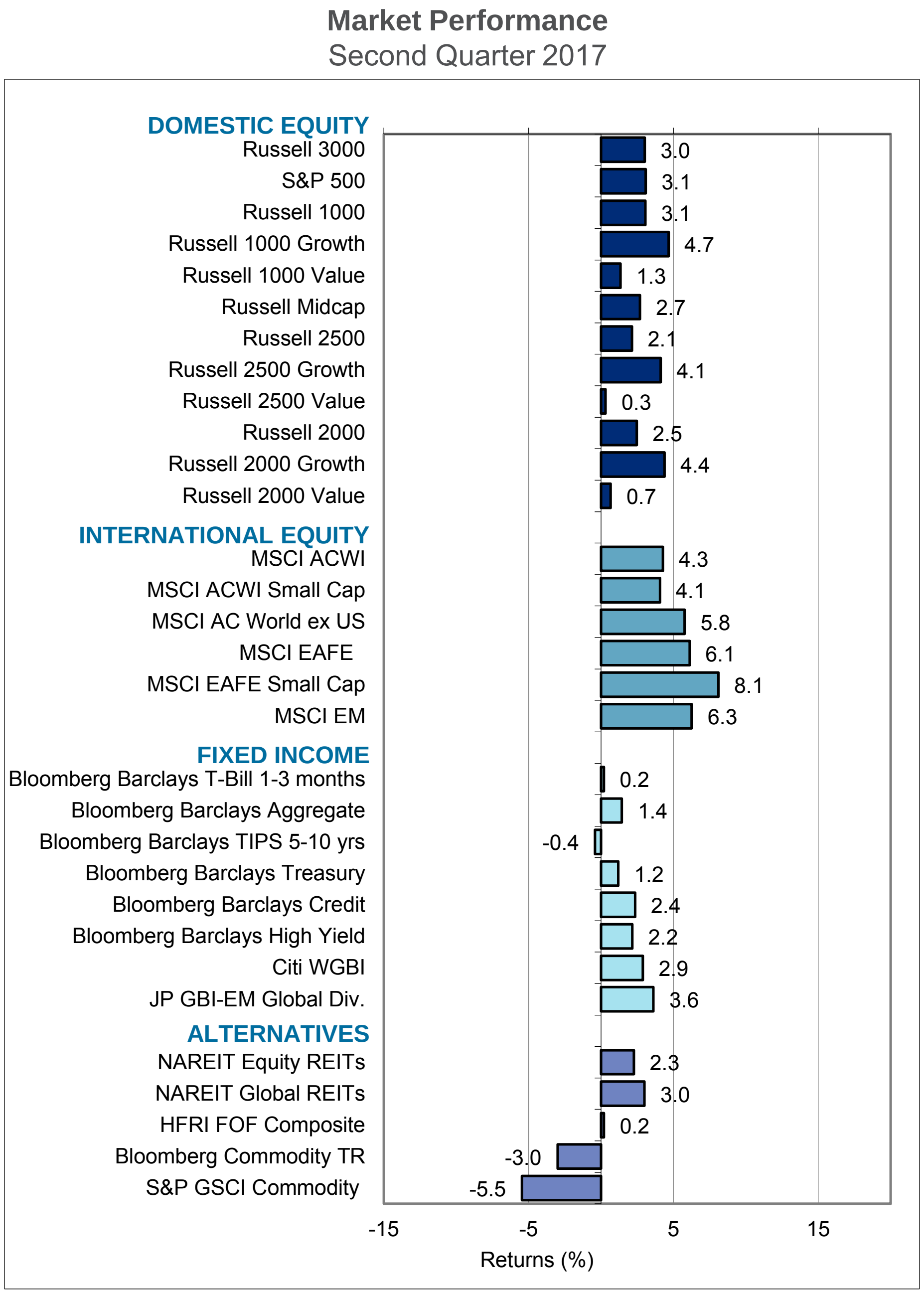
MARSH & McLENNAN COMPANIES

Table of Contents

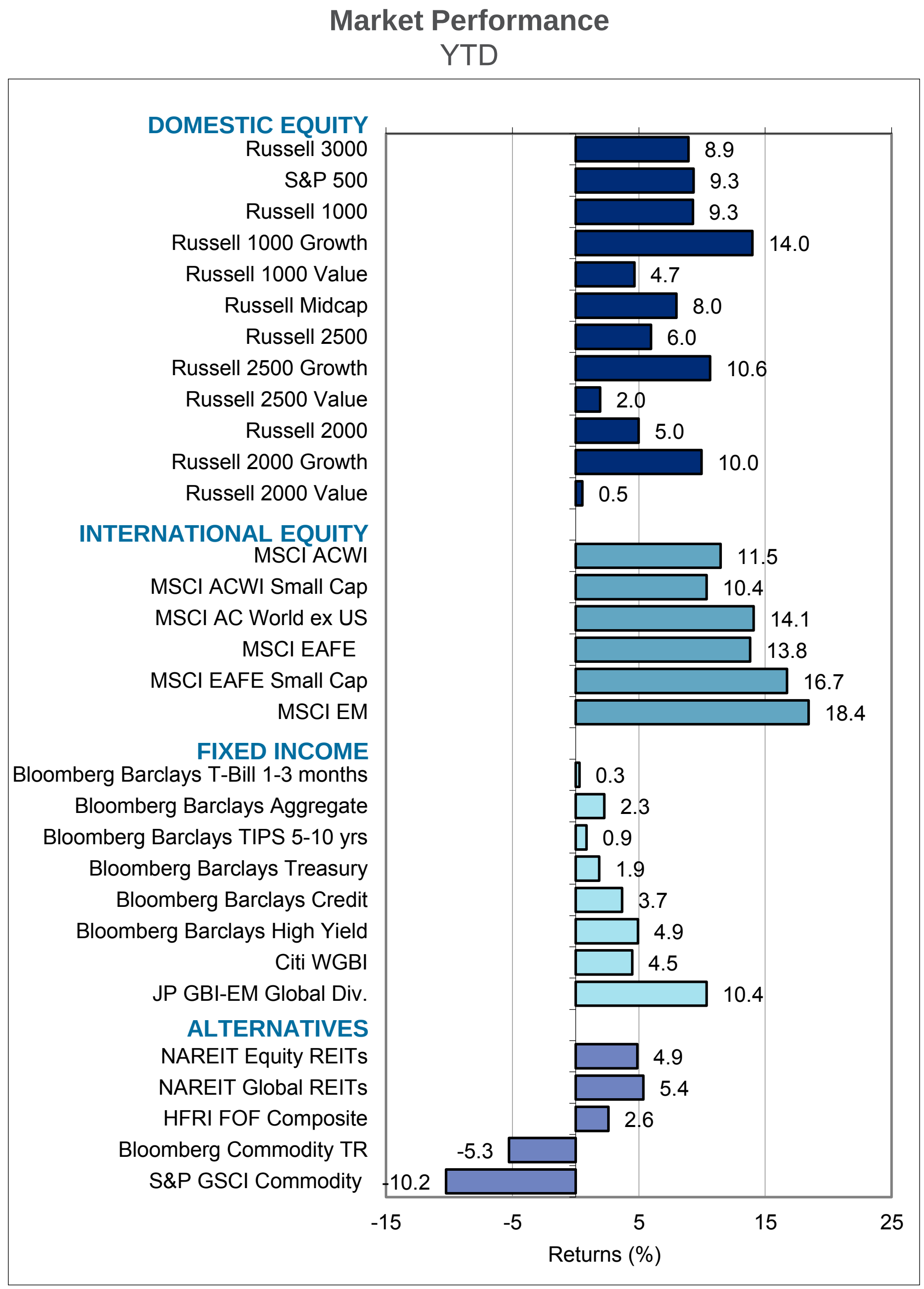
Capital Markets Commentary

Performance Summary

Quarter in Review



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

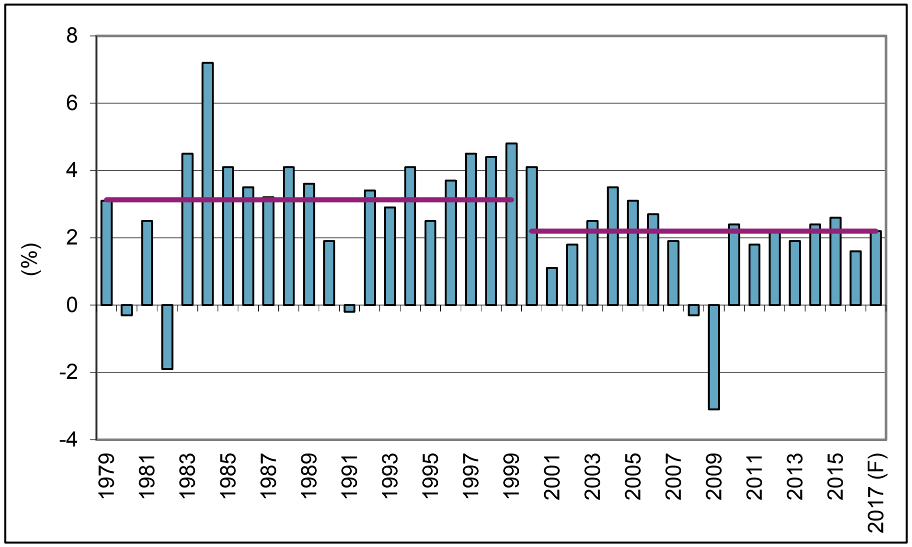


Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

Macro Environment

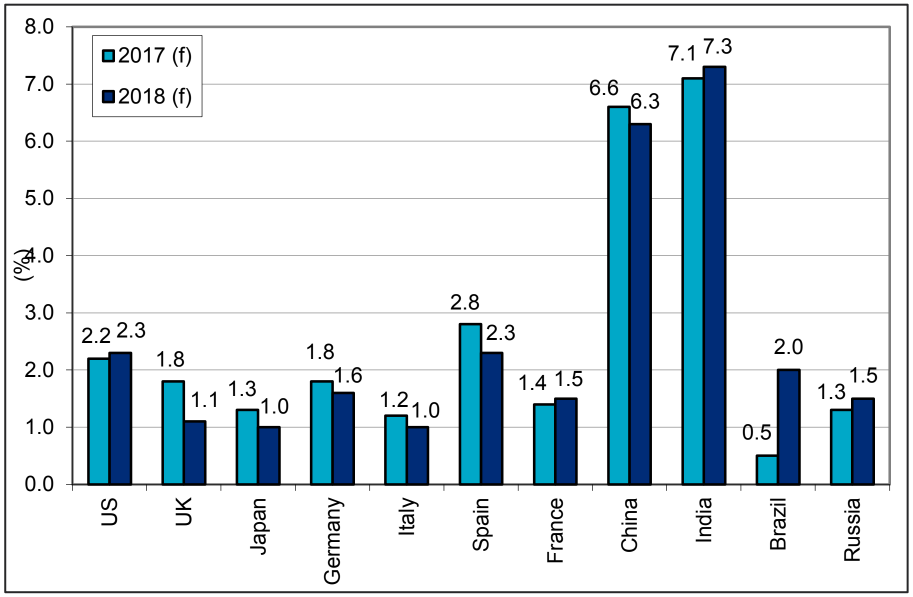
Economic Review

Annual GDP Growth



Source: Bureau of Economic Analysis

World Economic Growth
(Forecasts as of June 2017)



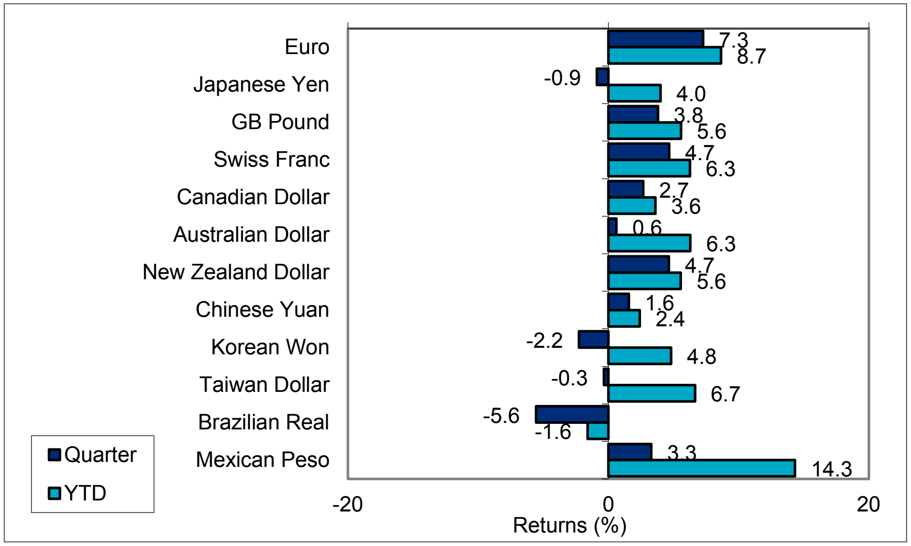
Source: Bloomberg

- We expect moderate global economic growth over the intermediate term, driven by reduced political risk in Europe and structural reforms within emerging markets. The IMF expects global growth to increase from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018.
- The US economy grew at an annualized pace of 1.4% during the first quarter. Rising household income and a recent pickup in private investment spending should support growth into 2018. The US economy added an average of 194k jobs per month in the second quarter, up from the 166k pace during the first quarter. The unemployment rate reached 4.4%, down from 4.7% at the end of 2016. With the economy near full employment, it will be difficult to maintain this pace of jobs gains. Over the past year, average hourly earnings have risen by a moderate 2.5%. Economists forecast US GDP growth of 2.2% in 2017 and 2.3% in 2018.
- Eurozone GDP grew by 1.7%, year-over-year, during Q1. Political risks seem to have diminished somewhat in the region, as French elections produced a strong mandate for a pro-Eurozone and reform minded president, while the risk of a snap election in Italy declined. However, in the UK, the Conservative Party lost its majority following the general election, which has added to the uncertainty surrounding Brexit.
- In Japan, strong corporate earnings, coupled with modestly positive economic data, supported investor sentiment. The Bank of Japan (BOJ) maintained the benchmark interest rate at -0.10% at its April meeting, while labor market data continued to remain strong.
- The outlook for emerging markets remains positive, although the fall in commodity prices and political turbulence have modestly increased downside risks. Emerging market currencies generally appreciated versus the dollar, providing a tailwind during a strong second quarter.

Macro Environment

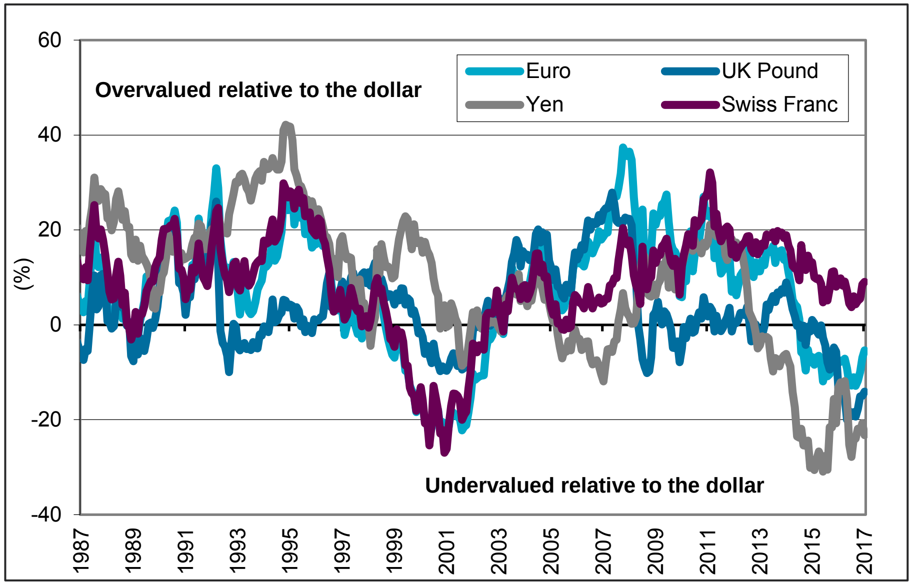
Currencies

Performance of Foreign Currencies versus the US Dollar



Source: Bloomberg

Currency Valuation versus US Dollar
(Based on Relative PPP)

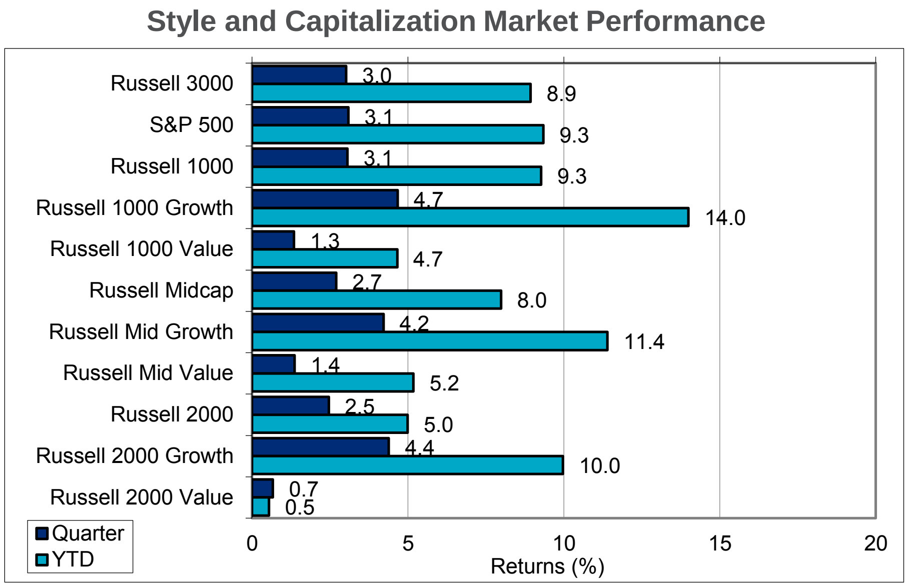


Source: Bloomberg

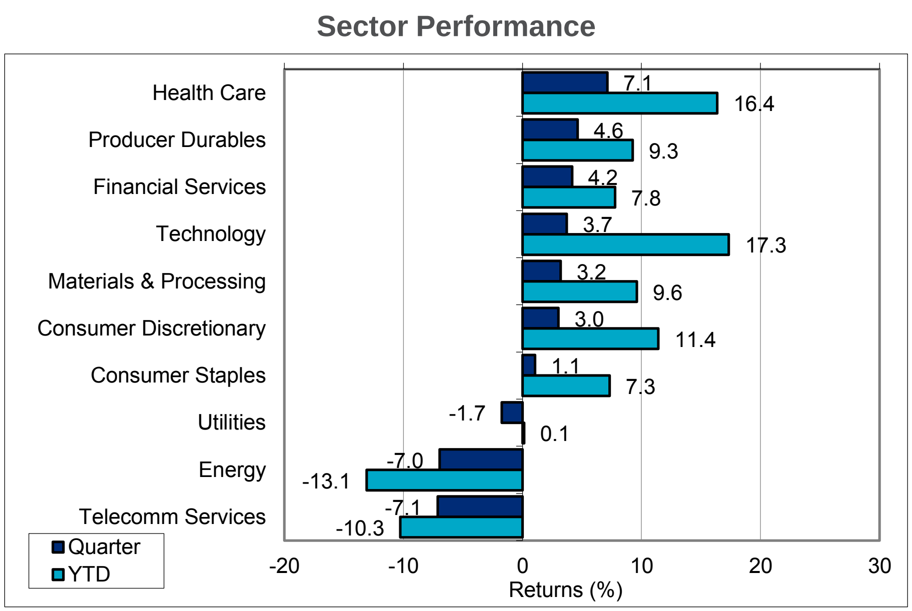
- The dollar weakened significantly during the second quarter, with the Dollar Index (DXY) falling by 4.7%. Weaker US economic data early in the quarter relative to other regions, along with reduced prospects for fiscal stimulus, contributed to the dollar's slide.
- The euro surged against the dollar, gaining 7.3% during the quarter, benefiting from an improving growth outlook, receding political risks and the potential for tighter ECB monetary policy. The euro's gains during the first half of 2017 have reversed its losses during the second half of 2016. Over the past year, the euro has gained 0.5% versus the dollar.
- The Japanese yen declined 0.9% during the quarter. The Japanese economy showed signs of recovery, but sentiment weakened after a downward revision to first quarter GDP. The BOJ's dovish tone in comments regarding its ultra-accommodative monetary policy kept the yen subdued.
- Most emerging market currencies gained value against the dollar during the quarter. Strengthening domestic conditions led to significant foreign inflows, helping to sustain the 2017 rally. The primary exception was the Brazilian real, which fell by 5.6% amid a new round of corruption scandals.
- The Mexican peso continued to recover from the steep declines seen last year, gaining 3.3% during the quarter, as President Trump has moderated some of his statements regarding protectionist policies.
- Relatively high US yields could help push the dollar higher over the short-term. Over the longer term, rich valuations, the current account deficit and relatively high inflation could eventually weigh on the dollar against other major currencies.

Asset Class

US Equities – Style, Sector, Cap Performance



Source: Standard & Poor's, Russell, Bloomberg



Source: Russell 1000 Sectors

Broad Market

- US equities posted strong returns during the second quarter, as the economy continued to grow at a steady pace. However, questions about the sustainability of US corporate earnings and high valuations present downside risks for equity markets.

Market Cap

- **Large Caps:** The S&P 500 returned 3.1% during the second quarter, lifting its year-to-date return to 9.3%.
- **Mid Caps:** The Russell Midcap Index returned 2.7% during the second quarter. The index has returned 8.0% year-to-date, trailing large-caps by over a percentage point.
- **Small Caps:** Small-cap stocks returned 2.5% for the quarter and 5.0% year-to-date, lagging large-caps.

Style

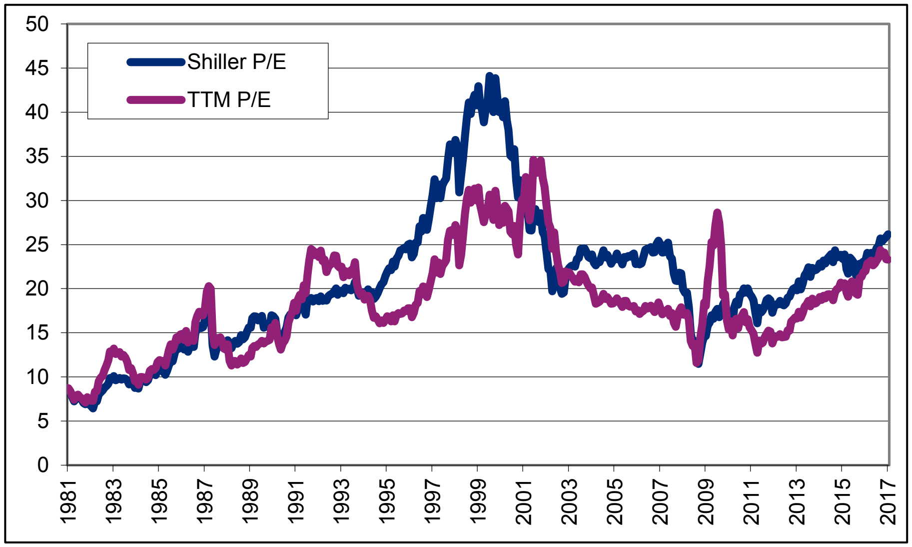
- **Value vs. Growth:** Growth continued to outperform value across the market capitalization spectrum during the second quarter. Large-cap growth stocks have been the best performing style in 2017, with the Russell 1000 Growth index returning 4.7% during the quarter and 14.0% year-to-date.

Sector

- Health care stocks were the best performing sector during the quarter, rising 7.1%. YTD, the technology sector has performed the best, returning 17.3%. A drop in oil prices contributed to a 7.0% decline in energy stocks in Q2. Energy stocks are the worst performing sector YTD, having shed 13.1%.

US Equities – Valuation Review

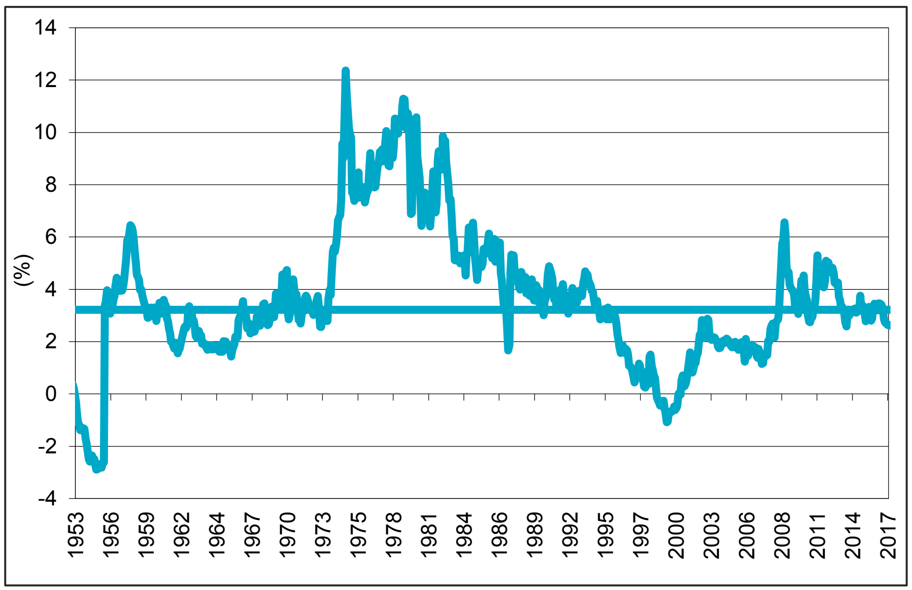
US Equities – P/E Ratio



Source: MSCI, Bloomberg, Mercer

US Equities – Estimated Equity Risk Premium[1]

Versus Long-Term Treasuries

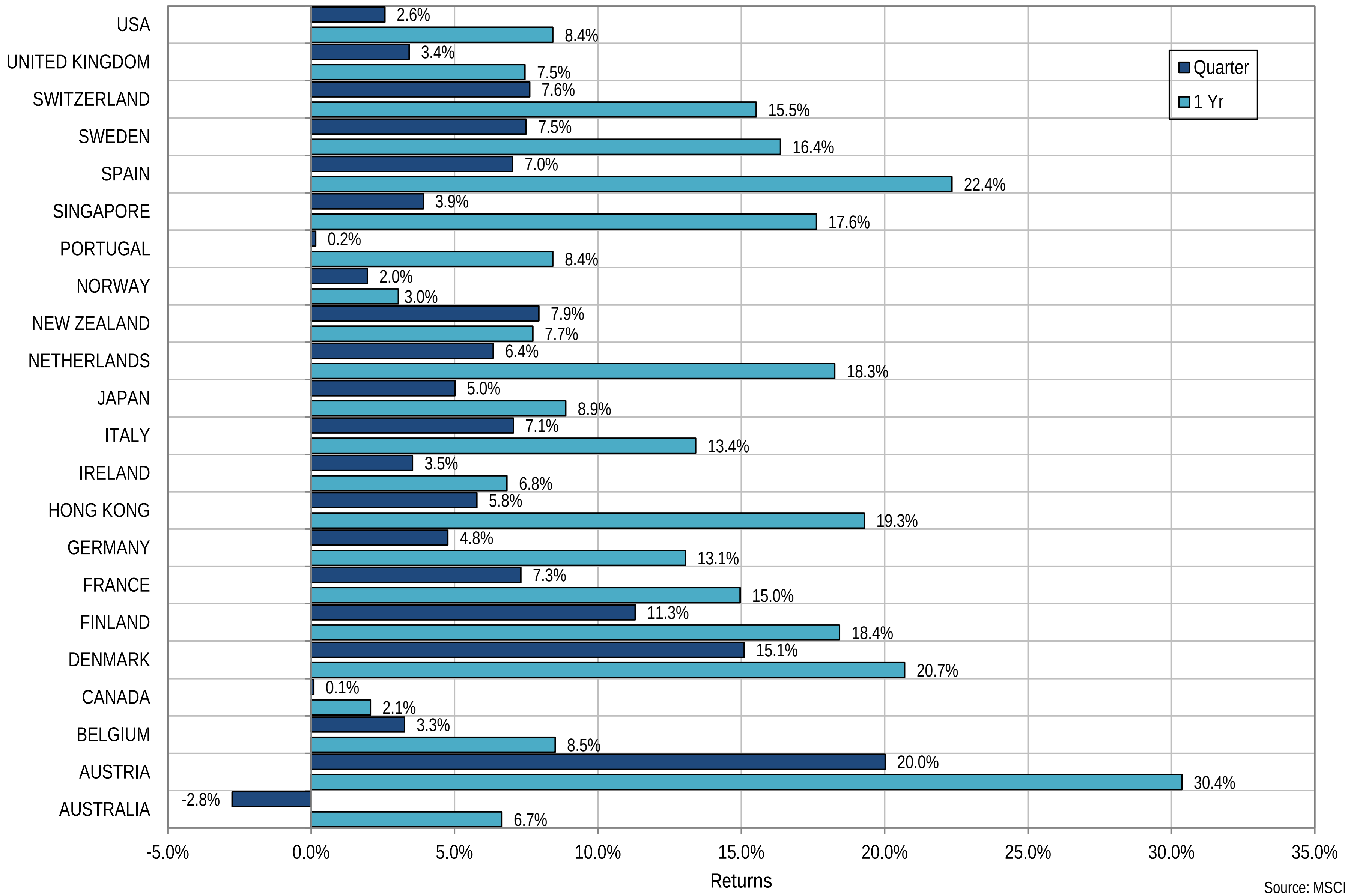


Source: MSCI, Bloomberg, Mercer

- The trailing P/E ratio on the MSCI US index fell slightly from 23.9 to 23.3 during the second quarter, as earnings growth outpaced the rise in stock prices. The cyclically-adjusted P/E based on 10-year average earnings (Shiller's methodology) increased from 25.4 to 26.3, which is well above the long-term median P/E of 19.6.
- The valuation case for equities relative to bonds was mostly unchanged during the second quarter. Our estimate of the prospective equity risk premium on the MSCI US index remained unchanged at 2.6%, as a modest increase in equity valuations was offset by a decline in the long-term real Treasury yield.
- US equity markets advanced on the back of improving global economic data and earnings growth; however, moderate consumer spending and fading prospects for meaningful fiscal stimulus dampen the hopes for economic surprises on the upside.
- The US labor market continues to show strength. The pace of job growth picked up during the second quarter, driving the unemployment rate down to 4.4%, a level that is likely near full employment. At the current pace of jobs gains, labor market conditions could become tight in the coming quarters, increasing pressures on wages. Absent a rebound in productivity growth, this could be a headwind for corporate profits.
- While US equities remain rich on an absolute basis, they are reasonably priced relative to the low yields offered by high-quality bonds.

[1] Definitions:
Shiller's P/E = Current MSCI US 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

Developed Country Performance



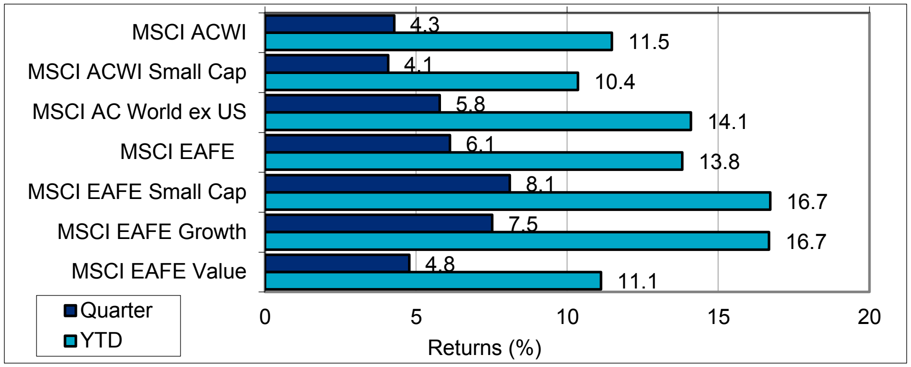
Source: MSCI

Mercer Investment Consulting, Inc.

Asset Class

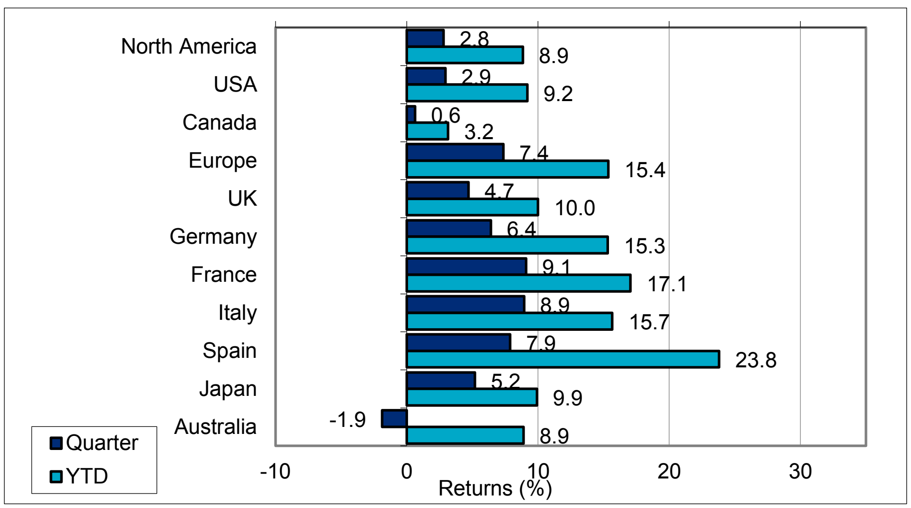
International Equities – Performance Review

Global and International Equity Performance



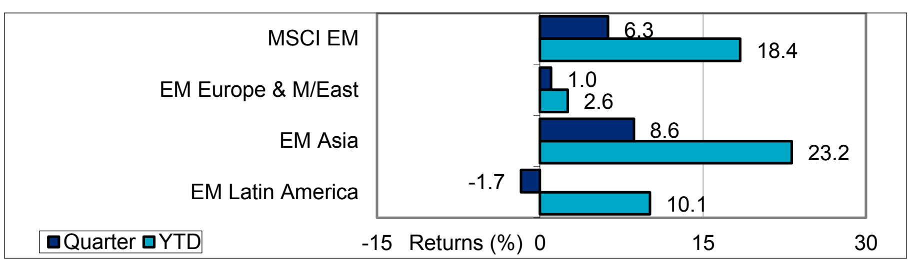
Source: MSCI, Bloomberg

Developed Country Performance



Source: MSCI, Bloomberg

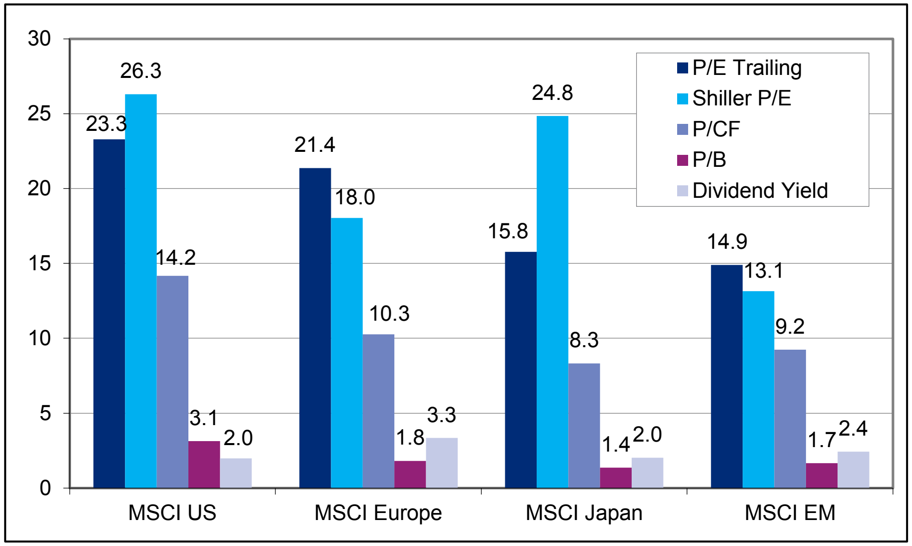
Emerging Market Performance



Source: MSCI, Bloomberg

- **Global equities** posted positive returns during the second quarter, led by returns from non-US stocks, particularly from European markets. The MSCI ACWI index increased 4.3% during the quarter and 11.5% year-to-date.
- **Global small cap equities** increased 4.1%, underperforming global large-cap equities by 20 basis points during the second quarter. Global small caps have underperformed large caps by 110 basis points year-to-date.
- **International developed equities** posted solid gains during the second quarter. In $US terms, the MSCI EAFE index gained 6.1%, bringing its year-to-date return to 13.8%. In local currency terms, the MSCI EAFE index returned 2.7% during the quarter, bringing its year-to-date return to 7.6%. The MSCI Europe index and the MSCI Japan index gained 7.4% and 5.2%, respectively, in $US terms.
- **International small cap equities** showed strong results during the second quarter, returning 8.1% and outperforming international large caps by 2.0 percentage points. Since the beginning of the year, the MSCI EAFE Small Cap index has returned 16.7%, outperforming large caps by 2.9 percentage points.
- **Emerging market stocks** exhibited strong performance, returning 6.3% during the second quarter. Emerging market stocks have returned 18.4% since the beginning of the year. Asia has been the best performing region, returning 8.6% during the quarter and 23.2% year-to-date. European / Middle Eastern emerging markets also posted positive results, returning 1.0% during the quarter and 2.6% since the beginning of 2017. Meanwhile, Latin American emerging markets declined 1.7% during the second quarter, but remain up 10.1% year-to-date.

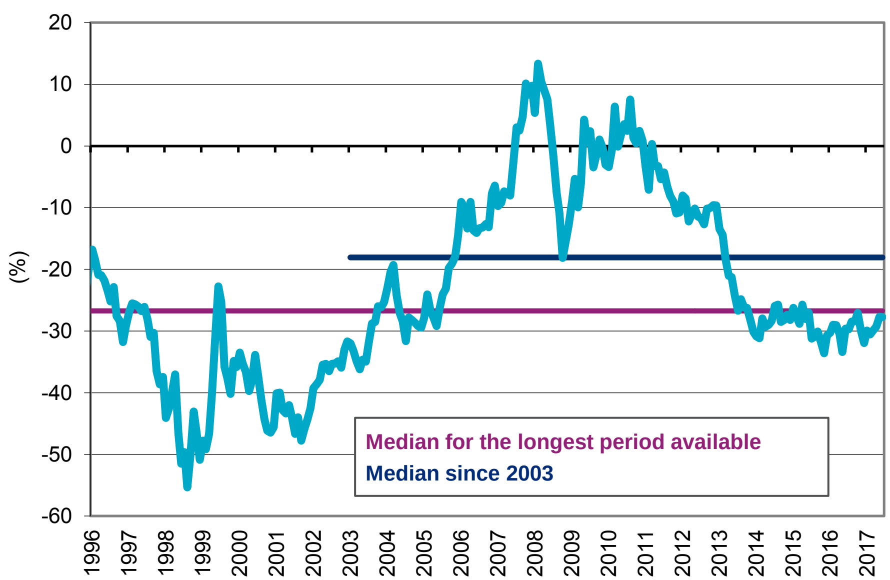
Global Valuations



Source: MSCI, Bloomberg

Valuation of MSCI Emerging Markets to MSCI World

(Based on Average of P/E, P/B and P/CF)

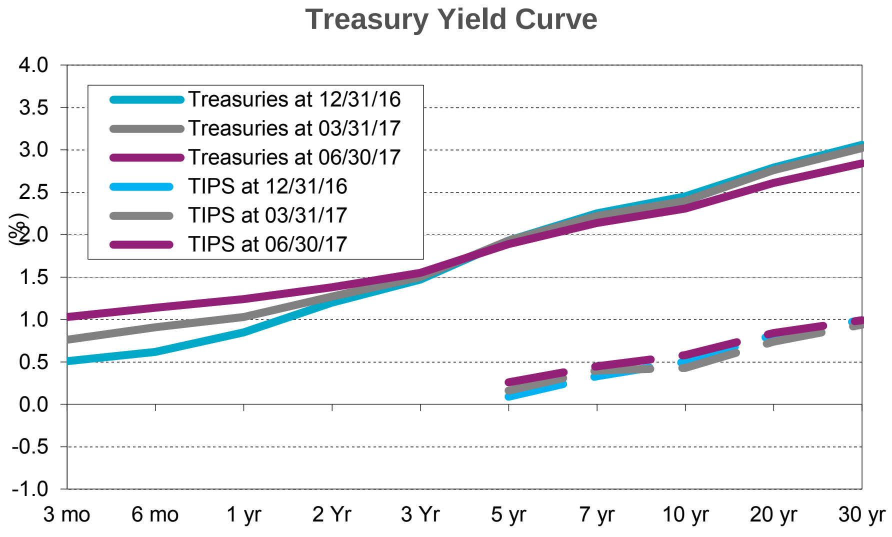


Source: MSCI, Bloomberg

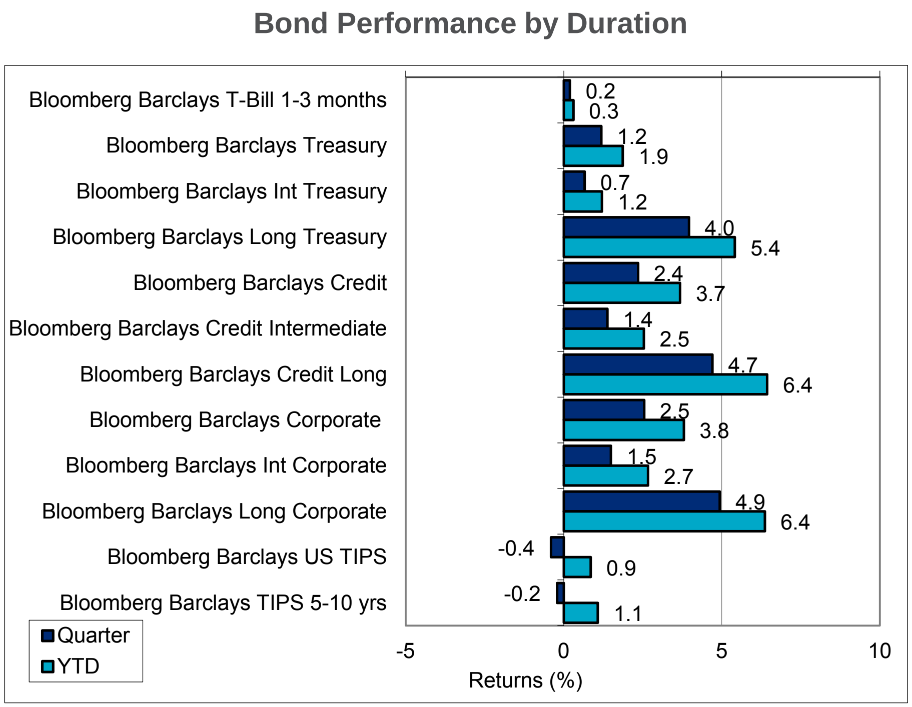
- European equity valuations are expensive by historical standards, trading at 21x trailing earnings. However, valuations look more reasonable on a cyclically-adjusted basis with a P/E of 18.0. European earnings remain strong, and the Eurozone economy continues to show signs of improvement, with falling unemployment and improved consumer confidence. Political risks in Europe have subsided following the French election. However, challenges remain in the UK as Theresa May's Conservative party failed to retain a majority in the general election. This will weaken the UK's negotiating position, and adds to the already high level of uncertainty surrounding Brexit.
- Japanese stocks appear reasonably valued, trading at 16x trailing earnings. The Bank of Japan (BoJ) maintained its highly accommodative monetary policy stance and kept interest rates unchanged. It also raised its economic assessment, with an increase in the forecast for real GDP growth for the 2017-18 fiscal year.
- Emerging market valuations are reasonable with a 14.9 trailing P/E. Based on a mix of valuation measures, emerging market stocks trade at a 28% discount to developed market stocks, in-line with the median since 1996. This gap could narrow if macro conditions remain favorable. Stronger global growth, accelerating exports, better domestic conditions and more supportive monetary and fiscal policies could lead to higher earnings. Risks to the outlook include a continued decline in commodity prices, a rise in protectionism, and continued political turbulence.

Asset Class

Fixed Income – Interest Rates and Yield Curve



Source: Federal Reserve



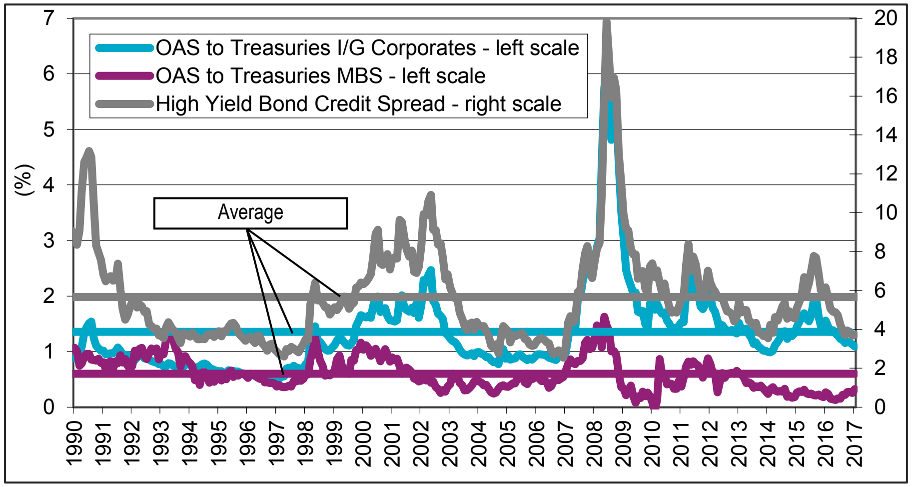
Source: Barclays, Bloomberg

- The US Treasury yield curve flattened during the second quarter. Interest rates increased at the short end of the curve, with yields on 3-month and 1-year Treasuries rising by 27 basis points and 21 basis points, respectively. Rates fell at the long end of the curve, with 10-year and 30-year Treasury yields declining by 9 basis points and 18 basis points, respectively. The changes at the short end of the curve reflected the 25 basis point increase in the Fed Funds rate following the June meeting. The decline in yields at the longer end reflects weaker inflation expectations.
- In its April and June meetings, the ECB kept rates unchanged. As announced in December 2016, the ECB reduced the pace of its monthly asset purchases in April 2017 from 80 billion to 60 billion euros. Meanwhile, the BOJ left monetary policy unchanged in its June meeting, while pledging to keep asset purchases around the current target of 80 trillion yen.
- Monetary policy divergence across regions is likely to continue as the Fed tightens, while the ECB and BOJ continue to ease, fueling prospects of heightened currency volatility.
- **US Bonds** generated positive returns during the second quarter despite the Fed rate hike. The Bloomberg Barclays Aggregate Bond Index rose 1.4% for the quarter and is up 2.3% year-to-date.
- **Long-Duration Bonds** generally outperformed shorter-duration bonds, given the decline in yields at the long end of the curve. The Bloomberg Barclays Long Treasury Index and the Bloomberg Barclays Long Corporate Index increased by 4.0% and 4.9%, respectively, during the quarter.
- **TIPS** declined by 0.4% during the quarter, underperforming Treasuries, reflecting softer inflation expectations. The inflation breakeven on 10-year TIPS decreased by 24 basis points during the quarter to 1.73%. Real yields on TIPS remain positive, with the real yield on 10-year TIPS rising by 15 basis points to 0.58%.

Asset Class

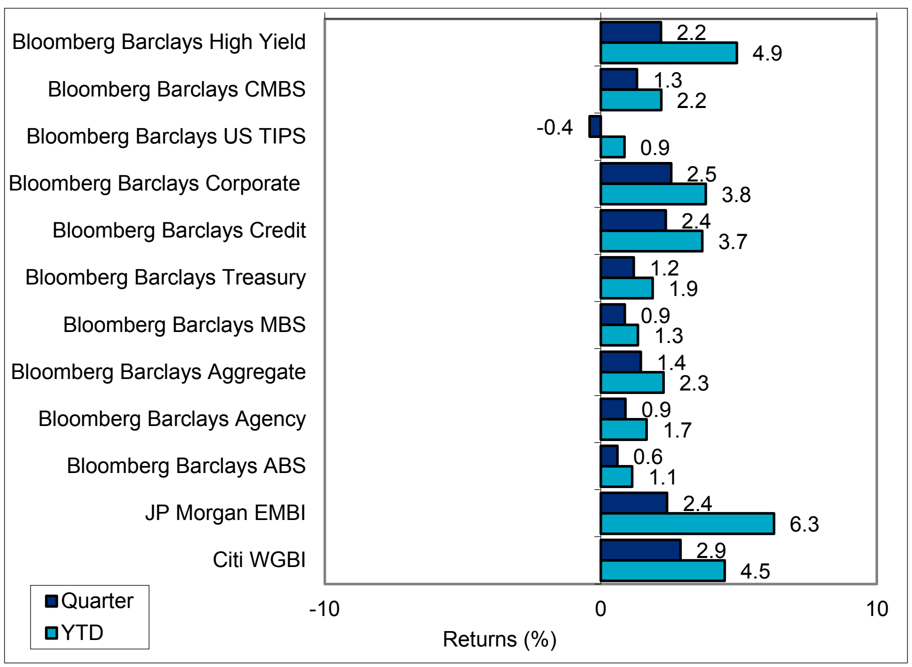
Fixed Income – Credit and Non-US Bonds

Credit Spreads



Source: Barclays

Sector, Credit, and Global Bond Performance



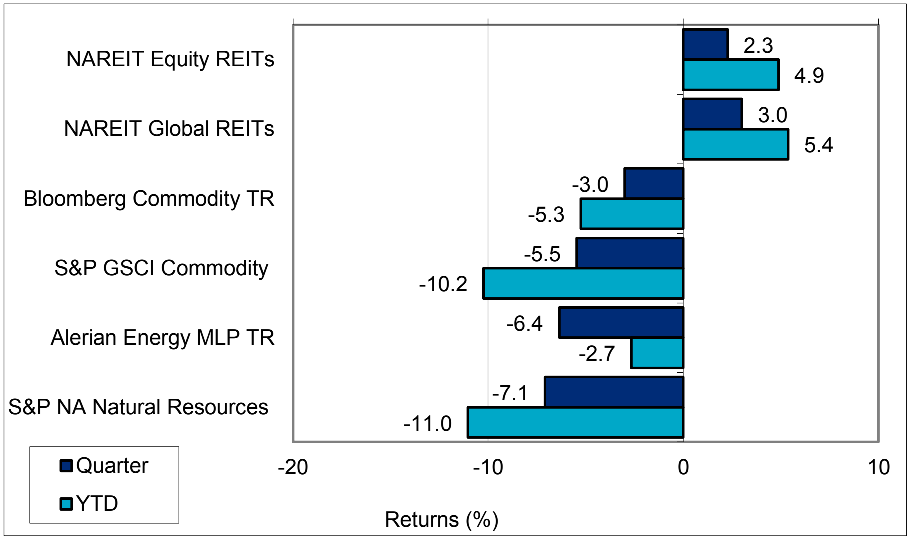
Source: Barclays, Citigroup, JP Morgan, Bloomberg

- The yield on investment-grade corporate bonds declined by 13 basis points during the quarter to 3.2%, and the credit spread to Treasuries fell by 9 basis points to 1.1%.
- The yield on high-yield bonds fell by 22 basis points to 5.8% in the second quarter, while credit spreads declined by 18 basis points to 3.6%. Having fallen by 370 bps since early 2015, the credit spread remains well below the long-term median level of 4.8%. The Bloomberg Barclays High Yield index has outperformed Treasuries by 306 basis points year-to-date.
- **US Treasuries** returned 1.2% during the quarter. The Barclays Treasury index is now up 1.9% year-to-date.
- **US corporate bonds** gained 2.5% during the quarter. Corporate bonds outperformed Treasuries by 136 basis points during the quarter and by 190 basis points since the beginning of the year.
- **US MBS, CMBS and ABS** returned 0.9%, 1.3% and 0.6%, respectively during the quarter. US CMBS has produced the best performance so far in 2017, returning 2.2%.
- **High yield bonds** returned 2.2% during the quarter, as credit spreads continued to fall, lifting the year-to-date return to 4.9%. They have earned an impressive 12.7% over the past year.
- **Global bonds** posted positive results, returning 2.9% during the second quarter. Year-to-date, the Citigroup World Global Bond index returned 4.5%; however, the index remains down 4.1% over the last year.
- **Emerging market debt (local currency)** also saw strong returns, as the index returned 3.6% during the quarter. YTD, local EMD has returned 10.4%.

Asset Class

Alternatives – Performance Review

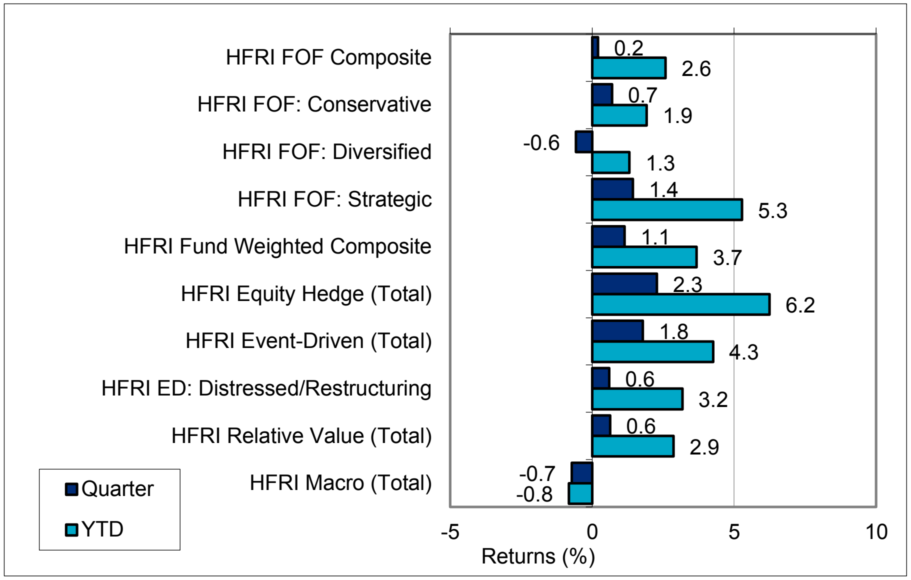
Real Asset Performance



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

- **REITs** posted gains during the second quarter, although they trailed equities. US REITs returned 2.3% during the second quarter, lifting YTD returns to 4.9%. Global REITs returned 3.0% during the quarter and have gained 5.4% YTD.
- **Commodities** generally declined during the second quarter. The price of oil fell, as inventory levels remained high. The Bloomberg Commodity index fell 3.0% during the quarter and is down 5.3% YTD. The energy-heavy S&P GSCI Commodity index declined 5.5% in Q2 and is down 10.2% so far in 2017. The S&P North American Natural Resources Sector index fell 7.1% during the quarter, bringing YTD losses to 11%.

Hedge Fund Performance



Source: HFR

- **Hedge fund of funds** produced muted results during the second quarter, returning 0.2% and 2.6% year-to-date. Returns across most strategies were positive for the quarter. Event-driven strategies continued to perform well, returning 1.8% during the quarter and 4.3% year-to-date. Distressed/restructuring strategies returned 0.6% for the quarter and are up 3.2% year-to-date. The HFRI Equity Hedge index returned 2.3% for the quarter and 6.2% year-to-date. Macro strategies lagged during the second quarter, with the HFRI Macro Index falling 0.7%.

Executive Summary

Fund Changes/ Performance Updates

Domestic equities continued their rise in the second quarter, as a result of strong quarterly earnings and better than expected economic growth. The Russell 3000 Index gained 3.0% and has posted positive results in 17 of the last 18 quarters. Less economically sensitive growth stocks continued to lead the market in the second quarter, particularly those within the health care and information technology sectors. The energy sector continued its downslide during the quarter, as oil prices fell due to a higher inventory. The spread between growth and value oriented securities was significant across all market capitalizations but it was most pronounced in small/mid cap stocks. Year-to-date, growth stocks have outperformed their value counterparts by at least 850 basis points across all market capitalizations. Active management was again strong after a disappointing 2016, with a majority of domestic indices ranking in the bottom half of their respective peer group universes.

International equities gained 5.8% during the quarter and outpaced their domestic counterparts by 280 basis points. International equities benefited from receding political risks, an improved growth outlook and a depreciating U.S. dollar. From a regional perspective, this was the strongest quarterly result for Europe since 2010. The U.S. dollar depreciated against all major currencies during the quarter, with the exception of the Japanese yen, which created a tailwind for US dollar-based investors. Emerging markets continued their rally during the quarter and are now up 18.4% year-to-date. The Asian region was the key driver of performance during the quarter while the Latin American region was a slight detractor, largely driven by the underperformance of Brazil and oil price declines.

Within fixed income, the Treasury yield curve flattened during the second quarter. At the short end of the curve, the Fed raised the target Federal Funds rate, while intermediate and long- term yields slightly declined. Corporate bond outperformed Treasury securities, as investment grade supply slowed while demand remained healthy. Mortgage-related securities trailed corporate bonds, as the Fed announced its strategy for shrinking its $4.5 trillion balance sheet later this year. High yield spreads continued to compress during the quarter and are now well below their long-term median of 4.8%. Emerging market debt was the top performing segment within the fixed income market during the second quarter. Similar to emerging market equities, emerging market debt benefited from currency appreciation and capital inflows.

The State of North Carolina Supplemental Retirement Plan had a strong second quarter, as all active funds posted positive results and outperformed their respective indices. Active managers have performed extremely well year-to-date, as larger capitalization growth oriented equities have come back in favor. Eight of the nine active Funds have outperformed their respective indices and a majority have ranked in the top quartile of their peer group universes. The Large Cap Growth Fund benefited from the strong performance of growth oriented securities and was the top absolute and relative performer during the second quarter. The Fund was largely driven by the strong results of concentrated managers, Sands and Loomis, both of which had overweight positions to the strong performing information technology sector. After a difficult 2016, the Large Cap Growth Fund rebounded to start 2017 and outperformed the Russell 1000 Growth Index by 530 basis points. The International Equity Fund returned 6.4% during the quarter, primarily driven by the strong performance of growth oriented manager, Baillie Gifford. Value focused international equity manager, Mondrian, struggled during the quarter, as their dividend focused investment approach was out of favor during the growth rally. The Global Equity Fund outperformed the MSCI ACWI benchmark by 80 basis points despite the Fund's overweight position to the underperforming US region. The Fixed Income Fund outperformed the Bloomberg Barclays Aggregate benchmark by 40 basis points, driven by the outperformance of Prudential. Spread sectors outperformed Treasury securities during the second quarter, which aided Prudential. Additionally, Prudential's out of benchmark exposure to high yield debt was a contributor, as high yield spreads continued to compress.

Additional Manager Analysis

Baillie Gifford (Manager 2Q Return vs. Benchmark)

Baillie Gifford returned 9.2% which outperformed the benchmark by 320 basis points and ranked in the top decile of its peer group universe. Baillie Gifford utilizes a bottom-up approach, based on fundamental research, with a focus on identifying quality growth stocks that have an identifiable competitive advantage. The strategy seeks stocks that can sustain above average growth in earnings and cash flow. The strategy focuses on a longer-term approach and will generally have lower turnover. Baillie Gifford has a team of regional and global sector research analysts who work with their internal portfolio construction group that takes the best ideas and places them in a holistic international context. During the quarter, international equities outperformed domestic equities, driven by stronger than expected growth and US dollar depreciation. Baillie Gifford's strong second quarter result was somewhat expected given their bias towards growth oriented securities. Growth oriented securities have been in favor to start the year and have significantly outperformed their value counterparts. Baillie Gifford's growth orientation is evident in the strategy's information technology positioning, which is nearly double that of the benchmark. This overweight position to the information technology sector drove relative results during the quarter. Additionally, having no exposure to the weak performing energy sector was beneficial, as oil prices continued to decline. On a security level, Ryanair was the portfolios top contributor, as the company shares rose as a result of increasing passenger numbers and price leadership. Baillie Gifford remains focused on their fundamental bottom-up process but remain cognizant of the macro-environment. Over the trailing-year, the strategy outperformed the benchmark by 530 basis points and ranked in the top quartile of the peer group universe.

Macquarie (Formerly Delaware) Large Cap Value (Manager 2Q Return vs. Benchmark)

Macquarie returned -0.2% which trailed the Russell 1000 Value Index by 150 basis points and ranked in the bottom decile of the peer group universe. The strategy's investment philosophy focuses on human emotion and crowd psychology in stock prices. The team utilizes exhaustive, bottom-up fundamental research to capitalize on discrepancies between their estimate of intrinsic value and current stock prices. The team will typically buy at times of excessive pessimism and will sell at times of undue optimism. The strategy tends to be concentrated, typically holding between 30-35 equal weighted positions and will tend to have a bias towards higher quality companies. During the second quarter, Macquarie struggled as a result of their poor stock selection and overweight position in the energy sector. Oil prices continued their slide in the second quarter and this negatively impacted the energy sector. On a relative basis, Marathon Oil was the worst performing holding during the quarter, as the stock fell by roughly 25%. Macquarie's focus on higher quality companies tends to protect more on the downside and this has been a key headwind in 2017. Growth oriented securities have led the market by a wide margin and we would expect Macquarie's contrarian approach to struggle during this type of market environment. We still have confidence in the team and process and expect them to outperform over a full market cycle.

Manager Updates

Mercer met with **Baillie Gifford** to review their ACWI ex US Alpha strategy. We like the fact that Baillie Gifford has a consistent philosophy across the firm and the firm's research effort is devoted to this, there is no distraction of having to find ideas that meet the needs of different philosophies. The stability of the investment teams at senior level helps preserve the Baillie Gifford culture, notably the focus on the long-term and the apparent collaborative approach. The ACWI ex-US Alpha strategy relies on the generation of ideas from the regional and global sector research analysts, whom we regard highly and who are generally long-term veterans of Baillie Gifford. The Portfolio Construction Group (PCG) takes the best of the ideas from these teams and places them in a holistic international context. We maintained the "A" rating on the strategy as a result of the meeting.

Mercer met with EARNEST Partners at their Atlanta headquarters to review their Small Cap Value strategy. We recommend maintaining the B+ rating for EARNEST Partners' Small Cap Value strategy. The uniqueness of the firm's front-end quantitative screen, the depth and quality of the fundamental analysts, and the attention to risk management are key strengths of the strategy. While the firm employs a deep bench of investment professionals, we feel its team-based structure designed to serve multiple strategies, along with its risk management controls, may inhibit analysts' best ideas from being fully embraced when constructing portfolios.

We were informed by Macquarie Investment Management (MIM) that after a lengthy search process (15 months and 360 original applicants), the Large Cap Value Focus team hired Erin Ksenak as an equity analyst, replacing Anthony Lombardi who left in February 2016. Ksenak has seven years of industry experience and joined most recently from Affinity Investment Advisors where she was a portfolio manager. This news has no immediate impact on our views or "A (T)" rating for the strategy. We are pleased to learn that the Large Cap Value Focus team has completed their search. We are also pleased to observe that Ksenak fits the basic parameters of experience (five to ten years) and perceived cultural fit the team shared with us earlier in the search process. We look forward to meeting Ksenak at our onsite visit later this year.

Jay Jacobs, President and Managing Director of PIMCO, has decided to retire from the firm at the end of September. Jacobs' role as President was to oversee the internal facing aspects of the firm, a role he took on in the wake of the departure of former CEO Mohamed El-Erian in January 2014. He had previously been responsible for Talent Management. While this is a headline departure from the firm, we are comfortable that this will not impact the investment capabilities that we rate. At the same time it must be noted that Jacobs' departure adds to a growing concern that staff at PIMCO may be overcompensated given the observed pattern of senior personnel retiring at a relatively young age. In CEO Manny Roman, we believe PIMCO have an individual experienced at running the business on both investment and operational fronts. The fact that two veteran PIMCO operations personnel are stepping into co-COO roles appears to us to be a sensible move, and should serve to minimize disruption further down the hierarchy. We propose no rating changes on the back of this news.

Mercer met with Sands to discuss their Large Cap Growth strategy. The Select Growth Equity strategy benefits from the skill and leadership of its portfolio managers and the experience and depth of the research analysts. Sands Capital Management (Sands) follows a well-defined process to identify leading growth companies that have staying power to grow faster than the benchmark for a sustained period of time. The thoroughness of their fundamental research is a competitive advantage, as it helps validate the firm's views on the long-term durability of businesses. It also gives Sands the confidence to manage concentrated strategies. Given the strategy's loose constraints and concentrated nature, tracking error can be high at times; thus, a Tracking Error designation (T) is assigned to this strategy's "A" rating. Short-term deviations relative to the benchmark can be quite significant and clients invested in this strategy should be willing to embrace a long-term investment horizon.

Mercer met with TCW to review their Core Plus fixed income strategy. We continue to be impressed with the strength of the investment team and the analytical tools employed by TCW. The team employs a top-down investment process that is opportunistic, with greater emphasis on low absolute return volatility, rather than low tracking error. While recent performance of the associated strategies has been underwhelming, we have not lost our faith in the team's philosophy and process. As a more defensive manager, TCW promises its investors superior draw down protection during economic downturn, and tends to underperform in markets where riskier issues rally. Because 2016 was marked by riskier issues rallying, we did not anticipate TCW's strategies to thrive. As the team continues to anticipate the coming of a debt driven economic recession, it continues to maintain defensive credit positioning across all strategies. However, TCW has positioned itself for this event for some time now, which may continue to lead to underwhelming performance. If such is the case, we will reevaluate our opinions at the appropriate time. We maintained the "A" rating as a result of the meeting.

We were recently informed by TimesSquare Capital Management (TSCM) of their decision to part ways with domestic Energy analyst Matt D'Alto (who joined TSCM in 2011). TSCM currently has no intention of hiring a direct replacement for D'Alto. As a result, oversight for U.S. Energy stocks has been assumed by Small Cap and All Cap co-portfolio manager Ken Duca, who covered the sector for TSCM from 2000 - 2011. Note that in addition to his co-portfolio management responsibilities, Duca also covers the Business Services and Transaction Processing groups. We are not recommending rating changes to TSCM's domestic strategies at this time. In response to this news from TSCM, we held a call with portfolio manager Tony Rosenthal. Although staff turnover often raises questions regarding a firm's cultural health and stability, we believe TSCM's decision to part ways with D'Alto was done for the future benefit of the strategies (stock selection across domestic strategies has been challenged in the Energy sector over the past five years

Mercer met with TimesSquare Capital Management to review their SMID Cap Growth strategy. Our favorable opinion of TSCM's SMID Cap Growth strategy is based on a tenured, cohesive and stable portfolio management team, a proven and repeatable investment process, the strength of a deep, sector/industry specialized fundamental research effort, and the backing of a well-managed and properly incentivized investment organization. The quality of the research coupled with the stability and experience of portfolio managers Grant Babyak and Tony Rosenthal executing on a tenured philosophy and process are key strengths. As a result of the meeting, Mercer maintained the "A" rating on the strategy.

Wellington informed Mercer that as of May 12, 2017, the US Securities and Exchange Commission (SEC) notified the firm that it was opening an investigation into some aspects of its private company investment activities. The investigation appears to be focused on private equity investments and associated valuation practices. Wellington believes that its procedures and practices are robust and meet regulatory obligations in all the markets in which it does business. It intends to cooperate fully with the SEC in this inquiry. We do not regard this news as directly impacting the investment capabilities of Wellington and do not propose any rating changes on Wellington's strategies. We will keep the field abreast of any further developments related to this issue as they occur.

Wellington announced that Stephen Klar will join Brendan Swords (Chaiman & CEO) and Jean Hynes (portfolio manager and research analyst) as one of three Managing Partners (MP) of the firm. Klar will replace Phil Perelmuter, who has served in the role as Managing Partner for 11 years and will be stepping down to focus his time on other responsibilities. Klar leads the firm's Fixed Income Portfolio Management and Research group and will continue in that capacity. This news does not impact Wellington's investment capabilities, and we are not proposing any changes to the firm's rated strategies. Our understanding is that MPs typically rotate every 10 years and are elected to oversee management of the firm's partnership, functions of which include partner reviews and the distribution of partner-level profits. The MPs are not involved with the strategic direction or business management aspects of the firm.

NC CURRENT INVESTMENT STRUCTURE

Tier I Target Date Funds	Tier II - A Passive Core Options	Tier II - B Active Core Options	Tier III Specialty Options
Goal Maker		**Stable Value Fund** Galliard Stable Value	
	Fixed Income BlackRock Debt Index	**Fixed Income Fund** TCW Core Plus Prudential Core Plus	
		Inflation Responsive Fund PIMCO IRMAF	
	Large Cap Equity BlackRock Equity Index	**Large Cap Value Fund** Hotchkis & Wiley Large Cap Value Macquarie Large Cap Value Boston Partners Large Cap Value	
		Large Cap Growth Fund Sands Capital Large Cap Growth Wellington Opportunistic Growth Loomis Large Cap Growth	
	Small/Mid Cap Equity BlackRock Russell 2500 Index	**Small/Mid Cap Value Fund** Hotchkis & Wiley SMID Value Earnest Partners SMID Cap Value Wedge SMID Cap Value	
		Small/Mid Cap Growth Fund TimesSquare SMID Growth Brown Advisory SMID Growth	
		Global Equity Fund Wellington Global Opportunities Arrowstreet Global Equity ACWI	
	International Equity BlackRock ACWI ex US Index	**International Equity Fund** Baillie Gifford ACWI ex US Growth Mondrian ACWI ex US Value	

Fee Review

A	B	C	D	E	F	G	H	I	
					C+D+E	B*F		F-H	
Funds and Sub-Advisors	**Assets**	**Inv. Mgmt. Fee**	**Custodial Expenses[1]**	**NC Budget[2]**	**Total Estimated Expense (%)**	**Total Estimated Expense ($)[3]**	**Mercer Median Expense [4]**	**Difference**	
North Carolina Stable Value Fund[5]	**$2,496,799,734**	**0.333%**	**0.001%**	**0.025%**	**0.359%**	**$8,964,781**	0.42%	-0.06%	F-H
Galliard	$2,496,799,734	0.333%	0.000%			$8,314,343	0.42%	-0.09%	C-H
North Carolina Fixed Income Passive Fund	**$471,776,749**	**0.020%**	**0.002%**	**0.025%**	**0.047%**	**$221,741**	0.20%	-0.15%	
BlackRock	$471,776,749	0.020%	0.000%			$94,355	0.02%	0.00%	
North Carolina Fixed Income Fund	**$694,702,567**	**0.158%**	**0.006%**	**0.025%**	**0.189%**	**$1,316,212**	0.49%	-0.30%	
50% TCW[6]	$347,077,035	0.166%	0.000%			$576,866	0.25%	-0.08%	
50% Prudential	$347,625,532	0.150%	0.000%			$521,438	0.25%	-0.10%	
North Carolina Inflation Sensitive Fund	**$438,307,108**	**0.700%**	**0.002%**	**0.025%**	**0.727%**	**$3,186,239**	0.82%	-0.09%	
PIMCO	$438,307,108	0.700%	0.000%			$3,068,150	0.82%	-0.12%	
North Carolina Large Cap Passive Fund	**$1,494,328,354**	**0.005%**	**0.000%**	**0.025%**	**0.030%**	**$444,403**	0.20%	-0.17%	
BlackRock	$1,494,328,354	0.005%	0.000%			$74,716	0.01%	-0.01%	
North Carolina Large Cap Value Fund	**$994,138,045**	**0.340%**	**0.008%**	**0.025%**	**0.373%**	**$3,711,353**	0.70%	-0.33%	
33.3% Hotchkis & Wiley	$333,307,264	0.400%	0.000%			$1,333,229	0.43%	-0.03%	
33.3% Macquarie	$328,212,922	0.284%	0.000%			$931,426	0.43%	-0.14%	
33.3% Boston Partners	$332,617,859	0.338%	0.000%			$1,122,854	0.43%	-0.09%	
North Carolina Large Cap Growth Fund	**$1,004,944,427**	**0.395%**	**0.008%**	**0.025%**	**0.428%**	**$4,303,739**	0.75%	-0.32%	
33.3% Sands Capital Management	$333,777,678	0.450%	0.000%			$1,502,000	0.46%	-0.01%	
33.3% Wellington Management Company	$334,717,146	0.350%	0.000%			$1,171,510	0.57%	-0.22%	
33.3% Loomis Sayles	$336,449,603	0.386%	0.000%			$1,299,349	0.46%	-0.07%	
North Carolina SMID Cap Passive Fund	**$262,777,703**	**0.005%**	**0.005%**	**0.025%**	**0.035%**	**$91,389**	0.25%	-0.22%	
BlackRock	$262,777,703	0.005%	0.000%			$13,139	0.02%	-0.02%	
North Carolina SMID Value Fund	**$538,459,194**	**0.536%**	**0.015%**	**0.025%**	**0.576%**	**$3,099,550**	0.93%	-0.35%	
33.3% Hotchkis & Wiley	$179,411,704	0.500%	0.000%			$897,059	0.60%	-0.10%	
33.3% EARNEST Partners	$177,909,316	0.470%	0.000%			$836,174	0.71%	-0.24%	
33.3% WEDGE Capital Management	$181,138,174	0.638%	0.000%			$1,155,691	0.71%	-0.07%	
North Carolina SMID Growth Fund	**$418,837,373**	**0.590%**	**0.013%**	**0.025%**	**0.628%**	**$2,629,223**	0.94%	-0.31%	
50% TimesSquare Capital Management	$210,100,698	0.649%	0.000%			$1,363,043	0.75%	-0.10%	
50% Brown Advisory	$208,736,675	0.531%	0.000%			$1,107,458	0.77%	-0.24%	
North Carolina International Passive Fund	**$57,037,794**	**0.025%**	**0.028%**	**0.025%**	**0.077%**	**$44,165**	0.35%	-0.27%	
BlackRock	$57,037,794	0.025%	0.000%			$14,088	0.06%	-0.04%	
North Carolina International Equity Fund	**$648,267,683**	**0.442%**	**0.008%**	**0.025%**	**0.476%**	**$3,082,749**	0.91%	-0.43%	
50% Baillie Gifford	$326,793,643	0.438%	0.000%			$1,432,175	0.57%	-0.13%	
50% Mondrian Investment Partners	$321,474,040	0.447%	0.000%			$1,435,896	0.57%	-0.13%	
North Carolina Global Equity Fund	**$948,922,862**	**0.544%**	**0.004%**	**0.025%**	**0.573%**	**$5,437,059**	0.94%	-0.37%	
50% Wellington Management Company	$477,354,192	0.500%	0.000%			$2,386,771	0.55%	-0.05%	
50% Arrowstreet	$471,568,670	0.587%	0.000%			$2,768,628	0.55%	0.04%	
Total	**$10,469,299,593**	**0.319%**	**0.005%**	**0.025%**	**0.349%**	**$36,532,603**	**0.577%**		

[1]Quarterly custodian expenses paid to BNY Mellon - (Annualized)

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

[3]Manager fee estimates reflect investment management fee only, does not include $31 per participant record-keeping fee.

[4]Total Fund median expenses are compared against their respective Mercer Mutual Fund Institutional Universe, while the individual managers are compared to peers with the same vehicle and strategy assets.

[5] Mercer Stable Value Median for Funds with over $500M in assets

[6] IM Fee includes 3 Month Fee Holiday

Performance Scorecard

	Mercer Rating	Return								Risk[1]
		3 Years to 06/30/2017		3 Years to 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		5 Years to 06/30/2017
		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	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
Large Cap Value Fund		✓	✓	✗	✓	✗	✓	✗	✓	NA
Hotchkis & Wiley Large Cap Value	A (T)	✓	✓	✓	✓	✓	✓	✗	✗	✓
Macquarie Large Cap Value[2]	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Boston Partners Large Cap Value	A	✓	✓	✗	✗	✗	✗	✗	✗	✓
Large Cap Growth Fund		✗	✓	✗	✗	✗	✗	✗	✓	NA
Sands Capital Large Cap Growth	A (T)	✗	✗	✗	✗	✗	✗	✗	✗	✓
Wellington Opportunistic Growth	A	✗	✗	✗	✗	✗	✗	✗	✗	✓
Loomis Large Cap Growth[3]	B+ (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓

[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%.

[2] Represents the Macquarie Large Cap Growth Composite.

[3] Represents the Loomis Large Cap Growth Composite.

***** 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 06/30/2017		3 Years to 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		5 Years to 06/30/2017
		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	A	✓	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	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mid/Small Cap Growth Fund		✓	✓	✗	✓	✗	✓	✗	✓	NA
TimesSquare SMID Cap Growth	A	✗	✗	✗	✗	✗	✗	✗	✗	✓
Brown Advisory	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%.

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		Return								Risk[1]
	Mercer Rating	3 Years to 06/30/2017		3 Years to 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		5 Years to 06/30/2017
		I	U	I	U	I	U	I	U	I
International Passive Fund (tracked within 60 bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock ACWI ex US Fund	A	✓	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 06/30/2017		3 Years to 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		5 Years to 06/30/2017
		I	U	I	U	I	U	I	U	I
Inflation Responsive Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA
PIMCO Inflation Response-Multi Asset	B+	✓	✓	✓	✓	✓	✓	✓	✓	NA
Fixed Income Passive Fund (tracked within 25 bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Debt Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
Fixed Income Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA
TCW Core Plus[2]	A	✓	✗	✓	✗	✓	✗	✓	✗	✓
Prudential Core Plus[3]	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stable Value Fund	A	✓	✓	✓	✗	✓	✓	✓	✗	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%.
[2] Represents the TCW Core Plus Composite.
[3] Represents the Prudential Core Plus Composite.
***** 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 Criteria

1) **Performance**: The underlying manager strategy has trailed the benchmark and peer group universe over four consecutive 3 year periods, as highlighted on the Performance Scorecard. A candidate can also be added to the watch list if performance is not explained by the managers style or investment philosophy

2) **Philosophy Change**: Underlying manager strategy has had a material change to the investment process or philosophy, from what was originally established

3) **Organizational Instability**: Organizational or team turnover that could materially affect the investment process

Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
TimesSquare SMID Growth	3Q16	A	Maintain Watch Status	TSCM's investment process utilizes a fundamental growth equity approach. They place particular emphasis on management quality and how the management teams are aligned with shareholders, along with a detailed understanding of what constitutes a superior business model. The strategy's investable universe spans from $300M to $7 Billion. TSCM seeks companies that have experienced, properly motivated management teams with distinct sustainable competitive advantages. The team will focus on securities that have the potential to appreciate 25%-50% over the next 18-month period. The team is constantly reviewing security valuations and will re-examine securities when they near the target price set at purchase. The strategy will have close to 100 names so position sizes are relatively smaller. Mercer believes the key strength of the strategy is the quality of research and experienced portfolio managers, Grant Babyak and Tony Rosenthal. The strategy has struggled more recently, as it underperformed over the last three calendar years. Historically, the fundamental approach has been beneficial during falling markets and that is where the strategy hadadded a significant portion of its alpha. TSCM outperformed the benchmark during the last 12 down markets, but struggled at certain points in extreme growth markets. Since 2013, there have only been three negative quarters by the Russell 2500 Growth Index, which has been a bit of a headwind for TSCM. During the second quarter, the strategy outperformed the benchmark by 130 basis points and ranked in the top half of the peer group universe. Growth oriented securities have continued to outperform in 2017, and this was beneficial for TimesSquare, who was roughly 5% overweight the information technology sector. TimesSquare also benefited from strong security selection within the industrials sector, particularly Proto Labs, which provides custom protoypes and production parts for 3D printing. Proto Labs benefited from a strong quarterly earnings report, improved guidance and renewed investor optimism in 3D printing. TimesSquare did continue to struggle with selection in the health care sector during the quarter, although a majority of the underperformance was attributed to the large underweight position (5.9%). Over the trailing-year, the stock has trailed the benchmark by 330 basis points and ranked in the bottom quartile of the peer group universe. The results over the trailing-year have negatively affected the longer-term results and we believe that TSCM's style has been out of favor over the more recent market cycle. We still have confidence in the team and strategy but recommend maintaining the watch status given the more recent performance.

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Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Sands Large Cap Growth	4Q16	A (T)	Maintain Watch Status	Sands constructs a concentrated, aggressive growth portfolio with low turnover and adheres to a strict buy and hold philosophy. Due to the funds loose constraints and concentrated nature, it can be common for the strategy to exhibit significant tracking error relative to the benchmark. The conviction-weighted, concentrated structure of this portfolio places a heavy emphasis on top holdings and these can have a significant impact on the strategy's performance. The top five holdings represented just over 33% of the portfolio at the end of the second quarter. Sands continued its strong run in the second quarter, as the strategy outperformed the Russell 1000 Growth Index by 270 basis points and ranked in the 13th percentile of the peer group universe. Year-to date, Sands has outperformed the benchmark by 850 basis points and ranked in the 4th percentile of the peer group universe. Sands continued to benefit from the outperformance of growth oriented equities with higher earnings and sales growth. Sands large overweight (11.7%) to the information technology sector aided results, along with strong security selection, which added 230 basis points of relative outperformance. Sands out of benchmark exposure to Alibaba was the key contributor during the second quarter. Alibaba benefited from strong revenue growth, and provided revenue guidance of 45-49% growth in 2018, which was well above expectations. Alibaba returned over 30% during the quarter and was the top absolute and relative performer during the quarter. 2016 was a difficult year for Sands. The first and fourth quarters were the top two worst quarters in the strategy's lengthy history. In 2016, the strategy trailed the benchmark by 1,390 basis points and ranked in the 99th percentile of the peer group universe. Sands active sector exposures proved unfavorable, as investors preferred higher yielding stocks in the more defensive sectors like utilities and telecommunications. The markets preference for yield subsided slightly in the second half of 2016, but the top third highest yielding stocks in the Russell 1000 Growth Index outperformed the bottom third lowest yielding stocks by over 1500 basis points. This preference for yield created an extremely difficult market environment for active managers in the large cap growth space, as 93% managers failed to outperform the benchmark. Mercer was not surprised by the underperformance given the near-term style headwinds. We were comforted to note the team's strict adherence to process and objectivity in the midst of temporary market driven challenges. Since inception, Sands has outperformed the benchmark by a comfortable margin, although there have been periods of extreme volatility. We uphold our conviction in the skilled and experienced research teams managing the strategy.

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Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Wellington Opportunistic Growth	4Q16	A	Maintain Watch Status	Over the long term, Wellington believes companies that can sustain above average earnings growth will outperform the growth indices and the market overall. The investment objective of the Opportunistic Growth portfolio is to provide long-term, total returns above the growth indexes by investing in the stocks of successful, growing companies. Wellington seeks companies that either have a cost advantage, a customer advantage, or competitive advantage before conducting a further in-depth, fundamental review of the business model. The final Opportunistic Growth portfolio is composed of roughly 100 to 150 stocks and is constructed in three different sleeves: large cap, mid cap, and small cap. Allocation to each sleeve is determined by the market weights of large, mid and small cap stocks in the Russell 3000 Growth Index. Wellington flagged the watch list for performance reason during the fourth quarter of 2016, as relative performance struggled over the prior to two and a half year period. Over 2016, Wellington trailed the benchmark by 450 basis points and ranked in the bottom half of the peer group universe. 2016 was a very difficult market environment for active large cap growth managers, as investors preferred higher yielding stocks in more defensive sectors like utilities and telecommunications. The markets preference for yield subsided slightly in the second half of 2016, but the top third highest yielding stocks in the Russell 1000 Growth Index outperformed the bottom third lowest yielding stocks by over 1500 basis points. Wellington continued its strong performance during the second quarter, as it outpaced the Russell 1000 Index by 180 basis points. Investors continued to prefer faster growing companies and this was a tailwind for Wellington's growth oriented investment approach. A majority of the outperformance during the quarter was a result of strong security selection in the information technology sector. Wellington had an out-of-benchmark position in Alibaba which was up over 30% during the quarter, along with a position in IT company Zillow, which was up over 45%. We continue to believe in the leadership, investment acumen and collaboration of portfolio managers Drew Shilling, Timothy Manning, and Steven Angeli.

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Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Boston Partners Large Cap Value	1Q17	A	Maintain Watch Status	Boston Partners attempt to identify securities that exhibit quality, attractive valuations and improving business momentum. The strategy is typically more conservative and generally performs best in periods of heightened volatility. The process is defined by the team's unwavering focus on stocks exhibiting quality, valuation, and improving business momentum. The strategy's front-end quantitative screen is simple yet effective in its role of providing structure and focus to the fundamental research effort. This is a well-diversified, fundamentally-driven strategy that benefits from the experience, insights, and close collaboration of portfolio managers Mark Donovan and David Pyle. The strategy is expected to exhibit a relative value approach and has a focus on principal protection. Boston Partners flagged the watch list for underperformance during the first quarter of 2017 and this was mainly attributed to the relative underperformance in 2016. Boston Partners trailed the benchmark by 230 basis points in 2016, as higher dividend paying companies led the market. Boston Partners's investment process results in a strong negative tilt towards dividend factors, which would explain the calendar year underperformance. Despite the style headwinds, Boston Partners ranked in the 51st percentile of the peer group universe, and fared better in the fourth quarter when cyclical securities came back in favor. Growth oriented securities have come back in favor in 2017, and this has been beneficial for Boston Partner's relative value style. The strategy was largely overweight the information technology sector and benefited from strong security selection. Additionally, the strategy was underweight the energy sector, which continued to struggle as oil prices declined. Boston Partners avoided the oil services industry completely due to concerns over capital spending budgets. Year-to-date, the strategy has outperformed the index by 220 basis points and ranked in the top third of the peer group universe. The strategy's positions in technology companies Alphabet, Microsoft, and TE Connectivity have contributed meaningfully to results in 2017. Despite the rough period in 2016, Mercer continues to have confidence in Boston Partner's disciplined investment process.

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Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Hotchkis and Wiley	1Q17	B+ (T)	Maintain Watch Status	Hotchkis & Wiley utilizes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies where the intrinsic value of the companies future cash flows exceeds the market price. The team does not consider benchmark characteristics in portfolio construction, as they view permanent loss of capital the primary source of risk. Hotchkis believes that the low valuations and lower leverage provides them a margin of safety. Hotchkis, like other value managers, struggled in 2016 when more defensive names were in favor. Hotchkis avoided the non-cyclical securities with higher payout ratios that investors preferred during the first half of 2016, as Hotchkis believed these companies had excessive valuations resulting from the low interest rate environment. During the second half of 2016, cyclical securities rebounded and outperformed the securities with higher payout ratios. In 2016, Hotchkis underperformed the benchmark by 320 basis points but ranked in the top half of the peer group universe. Growth continued to outperform value in the mid cap space during the second quarter and the spread has been over 600 basis points year-to-date. Investors have preferred equities that have exhibited above average growth, mainly coming from the information technology and health care sectors. During the second quarter, Hotchkis and Wiley underperformed the index by 140 basis points and ranked in the bottom decile of the peer group universe. A majority of the underperformance came from Hotchkis's large overweight to the energy sector (13.3%), which was the worst performer as oil prices continued to decline. Three of Hotchkis's energy holdings were down over 40% during the quarter and Whiting Petroleum was the largest dectractor (2.6% of the portfolio). Security selction in the consumer discretionary sector was also a detractor and the sector allocation represented a significant portion of the portfolio (19.4%).

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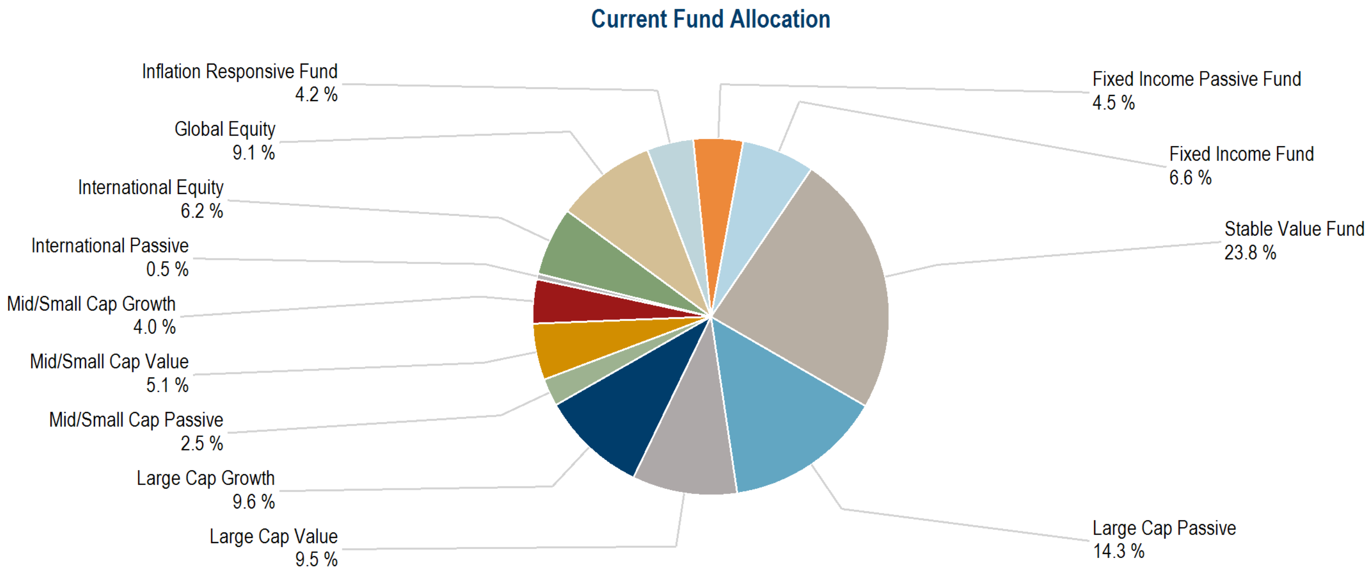
Total Plan

Total Plan

Asset Allocation



	Current Balance
North Carolina Stable Value Fund	$2,496,799,734
North Carolina Fixed Income Passive Fund	$471,776,749
North Carolina Fixed Income Fund	$694,702,568
North Carolina Inflation Responsive Fund	$438,307,108
North Carolina Large Cap Passive Fund	$1,494,328,354
North Carolina Large Cap Value Fund	$994,138,045
North Carolina Large Cap Growth Fund	$1,004,944,427
North Carolina SMID Cap Passive Fund	$262,777,703
North Carolina SMID Value Fund	$538,459,194
North Carolina SMID Growth Fund	$418,837,373
North Carolina International Passive Fund	$57,037,794
North Carolina International Equity Fund	$648,267,683
North Carolina Global Equity Fund	$948,922,862
Total	**$10,469,299,594**

Total Plan

Fund Returns

	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Large Cap Passive	**$1,494,328,354**	**14.3%**	**3.1%**	**49**	**9.3%**	**39**	**17.9%**	**44**	**9.5%**	**17**	**14.5%**	**25**	**16.7%**	**Mar-09**
S&P 500			*3.1%*	*48*	*9.3%*	*38*	*17.9%*	*44*	*9.6%*	*16*	*14.6%*	*21*	*16.9%*	*Mar-09*
Large Cap Value	**$994,138,045**	**9.5%**	**2.0%**	**53**	**6.0%**	**41**	**18.0%**	**50**	**7.5%**	**26**	**14.3%**	**19**	**15.4%**	**Mar-09**
Russell 1000 Value			*1.3%*	*72*	*4.7%*	*71*	*15.5%*	*77*	*7.4%*	*28*	*13.9%*	*24*	*16.3%*	*Mar-09*
Large Cap Growth	**$1,004,944,427**	**9.6%**	**7.4%**	**13**	**19.3%**	**13**	**23.2%**	**25**	**10.6%**	**36**	**15.2%**	**32**	**19.0%**	**Mar-09**
Russell 1000 Growth			*4.7%*	*73*	*14.0%*	*64*	*20.4%*	*54*	*11.1%*	*22*	*15.3%*	*27*	*17.7%*	*Mar-09*
Mid/Small Cap Passive	**$262,777,703**	**2.5%**	**2.1%**	**51**	**5.9%**	**47**	**19.7%**	**56**	**7.0%**	**38**	**14.0%**	**32**	**17.9%**	**Mar-09**
Russell 2500			*2.1%*	*50*	*6.0%*	*46*	*19.8%*	*56*	*6.9%*	*39*	*14.0%*	*32*	*18.0%*	*Mar-09*
Mid/Small Cap Value	**$538,459,194**	**5.1%**	**0.8%**	**41**	**4.5%**	**19**	**22.1%**	**32**	**6.2%**	**38**	**14.7%**	**14**	**19.8%**	**Mar-09**
Russell 2500 Value			*0.3%*	*55*	*2.0%*	*47*	*18.4%*	*65*	*6.2%*	*39*	*13.7%*	*44*	*17.5%*	*Mar-09*
Mid/Small Cap Growth	**$418,837,373**	**4.0%**	**4.8%**	**51**	**10.4%**	**63**	**17.5%**	**74**	**7.8%**	**36**	**13.6%**	**33**	**17.1%**	**Mar-09**
Russell 2500 Growth			*4.1%*	*60*	*10.6%*	*60*	*21.4%*	*49*	*7.7%*	*39*	*14.3%*	*25*	*18.5%*	*Mar-09*
International Passive	**$57,037,794**	**0.5%**	**5.9%**	**60**	**14.4%**	**42**	**20.7%**	**30**	**0.9%**	**66**	**7.2%**	**84**	**10.1%**	**Mar-09**
MSCI ACWI ex USA Gross			*6.0%*	*55*	*14.5%*	*42*	*21.0%*	*25*	*1.3%*	*44*	*7.7%*	*73*	*10.6%*	*Mar-09*
International Equity	**$648,267,683**	**6.2%**	**6.4%**	**57**	**15.6%**	**47**	**20.4%**	**46**	**2.7%**	**35**	**8.3%**	**56**	**11.1%**	**Mar-09**
MSCI ACWI ex USA Gross			*6.0%*	*69*	*14.5%*	*64*	*21.0%*	*40*	*1.3%*	*62*	*7.7%*	*69*	*10.6%*	*Mar-09*
Global Equity	**$948,922,862**	**9.1%**	**5.3%**	**44**	**13.6%**	**38**	**20.3%**	**41**	**6.4%**	**25**	**13.1%**	**16**	**14.0%**	**Mar-09**
MSCI ACWI Gross			*4.5%*	*57*	*11.8%*	*52*	*19.4%*	*52*	*5.4%*	*47*	*11.1%*	*47*	*13.6%*	*Mar-09*
Inflation Responsive Fund	**$438,307,108**	**4.2%**	**0.1%**	**63**	**2.3%**	**51**	**2.6%**	**76**	**-0.5%**	**35**	**--**	**--**	**1.1%**	**Sep-13**
PIMCO Inflation Response Index			*-0.4%*	*80*	*1.2%*	*69*	*-1.7%*	*99*	*-2.4%*	*81*	*-1.3%*	*95*	*-0.7%*	*Sep-13*
Fixed Income Passive Fund	**$471,776,749**	**4.5%**	**1.5%**	**45**	**2.3%**	**54**	**-0.3%**	**92**	**2.4%**	**41**	**2.1%**	**66**	**2.8%**	**Sep-10**
BBgBarc US Aggregate TR			*1.4%*	*46*	*2.3%*	*55*	*-0.3%*	*92*	*2.5%*	*39*	*2.2%*	*63*	*2.9%*	*Sep-10*
Fixed Income Fund	**$694,702,568**	**6.6%**	**1.8%**	**23**	**3.0%**	**25**	**1.1%**	**55**	**3.2%**	**15**	**3.0%**	**30**	**4.9%**	**Mar-09**
BBgBarc US Aggregate TR			*1.4%*	*46*	*2.3%*	*55*	*-0.3%*	*92*	*2.5%*	*39*	*2.2%*	*63*	*4.1%*	*Mar-09*
Stable Value Fund	**$2,496,799,734**	**23.8%**	**0.5%**	**30**	**1.0%**	**29**	**2.0%**	**16**	**1.9%**	**32**	**2.0%**	**31**	**2.6%**	**Jun-09**
3-Year Constant Maturity Yield			*0.4%*	*97*	*0.7%*	*95*	*1.3%*	*88*	*1.1%*	*99*	*0.9%*	*99*	*0.9%*	*Jun-09*
T-BILLS + 1.5%			*0.6%*	*12*	*1.1%*	*13*	*2.0%*	*10*	*1.7%*	*37*	*1.7%*	*43*	*1.6%*	*Jun-09*

Total Plan

Performance Summary

Total Plan Performance

	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since
			Ending June 30, 2017										Inception	
Large Cap Passive	**$1,494,328,354**	**14.3%**	**3.1%**	**49**	**9.3%**	**39**	**17.9%**	**44**	**9.5%**	**17**	**14.5%**	**25**	**16.7%**	**Mar-09**
S&P 500			*3.1%*	*48*	*9.3%*	*38*	*17.9%*	*44*	*9.6%*	*16*	*14.6%*	*21*	*16.9%*	*Mar-09*
Mercer Mutual Fund US Equity Large Cap Core Median			*3.0%*		*8.9%*		*17.3%*		*8.0%*		*13.6%*		*15.4%*	*Mar-09*
NCSRP BlackRock Equity Index	$1,494,328,354	14.3%	3.1%	45	9.3%	39	17.9%	50	9.6%	40	14.6%	64	16.9%	Mar-09
S&P 500			*3.1%*	*45*	*9.3%*	*40*	*17.9%*	*55*	*9.6%*	*42*	*14.6%*	*63*	*16.9%*	*Mar-09*
Mercer Instl US Equity Large Cap Index Median			*3.1%*		*9.3%*		*17.9%*		*9.5%*		*14.6%*		*16.9%*	*Mar-09*
Large Cap Value	**$994,138,045**	**9.5%**	**2.0%**	**53**	**6.0%**	**41**	**18.0%**	**50**	**7.5%**	**26**	**14.3%**	**19**	**15.4%**	**Mar-09**
Russell 1000 Value			*1.3%*	*72*	*4.7%*	*71*	*15.5%*	*77*	*7.4%*	*28*	*13.9%*	*24*	*16.3%*	*Mar-09*
Mercer Mutual Fund US Equity Large Cap Value Median			*2.1%*		*5.8%*		*17.9%*		*6.9%*		*13.1%*		*15.1%*	*Mar-09*
NCSRP Hotchkis & Wiley Large Cap Value	$333,307,264	3.2%	3.8%	9	8.7%	16	28.1%	5	8.7%	23	16.7%	4	19.5%	Mar-09
Russell 1000 Value			*1.3%*	*76*	*4.7%*	*75*	*15.5%*	*80*	*7.4%*	*53*	*13.9%*	*52*	*16.3%*	*Mar-09*
Mercer Instl US Equity Large Cap Value Median			*2.1%*		*6.2%*		*18.5%*		*7.4%*		*14.0%*		*16.4%*	*Mar-09*
NCSRP Macquarie Large Cap Value	$328,212,922	3.1%	-0.2%	96	3.1%	93	6.9%	99	--	--	--	--	6.4%	Jun-15
Macquarie Large Cap Value Strategy			*-0.1%*	*96*	*3.2%*	*93*	*7.2%*	*99*	*7.9%*	*39*	*14.4%*	*40*	*6.7%*	*Jun-15*
Russell 1000 Value			*1.3%*	*76*	*4.7%*	*75*	*15.5%*	*80*	*7.4%*	*53*	*13.9%*	*52*	*7.6%*	*Jun-15*
Mercer Instl US Equity Large Cap Value Median			*2.1%*		*6.2%*		*18.5%*		*7.4%*		*14.0%*		*7.3%*	*Jun-15*
NCSRP Boston Partners Large Cap Value	$332,617,859	3.2%	2.7%	29	6.9%	32	21.3%	26	7.8%	41	14.8%	35	15.6%	Nov-11
Russell 1000 Value			*1.3%*	*76*	*4.7%*	*75*	*15.5%*	*80*	*7.4%*	*53*	*13.9%*	*52*	*14.5%*	*Nov-11*
Mercer Instl US Equity Large Cap Value Median			*2.1%*		*6.2%*		*18.5%*		*7.4%*		*14.0%*		*14.4%*	*Nov-11*
Large Cap Growth	**$1,004,944,427**	**9.6%**	**7.4%**	**13**	**19.3%**	**13**	**23.2%**	**25**	**10.6%**	**36**	**15.2%**	**32**	**19.0%**	**Mar-09**
Russell 1000 Growth			*4.7%*	*73*	*14.0%*	*64*	*20.4%*	*54*	*11.1%*	*22*	*15.3%*	*27*	*17.7%*	*Mar-09*
Mercer Mutual Fund US Equity Large Cap Growth Median			*5.4%*		*15.2%*		*20.7%*		*9.8%*		*14.2%*		*16.4%*	*Mar-09*
NCSRP Sands Capital Large Cap Growth	$333,777,678	3.2%	7.4%	13	22.5%	4	26.5%	10	8.3%	83	14.8%	53	21.5%	Mar-09
Russell 1000 Growth			*4.7%*	*61*	*14.0%*	*57*	*20.4%*	*54*	*11.1%*	*32*	*15.3%*	*39*	*17.7%*	*Mar-09*
Mercer Instl US Equity Large Cap Growth Median			*5.2%*		*14.4%*		*20.7%*		*10.2%*		*14.9%*		*16.8%*	*Mar-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending June 30, 2017										Inception	
NCSRP Wellington Opportunistic Growth	$334,717,146	3.2%	6.5%	25	17.8%	21	21.6%	41	10.2%	49	16.2%	23	17.5%	Mar-09
Russell 1000 Growth			*4.7%*	*61*	*14.0%*	*57*	*20.4%*	*54*	*11.1%*	*32*	*15.3%*	*39*	*17.7%*	*Mar-09*
Russell 3000 Growth			*4.7%*	*61*	*13.7%*	*60*	*20.7%*	*50*	*10.8%*	*37*	*15.2%*	*43*	*17.7%*	*Mar-09*
Mercer Instl US Equity Large Cap Growth Median			*5.2%*		*14.4%*		*20.7%*		*10.2%*		*14.9%*		*16.8%*	*Mar-09*
NCSRP Loomis Large Cap Growth	$336,449,603	3.2%	8.7%	7	18.5%	16	23.2%	22	--	--	--	--	16.0%	Aug-14
Loomis Large Cap Growth Strategy			*8.8%*	*5*	*18.3%*	*17*	*22.8%*	*28*	*14.3%*	*4*	*18.8%*	*3*	*15.6%*	*Aug-14*
Russell 1000 Growth			*4.7%*	*61*	*14.0%*	*57*	*20.4%*	*54*	*11.1%*	*32*	*15.3%*	*39*	*12.0%*	*Aug-14*
Mercer Instl US Equity Large Cap Growth Median			*5.2%*		*14.4%*		*20.7%*		*10.2%*		*14.9%*		*11.0%*	*Aug-14*
Mid/Small Cap Passive	**$262,777,703**	**2.5%**	**2.1%**	**51**	**5.9%**	**47**	**19.7%**	**56**	**7.0%**	**38**	**14.0%**	**32**	**17.9%**	**Mar-09**
Russell 2500			*2.1%*	*50*	*6.0%*	*46*	*19.8%*	*56*	*6.9%*	*39*	*14.0%*	*32*	*18.0%*	*Mar-09*
Mercer Mutual Fund US Equity Small+Mid Median			*2.1%*		*5.4%*		*20.4%*		*6.3%*		*13.1%*		*16.8%*	*Mar-09*
NCSRP BlackRock Russell 2500 Index Fund	$262,777,703	2.5%	2.1%	56	5.9%	52	19.7%	70	7.0%	66	14.1%	65	18.1%	Mar-09
Russell 2500			*2.1%*	*55*	*6.0%*	*52*	*19.8%*	*69*	*6.9%*	*68*	*14.0%*	*66*	*18.0%*	*Mar-09*
Mercer Instl US Equity Small + Mid Cap Median			*2.4%*		*6.2%*		*22.1%*		*8.0%*		*14.8%*		*18.6%*	*Mar-09*
Mid/Small Cap Value	**$538,459,194**	**5.1%**	**0.8%**	**41**	**4.5%**	**19**	**22.1%**	**32**	**6.2%**	**38**	**14.7%**	**14**	**19.8%**	**Mar-09**
Russell 2500 Value			*0.3%*	*55*	*2.0%*	*47*	*18.4%*	*65*	*6.2%*	*39*	*13.7%*	*44*	*17.5%*	*Mar-09*
Mercer Mutual Fund US Equity Small+Mid Value Median			*0.4%*		*1.4%*		*20.4%*		*5.5%*		*13.2%*		*16.9%*	*Mar-09*
NCSRP Hotchkis & Wiley	$179,411,704	1.7%	-1.1%	92	0.0%	85	24.7%	21	3.1%	89	14.4%	46	21.4%	Mar-09
Hotchkis Custom SMID Value Index			*0.3%*	*64*	*2.0%*	*76*	*18.4%*	*62*	*6.2%*	*47*	*13.7%*	*68*	*18.0%*	*Mar-09*
Mercer Instl US Equity SMID Value Median			*1.2%*		*4.0%*		*20.7%*		*6.0%*		*14.2%*		*18.2%*	*Mar-09*
NCSRP EARNEST Partners	$177,909,316	1.7%	2.0%	34	8.8%	9	23.3%	31	8.6%	16	16.0%	11	18.1%	Mar-09
EARNEST Custom SMID Value Index			*0.3%*	*64*	*2.0%*	*76*	*18.4%*	*62*	*6.2%*	*47*	*13.7%*	*68*	*16.9%*	*Mar-09*
Mercer Instl US Equity SMID Value Median			*1.2%*		*4.0%*		*20.7%*		*6.0%*		*14.2%*		*18.2%*	*Mar-09*
NCSRP WEDGE SMID Cap Value	$181,138,174	1.7%	1.8%	37	5.7%	26	21.2%	44	9.3%	10	16.0%	11	16.4%	Dec-11
Russell 2500 Value			*0.3%*	*64*	*2.0%*	*76*	*18.4%*	*62*	*6.2%*	*47*	*13.7%*	*68*	*14.0%*	*Dec-11*
Mercer Instl US Equity SMID Value Median			*1.2%*		*4.0%*		*20.7%*		*6.0%*		*14.2%*		*14.0%*	*Dec-11*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending June 30, 2017										Inception	
Mid/Small Cap Growth	**$418,837,373**	**4.0%**	**4.8%**	**51**	**10.4%**	**63**	**17.5%**	**74**	**7.8%**	**36**	**13.6%**	**33**	**17.1%**	**Mar-09**
Russell 2500 Growth			*4.1%*	*60*	*10.6%*	*60*	*21.4%*	*49*	*7.7%*	*39*	*14.3%*	*25*	*18.5%*	*Mar-09*
Mercer Mutual Fund US Equity Small+Mid Growth Median			*4.8%*		*11.7%*		*21.2%*		*6.8%*		*12.8%*		*16.7%*	*Mar-09*
NCSRP TimesSquare SMID Growth	$210,100,698	2.0%	5.4%	37	11.5%	56	18.1%	75	5.8%	82	13.5%	64	12.1%	Jun-11
TimesSquare Custom SMID Growth Index			*4.1%*	*62*	*10.6%*	*64*	*21.4%*	*57*	*7.7%*	*57*	*14.3%*	*33*	*11.2%*	*Jun-11*
Mercer Instl US Equity SMID Growth Median			*5.0%*		*11.8%*		*22.6%*		*7.9%*		*13.8%*		*11.1%*	*Jun-11*
NCSRP Brown Advisory	$208,736,675	2.0%	4.6%	58	10.1%	75	18.6%	72	11.5%	10	15.5%	22	19.1%	Mar-09
Brown Custom SMID Growth Index			*4.1%*	*62*	*10.6%*	*64*	*21.4%*	*57*	*7.7%*	*57*	*14.3%*	*33*	*18.1%*	*Mar-09*
Mercer Instl US Equity SMID Growth Median			*5.0%*		*11.8%*		*22.6%*		*7.9%*		*13.8%*		*18.2%*	*Mar-09*
International Passive	**$57,037,794**	**0.5%**	**5.9%**	**60**	**14.4%**	**42**	**20.7%**	**30**	**0.9%**	**66**	**7.2%**	**84**	**10.1%**	**Mar-09**
MSCI ACWI ex USA Gross			*6.0%*	*55*	*14.5%*	*42*	*21.0%*	*25*	*1.3%*	*44*	*7.7%*	*73*	*10.6%*	*Mar-09*
Mercer Mutual Fund World ex US/EAFE Equity Index Median			*6.1%*		*14.2%*		*20.0%*		*1.2%*		*8.5%*		*10.3%*	*Mar-09*
NCSRP BlackRock ACWI ex US Fund	$57,037,794	0.5%	5.9%	83	14.5%	32	20.8%	26	1.0%	98	7.4%	98	10.3%	Mar-09
MSCI ACWI ex USA Gross			*6.0%*	*53*	*14.5%*	*32*	*21.0%*	*11*	*1.3%*	*69*	*7.7%*	*75*	*10.6%*	*Mar-09*
Mercer Instl World ex US/EAFE Equity Passive Median			*6.1%*		*14.2%*		*20.7%*		*1.3%*		*8.7%*		*10.6%*	*Mar-09*
International Equity	**$648,267,683**	**6.2%**	**6.4%**	**57**	**15.6%**	**47**	**20.4%**	**46**	**2.7%**	**35**	**8.3%**	**56**	**11.1%**	**Mar-09**
MSCI ACWI ex USA Gross			*6.0%*	*69*	*14.5%*	*64*	*21.0%*	*40*	*1.3%*	*62*	*7.7%*	*69*	*10.6%*	*Mar-09*
Mercer Mutual Fund World ex US/EAFE Equity Median			*6.7%*		*15.3%*		*19.9%*		*1.8%*		*8.6%*		*10.7%*	*Mar-09*
NCSRP Baillie Gifford ACWI ex US Growth	$326,793,643	3.1%	9.2%	9	19.8%	11	27.5%	10	5.9%	7	10.6%	33	14.1%	Mar-09
MSCI ACWI ex USA Gross			*6.0%*	*72*	*14.5%*	*64*	*21.0%*	*48*	*1.3%*	*80*	*7.7%*	*91*	*10.6%*	*Mar-09*
MSCI AC Wld ex US Growth Gross			*7.7%*	*28*	*17.7%*	*22*	*17.8%*	*73*	*2.9%*	*50*	*8.4%*	*83*	*10.9%*	*Mar-09*
Mercer Instl World ex US/EAFE Equity Median			*6.7%*		*15.2%*		*20.8%*		*2.9%*		*9.7%*		*12.0%*	*Mar-09*
NCSRP Mondrian ACWI ex US Value	$321,474,040	3.1%	4.0%	96	12.0%	91	14.8%	88	0.9%	88	7.6%	93	9.7%	Mar-09
MSCI ACWI ex USA Gross			*6.0%*	*72*	*14.5%*	*64*	*21.0%*	*48*	*1.3%*	*80*	*7.7%*	*91*	*10.6%*	*Mar-09*
MSCI AC Wld Ex US Value Gross			*4.3%*	*94*	*11.4%*	*95*	*24.3%*	*23*	*-0.4%*	*97*	*6.9%*	*97*	*10.3%*	*Mar-09*
Mercer Instl World ex US/EAFE Equity Median			*6.7%*		*15.2%*		*20.8%*		*2.9%*		*9.7%*		*12.0%*	*Mar-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending June 30, 2017										Inception	
Global Equity	**$948,922,862**	**9.1%**	**5.3%**	**44**	**13.6%**	**38**	**20.3%**	**41**	**6.4%**	**25**	**13.1%**	**16**	**14.0%**	**Mar-09**
MSCI ACWI Gross			*4.5%*	*57*	*11.8%*	*52*	*19.4%*	*52*	*5.4%*	*47*	*11.1%*	*47*	*13.6%*	*Mar-09*
Mercer Mutual Fund Global Equity Median			*4.9%*		*12.1%*		*19.5%*		*5.1%*		*11.1%*		*13.3%*	*Mar-09*
NCSRP Wellington Global Opportunities	$477,354,192	4.6%	6.0%	31	14.6%	27	22.1%	30	7.7%	19	14.4%	14	12.7%	Jul-10
MSCI ACWI Gross			*4.5%*	*66*	*11.8%*	*55*	*19.4%*	*55*	*5.4%*	*61*	*11.1%*	*74*	*10.0%*	*Jul-10*
Mercer Instl Global Equity Median			*5.0%*		*12.2%*		*19.9%*		*5.9%*		*12.3%*		*11.1%*	*Jul-10*
NCSRP Arrowstreet Global Equity ACWI	$471,568,670	4.5%	4.9%	53	13.2%	40	20.2%	47	6.5%	39	13.4%	26	11.4%	Mar-12
MSCI ACWI Gross			*4.5%*	*66*	*11.8%*	*55*	*19.4%*	*55*	*5.4%*	*61*	*11.1%*	*74*	*9.4%*	*Mar-12*
Mercer Instl Global Equity Median			*5.0%*		*12.2%*		*19.9%*		*5.9%*		*12.3%*		*10.4%*	*Mar-12*
Inflation Responsive Fund	**$438,307,108**	**4.2%**	**0.1%**	**63**	**2.3%**	**51**	**2.6%**	**76**	**-0.5%**	**35**	**--**	**--**	**1.1%**	**Sep-13**
PIMCO Inflation Response Index			*-0.4%*	*80*	*1.2%*	*69*	*-1.7%*	*99*	*-2.4%*	*81*	*-1.3%*	*95*	*-0.7%*	*Sep-13*
Mercer Mutual Fund Diversified Inflation Hedge Median			*0.7%*		*2.4%*		*3.7%*		*-1.4%*		*1.1%*		*0.6%*	*Sep-13*
NCSRP PIMCO Inflation Response Multi-Asset	$438,307,108	4.2%	0.2%	60	2.8%	42	3.3%	66	0.3%	24	--	--	1.9%	Sep-13
PIMCO Inflation Response Multi-Asset Strategy			*0.1%*	*63*	*2.4%*	*50*	*2.6%*	*75*	*-0.7%*	*38*	*0.2%*	*79*	*1.3%*	*Sep-13*
PIMCO Inflation Response Index			*-0.4%*	*80*	*1.2%*	*69*	*-1.7%*	*99*	*-2.4%*	*81*	*-1.3%*	*95*	*-0.7%*	*Sep-13*
Consumer Price Index			*0.5%*	*55*	*1.5%*	*67*	*1.6%*	*85*	*0.9%*	*21*	*1.3%*	*43*	*1.2%*	*Sep-13*
Mercer Mutual Fund Diversified Inflation Hedge Median			*0.7%*		*2.4%*		*3.7%*		*-1.4%*		*1.1%*		*0.6%*	*Sep-13*
Fixed Income Passive Fund	**$471,776,749**	**4.5%**	**1.5%**	**45**	**2.3%**	**54**	**-0.3%**	**92**	**2.4%**	**41**	**2.1%**	**66**	**2.8%**	**Sep-10**
BBgBarc US Aggregate TR			*1.4%*	*46*	*2.3%*	*55*	*-0.3%*	*92*	*2.5%*	*39*	*2.2%*	*63*	*2.9%*	*Sep-10*
Mercer Mutual Fund US Fixed Core Median			*1.4%*		*2.4%*		*1.2%*		*2.2%*		*2.5%*		*3.1%*	*Sep-10*
NCSRP BlackRock Debt Index Fund	$471,776,749	4.5%	1.5%	45	2.3%	53	-0.3%	91	2.6%	36	2.3%	61	3.0%	Sep-10
BBgBarc US Aggregate TR			*1.4%*	*46*	*2.3%*	*55*	*-0.3%*	*92*	*2.5%*	*39*	*2.2%*	*63*	*2.9%*	*Sep-10*
Mercer Mutual Fund US Fixed Core Median			*1.4%*		*2.4%*		*1.2%*		*2.2%*		*2.5%*		*3.1%*	*Sep-10*
Fixed Income Fund	**$694,702,568**	**6.6%**	**1.8%**	**23**	**3.0%**	**25**	**1.1%**	**55**	**3.2%**	**15**	**3.0%**	**30**	**4.9%**	**Mar-09**
BBgBarc US Aggregate TR			*1.4%*	*46*	*2.3%*	*55*	*-0.3%*	*92*	*2.5%*	*39*	*2.2%*	*63*	*4.1%*	*Mar-09*
Mercer Mutual Fund US Fixed Core Median			*1.4%*		*2.4%*		*1.2%*		*2.2%*		*2.5%*		*4.8%*	*Mar-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending June 30, 2017 3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
NCSRP TCW Core Plus	$347,077,035	3.3%	1.4%	84	2.1%	93	--	--	--	--	--	--	2.1%	Jan-17
TCW Core Plus Bond Strategy			*1.4%*	*80*	*2.4%*	*75*	*0.7%*	*58*	*2.7%*	*70*	*3.8%*	*22*	*2.4%*	*Jan-17*
BBgBarc US Aggregate TR			*1.4%*	*78*	*2.3%*	*86*	*-0.3%*	*93*	*2.5%*	*86*	*2.2%*	*95*	*2.3%*	*Jan-17*
Mercer Instl US Fixed Core Median			*1.7%*		*2.8%*		*1.0%*		*2.9%*		*3.1%*		*2.8%*	*Jan-17*
NCSRP Prudential Core Plus	$347,625,532	3.3%	2.3%	8	4.1%	7	2.9%	19	--	--	--	--	4.2%	Dec-14
Prudential Core Plus Strategy			*2.3%*	*8*	*4.3%*	*6*	*3.0%*	*17*	*4.1%*	*5*	*4.5%*	*7*	*4.1%*	*Dec-14*
BBgBarc US Aggregate TR			*1.4%*	*78*	*2.3%*	*86*	*-0.3%*	*93*	*2.5%*	*86*	*2.2%*	*95*	*2.2%*	*Dec-14*
Mercer Instl US Fixed Core Median			*1.7%*		*2.8%*		*1.0%*		*2.9%*		*3.1%*		*2.9%*	*Dec-14*
Stable Value Fund	**$2,496,799,734**	**23.8%**	**0.5%**	**30**	**1.0%**	**29**	**2.0%**	**16**	**1.9%**	**32**	**2.0%**	**31**	**2.6%**	**Jun-09**
3-Year Constant Maturity Yield			*0.4%*	*97*	*0.7%*	*95*	*1.3%*	*88*	*1.1%*	*99*	*0.9%*	*99*	*0.9%*	*Jun-09*
T-BILLS + 1.5%			*0.6%*	*12*	*1.1%*	*13*	*2.0%*	*10*	*1.7%*	*37*	*1.7%*	*43*	*1.6%*	*Jun-09*
Mercer Instl Stable Value Median			*0.5%*		*0.9%*		*1.8%*		*1.7%*		*1.6%*		*2.0%*	*Jun-09*

Fund returns reported net of fees. Manager returns reported gross of fees

Total Plan

Performance Summary

	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
			Ending June 30, 2017										Inception	
GoalMaker Funds	--	--	--	--	--	--	--	--	--	--	--	--	--	
Conservative 0-5 Yrs	**$468,514,283**	**4.5%**	**1.8%**	**94**	**3.9%**	**99**	**5.5%**	**99**	**3.4%**	**71**	**4.7%**	**99**	**6.1%**	**Jun-09**
C01 Benchmark			*1.6%*	*96*	*3.5%*	*99*	*5.0%*	*99*	*2.9%*	*84*	*4.2%*	*99*	*5.0%*	*Jun-09*
Mercer Mutual Fund Target Date 2015 Median			*2.3%*		*6.0%*		*9.1%*		*4.1%*		*7.0%*		*8.7%*	*Jun-09*
Conservative 6-10 Yrs	**$124,695,510**	**1.2%**	**2.1%**	**79**	**4.9%**	**83**	**7.4%**	**82**	**3.8%**	**56**	**5.7%**	**84**	**7.2%**	**Jun-09**
C02 Benchmark			*1.9%*	*86*	*4.4%*	*85*	*6.9%*	*86*	*3.3%*	*68*	*5.2%*	*87*	*6.0%*	*Jun-09*
Mercer Mutual Fund Target Date 2020 Median			*2.6%*		*6.5%*		*9.4%*		*3.9%*		*7.0%*		*9.2%*	*Jun-09*
Conservative 11-15 Yrs	**$85,933,193**	**0.8%**	**2.7%**	**69**	**6.6%**	**79**	**10.4%**	**72**	**4.6%**	**47**	**7.5%**	**80**	**8.7%**	**Jun-09**
C03 Benchmark			*2.4%*	*84*	*5.9%*	*86*	*9.9%*	*78*	*4.2%*	*62*	*7.1%*	*86*	*8.0%*	*Jun-09*
Mercer Mutual Fund Target Date 2025 Median			*2.9%*		*7.5%*		*11.4%*		*4.4%*		*8.2%*		*10.1%*	*Jun-09*
Conservative 16+ Yrs	**$200,596,279**	**1.9%**	**3.4%**	**42**	**8.4%**	**53**	**14.0%**	**29**	**5.3%**	**27**	**9.4%**	**36**	**10.4%**	**Jun-09**
C04 Benchmark			*3.0%*	*72*	*7.7%*	*73*	*13.6%*	*40*	*5.0%*	*42*	*9.1%*	*49*	*9.9%*	*Jun-09*
Mercer Mutual Fund Target Date 2030 Median			*3.2%*		*8.5%*		*13.0%*		*4.7%*		*8.9%*		*10.7%*	*Jun-09*
Moderate 0-5 Yrs	**$573,468,014**	**5.5%**	**2.3%**	**53**	**5.4%**	**83**	**8.5%**	**73**	**4.0%**	**59**	**6.3%**	**77**	**7.6%**	**Jun-09**
M01 Benchmark			*2.1%*	*84*	*4.9%*	*90*	*8.0%*	*76*	*3.6%*	*67*	*5.8%*	*87*	*6.6%*	*Jun-09*
Mercer Mutual Fund Target Date 2015 Median			*2.3%*		*6.0%*		*9.1%*		*4.1%*		*7.0%*		*8.7%*	*Jun-09*
Moderate 6-10 Yrs	**$413,220,534**	**3.9%**	**2.7%**	**34**	**6.6%**	**40**	**10.4%**	**32**	**4.6%**	**21**	**7.5%**	**47**	**8.6%**	**Jun-09**
M02 Benchmark			*2.4%*	*66*	*5.9%*	*73*	*9.9%*	*40*	*4.2%*	*43*	*7.1%*	*50*	*8.0%*	*Jun-09*
Mercer Mutual Fund Target Date 2020 Median			*2.6%*		*6.5%*		*9.4%*		*3.9%*		*7.0%*		*9.2%*	*Jun-09*
Moderate 11-15 Yrs	**$385,525,346**	**3.7%**	**3.2%**	**22**	**8.0%**	**28**	**13.1%**	**25**	**5.1%**	**14**	**8.9%**	**25**	**9.9%**	**Jun-09**
M03 Benchmark			*2.9%*	*54*	*7.3%*	*63*	*12.6%*	*29*	*4.7%*	*34*	*8.5%*	*44*	*9.4%*	*Jun-09*
Mercer Mutual Fund Target Date 2025 Median			*2.9%*		*7.5%*		*11.4%*		*4.4%*		*8.2%*		*10.1%*	*Jun-09*
Moderate 16+ Yrs	**$756,475,594**	**7.2%**	**3.9%**	**7**	**9.9%**	**8**	**17.0%**	**2**	**5.7%**	**10**	**10.8%**	**3**	**11.5%**	**Jun-09**
M04 Benchmark			*3.5%*	*28*	*9.1%*	*21*	*16.6%*	*6*	*5.4%*	*18*	*10.5%*	*4*	*11.3%*	*Jun-09*
Mercer Mutual Fund Target Date 2030 Median			*3.2%*		*8.5%*		*13.0%*		*4.7%*		*8.9%*		*10.7%*	*Jun-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending June 30, 2017										Inception	
Aggressive 0-5 Yrs	**$247,138,796**	**2.4%**	**2.8%**	**15**	**6.9%**	**19**	**11.0%**	**20**	**4.7%**	**11**	**7.8%**	**6**	**9.1%**	**Jun-09**
R01 Benchmark			*2.5%*	*32*	*6.2%*	*32*	*10.5%*	*24*	*4.4%*	*36*	*7.4%*	*21*	*8.3%*	*Jun-09*
Mercer Mutual Fund Target Date 2015 Median			*2.3%*		*6.0%*		*9.1%*		*4.1%*		*7.0%*		*8.7%*	*Jun-09*
Aggressive 6-10 Yrs	**$279,137,544**	**2.7%**	**3.2%**	**3**	**8.0%**	**4**	**13.1%**	**1**	**5.1%**	**5**	**8.9%**	**2**	**10.1%**	**Jun-09**
R02 Benchmark			*2.9%*	*22*	*7.3%*	*24*	*12.6%*	*7*	*4.7%*	*13*	*8.5%*	*4*	*9.4%*	*Jun-09*
Mercer Mutual Fund Target Date 2020 Median			*2.6%*		*6.5%*		*9.4%*		*3.9%*		*7.0%*		*9.2%*	*Jun-09*
Aggressive 11-15 Yrs	**$295,951,484**	**2.8%**	**3.7%**	**2**	**9.4%**	**1**	**16.0%**	**1**	**5.6%**	**1**	**10.4%**	**1**	**11.1%**	**Jun-09**
R03 Benchmark			*3.3%*	*18*	*8.5%*	*18*	*15.6%*	*1*	*5.3%*	*7*	*10.1%*	*3*	*10.9%*	*Jun-09*
Mercer Mutual Fund Target Date 2025 Median			*2.9%*		*7.5%*		*11.4%*		*4.4%*		*8.2%*		*10.1%*	*Jun-09*
Aggressive 16+ Yrs	**$783,911,450**	**7.5%**	**4.3%**	**1**	**11.3%**	**1**	**20.0%**	**1**	**6.2%**	**1**	**12.2%**	**1**	**12.7%**	**Jun-09**
R04 Benchmark			*3.9%*	*7*	*10.3%*	*1*	*19.7%*	*1*	*5.9%*	*8*	*12.1%*	*1*	*12.7%*	*Jun-09*
Mercer Mutual Fund Target Date 2030 Median			*3.2%*		*8.5%*		*13.0%*		*4.7%*		*8.9%*		*10.7%*	*Jun-09*

Total Plan

Performance Summary - NET OF FFES

Total Plan Performance

	Current Market Value	Current Allocation	Ending June 30, 2017					Inception	
			3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Return	Since
Large Cap Passive	**$1,494,328,354**	**14.3%**	**3.1%**	**9.3%**	**17.9%**	**9.5%**	**14.5%**	**16.7%**	**Mar-09**
S&P 500			*3.1%*	*9.3%*	*17.9%*	*9.6%*	*14.6%*	*16.9%*	*Mar-09*
NCSRP BlackRock Equity Index	$1,494,328,354	14.3%	3.1%	9.3%	17.9%	9.6%	14.6%	16.9%	Mar-09
S&P 500			*3.1%*	*9.3%*	*17.9%*	*9.6%*	*14.6%*	*16.9%*	*Mar-09*
Large Cap Value	**$994,138,045**	**9.5%**	**2.0%**	**6.0%**	**18.0%**	**7.5%**	**14.3%**	**15.4%**	**Mar-09**
Russell 1000 Value			*1.3%*	*4.7%*	*15.5%*	*7.4%*	*13.9%*	*16.3%*	*Mar-09*
NCSRP Hotchkis & Wiley Large Cap Value	$333,307,264	3.2%	3.7%	8.4%	27.4%	8.1%	16.1%	18.9%	Mar-09
Russell 1000 Value			*1.3%*	*4.7%*	*15.5%*	*7.4%*	*13.9%*	*16.3%*	*Mar-09*
NCSRP Macquarie Large Cap Value	$328,212,922	3.1%	-0.3%	3.0%	6.6%	--	--	6.1%	Jun-15
Russell 1000 Value			*1.3%*	*4.7%*	*15.5%*	*7.4%*	*13.9%*	*7.6%*	*Jun-15*
NCSRP Boston Partners Large Cap Value	$332,617,859	3.2%	2.6%	6.8%	20.9%	7.4%	14.4%	15.2%	Nov-11
Russell 1000 Value			*1.3%*	*4.7%*	*15.5%*	*7.4%*	*13.9%*	*14.5%*	*Nov-11*
Large Cap Growth	**$1,004,944,427**	**9.6%**	**7.4%**	**19.3%**	**23.2%**	**10.6%**	**15.2%**	**19.0%**	**Mar-09**
Russell 1000 Growth			*4.7%*	*14.0%*	*20.4%*	*11.1%*	*15.3%*	*17.7%*	*Mar-09*
NCSRP Sands Capital Large Cap Growth	$333,777,678	3.2%	7.2%	22.2%	25.8%	7.8%	14.2%	20.9%	Mar-09
Russell 1000 Growth			*4.7%*	*14.0%*	*20.4%*	*11.1%*	*15.3%*	*17.7%*	*Mar-09*
NCSRP Wellington Opportunistic Growth	$334,717,146	3.2%	6.4%	17.6%	21.1%	9.9%	15.8%	17.1%	Mar-09
Russell 1000 Growth			*4.7%*	*14.0%*	*20.4%*	*11.1%*	*15.3%*	*17.7%*	*Mar-09*
Russell 3000 Growth			*4.7%*	*13.7%*	*20.7%*	*10.8%*	*15.2%*	*17.7%*	*Mar-09*
NCSRP Loomis Large Cap Growth	$336,449,603	3.2%	8.6%	18.3%	22.7%	--	--	15.5%	Aug-14
Russell 1000 Growth			*4.7%*	*14.0%*	*20.4%*	*11.1%*	*15.3%*	*12.0%*	*Aug-14*

Total Plan

Performance Summary - NET OF FFES

	Current Market Value	Current Allocation	Ending June 30, 2017 3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
Mid/Small Cap Passive	**$262,777,703**	**2.5%**	**2.1%**	**5.9%**	**19.7%**	**7.0%**	**14.0%**	**17.9%**	**Mar-09**
Russell 2500			*2.1%*	*6.0%*	*19.8%*	*6.9%*	*14.0%*	*18.0%*	*Mar-09*
NCSRP BlackRock Russell 2500 Index Fund	$262,777,703	2.5%	2.1%	5.9%	19.7%	7.0%	14.1%	18.1%	Mar-09
Russell 2500			*2.1%*	*6.0%*	*19.8%*	*6.9%*	*14.0%*	*18.0%*	*Mar-09*
Mid/Small Cap Value	**$538,459,194**	**5.1%**	**0.8%**	**4.5%**	**22.1%**	**6.2%**	**14.7%**	**19.8%**	**Mar-09**
Russell 2500 Value			*0.3%*	*2.0%*	*18.4%*	*6.2%*	*13.7%*	*17.5%*	*Mar-09*
NCSRP Hotchkis & Wiley	$179,411,704	1.7%	-1.2%	-0.3%	24.0%	2.5%	13.7%	20.6%	Mar-09
Hotchkis Custom SMID Value Index			*0.3%*	*2.0%*	*18.4%*	*6.2%*	*13.7%*	*18.0%*	*Mar-09*
NCSRP EARNEST Partners	$177,909,316	1.7%	1.8%	8.6%	22.7%	8.0%	15.4%	17.5%	Mar-09
EARNEST Custom SMID Value Index			*0.3%*	*2.0%*	*18.4%*	*6.2%*	*13.7%*	*16.9%*	*Mar-09*
NCSRP WEDGE SMID Cap Value	$181,138,174	1.7%	1.7%	5.3%	20.3%	8.5%	15.1%	15.6%	Dec-11
Russell 2500 Value			*0.3%*	*2.0%*	*18.4%*	*6.2%*	*13.7%*	*14.0%*	*Dec-11*
Mid/Small Cap Growth	**$418,837,373**	**4.0%**	**4.8%**	**10.4%**	**17.5%**	**7.8%**	**13.6%**	**17.1%**	**Mar-09**
Russell 2500 Growth			*4.1%*	*10.6%*	*21.4%*	*7.7%*	*14.3%*	*18.5%*	*Mar-09*
NCSRP TimesSquare SMID Growth	$210,100,698	2.0%	5.2%	11.1%	17.2%	4.9%	12.6%	11.2%	Jun-11
TimesSquare Custom SMID Growth Index			*4.1%*	*10.6%*	*21.4%*	*7.7%*	*14.3%*	*11.2%*	*Jun-11*
NCSRP Brown Advisory	$208,736,675	2.0%	4.5%	9.8%	17.9%	10.9%	14.8%	18.5%	Mar-09
Brown Custom SMID Growth Index			*4.1%*	*10.6%*	*21.4%*	*7.7%*	*14.3%*	*18.1%*	*Mar-09*
International Passive	**$57,037,794**	**0.5%**	**5.9%**	**14.4%**	**20.7%**	**0.9%**	**7.2%**	**10.1%**	**Mar-09**
MSCI ACWI ex USA Gross			*6.0%*	*14.5%*	*21.0%*	*1.3%*	*7.7%*	*10.6%*	*Mar-09*
NCSRP BlackRock ACWI ex US Fund	$57,037,794	0.5%	5.9%	14.4%	20.7%	0.9%	7.3%	10.2%	Mar-09
MSCI ACWI ex USA Gross			*6.0%*	*14.5%*	*21.0%*	*1.3%*	*7.7%*	*10.6%*	*Mar-09*

Total Plan

Performance Summary - NET OF FFES

	Current Market Value	Current Allocation	Ending June 30, 2017 3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
International Equity	**$648,267,683**	**6.2%**	**6.4%**	**15.6%**	**20.4%**	**2.7%**	**8.3%**	**11.1%**	**Mar-09**
MSCI ACWI ex USA Gross			*6.0%*	*14.5%*	*21.0%*	*1.3%*	*7.7%*	*10.6%*	*Mar-09*
NCSRP Baillie Gifford ACWI ex US Growth	$326,793,643	3.1%	9.1%	19.5%	26.9%	5.4%	10.1%	13.5%	Mar-09
MSCI ACWI ex USA Gross			*6.0%*	*14.5%*	*21.0%*	*1.3%*	*7.7%*	*10.6%*	*Mar-09*
MSCI AC Wld ex US Growth Gross			*7.7%*	*17.7%*	*17.8%*	*2.9%*	*8.4%*	*10.9%*	*Mar-09*
NCSRP Mondrian ACWI ex US Value	$321,474,040	3.1%	3.9%	11.8%	14.3%	0.4%	7.1%	9.2%	Mar-09
MSCI ACWI ex USA Gross			*6.0%*	*14.5%*	*21.0%*	*1.3%*	*7.7%*	*10.6%*	*Mar-09*
MSCI AC Wld Ex US Value Gross			*4.3%*	*11.4%*	*24.3%*	*-0.4%*	*6.9%*	*10.3%*	*Mar-09*
Global Equity	**$948,922,862**	**9.1%**	**5.3%**	**13.6%**	**20.3%**	**6.4%**	**13.1%**	**14.0%**	**Mar-09**
MSCI ACWI Gross			*4.5%*	*11.8%*	*19.4%*	*5.4%*	*11.1%*	*13.6%*	*Mar-09*
NCSRP Wellington Global Opportunities	$477,354,192	4.6%	5.9%	14.3%	21.5%	7.2%	13.8%	12.2%	Jul-10
MSCI ACWI Gross			*4.5%*	*11.8%*	*19.4%*	*5.4%*	*11.1%*	*10.0%*	*Jul-10*
NCSRP Arrowstreet Global Equity ACWI	$471,568,670	4.5%	4.8%	12.9%	19.4%	5.8%	12.7%	10.7%	Mar-12
MSCI ACWI Gross			*4.5%*	*11.8%*	*19.4%*	*5.4%*	*11.1%*	*9.4%*	*Mar-12*
Inflation Responsive Fund	**$438,307,108**	**4.2%**	**0.1%**	**2.3%**	**2.6%**	**-0.5%**	**--**	**1.1%**	**Sep-13**
PIMCO Inflation Response Index			*-0.4%*	*1.2%*	*-1.7%*	*-2.4%*	*-1.3%*	*-0.7%*	*Sep-13*
NCSRP PIMCO Inflation Response Multi-Asset	$438,307,108	4.2%	0.1%	2.4%	2.7%	-0.4%	--	1.3%	Sep-13
PIMCO Inflation Response Index			*-0.4%*	*1.2%*	*-1.7%*	*-2.4%*	*-1.3%*	*-0.7%*	*Sep-13*
Consumer Price Index			*0.5%*	*1.5%*	*1.6%*	*0.9%*	*1.3%*	*1.2%*	*Sep-13*

Total Plan

Performance Summary - NET OF FFES

	Current Market Value	Current Allocation	Ending June 30, 2017 3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
Fixed Income Passive Fund	**$471,776,749**	**4.5%**	**1.5%**	**2.3%**	**-0.3%**	**2.4%**	**2.1%**	**2.8%**	**Sep-10**
BBgBarc US Aggregate TR			*1.4%*	*2.3%*	*-0.3%*	*2.5%*	*2.2%*	*2.9%*	*Sep-10*
NCSRP BlackRock Debt Index Fund	$471,776,749	4.5%	1.5%	2.3%	-0.3%	2.5%	2.2%	2.9%	Sep-10
BBgBarc US Aggregate TR			*1.4%*	*2.3%*	*-0.3%*	*2.5%*	*2.2%*	*2.9%*	*Sep-10*
Fixed Income Fund	**$694,702,568**	**6.6%**	**1.8%**	**3.0%**	**1.1%**	**3.2%**	**3.0%**	**4.9%**	**Mar-09**
BBgBarc US Aggregate TR			*1.4%*	*2.3%*	*-0.3%*	*2.5%*	*2.2%*	*4.1%*	*Mar-09*
NCSRP TCW Core Plus	$347,077,035	3.3%	1.3%	2.1%	--	--	--	2.1%	Jan-17
BBgBarc US Aggregate TR			*1.4%*	*2.3%*	*-0.3%*	*2.5%*	*2.2%*	*2.3%*	*Jan-17*
NCSRP Prudential Core Plus	$347,625,532	3.3%	2.2%	4.0%	2.6%	--	--	3.9%	Dec-14
BBgBarc US Aggregate TR			*1.4%*	*2.3%*	*-0.3%*	*2.5%*	*2.2%*	*2.2%*	*Dec-14*

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Arrowstreet Global Equity - ACWI	**A**	Arrowstreet applies a quantitative process to exploit both behavioral and informational opportunities. Behavioral opportunities are created by the mistakes made by investors, including the tendency for investors to overreact, to herd, and to avoid regret. Informational opportunities stem from investors not fully exploiting information that is relevant to prices on a timely basis. Arrowstreet views this process as a core approach. We note that Arrowstreet's process often displays value characteristics although its performance does not behave in line with the value cycle.	This benchmark-sensitive, quantitative approach typically exhibits a value tilt. It is not labeled "value" since returns do not behave in line with value indices. The strategy is expected to do well in trending markets (including growth markets) but to have greater difficulty managing through rapid inflection points. Several of the firm's strategies are available as Dublin-based pooled funds. The strategy does not follow a model portfolio, which may lead to some dispersion between similar client mandates.
Baillie Gifford	**A**	The investment approach is bottom-up, based on fundamental research, with a focus on identifying quality, growth stocks that have an identifiable competitive advantage. Portfolios will consist of stocks that can sustain above average growth in earnings and cash flow. The time horizon is genuinely long-term with low turnover.	The strategy is expected to display persistent factor bias to profitability. The bias towards growth and quality stocks may make it more difficult for this strategy to outperform during periods when these market characteristics are out of favour.
BlackRock Indices	**A**	Through its predecessor firm BGI, BlackRock utilizes a three-pronged philosophy across all of its index strategies. The investment philosophy of passive products at BlackRock is to replicate the index returns while minimizing transaction costs and tracking error of the product.	
Boston Partners Large Cap Value Equity	**A**	Boston Partners blends quantitative modeling with fundamental research in constructing equity portfolios using bottom-up, value-oriented stock selection. The three primary tenets of the firm's philosophy are a value discipline, intensive internal research, and risk aversion. The research focuses on finding stocks with attractive value characteristics, strong business fundamentals, and a catalyst for change.	The strategy is expected to display a persistent bias to: value. The strategy is a relatively conservative product that is designed with an eye toward principal protection. As a result of Boston Partners' focus on valuation, quality, and improving business prospects, the strategy typically performs best in down markets and periods of higher volatility.
Brown Small-Cap Growth Equity	**B+**	Brown seeks to achieve superior risk-adjusted returns through a concentrated portfolio of diversified, small-capitalization equity securities. With this in mind, Brown looks to invest in companies with durable growth, sound governance, and a scalable go-to-market strategy.	The strategy is not expected to display a persistent factor bias relative to a core benchmark. It is managed in a GARP fashion and will consistently skew larger than its Russell 2000 Growth benchmark in terms of weighted average market cap; as such, it may underperform when the smallest cap stocks are in favor. Similarly, it has tended to perform better in up-market environments owing to its growth orientation and focus on the strength and durability of a business's long-term cash flow potential. An important attribute toward the strategy's long-term relative success has been its stock selection decisions within the Technology sector.

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Delaware Large Cap Value Focus	**A**	The core philosophy underlying the strategy is that the market can inefficiently price securities and that these inefficiencies can be exploited. The team utilizes a concentrated, bottom-up, fundamental approach to manage the strategy, seeking companies that are trading at a discount to their estimated intrinsic values (in the form of earnings power and net assets) with the belief that mean reversion and lower volatility can lead these companies back to fair value.	The team utilizes the S&P 500 Index for portfolio construction purposes, so while the strategy is concentrated, it tends to be diversified across all sectors. The strategy should outperform its peers and the benchmark when investors focus on company fundamentals and lag in speculative markets that favor lower quality names. In addition, it is suitable for assignments requiring a best-ideas approach and a traditional to relative value orientation.
Earnest SMID Cap Value	**B+**	Earnest employs a disciplined investment philosophy that is rooted in the premise that stock price returns follow identifiable patterns. Its approach seeks to identify what factors drive each stock's returns by focusing on industry clusters. Given the typical characteristics of the firm's portfolios, such as lower P/E's than the market, EARNEST Partners is typically categorized as a value manager. It is important to point out that the firm does not subscribe to a deep value dogma, but rather ends up with a value based portfolio as an outgrowth of the process.	The strategy will tend to fall between value and core over time (relative value). The portfolio is likely to benefit when growth investing is in favor compared to a value oriented benchmark. Given that the process seeks companies with relatively strong profitability measures and higher quality characteristics, the strategy may lag in market environments that reward lower quality companies.
Galliard Stable Value	**A**	Galliard seeks income generation with the goal of actively managing risk while emphasizing downside risk protection and low tracking error. Galliard believes the role of fixed income is to control risk and deliver a competitive total return over a longer time horizon. Value added is primarily derived from sector emphasis and individual security selection utilizing a fundamental valuation process. Galliard focuses on an above average yield, not positioning the portfolio based on anticipated nterest rate movements	
Hotchkis and Wiley Large Cap Fundamental Value	**A (T)**	HWCM takes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies. The firm focuses on stocks where its estimate of the intrinsic value of future cash flows exceeds the market price.	The Large Cap Fundamental Value strategy has a deep value bias and should be expected to trail relative and traditional value managers when markets pull back or in "risk off" environments when investors are particularly risk averse. In addition, because of this bias, returns may not track the relevant index closely and may exhibit stretches of volatility.

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Hotchkis and Wiley Mid-Cap Value	**B+ (T)**	HWCM takes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies. The firm focuses on stocks where its estimate of the intrinsic value of future cash flows exceeds the market price.	HWCM's strategies have a deeper value bias and should be expected to trail more traditional value managers when markets pull back or when investors are particularly risk averse. In addition, because of this bias, returns may not track the relevant index closely and may exhibit stretches of volatility.
TCW Core Plus Fixed Income	**A**	JPMAM employs a value-oriented approach to fixed income management. Through its bottom-up process, the fixed income team identifies inefficiently priced securities. Yield curve management, with an emphasis on evaluating relative risk/reward relationships along the yield curve, is another important element of the firm's approach.	The firm fuses macro themes, bottom-up fundamental research, and robust quantitative analysis into a single well-integrated investment process. TCW has consistently improved its proprietary risk management systems and trading analytic tools to meet the demands of the market.
Loomis Large Cap Growth	**B+ (T)**	The Large Cap Growth team believes successful growth investing is the result of identifying a limited number of high quality companies capable of sustaining above average, long-term cash flow growth and purchasing them at discounted prices to their	Due to the strategy's loose portfolio construction guidelines, name concentration, and long-term investment horizon, clients should expect short-term performance fluctuations in both absolute terms and relative to the Russell 1000 Growth Index. Given the team's
Mondrian Focused All Countries World Ex-US Equity	**B+**	Mondrian is a long-term, value-oriented manager. Mondrian aims to add value through both top-down country allocation and bottom-up stock selection decisions. Over the long term, the manager expects stock selection to account for most of the excess return relative to the index. Mondrian favours countries, and securities within countries, offering the most attractive forecast real returns. These estimates are based on long-term forecasts of dividend payments discounted to present value (i.e. a dividend discount model approach).	The strategy is expected to display persistent factor bias to value and low volatility. A bias towards high dividend yielding stocks is expected to be a persistent feature of this strategy. The strategy will tend to outperform during periods of falling markets, although performance during rising markets is generally mixed. Absolute volatility is expected to be lower than that of the market.
PIMCO Inflation Response Multi-Asset	**B+ (W)**	IRMAF is designed to hedge global inflation risks while targeting enhanced return opportunities that inflation dynamics may present. The fund provides diversified exposure to a broad opportunity set of inflation factors or assets that will likely respond to different types of inflation including Treasury Inflation-Protected Securities (TIPS), commodities, emerging market (EM) currencies, real estate investment trusts (REITs), gold and tactical use of floating rate securities. Tail-risk hedging strategies are also utilized to limit the impact of periodic market stresses that may affect inflation-related assets.	While the strategy seeks a return in excess of inflation, investors should be aware that CPI is not an investable benchmark and PIMCO does not seek to track it. As such, the shorter-term performance of the strategy will likely be driven by factors other than realized inflation or changes in market inflation expectations. Still, the objective of the strategy is to formulate macroeconomic views regarding potential inflation and then seek exposure to asset classes and investments that should benefit from/protect against inflation and that perform relatively well during periods of rising inflation. While the portfolio is diversified, volatility and downside risk could be higher than expected as many of the underlying asset classes have exposure to common risk factors.

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Prudential Core Plus Fixed Income	**A**	Prudential's Core Plus fixed income strategy is designed to generate excess return from fairly equal increments of both sector allocation and subsector/security selection, and from duration and yield curve on a secondary basis. The active philosophy blends top down and bottom up research to drive sector allocation and issue selection. Duration and yield curve positioning is generally de-emphasized but will be considered when market opportunities dictate. The Core Plus strategy will allocate to non-benchmark sectors, including non-agency mortgage, high yield, and emerging markets.	
Sands Select Growth Equity	**A (T)**	Sands is a bottom-up, quality growth manager. The firm builds concentrated portfolios of leading companies, which are broadly diversified across a number of business lines. Sands follows a buy and hold philosophy with low turnover. The long-term investment horizon allows the companies in the portfolio to realize long-term business opportunities that lead to shareholder wealth creation.	The strategy is expected to have a persistent factor bias to size. Given the strategy's loose constraints and concentrated nature, tracking error can be high at times. Short-term deviations relative to the benchmark can be quite significant and clients invested with Sands should be willing to take a long-term perspective. The strategy is best classified as aggressive growth.
TimesSquare SMID Cap Growth	**A**	TSCM believes that their detailed approach and proprietary fundamental growth equity research skills, which place a particular emphasis on the assessment of management quality (and alignment with shareholders) and a comprehensive understanding of superior business models, enable their team to build a diversified portfolio that will generate superior risk adjusted returns over the long run.	TSCM Mid Cap Growth and SMID Cap Growth each display a persistent bias to profitability relative to a core benchmark and are thus best classified as traditional growth sub-style exposures. Although the portfolios are sufficiently diversified on a holdings-count basis, relative sector exposures at times can be meaningful (however, not meaningful enough to warrant tracking error designations as there are upper relative limits for the strategies versus the larger index sector weights). Given the team's traditional growth sub-style and their valuation discipline, strategy performance may lag in more speculative, momentum driven markets.
WEDGE Small/Mid Cap Value	**B+**	The firm's philosophy is based on the premise that value investing produces superior investment returns over time and that quantitative analysis can increase the probability of investment success. Through fundamental and quantitative processes, the team seeks stocks that meet its value and quality criteria.	Given the strategy's focus on higher quality companies and tendency to overweight lower beta names; it may struggle in market environments that reward lower quality and higher beta stocks. Nonetheless, WEDGE has experienced few periods of significant underperformance and generally helps protect capital in difficult market environments.

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Wellington Global Opportunities (Choumenkovitch)	**B+**	Wellington believes mispriced returns on capital drive stock prices either because the market underestimates improvements in returns or underestimates the sustainability of returns. To that end, the team applies a bottom-up, fundamental process to find companies where opportunities to improve returns are misunderstood by the market place. The strategy does not have a consistent style bias and holdings typically include growth and value ideas; hence, the strategy is most appropriately classified a core approach. The strategy is broadly diversified and benchmark sensitive. The strategy typically exhibits an active share of 80% or higher.	Over the long term, the portfolio should be close to neutral relative to the benchmark in terms of country allocation, industry and capitalization range. The approach performs best in broadly-trending markets, but suffers at market extremes such as a flight-to-quality or strong momentum markets. It will also underperform when mega cap stocks are leading the markets.
Wellington Opportunistic Growth	**A**	The investment objective of the Opportunistic Growth portfolio is to provide long-term, total returns above the growth indexes by investing in the stocks of successful, growing companies. Over the long term, Wellington believes companies that can sustain above average earnings growth will outperform the growth indices and the market overall.	The Opportunistic Growth portfolio, considered to be a traditional growth strategy, should be expected to perform well during up-trending growth markets. However, because the strategy is driven by strong fundamentals and considers valuation, the portfolio is expected to underperform when the market becomes more speculative or risk-seeking.

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