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North Carolina
Supplemental Retirement Plans

Performance Evaluation Report

Fourth Quarter 2016

Services provided by Mercer Investment Consulting LLC

MARSH & McLENNAN COMPANIES

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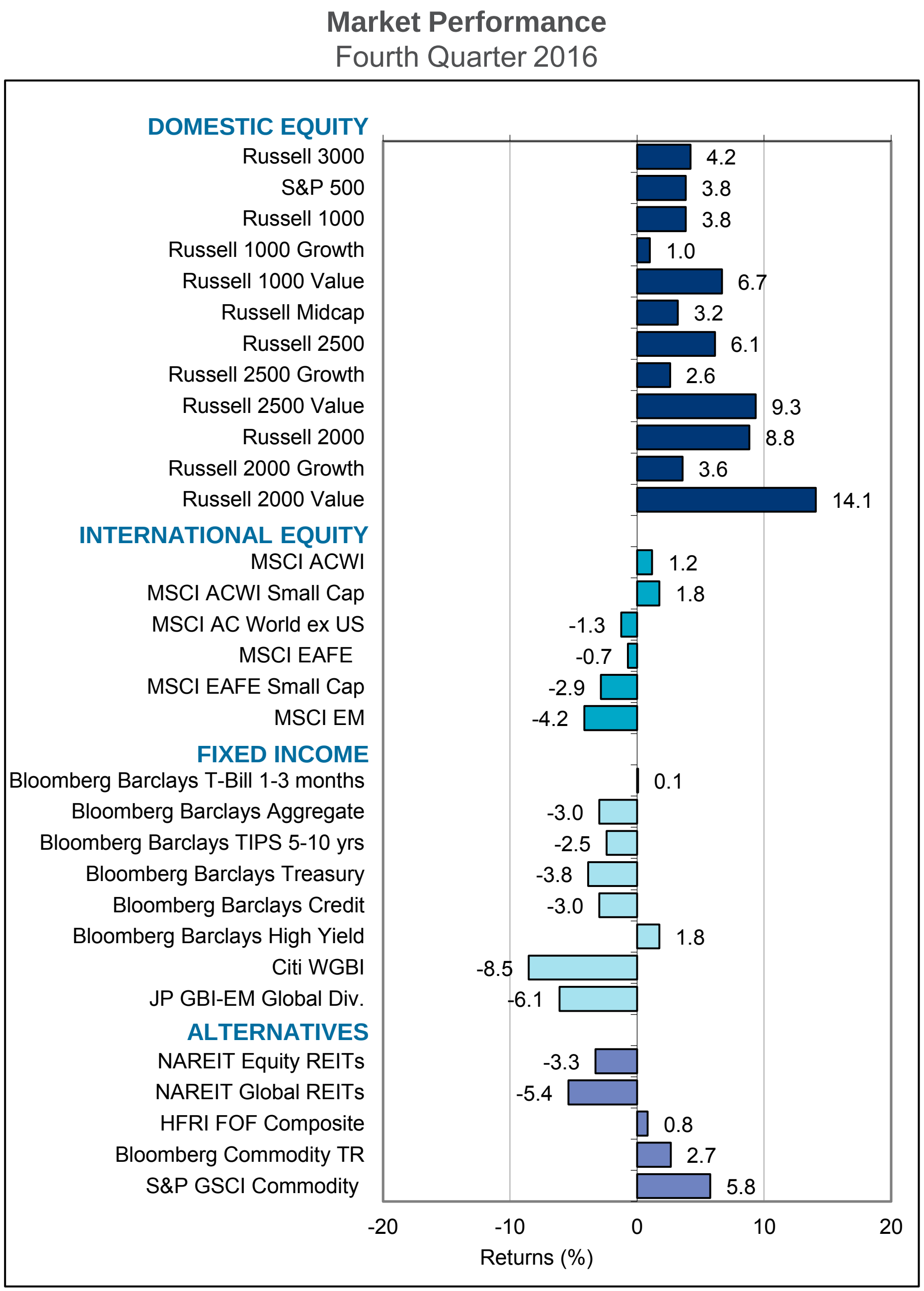
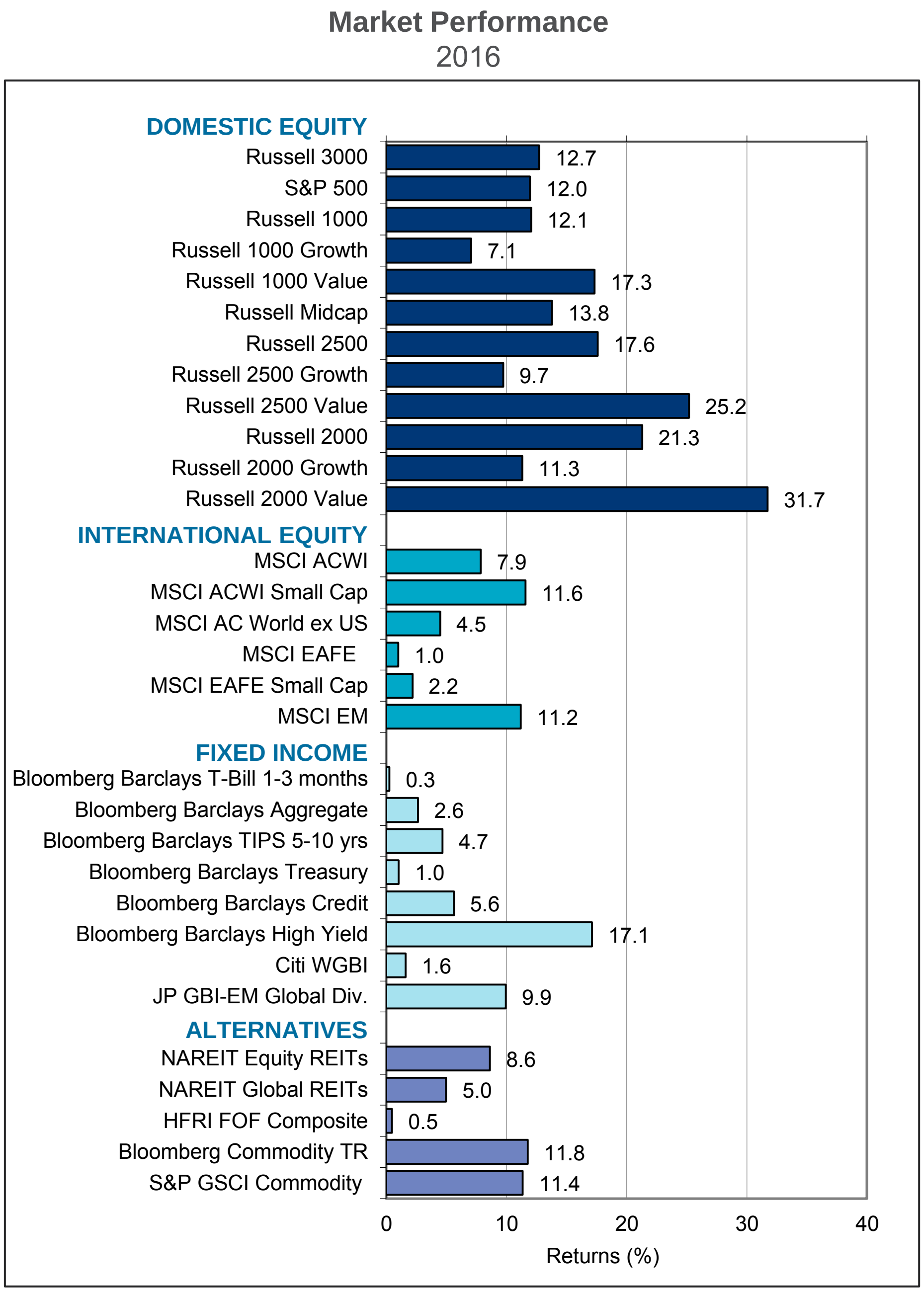
Quarter in Review



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

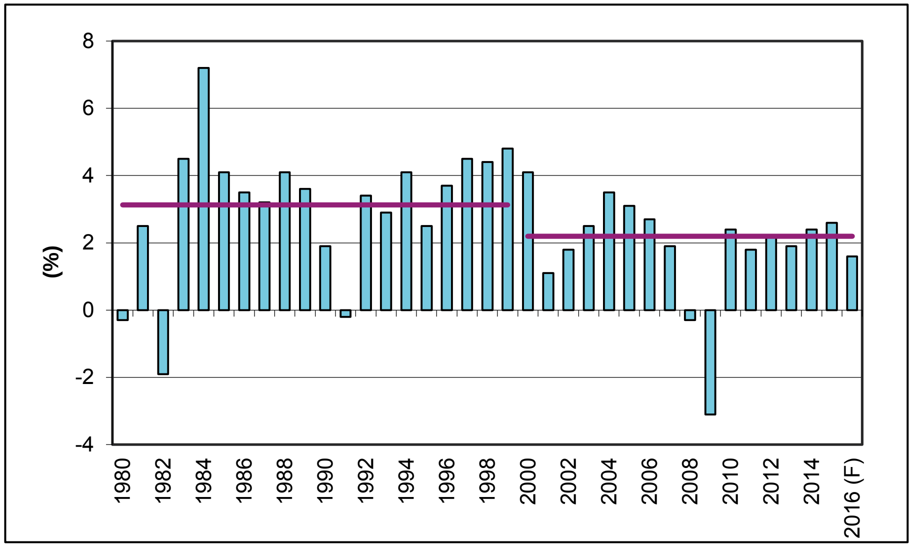


Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

Macro Environment

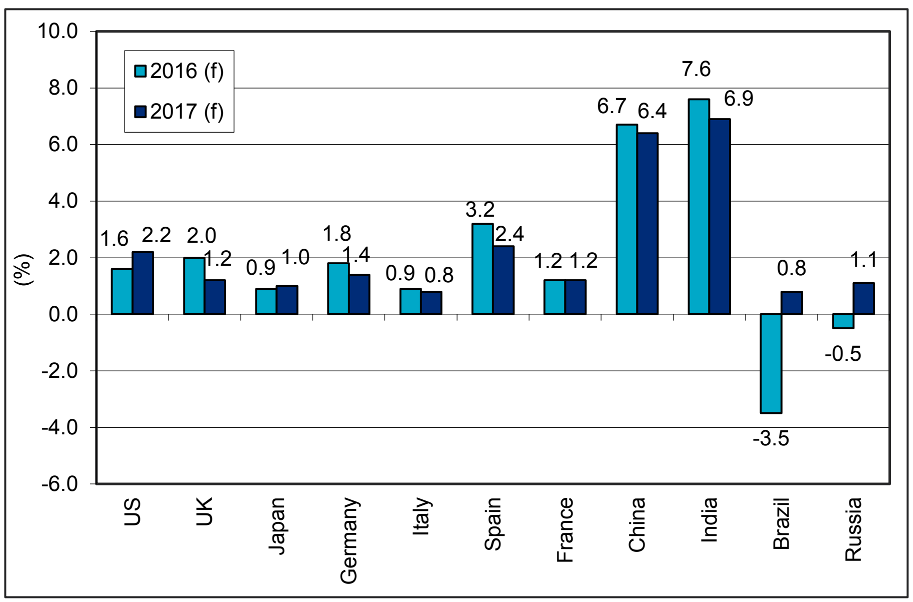
Economic Review

Annual GDP Growth



Source: Bureau of Economic Analysis

World Economic Growth
(Forecasts as of December 2016)



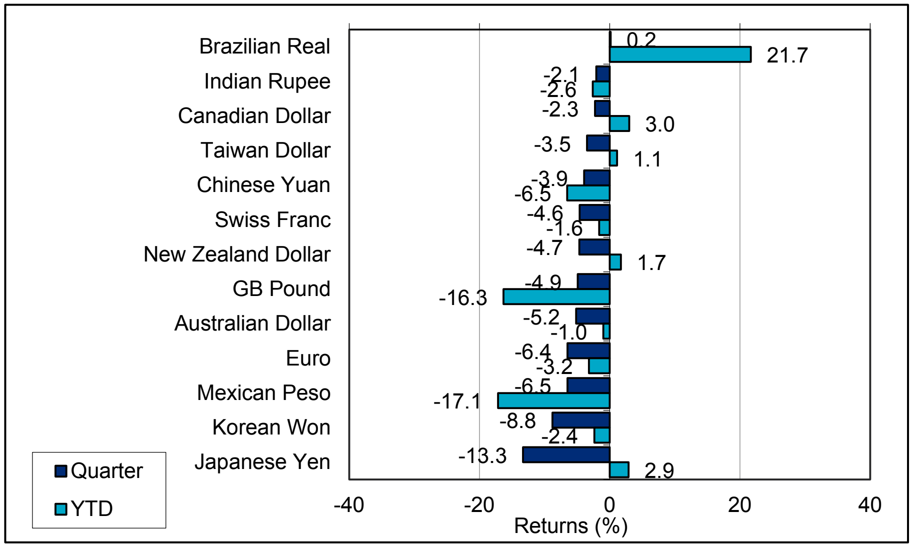
Source: Bloomberg

- The global economy expanded by an estimated 2.3% in 2016, the slowest pace since the financial crisis. Increased fiscal stimulus should support higher growth this year, but a potential rise in protectionism and populism pose risks to the outlook. The World Bank expects growth to increase to 2.7% in 2017.
- The US economy added an average of 165k jobs per month in the fourth quarter, down from the 209k pace during the prior 12 months, but still solid. With the economy near full employment, it could be difficult to maintain this pace. The unemployment rate continued its downward trend falling from 5.0% to 4.7% in the fourth quarter. Over the past year, average hourly earnings have risen by a solid 2.9%. Wage growth should continue to accelerate as labor markets tighten. After growing at an estimated 1.6% pace in 2016, growth should improve in 2017. Fiscal stimulus could lift growth in the second half of the year, although geopolitical risks are elevated. In the US, economists forecast growth to improve to 2.2% in 2017.
- The Eurozone continues to grow at an above-trend pace and indicators suggest that the Eurozone economy has not been significantly affected by the Brexit vote. Looking forward to 2017, elections around the region will present risks to the fragile recovery. However, recent euro weakness should improve competitiveness and steps to improve the banking sector could help to alleviate some structural issues.
- In Japan, recent declines in the yen should aid the competitiveness of Japanese products, potentially generating earnings growth. Markets continue to expect a coordination of monetary and fiscal policies (i.e. helicopter money).
- The growth outlook for emerging market economies is clouded as anti-trade sentiment is picking up momentum around the globe. Additionally, continued dollar strength could drive a renewed round of currency declines and capital outflows. However, stability in Chinese growth and commodity prices should provide investors with some level of comfort.

Macro Environment

Currencies

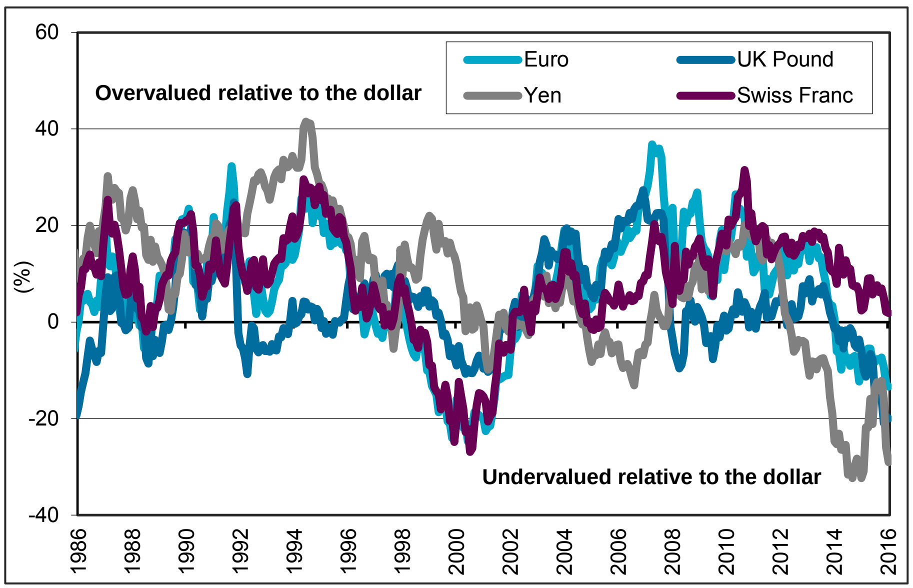
Performance of Foreign Currencies versus the US Dollar



Source: Bloomberg

Currency Valuation versus US Dollar

(Based on Relative PPP)



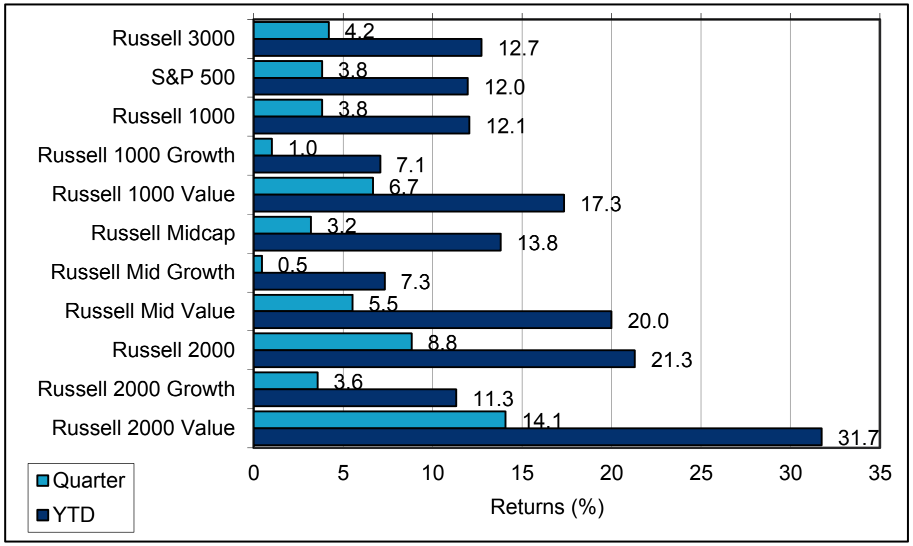
Source: Bloomberg

- The dollar strengthened significantly during the fourth quarter, particularly following the US election. The Dollar Index (DXY) rose 7.1% during the fourth quarter and finished 2016 up 3.6%.
- The euro declined 6.4% against the dollar during the fourth quarter, as markets priced in higher expected interest rates in the US. For the year, the euro declined by 3.2% relative to the dollar.
- The Japanese yen reversed and slid by 13.3% during the fourth quarter, with most of the move seen following the US election. For the year, the yen appreciated by 2.9% against the dollar due to a strong first half in 2016.
- Following significant declines in 2014 and 2015, emerging market currencies generally stabilized in 2016. Combined with the relative calm seen in energy markets, this contributed to a rebound in emerging market asset prices during the year.
- In 2016, the British pound and Mexican peso experienced significant declines. The British pound weakened significantly in the immediate wake of the UK's Brexit decision and the Mexican peso fell largely due to President-elect Trump's views on foreign trade. The Brazilian real was the strongest performing currency for the year, as Brazil has benefited from a more market-friendly government and stability in energy markets.
- The dollar resumed it's upward momentum following the US election; however, it is unclear how much further it has to run. Relatively high US yields may continue to provide support over the short-term. Over the longer-term, rich valuations, the current account deficit and relatively high inflation could eventually weigh on the greenback against other major currencies.

Asset Class

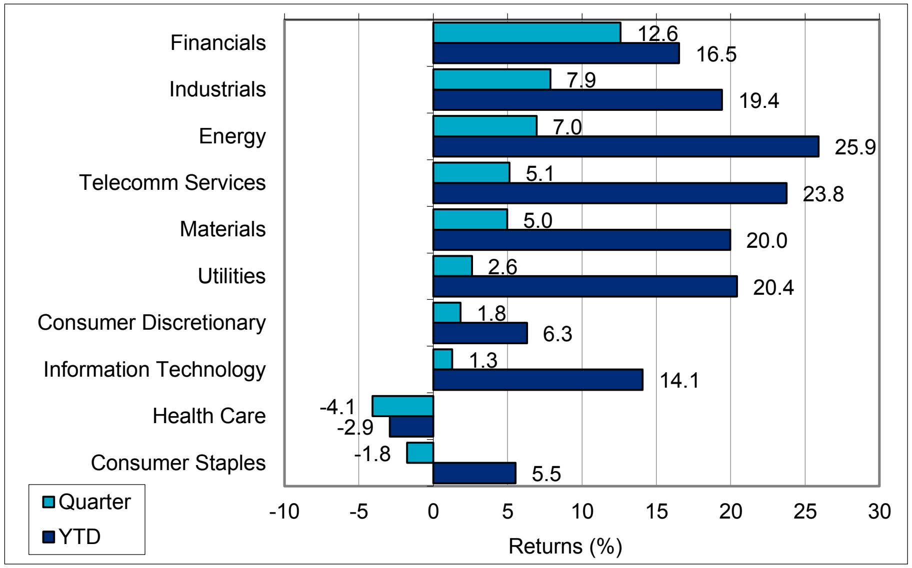
US Equities – Style, Sector, Cap Performance

Style and Capitalization Market Performance



Source: Standard & Poor's, Russell, Bloomberg

Sector Performance



Source: Russell 1000 GICs Sector

Broad Market

- US equities finished the year strong. The results of elections in the US drove optimism centered around the potential for a fiscal stimulus package as well as tax and regulatory reform.

Market Cap

- **Large Caps:** The S&P 500 gained 3.8% during the fourth quarter, bringing its 2016 return to 12.0%.
- **Mid Caps:** The Russell Midcap Index returned 3.2% during the fourth quarter, finishing the year up 13.8%.
- **Small Caps:** Small-cap stocks continued their surge, returning 8.8% during the fourth quarter and 21.3% for the year.

Style

- **Value vs. Growth:** Value outperformed Growth across all market capitalizations during the fourth quarter. Small-cap value stocks were the best performing style, gaining 14.1% for the quarter and 31.7% for the year.
- For the quarter, value factors generally outperformed, while momentum and growth factors lagged.

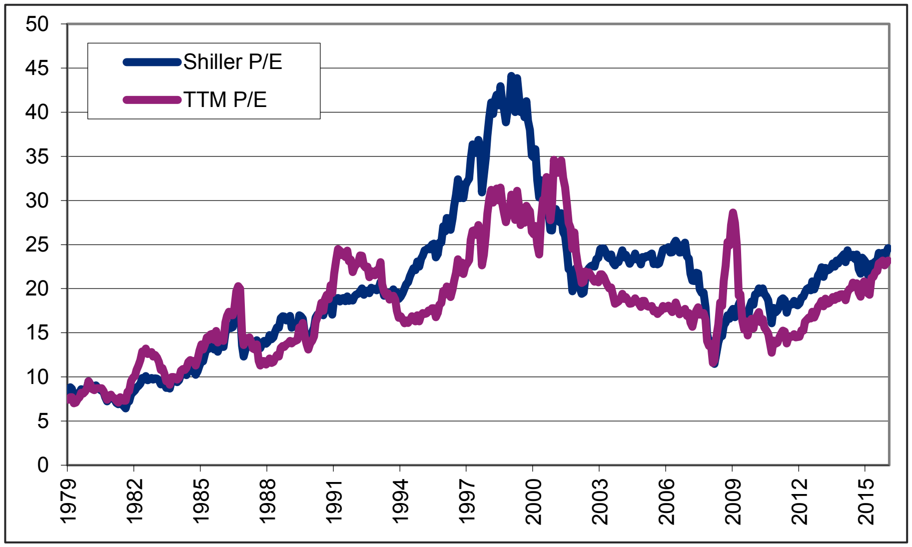
Sector

- Most sectors were positive during the fourth quarter. Financials were particularly strong, returning 12.6%, as markets priced in the potential for higher interest rates and regulatory relief. Health care and consumer staples were the only sectors in the red for the fourth quarter. For the year, energy was the best performing sector, returning 25.9%.

Asset Class

US Equities – Valuation Review

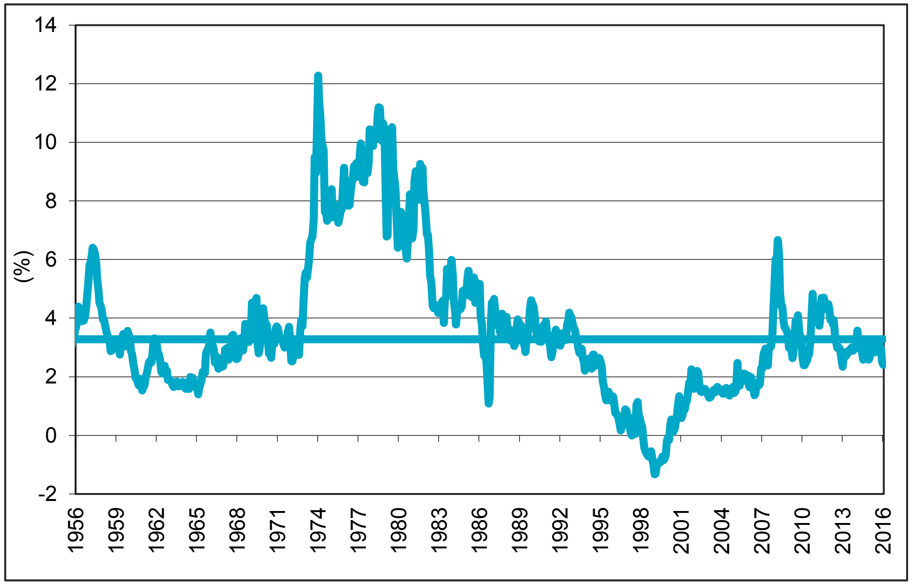
US Equities – P/E Ratio



Source: S&P, Bloomberg, Mercer

US Equities – Estimated Equity Risk Premium[1]

Versus Long-Term Treasuries



Source: S&P, Bloomberg, Mercer

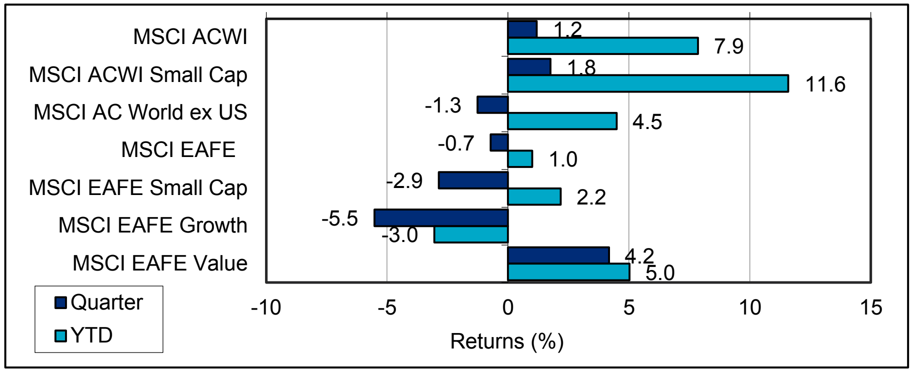
- The P/E ratio on the MSCI US index was unchanged at 23.2 during the fourth quarter as gains on US stocks were generally offset by a recovery in earnings. The cyclically-adjusted P/E based on 10-year average earnings (Shiller's methodology) increased from 24.1 to 24.6, which is above the long-term median P/E of 19.5.
- The valuation case for equities relative to bonds worsened during the fourth quarter. Our estimate of the prospective equity risk premium on the S&P 500 declined from 3.05% to 2.40%. This was largely driven by the increase in bond yields during the quarter.
- The post-election surge in the dollar has renewed concerns about the pressure that it could place on US corporate earnings. Tax and regulatory reform could lead to an improvement in earnings over the intermediate-term.
- While job growth has slowed, the overall labor market remains strong. Most observers agree that the US economy is nearing full employment, with the unemployment rate currently at 4.7%. 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, we continue to find them 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

Asset Class

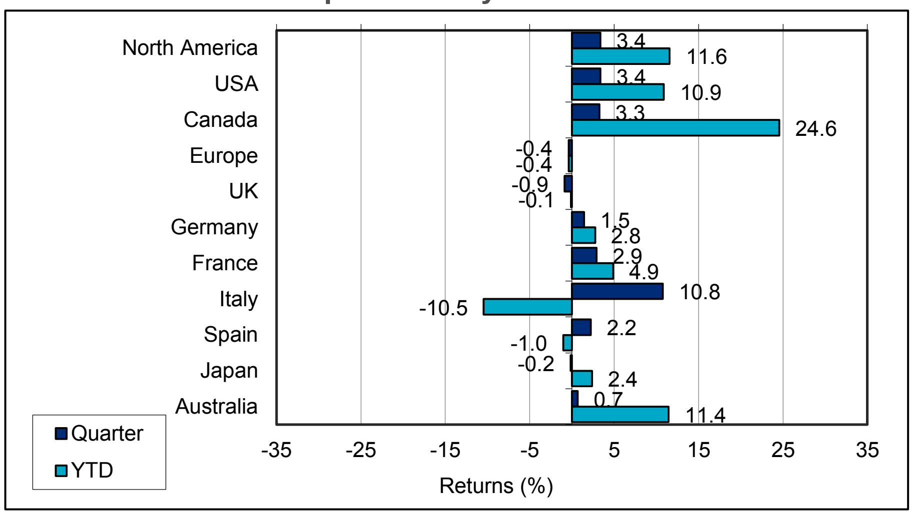
International Equities – Performance Review

Global and International Equity Performance



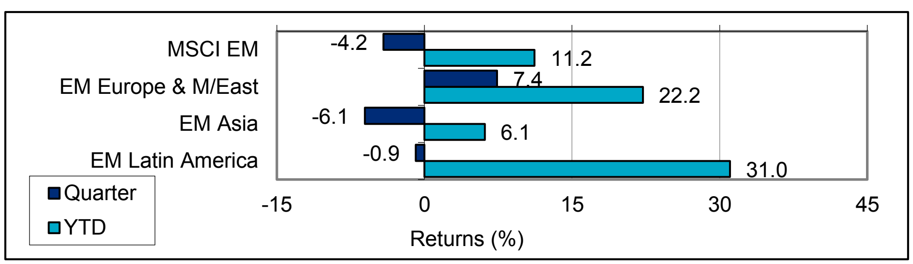
Source: MSCI, Bloomberg

Developed Country Performance



Source: MSCI, Bloomberg

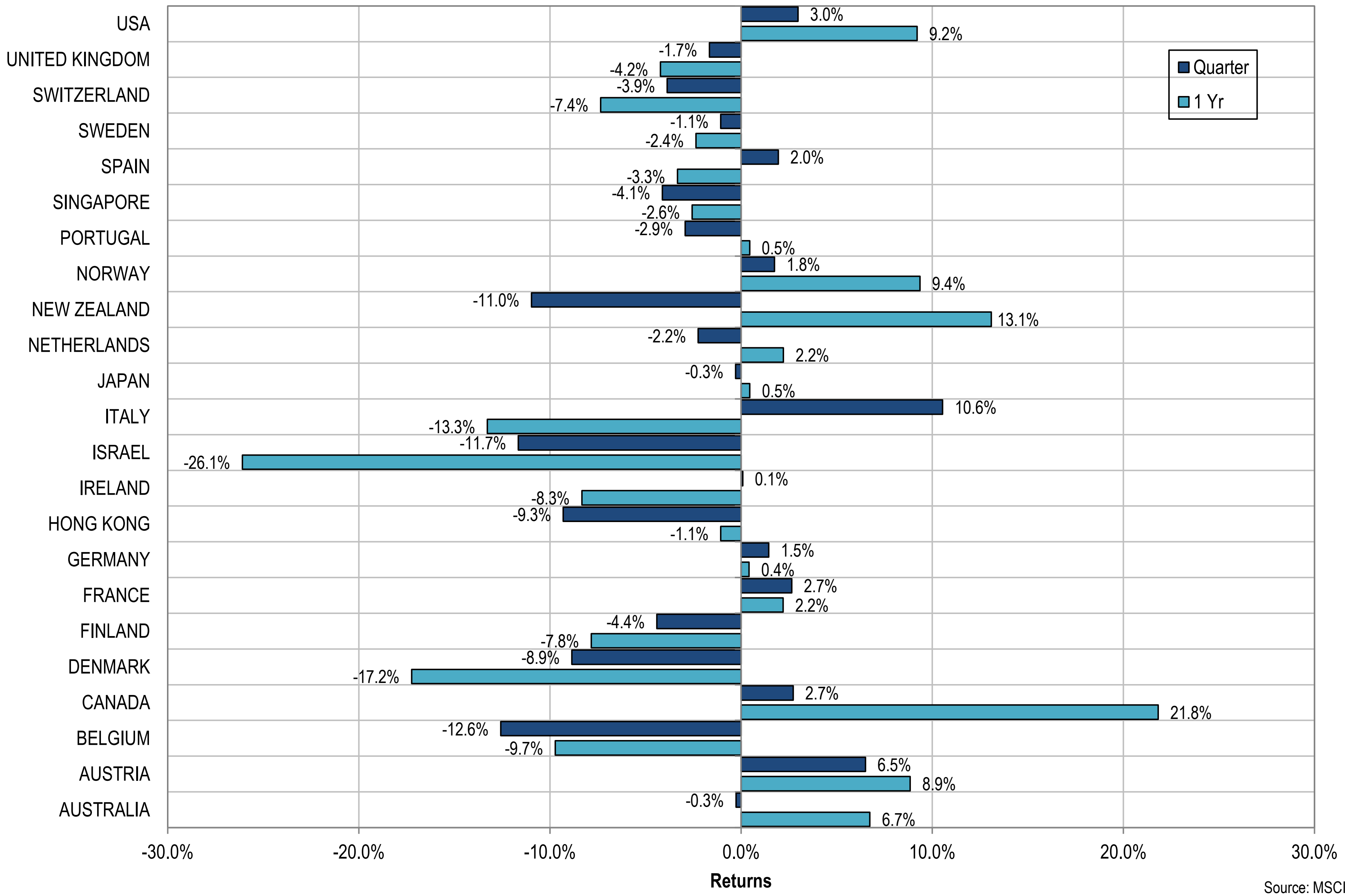
Emerging Market Performance



Source: MSCI, Bloomberg

- **Global equities** posted modest returns during the fourth quarter, driven mostly by US stock returns. The MSCI ACWI index increased 1.2% during the fourth quarter and finished the year up 7.9%.
- **Global small cap equities** increased 1.8%, outperforming global large cap equities by 60 basis points in the fourth quarter. For the year, global small caps outperformed large caps by 370 basis points.
- **International developed stocks** saw modest currency driven declines during the fourth quarter. In $US terms, the MSCI EAFE index lost 0.7%, leaving the 2016 return at 1.0%. In local currency terms, the MSCI EAFE Index returned 7.1% during the quarter, lifting the 2016 return 5.3%. Both European and Japanese stocks saw declines in $US terms during the fourth quarter. The MSCI Europe index declined 0.4% during the quarter in $US, but gained 5.4% in local currency terms. The MSCI Japan index fell 0.2% in $US and gained 15.0% in local currency terms.
- **International small cap equities** underperformed international large caps in the fourth quarter, falling by 2.9%. For the year, the MSCI EAFE Small Cap index returned 2.2%, outperforming large caps by 1.2 percentage points.
- **Emerging market stocks** saw declines during the fourth quarter as dollar strength and the potential for a decline in global trade weighed on markets. Emerging markets declined 4.2% during the fourth quarter, but finished the year up 11.2%. Asian emerging markets acted as a drag on performance for both the quarter and the year. During 2016, Latin American emerging markets returned 31.0%, and European emerging markets returned 25.5%, while Asian emerging markets returned only 6.1%.

Developed Country Performance

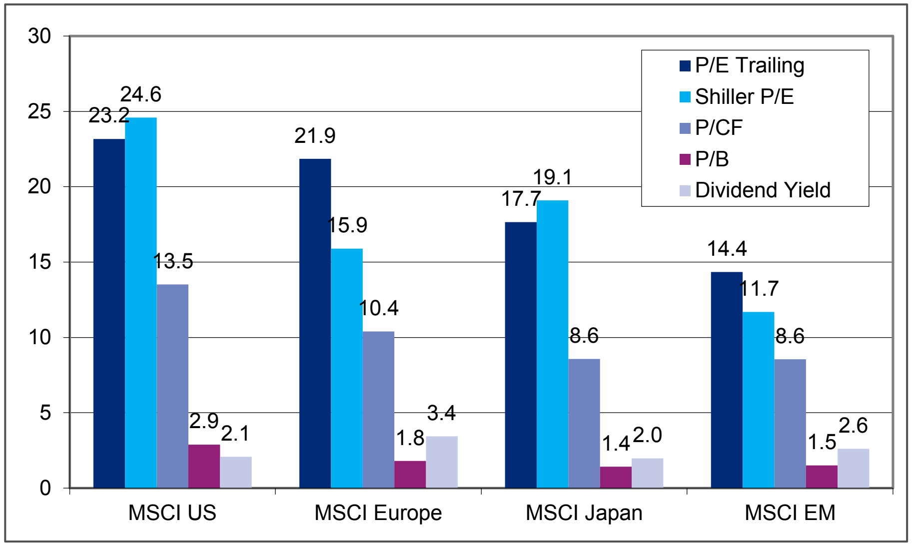


Source: MSCI

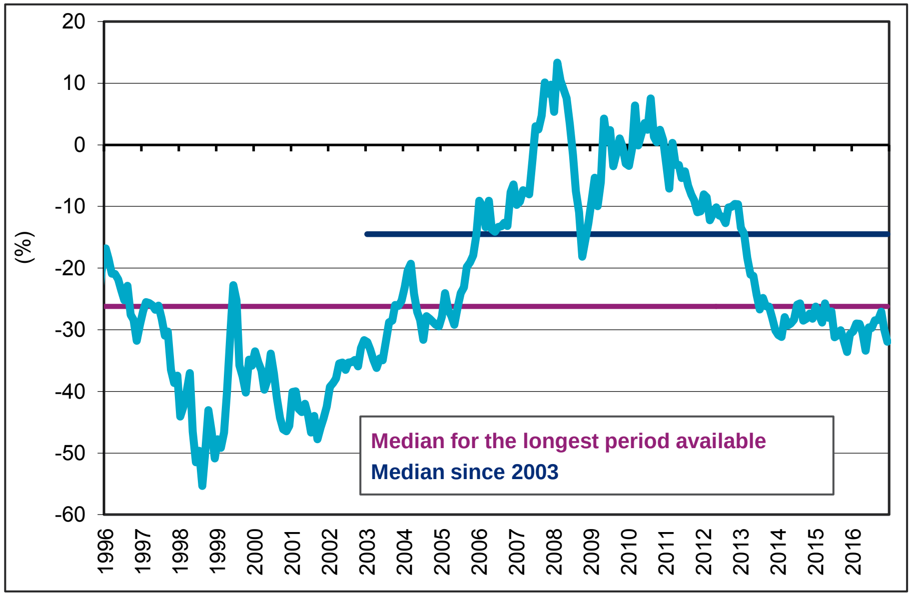
Mercer Investment Consulting, Inc.

Asset Class

International Equities – Valuation Review



Source: MSCI, Bloomberg



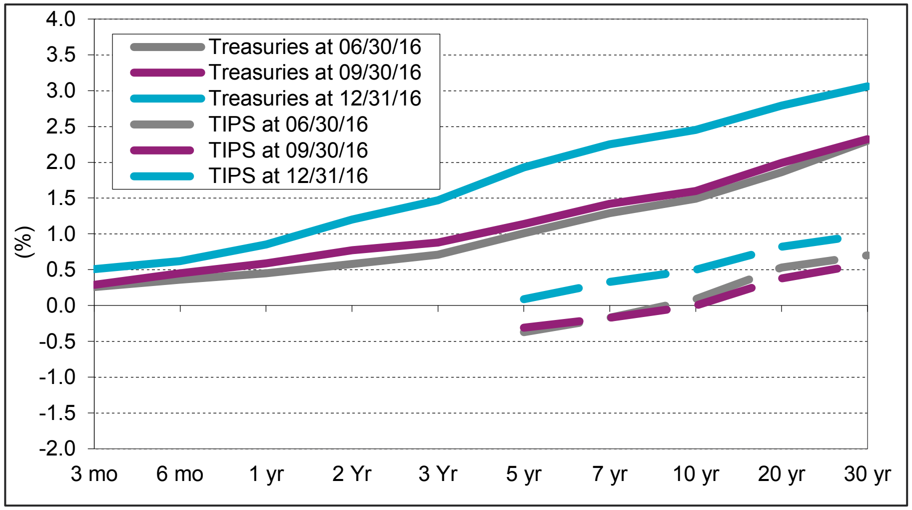
Source: MSCI, Bloomberg

- European equity valuations are expensive by historical standards, trading at 22x trailing earnings. However, valuations look more reasonable on a cyclically-adjusted basis with a P/E of 15.9. Above-trend growth and limited wage pressures should help earnings rebound. However, political risk is high with several elections and referendums planned throughout the Eurozone.
- Japanese stocks appear reasonably valued, trading at 18x trailing earnings. However, earnings have tumbled by nearly 12% over the last year as negative interest rates hurt financial sector profits and the strong yen hit exporters. Looking forward, the decline in the yen during the fourth quarter and a stabilization in Chinese growth should be supportive of earnings. The BoJ could engage in further easing measures, but it is unclear if it would have a significant impact on the yen and equity markets.
- Emerging market valuations are reasonable with the 14.4 trailing P/E, in-line with the historical median. Based on a mix of valuation measures, emerging market stocks trade at a 32% discount to developed market stocks, which is larger than the historical median. If macro conditions continue to improve within emerging markets, we would expect this gap to narrow. Emerging market earnings have stabilized in recent periods. Higher commodity prices and easing financial conditions could lead to an earnings recovery. However, protectionist trade policies could drive a slowdown in economic activity and potential US interest rate increases could lead to currency weakness and capital outflows.

Asset Class

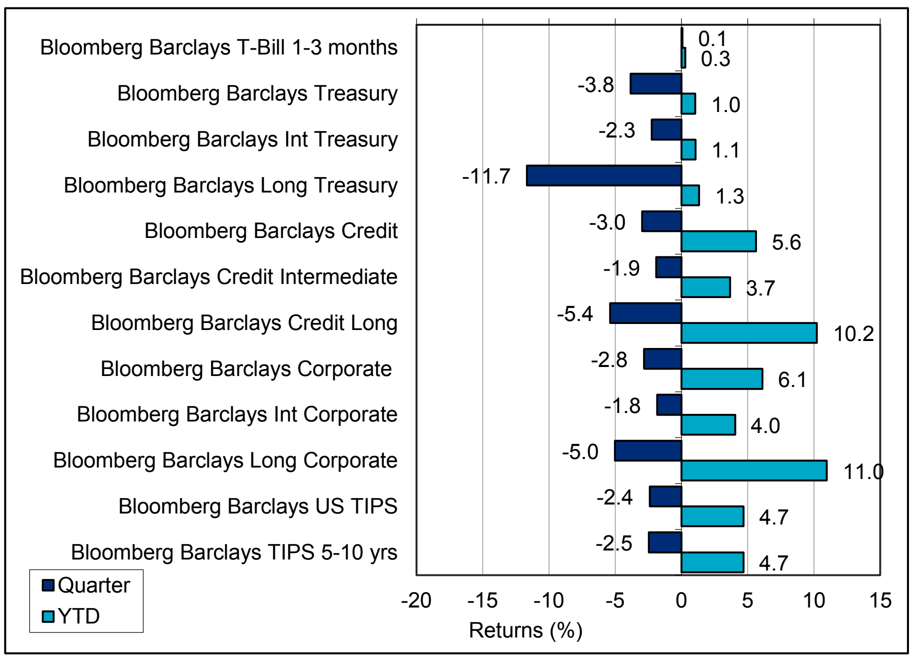
Fixed Income – Interest Rates and Yield Curve

Treasury Yield Curve



Source: Federal Reserve

Bond Performance by Duration



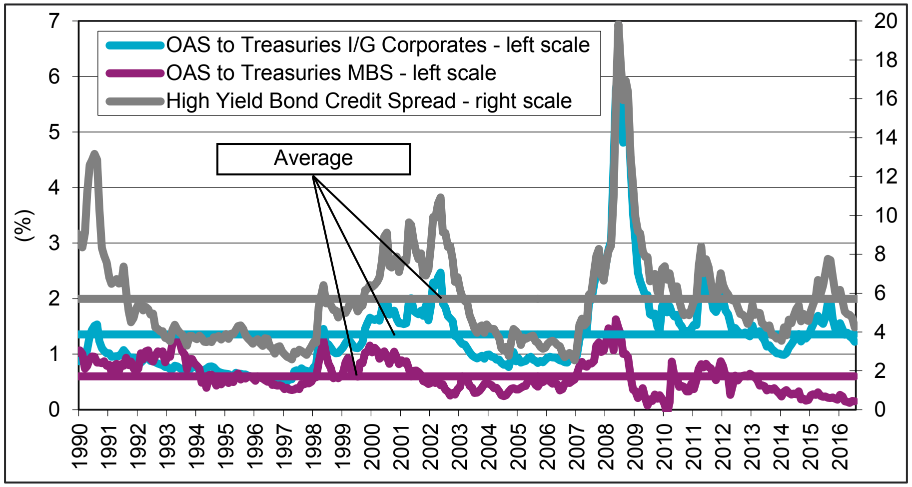
Source: Barclays, Bloomberg

- Interest rates rose substantially during the fourth quarter, as the market began to price a more rapid pace in Fed rate hikes. Despite the significant rise during the quarter, interest rates ended the year roughly where they began. The largest moves during the quarter were at the long end of the curve, with 10- and 30-year Treasury yields rising by 85 basis points and 74 basis points, respectively. As expected, the Fed raised its target Fed Funds rate by 25 basis points to a range of 0.50% to 0.75% in its December meeting. Looking to 2017, the Fed's dot plot suggests that FOMC members expect three rate hikes, similar to expectations priced by Fed Funds Futures.
- In December, the ECB held rates at current levels and extended their planned stimulus through the end of 2017, although at a reduced rate. The BOJ also held rates flat in its December meeting.
- While the bounce in interest rates during the quarter led to fewer negative-yielding bonds, monetary policies around the world continue to diverge, fueling the potential for currency volatility.
- **US Bonds** struggled during the fourth quarter amid the rising rate environment. The Bloomberg Barclays Aggregate Bond Index declined 3.0% for the quarter, but ended the year up 2.6%.
- **Long-Duration Bonds** generally fared poorly, given the pronounced interest rate moves at the longer end of the curve. The Bloomberg Barclays Long Treasury Index declined by 11.7% during the quarter, leaving its 2016 return at 1.3%. Long corporate bonds fared better for both the quarter and the year. The Bloomberg Barclays Long Corporate Index declined 5.0% during the quarter and finished the year up 11.0%.
- **TIPS** declined by 2.4%, outperforming Treasuries as inflation breakeven rates rose. The inflation breakeven on 10-year TIPS increase by 35 basis points to 1.95%. Real yields on TIPS are now positive, with the real yield on 5-year TIPS rising by 40 basis points to 0.09%.

Asset Class

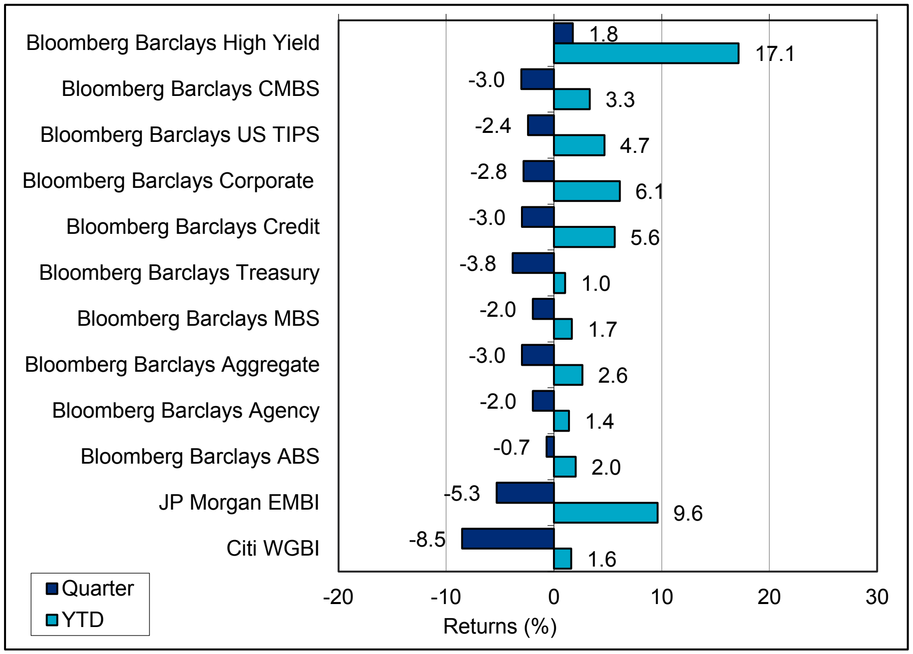
Fixed Income – Credit and Non-US Bonds

Credit Spreads



Source: Barclays

Sector, Credit, and Global Bond Performance

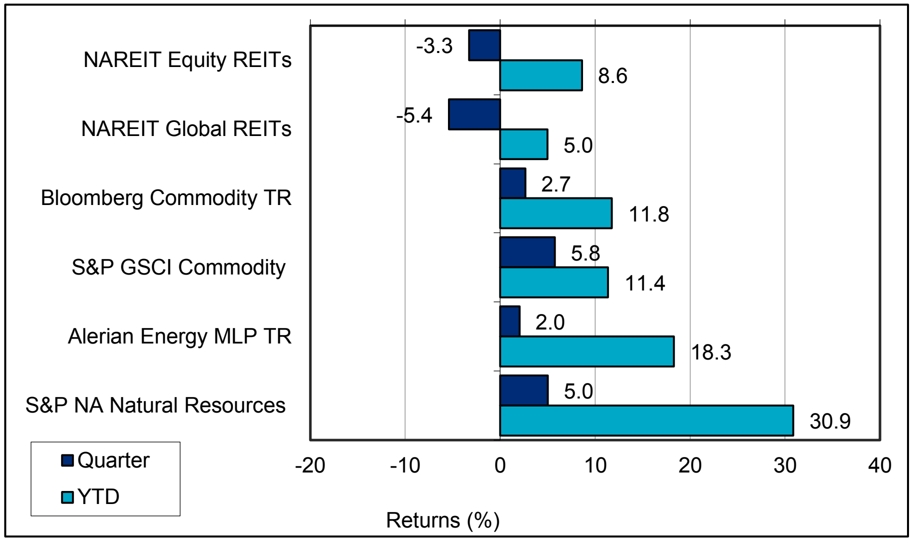


Source: Barclays, Citigroup, JP Morgan, Bloomberg

- The yield on investment-grade corporate bonds rose by 53 basis points during the quarter to 3.4% and the credit spread to Treasuries fell by 16 basis points to 1.2%.
- The yield on high yield bonds fell by 5 basis points to 6.1% during the quarter and the credit spread fell by 71 basis points to 4.1%. The credit spread fell by 251 basis points during 2016, finishing the year 70 basis points below the long-term median level.
- **US Treasuries** declined by 3.8% during the fourth quarter as yields rose by 62 basis points. The Bloomberg Barclays Treasury Index finished the year up 1.0%.
- **US Corporate** bonds fell 2.8% during the fourth quarter. The decline was due to rising rates, as spreads fell during the quarter. Corporate bonds outperformed Treasuries by 1 percentage point during the fourth quarter and by 5.1 percentage points for the year.
- **US MBS, CMBS and ABS** saw declines to varying degrees during the quarter. US ABS performed best, declining by 0.7%, while US MBS and CMBS declined by 2.0% and 3.0%, respectively.
- **High Yield Bonds** produced positive results during the quarter, returning 1.8% as spread contraction offset duration exposure. For 2016, high yield bonds returned an impressive 17.1%, outperforming global equities.
- **Global Bonds** also struggled due to rising rates and the strong dollar, declining 8.5% during the fourth quarter. In 2016, the Citigroup World Government Bond Index returned 1.6%.
- **Emerging Market Debt (Local Currency)** declined by 6.1% during the fourth quarter. For 2016, the index returned 9.9% as currencies were mostly flat.

Alternatives – Performance Review

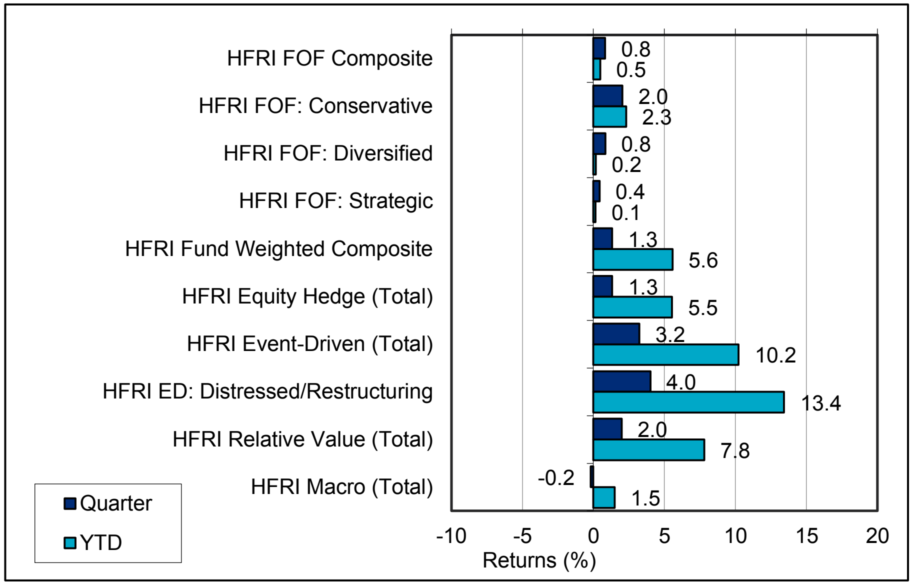
Real Asset Performance



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

- **REITs** showed weakness during the fourth quarter as interest rates rose. US REITs declined 3.3% during the fourth quarter, finishing the year up 8.6%. Global REITs declined by 5.4% during the quarter, leaving their 2016 return at 5.0%.
- **Commodities** produced positive results during the fourth quarter, as the markets began to anticipate global reflation following the US election. The Bloomberg Commodity Index rose 2.7% during the quarter, finishing the year up 11.8%. The energy heavy S&P GSCI Commodity Index returned 5.8% for the quarter, leaving the 2016 return at 11.4%. The S&P North American Natural Resources Sector Index returned 5.0% for the quarter and an impressive 30.9% for the year.

Hedge Fund Performance



Source: HFR

- **Hedge fund of funds** gained 0.8% during the fourth quarter, finishing 2016 up only 0.5%. Returns across most strategies were positive for both the quarter and the year. Event-driven strategies continued to perform well. Distressed/Restructuring strategies returned 4.0% for the quarter and 13.4% for the year. The HFRI Equity Hedge Index returned 1.3% for the quarter, finishing the year up 5.5%. Macro strategies saw slight declines during the fourth quarter, with the HFRI Macro Index declining 0.2%.

Executive Summary

Fund Changes/ Performance Updates

Domestic equities continued their rise in the fourth quarter and hit all-time highs following the U.S. election in November. The rally in domestic equities was fueled by speculation that the new administration would be able to pass fiscal stimulus, tax reform and regulatory changes that would boost economic growth. Value oriented securities significantly outpaced growth securities during the quarter but the spread was most pronounced in small cap securities (20.4%). The value oriented indices have a large weighting to financials, which was the top performing sector across all market capitalizations by a wide margin. Financial stocks benefited from possible interest rate increases and regulatory relief, while more defensive sectors like healthcare and consumer staples lagged. Smaller capitalization securities ended the year up 21.3% despite being down 16% in mid-February. Smaller cap companies benefited from the optimism surrounding tax relief and expansionary policy, as they tend to have more of a domestic focus and higher tax rates relative to larger global companies.

International equities slightly fell during the quarter, largely driven by currency declines. The US dollar strengthened significantly following the US election and ended the quarter up 6.4% against the Euro. Similar to domestic equities, value oriented securities outperformed growth internationally as well, led by the banking industry and energy sector. International small cap securities trailed their larger counterparts during the fourth quarter but outperformed large caps by 1.2% over the year. Emerging markets struggled during the fourth quarter and experienced strong capital outflows in the wake of the US elections, along with a strong dollar and fears over protectionism.

Within fixed income, interest rates increased during the fourth quarter as markets anticipated higher growth and inflation from fiscal stimulus. Spread sectors generally outperformed Treasury securities during the quarter, as corporate spreads continued to narrow. High yield debt was the only sub-sector to post positive results, as energy related companies benefited from the rally in oil prices. Similar to emerging market equities, emerging market debt underperformed due to capital outflows and an appreciating dollar.

Fourth quarter performance was generally challenged for the State of North Carolina Supplemental Retirement Plan, as five of the nine active funds underperformed their respective indices. This ended a difficult year in which seven of the nine fund benchmarks ranked in the top half of their respective peer group universes, with a majority of the equity indices ranking in the top third of their universe. The State of North Carolina's value oriented equity options had the strongest absolute returns during the quarter, led by the continued recovery in financial securities. Active growth managers struggled during the year, particularly within the **Large Cap Growth Fund**. The Russell 1000 Growth Index ranked in the 7th percentile over the trailing year, which indicates that 93% of active managers failed to beat the benchmark. Growth managers trailed through the first half of 2016, when investors were paying a premium for higher yielding equities in the low interest rate environment. Equities with higher payout ratios significantly outperformed lower yielding ones and that was a headwind for active growth managers who generally have a majority of their portfolios invested in cyclical securities. The **Large Cap Value Fund** was the best relative performing equity fund during the fourth quarter, led by Hotchkis & Wiley. Hotchkis & Wiley's overweight exposure and security selection within the energy sector aided results, along with several financial holdings. The **International Equity Fund** trailed the MSCI ACWI ex US Index by 160 basis points, driven by the underperformance of growth focused Baillie Gifford. Growth oriented securities struggled internationally as well, and Baillie Gifford's overweight and security selection within the information technology sector was a key detractor. The **Global Equity Fund** underperformed the MSCI ACWI benchmark by 20 basis points, driven by the underperformance of Wellington. Wellington underperformed the benchmark despite a large overweight to US equities, which significantly outperformed international equities due to U.S. dollar appreciation. **The Fixed Income Fund** slightly outperformed the Bloomberg Barclays Aggregate benchmark, as both JPMorgan and Prudential outpaced the index. Spread sectors generally outperformed Treasury securities during the fourth quarter, which aided both underlying managers. Additionally, Prudential's out of benchmark exposure to high yield debt was a contributor, as it was the only fixed income segment of the market that yielded positive results in the fourth quarter.

Additional Manager Analysis

Hotchkis & Wiley Mid Cap Value (Manager 4Q Return vs. Benchmark)

- 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. During the fourth quarter, Hotchkis benefited from their large overweight position to the energy sector (10.4%) along with their financial holdings which are focused on banks and insurers. Additionally, Hotchkis held a REIT company, Geo Group, which specializes in corrections, detention and mental health treatment. This security significantly increased following the US election (55%), as investors believed the president elect would likely repeal the Department of Justice's plan to phase out private prisons.

  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. Over the trailing-year, Hotchkis underperformed the benchmark by 320 basis points but ranked in the top half of the peer group universe. It was a difficult year for active value managers, evident by the benchmark's 23rd percentile universe ranking. A majority of Hotchkis's underperformance over the trailing-year can be attributed to their poor security selection and large overweight position to the consumer discretionary sector (9.2% average overweight relative to the index). The consumer discretionary sector trailed the industrials and information technology sector by more than 18%. Hotchkis was able to recover a significant portion of the relative performance that occurred during the first half of 2016. We would expect them to struggle in a more risk averse environment where investors largely ignored valuations and are encouraged to see them recover during the higher beta market rally that occurred during the second half of 2016. We remain confident that over a full market cycle their deep value approach will be able to add value to the Mid/Small Cap Value Fund.

Baillie Gifford (Manager 4Q Return vs. Benchmark)

- 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 underperformed domestic equities, driven by the strong appreciation of the US dollar. Baillie Gifford trailed the MSCI ACWI ex US benchmark, which is somewhat expected given their growth orientation. International value securities continued their strong run in the fourth quarter and outperformed growth securities by 910 basis points over the trailing-year. Baillie Gifford's growth orientation is evident in the strategy's information technology positioning, which is double that of the benchmark. Security selection within the information technology sector was the primary driver of the underperformance, as several growth oriented names struggled despite a lack of negative news. Additionally, minimal exposure to the strong performing energy sector (0.5%), was a detractor, as commodity price increases aided the sector. Baillie Gifford remains focused on their fundamental bottom-up process but will keep an eye on European elections that will be important for the future of the Eurozone. Even though value oriented international equities significantly outperformed growth securities over the trailing year, Baillie Gifford was able to outpace the benchmark by 170 basis points. This was largely because of strong stock selection along with holding several securities that were acquired through M&A activity.

Prudential Core Plus (Manager 4Q Return vs. Benchmark)

- Prudential outpaced the Barclays Aggregate Index by 20 basis points during the quarter but ranked in the bottom half of the peer group universe. Prudential is more of a macro-oriented manager that expects a majority of their outperformance to come from sector rotation with security selection as a secondary source of alpha. Prudential held a large overweight to spread sectors, which was beneficial as they generally outperformed like-duration Treasury securities. Prudential also held an out-of-benchmark allocation to high yield credit (20.8%), which significantly outperformed other fixed income market segments. Energy related high yield issuers improved their balance sheets and benefited from the increase in commodity prices that occurred over the quarter. Prudential's overweight duration position (0.5 Years) was a slight detractor during the quarter as we saw a rally in interest rates following the US election. Additionally, the strategy's slight out-of-benchmark allocation to local currency emerging market debt detracted from results, as capital outflows and an appreciating dollar weighed on results.

<u>Manager Updates</u>

Mercer met with **Arrowstreet** to review their ACWI strategy. Mercer continues to have strong conviction in the strategy and maintained the "A" rating as a result of the meeting.

Mercer met with **BlackRock** to review their passive equity strategies managed by the Americas Index Equity Portfolio Management team. We believe the team has the requisite skills, experience, and resources to effectively track equity market indices. BlackRock is able to use its breadth and scale to lower costs and improve execution for clients. We maintained the "A" rating as a result of the meeting.

Mercer met with **Brown's** director of research, Tim Hathaway, and reviewed the efforts Brown has done, or is considering, to strengthen the firms research process. During the meeting, Brown noted they had adopted Bloomberg's factor analytics to help it gain a richer appreciation for the effects that macro shocks might have on its strategies. Additionally, Brown has hired an investigative researcher that is utilized to uncover insights and/or industry contacts not commonly developed by Brown's fundamental research analysts. We also learned from Hathaway that the firm had hired an outside firm to asses the behavioral biases of its portfolio managers. As a result of the meeting, we maintained our "B+" rating on the strategy and believe that the firm is committed to enhancing its research.

Delaware announced the hiring of John Leonard as the firm's new Head of Equity. Leonard was most recently the Head of Equity at UBS Asset Management and will join Delware effective March 3, 2017. All Delaware equity portfolio managers will report directly to Leonard as a result of this announcement. Mercer is not proposing any rating changes to the Delaware Large Cap Value strategy as a result of this announcement, as we believe Leonard is a strong fit for Delaware's Head of Equity.

Mercer visited **Delaware** on-site at their Philadelphia office and reviewed their Large Cap Value strategy. We continue to have conviction in the tenured and cohesive team led by Ty Nutt, a sound investment approach and the rigorous application of the investment discipline. We also believe the highly collaborative process fosters multiple levels of accountability and forms the basis in constructing an equal-weighted, concentrated, low-turnover portfolio. We maintained the "A" rating as a result of the meeting.

Mercer met with **Hotchkis & Wiley** at their Los Angeles headquarters to review the Large Cap Fundamental Value strategy. We continue to have a favorable view on the firm's sector focused approach to research that fosters strong debate within the team. We believe Hotchkis has a disciplined focus on exploiting attractively-valued companies experiencing short-term mispricing but have prospects for improving business fundamentals and healthy economic returns. We maintained the "A (T)" rating as a result of the meeting.

Executive Summary

Mercer met with **Boston Partners** to review their Large Cap Value strategy at their Boston headquarters. We continue to believe in the deep and experienced research team and the investment acumen of Mark Donovan and David Pyle. The team has an unwavering focus on finding higher quality names trading at attractive valuations. As a result of the meeting, we maintained an "A" rating on the strategy.

Prudential officially announced the planned retirement of Executive Chairman of Prudential Fixed Income, James Sullivan, which was effective at the end of 2016. Michael Lillard will succeed Sullivan as head of Prudential Fixed Income, while maintaining his role as Chief Investment Officer. The role of Executive Chairman will cease to exist going forward. Mercer is not recommending any rating changes as a result of this announcement, as Prudential clearly communicated the transition and we do not anticipate a meaningful impact on the management of the Core Plus strategy.

Mercer met with **TimesSquare** at their New York headquarters to discuss their SMID Cap Growth strategy. We continue to believe in the tenured and cohesive portfolio management team, along with their proven and repeatable investment process. Even though the strategies short –term performance has been a bit challenged, it continues to be managed within our expectations. We appreciate the value of Babyak and Rosenthal's individual investment experience, as well as their time together managing the strategy. As a result of the meeting, we maintained our "A" rating on the strategy.

NORTH CAROLINA SUPPLEMENTAL RETIREMENT PLANS
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 Passive BlackRock Debt Index	**Fixed Income Fund** JP Morgan Core Bond Prudential Core Plus	
		Inflation Responsive Fund PIMCO IRMAF	
	Large Cap Passive BlackRock Equity Index	**Large Cap Value Fund** Hotchkis & Wiley Large Cap Value Delaware Large Cap Value Robeco BP Large Cap Value	
		Large Cap Growth Fund Sands Capital Large Cap Growth Wellington Opportunistic Growth Loomis Large Cap Growth	
	Small/Mid Cap Passive 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 Passive 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	**$2,468,752,807**	**0.363%**	**0.001%**	**0.025%**	**0.389%**	**$9,612,011**	0.42%	-0.03%
Galliard	$2,468,752,807	0.363%	0.000%			$8,961,573	0.42%	-0.06%
North Carolina Fixed Income Passive Fund	**$439,213,867**	**0.020%**	**0.004%**	**0.025%**	**0.049%**	**$215,228**	0.20%	-0.15%
BlackRock	$439,213,867	0.020%	0.000%			$87,843	0.02%	0.00%
North Carolina Fixed Income Fund	**$660,437,177**	**0.163%**	**0.008%**	**0.025%**	**0.196%**	**$1,294,617**	0.48%	-0.28%
50% JP Morgan	$329,318,539	0.186%	0.000%			$612,773	0.22%	-0.03%
50% Prudential	$331,118,638	0.140%	0.000%			$463,566	0.25%	-0.11%
North Carolina Inflation Sensitive Fund	**$402,997,156**	**0.690%**	**0.004%**	**0.025%**	**0.719%**	**$2,898,769**	0.82%	-0.10%
PIMCO	$402,997,156	0.690%	0.000%			$2,780,680	0.79%	-0.10%
North Carolina Large Cap Passive Fund	**$1,383,425,216**	**0.007%**	**0.002%**	**0.025%**	**0.034%**	**$466,527**	0.20%	-0.17%
BlackRock	$1,383,425,216	0.007%	0.000%			$96,840	0.01%	0.00%
North Carolina Large Cap Value Fund	**$947,135,394**	**0.378%**	**0.009%**	**0.025%**	**0.413%**	**$3,907,147**	0.72%	-0.30%
33.3% Hotchkis & Wiley	$314,457,557	0.500%	0.000%			$1,572,288	0.43%	0.07%
33.3% Delaware	$317,953,027	0.294%	0.000%			$935,906	0.43%	-0.14%
33.3% Robeco BP	$314,724,810	0.340%	0.000%			$1,069,174	0.43%	-0.09%
North Carolina Large Cap Growth Fund	**$868,586,721**	**0.422%**	**0.013%**	**0.025%**	**0.460%**	**$3,994,563**	0.76%	-0.30%
33.3% Sands Capital Management	$288,660,262	0.516%	0.000%			$1,488,989	0.47%	0.05%
33.3% Wellington Management Company	$289,343,183	0.350%	0.000%			$1,012,701	0.58%	-0.23%
33.3% Loomis Sayles	$290,583,276	0.400%	0.000%			$1,161,750	0.47%	-0.07%
North Carolina SMID Cap Passive Fund	**$248,548,237**	**0.007%**	**0.006%**	**0.025%**	**0.038%**	**$95,648**	0.26%	-0.22%
BlackRock	$248,548,237	0.007%	0.000%			$17,398	0.02%	-0.01%
North Carolina SMID Value Fund	**$493,766,237**	**0.609%**	**0.018%**	**0.025%**	**0.652%**	**$3,220,639**	0.99%	-0.34%
33.3% Hotchkis & Wiley	$165,749,723	0.572%	0.000%			$948,749	0.60%	-0.02%
33.3% EARNEST Partners	$163,665,935	0.518%	0.000%			$847,520	0.71%	-0.20%
33.3% WEDGE Capital Management	$164,350,579	0.737%	0.000%			$1,211,103	0.71%	0.02%
North Carolina SMID Growth Fund	**$372,161,122**	**0.664%**	**0.018%**	**0.025%**	**0.707%**	**$2,631,467**	0.95%	-0.24%
50% TimesSquare Capital Management	$186,482,852	0.761%	0.000%			$1,419,079	0.75%	0.01%
50% Brown Advisory	$185,678,270	0.567%	0.000%			$1,053,639	0.77%	-0.20%
North Carolina International Passive Fund	**$46,651,738**	**0.025%**	**0.039%**	**0.025%**	**0.089%**	**$41,599**	0.35%	-0.26%
BlackRock	$46,651,738	0.025%	0.000%			$11,523	0.06%	-0.04%
North Carolina International Equity Fund	**$585,949,721**	**0.447%**	**0.012%**	**0.025%**	**0.483%**	**$2,833,031**	0.94%	-0.46%
50% Baillie Gifford	$290,037,183	0.443%	0.000%			$1,285,149	0.55%	-0.11%
50% Mondrian Investment Partners	$295,912,538	0.451%	0.000%			$1,333,650	0.55%	-0.10%
North Carolina Global Equity Fund	**$849,827,844**	**0.546%**	**0.008%**	**0.025%**	**0.578%**	**$4,915,108**	0.95%	-0.37%
50% Wellington Management Company	$423,380,961	0.500%	0.000%			$2,116,905	0.54%	-0.04%
50% Arrowstreet	$426,446,883	0.591%	0.000%			$2,520,458	0.54%	0.05%
Total	**$9,767,453,237**	**0.338%**	**0.007%**	**0.025%**	**0.370%**	**$36,126,355**	**0.580%**	

F-H

C-H

[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.

[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] Does not include the $31 per participant record-keeping fee

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

Performance Scorecard

	Mercer Rating	Return								Risk[1]
		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		3 Years to 03/31/2016		5 Years to 12/31/2016
		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)	✓	✓	✗	✗	✗	✗	✓	✓	✓
Delaware Large Cap Value[2]	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Robeco BP 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 Delaware 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 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		3 Years to 03/31/2016		5 Years to 12/31/2016
		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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Performance Scorecard

	Mercer Rating	Return								Risk[1]
		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		3 Years to 03/31/2016		5 Years to 12/31/2016
		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%.

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Performance Scorecard

	Mercer Rating	Return								Risk[1]
		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		3 Years to 03/31/2016		5 Years to 12/31/2016
		I	U	I	U	I	U	I	U	I
Inflation Responsive Fund		✓	✓	✓	✓	NA	NA	NA	NA	NA
PIMCO Inflation Response-Multi Asset	B+ (W)	✓	✓	✓	✓	✓	✓	✓	✗	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
JP Morgan Core Bond	B+	✓	✗	✓	✗	✓	✓	✓	✓	✓
Prudential Core Plus[2]	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 Prudential Core Plus Composite.
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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 this is where the strategy has added 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 fourth quarter, the strategy trailed the benchmark by 70 basis points basis points, which was mainly attributed to poor security selection within the producer durables sector. TSCAM's holding ,Paylocity Holding Corp, fell by 33% after management lowered guidance for its next fiscal quarter along with fears of the negative impact of a repeal of the Affordable Care Act. Over the trailing-year, a majority of the underperformance can be attributed to security selection in the information technology and producer durables sectors. 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.
JPMorgan Core Bond	1Q16	B+	Replaced 1Q17	JPMorgan was placed on the Watch List at the 1Q16 Board Meeting after portfolio manager, Doug Swanson, decided to retire from the firm. Swanson was replaced by Barb Miller, who had worked on the value team for several years. Mercer believes that the merger of the Columbus and New York investment research platforms could limit the team's ability to maintain their value-oriented approach. Several credit analysts have left JPMorgan in the last few month to join Ohio based employers, although recently JPMorgan announced the hiring of one portfolio manager and one analysts at their Columbus office. JPMorgan has denied plans to transition the Columbus teams to New York. Mercer recommended replacing JPMorgan due to the uncertainty surrounding the strategy. This strategy was replaced with TCW in January.

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Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Sands Large Cap Growth	4Q16	A (T)	Add to Watch List	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 35% of the portfolio at the end of the fourth quarter and all five of these holdings posted negative returns. Stock selection was responsible for 740 bps of the relative underperformance, driven by Alibaba and Illumina. Alibaba shares fell sharply even though the company reported revenue and earnings per share above market expectations, as investors had concerns over the yuan and the macro economy in China. Sands continues to have a positive secular view on biotechnology and pharmaceuticals, as they believe there are major areas of need that continue to exist in the treatment of disease. This view resulted in an overweight to the health care sector, which was by far the worst performing sector in the fourth quarter and year-to-date. There continues to be volatility surrounding drug pricing and future legislative action which has negatively impacted portfolio holdings. Sands had a difficult start to 2016, as the strategy trailed the benchmark by 1020 basis points and ranked in the 99th percentile of the peer group universe in the first quarter. 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. Since inception, Sands has outperformed the benchmark by a comfortable margin, although there have been periods of extreme volatility. We continue to have a favorable view on the team and process but will continue to monitor the tracking error and portfolio construction in relation to our expectations.

***** A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

Watch List

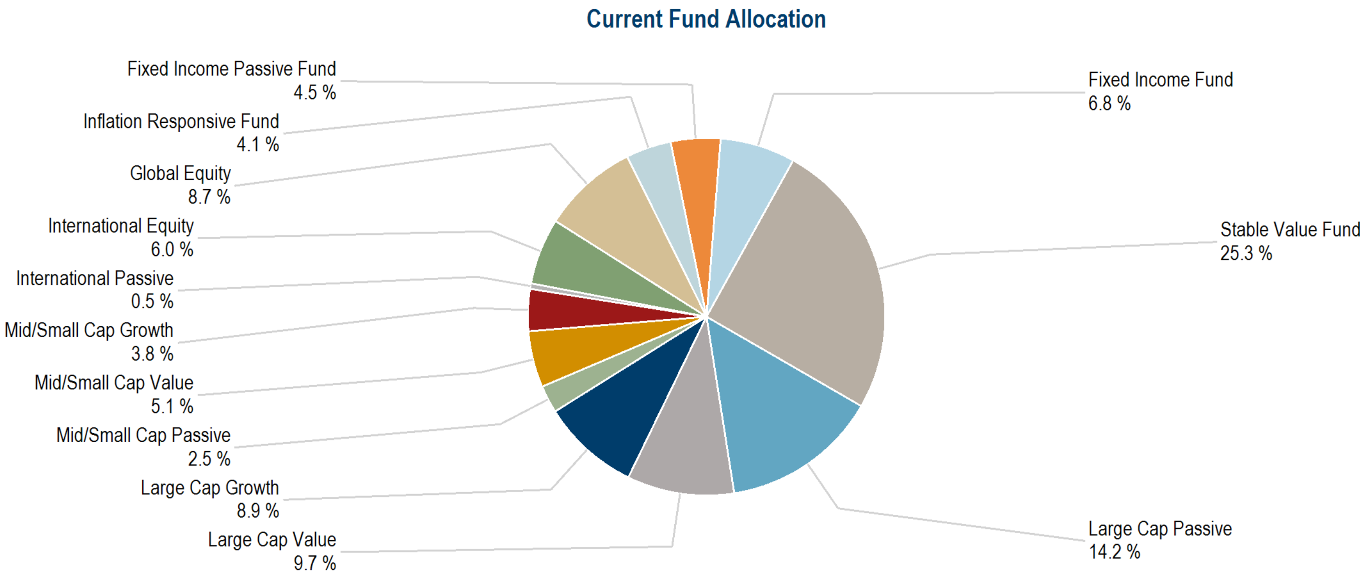
Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Wellington Opportunistic Growth	4Q16	A	Add to Watch List	Over the long term, Wellington believes companies that can sustain above average earnings growth will outperform the growth indices and the market overall. The investment objective 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, as relative performance has struggled since Q2 2014. 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. During the fourth quarter, Wellington struggled with security selection in the information technology and health care sectors. Wellington continues to focus on quality growth companies benefiting from long cycle growth and has positioned the portfolio to benefit from secular trends to cloud computing and the growing adoption of electronic payments. We continue to believe in the leadership, investment acumen and collaboration of portfolio managers Drew Shilling, Timothy Manning, and Steven Angeli.

***** 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).

Total Plan

Total Plan

Asset Allocation



	Current Balance
North Carolina Stable Value Fund	$2,468,752,807
North Carolina Fixed Income Passive Fund	$439,213,867
North Carolina Fixed Income Fund	$660,437,177
North Carolina Inflation Responsive Fund	$402,997,156
North Carolina Large Cap Passive Fund	$1,383,425,216
North Carolina Large Cap Value Fund	$947,135,394
North Carolina Large Cap Growth Fund	$868,586,721
North Carolina SMID Cap Passive Fund	$248,548,237
North Carolina SMID Value Fund	$493,766,237
North Carolina SMID Growth Fund	$372,161,122
North Carolina International Passive Fund	$46,651,738
North Carolina International Equity Fund	$585,949,721
North Carolina Global Equity Fund	$849,827,844
Total	**$9,767,453,235**

Total Plan

Fund Returns

Name	Market Value ($m)	(%)	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since
Large Cap Passive	**$1,383.4**	**14.2%**	**3.8%**	**--**	**11.9%**	**--**	**8.7%**	**--**	**14.5%**	**--**	**16.6%**	**Mar-09**
S&P 500			3.8%	--	12.0%	--	8.9%	--	14.7%	--	16.7%	Mar-09
Large Cap Value	**$947.1**	**9.7%**	**7.4%**	**36**	**16.8%**	**32**	**7.9%**	**19**	**15.0%**	**16**	**15.5%**	**Mar-09**
Russell 1000 Value			6.7%	53	17.3%	29	8.6%	6	14.8%	18	16.8%	Mar-09
Large Cap Growth	**$868.6**	**8.9%**	**-4.9%**	**91**	**0.4%**	**70**	**5.3%**	**70**	**13.7%**	**37**	**17.6%**	**Mar-09**
Russell 1000 Growth			1.0%	17	7.1%	7	8.6%	7	14.5%	22	17.0%	Mar-09
Mid/Small Cap Passive	**$248.5**	**2.5%**	**6.2%**	**--**	**17.7%**	**--**	**6.9%**	**--**	**14.6%**	**--**	**18.3%**	**Mar-09**
Russell 2500			6.1%	--	17.6%	--	6.9%	--	14.5%	--	18.4%	Mar-09
Mid/Small Cap Value	**$493.8**	**5.1%**	**9.1%**	**66**	**20.6%**	**69**	**7.8%**	**33**	**16.1%**	**11**	**20.6%**	**Mar-09**
Russell 2500 Value			9.3%	64	25.2%	45	8.2%	25	15.0%	32	18.4%	Mar-09
Mid/Small Cap Growth	**$372.2**	**3.8%**	**0.2%**	**71**	**8.6%**	**44**	**3.9%**	**47**	**13.3%**	**31**	**16.8%**	**Mar-09**
Russell 2500 Growth			2.6%	41	9.7%	39	5.5%	30	13.9%	23	18.2%	Mar-09
International Passive	**$46.7**	**0.5%**	**-1.4%**	**--**	**5.2%**	**--**	**-1.7%**	**--**	**5.0%**	**--**	**8.9%**	**Mar-09**
MSCI ACWI ex USA Gross			-1.2%	--	5.0%	--	-1.3%	--	5.5%	--	9.4%	Mar-09
International Equity	**$585.9**	**6.0%**	**-2.8%**	**49**	**5.5%**	**16**	**-0.2%**	**22**	**6.1%**	**60**	**9.8%**	**Mar-09**
MSCI ACWI ex USA Gross			-1.2%	32	5.0%	18	-1.3%	44	5.5%	72	9.4%	Mar-09
Global Equity	**$849.8**	**8.7%**	**1.1%**	**42**	**6.0%**	**56**	**3.7%**	**33**	**11.9%**	**14**	**13.1%**	**Mar-09**
MSCI ACWI Gross			1.3%	41	8.5%	31	3.7%	32	10.0%	44	12.9%	Mar-09
Inflation Responsive Fund	**$403.0**	**4.1%**	**-1.3%**	**88**	**10.5%**	**13**	**1.4%**	**19**	**--**	**--**	**0.5%**	**Sep-13**
PIMCO Inflation Response Index			-2.6%	99	6.8%	46	-0.5%	64	-0.9%	82	-1.2%	Sep-13
Fixed Income Passive Fund	**$439.2**	**4.5%**	**-3.0%**	**--**	**2.6%**	**--**	**3.0%**	**--**	**2.1%**	**--**	**2.7%**	**Sep-10**
Barclays Aggregate			-3.0%	--	2.7%	--	3.0%	--	2.2%	--	2.8%	Sep-10
Fixed Income Fund	**$660.4**	**6.8%**	**-2.9%**	**82**	**4.0%**	**33**	**3.3%**	**25**	**3.3%**	**30**	**4.9%**	**Mar-09**
Barclays Aggregate			-3.0%	85	2.7%	63	3.0%	37	2.2%	66	4.0%	Mar-09
Stable Value Fund	**$2,468.8**	**25.3%**	**0.5%**	**19**	**2.0%**	**29**	**1.9%**	**39**	**2.1%**	**39**	**2.6%**	**Jun-09**
3-Year Constant Maturity Yield			0.3%	85	1.0%	98	1.0%	97	0.8%	99	0.9%	Jun-09
T-BILLS + 1.5%			0.5%	39	1.8%	56	1.6%	58	1.6%	80	1.6%	Jun-09

Total Plan

Performance Summary

Total Plan Performance

	Current Market Value	Current Allocation	Ending December 31, 2016								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Large Cap Passive	**$1,383,425,216**	**14.2%**	**3.8%**	**49**	**11.9%**	**29**	**8.7%**	**11**	**14.5%**	**22**	**16.6%**	**Mar-09**
S&P 500			*3.8%*	*48*	*12.0%*	*29*	*8.9%*	*10*	*14.7%*	*18*	*16.7%*	*Mar-09*
Mercer Mutual Fund US Equity Large Cap Core Median			*3.8%*		*10.2%*		*7.5%*		*13.5%*		*15.3%*	*Mar-09*
NCSRP BlackRock Equity Index	$1,383,425,216	14.2%	3.8%	44	12.0%	45	8.9%	33	14.7%	62	16.7%	Mar-09
S&P 500			*3.8%*	*55*	*12.0%*	*58*	*8.9%*	*29*	*14.7%*	*59*	*16.7%*	*Mar-09*
Mercer Instl US Equity Large Cap Index Median			*3.8%*		*12.0%*		*8.6%*		*14.7%*		*16.8%*	*Mar-09*
Large Cap Value	**$947,135,394**	**9.7%**	**7.4%**	**36**	**16.8%**	**32**	**7.9%**	**19**	**15.0%**	**16**	**15.5%**	**Mar-09**
Russell 1000 Value			*6.7%*	*53*	*17.3%*	*29*	*8.6%*	*6*	*14.8%*	*18*	*16.8%*	*Mar-09*
Mercer Mutual Fund US Equity Large Cap Value Median			*6.8%*		*14.3%*		*7.0%*		*13.7%*		*15.2%*	*Mar-09*
NCSRP Hotchkis & Wiley Large Cap Value	$314,457,557	3.2%	10.7%	8	21.4%	9	8.9%	23	16.9%	7	19.6%	Mar-09
Russell 1000 Value			*6.7%*	*55*	*17.3%*	*26*	*8.6%*	*29*	*14.8%*	*41*	*16.8%*	*Mar-09*
Mercer Instl US Equity Large Cap Value Median			*6.9%*		*15.1%*		*7.8%*		*14.5%*		*16.4%*	*Mar-09*
NCSRP Delaware Large Cap Value	$317,953,027	3.3%	3.6%	91	15.2%	49	--	--	--	--	6.4%	Jun-15
Delaware Large Cap Value Strategy			*3.7%*	*90*	*15.2%*	*49*	*9.8%*	*9*	*15.5%*	*27*	*6.7%*	*Jun-15*
Russell 1000 Value			*6.7%*	*55*	*17.3%*	*26*	*8.6%*	*29*	*14.8%*	*41*	*7.0%*	*Jun-15*
Mercer Instl US Equity Large Cap Value Median			*6.9%*		*15.1%*		*7.8%*		*14.5%*		*5.2%*	*Jun-15*
NCSRP Robeco BP Large Cap Value	$314,724,810	3.2%	8.5%	25	15.0%	51	7.3%	63	15.6%	25	15.7%	Nov-11
Robeco BP Large Cap Value Strategy			*8.3%*	*26*	*14.7%*	*53*	*7.2%*	*67*	*15.4%*	*31*	*15.5%*	*Nov-11*
Russell 1000 Value			*6.7%*	*55*	*17.3%*	*26*	*8.6%*	*29*	*14.8%*	*41*	*15.0%*	*Nov-11*
Mercer Instl US Equity Large Cap Value Median			*6.9%*		*15.1%*		*7.8%*		*14.5%*		*14.5%*	*Nov-11*
Large Cap Growth	**$868,586,721**	**8.9%**	**-4.9%**	**91**	**0.4%**	**70**	**5.3%**	**70**	**13.7%**	**37**	**17.6%**	**Mar-09**
Russell 1000 Growth			*1.0%*	*17*	*7.1%*	*7*	*8.6%*	*7*	*14.5%*	*22*	*17.0%*	*Mar-09*
Mercer Mutual Fund US Equity Large Cap Growth Median			*-1.2%*		*1.7%*		*6.2%*		*13.0%*		*15.2%*	*Mar-09*
NCSRP Sands Capital Large Cap Growth	$288,660,262	3.0%	-7.2%	99	-6.8%	99	1.9%	99	13.6%	57	19.9%	Mar-09
Russell 1000 Growth			*1.0%*	*37*	*7.1%*	*23*	*8.6%*	*27*	*14.5%*	*36*	*17.0%*	*Mar-09*
Mercer Instl US Equity Large Cap Growth Median			*0.1%*		*4.5%*		*7.2%*		*14.0%*		*16.0%*	*Mar-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending December 31, 2016								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
NCSRP Wellington Opportunistic Growth	$289,343,183	3.0%	-2.8%	86	2.6%	66	5.9%	75	14.8%	32	16.2%	Mar-09
Russell 1000 Growth			*1.0%*	*37*	*7.1%*	*23*	*8.6%*	*27*	*14.5%*	*36*	*17.0%*	*Mar-09*
Russell 3000 Growth			*1.2%*	*35*	*7.4%*	*22*	*8.3%*	*32*	*14.4%*	*38*	*17.0%*	*Mar-09*
Mercer Instl US Equity Large Cap Growth Median			*0.1%*		*4.5%*		*7.2%*		*14.0%*		*16.0%*	*Mar-09*
NCSRP Loomis Large Cap Growth	$290,583,276	3.0%	-4.2%	95	6.7%	27	--	--	--	--	11.5%	Aug-14
Loomis Large Cap Growth Strategy			*-4.4%*	*95*	*6.5%*	*30*	*9.7%*	*11*	*16.5%*	*9*	*11.1%*	*Aug-14*
Russell 1000 Growth			*1.0%*	*37*	*7.1%*	*23*	*8.6%*	*27*	*14.5%*	*36*	*8.6%*	*Aug-14*
Mercer Instl US Equity Large Cap Growth Median			*0.1%*		*4.5%*		*7.2%*		*14.0%*		*7.1%*	*Aug-14*
Mid/Small Cap Passive	**$248,548,237**	**2.5%**	**6.2%**	**55**	**17.7%**	**47**	**6.9%**	**34**	**14.6%**	**30**	**18.3%**	**Mar-09**
Russell 2500			*6.1%*	*56*	*17.6%*	*48*	*6.9%*	*35*	*14.5%*	*30*	*18.4%*	*Mar-09*
Mercer Mutual Fund US Equity Small+Mid Median			*6.9%*		*16.7%*		*5.7%*		*13.2%*		*16.9%*	*Mar-09*
NCSRP BlackRock Russell 2500 Index Fund	$248,548,237	2.5%	6.2%	60	17.7%	54	7.0%	56	14.7%	58	18.5%	Mar-09
Russell 2500			*6.1%*	*60*	*17.6%*	*55*	*6.9%*	*58*	*14.5%*	*61*	*18.4%*	*Mar-09*
Mercer Instl US Equity Small + Mid Cap Median			*7.7%*		*18.6%*		*7.6%*		*15.3%*		*18.9%*	*Mar-09*
Mid/Small Cap Value	**$493,766,237**	**5.1%**	**9.1%**	**66**	**20.6%**	**69**	**7.8%**	**33**	**16.1%**	**11**	**20.6%**	**Mar-09**
Russell 2500 Value			*9.3%*	*64*	*25.2%*	*45*	*8.2%*	*25*	*15.0%*	*32*	*18.4%*	*Mar-09*
Mercer Mutual Fund US Equity Small+Mid Value Median			*11.3%*		*24.1%*		*6.8%*		*13.9%*		*17.8%*	*Mar-09*
NCSRP Hotchkis & Wiley	$165,749,723	1.7%	12.7%	8	22.0%	40	7.0%	57	18.5%	3	22.9%	Mar-09
Hotchkis Custom SMID Value Index			*9.3%*	*49*	*25.2%*	*23*	*8.2%*	*42*	*15.0%*	*39*	*19.0%*	*Mar-09*
Mercer Instl US Equity SMID Value Median			*9.2%*		*20.8%*		*7.8%*		*14.5%*		*19.0%*	*Mar-09*
NCSRP EARNEST Partners	$163,665,935	1.7%	7.2%	68	20.6%	53	8.8%	27	15.2%	38	18.1%	Mar-09
EARNEST Custom SMID Value Index			*9.3%*	*49*	*25.2%*	*23*	*8.2%*	*42*	*15.0%*	*39*	*17.8%*	*Mar-09*
Mercer Instl US Equity SMID Value Median			*9.2%*		*20.8%*		*7.8%*		*14.5%*		*19.0%*	*Mar-09*
NCSRP WEDGE SMID Cap Value	$164,350,579	1.7%	8.6%	58	21.8%	41	9.9%	13	16.9%	13	16.9%	Dec-11
WEDGE SMID Cap Value Strategy			*8.3%*	*60*	*21.5%*	*44*	*9.8%*	*15*	*16.8%*	*14*	*16.8%*	*Dec-11*
Russell 2500 Value			*9.3%*	*49*	*25.2%*	*23*	*8.2%*	*42*	*15.0%*	*39*	*15.0%*	*Dec-11*
Mercer Instl US Equity SMID Value Median			*9.2%*		*20.8%*		*7.8%*		*14.5%*		*14.5%*	*Dec-11*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending December 31, 2016								Inception	
Mid/Small Cap Growth	**$372,161,122**	**3.8%**	**0.2%**	**71**	**8.6%**	**44**	**3.9%**	**47**	**13.3%**	**31**	**16.8%**	**Mar-09**
Russell 2500 Growth			*2.6%*	*41*	*9.7%*	*39*	*5.4%*	*30*	*13.9%*	*23*	*18.2%*	*Mar-09*
Mercer Mutual Fund US Equity Small+Mid Growth Median			*1.9%*		*7.8%*		*3.7%*		*12.0%*		*16.2%*	*Mar-09*
NCSRP TimesSquare Composite	$186,482,852	1.9%	1.9%	40	7.2%	64	2.4%	85	13.4%	45	16.8%	Mar-09
NCSRP TimesSquare SMID Growth			*1.9%*	*40*	*7.2%*	*64*	*2.4%*	*85*	*13.4%*	*45*	*--*	*Mar-09*
TimesSquare Custom SMID Growth Index			*2.6%*	*28*	*9.7%*	*33*	*5.4%*	*32*	*13.9%*	*27*	*17.9%*	*Mar-09*
Mercer Instl US Equity SMID Growth Median			*1.2%*		*8.4%*		*4.1%*		*12.9%*		*17.4%*	*Mar-09*
NCSRP Brown Advisory	$185,678,270	1.9%	-1.1%	89	11.6%	25	7.1%	16	15.0%	20	19.0%	Mar-09
Brown Custom SMID Growth Index			*2.6%*	*28*	*9.7%*	*33*	*5.4%*	*32*	*13.9%*	*27*	*17.8%*	*Mar-09*
Mercer Instl US Equity SMID Growth Median			*1.2%*		*8.4%*		*4.1%*		*12.9%*		*17.4%*	*Mar-09*
International Passive	**$46,651,738**	**0.5%**	**-1.3%**	**38**	**5.2%**	**28**	**-1.7%**	**56**	**5.0%**	**84**	**8.9%**	**Mar-09**
MSCI ACWI ex USA Gross			*-1.2%*	*35*	*5.0%*	*31*	*-1.3%*	*39*	*5.5%*	*72*	*9.4%*	*Mar-09*
Mercer Mutual Fund World ex US/EAFE Equity Index Median			*-1.5%*		*3.2%*		*-1.6%*		*6.3%*		*9.1%*	*Mar-09*
NCSRP BlackRock ACWI ex US Fund	$46,651,738	0.5%	-1.4%	76	5.2%	7	-1.7%	96	5.2%	96	9.1%	Mar-09
MSCI ACWI ex USA Gross			*-1.2%*	*50*	*5.0%*	*10*	*-1.3%*	*47*	*5.5%*	*73*	*9.4%*	*Mar-09*
Mercer Instl World ex US/EAFE Equity Passive Median			*-1.2%*		*3.8%*		*-1.4%*		*6.7%*		*9.5%*	*Mar-09*
International Equity	**$585,949,721**	**6.0%**	**-2.8%**	**49**	**5.5%**	**16**	**-0.2%**	**22**	**6.1%**	**60**	**9.8%**	**Mar-09**
MSCI ACWI ex USA Gross			*-1.2%*	*32*	*5.0%*	*18*	*-1.3%*	*44*	*5.5%*	*72*	*9.4%*	*Mar-09*
Mercer Mutual Fund World ex US/EAFE Equity Median			*-2.9%*		*0.6%*		*-1.6%*		*6.4%*		*9.6%*	*Mar-09*
NCSRP Baillie Gifford ACWI ex US Growth	$290,037,183	3.0%	-3.8%	73	6.7%	10	0.9%	22	8.0%	37	12.4%	Mar-09
MSCI ACWI ex USA Gross			*-1.2%*	*41*	*5.0%*	*18*	*-1.3%*	*65*	*5.5%*	*90*	*9.4%*	*Mar-09*
MSCI AC Wld ex US Growth Gross			*-5.7%*	*90*	*0.5%*	*62*	*-0.9%*	*58*	*5.7%*	*88*	*9.4%*	*Mar-09*
Mercer Instl World ex US/EAFE Equity Median			*-2.2%*		*1.2%*		*-0.5%*		*7.5%*		*10.7%*	*Mar-09*
NCSRP Mondrian ACWI ex US Value	$295,912,538	3.0%	-1.5%	44	5.3%	17	0.1%	40	5.4%	91	8.8%	Mar-09
MSCI ACWI ex USA Gross			*-1.2%*	*41*	*5.0%*	*18*	*-1.3%*	*65*	*5.5%*	*90*	*9.4%*	*Mar-09*
MSCI AC Wld Ex US Value Gross			*3.4%*	*4*	*9.6%*	*4*	*-1.9%*	*75*	*5.2%*	*93*	*9.4%*	*Mar-09*
Mercer Instl World ex US/EAFE Equity Median			*-2.2%*		*1.2%*		*-0.5%*		*7.5%*		*10.7%*	*Mar-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending December 31, 2016								Inception	
Global Equity	**$849,827,844**	**8.7%**	**1.1%**	**42**	**6.0%**	**56**	**3.7%**	**33**	**11.9%**	**14**	**13.1%**	**Mar-09**
MSCI ACWI Gross			*1.3%*	*41*	*8.5%*	*31*	*3.7%*	*32*	*10.0%*	*44*	*12.9%*	*Mar-09*
Mercer Mutual Fund Global Equity Median			*0.3%*		*6.3%*		*2.3%*		*9.7%*		*12.3%*	*Mar-09*
NCSRP Wellington Global Composite	$423,380,961	4.3%	0.6%	49	3.5%	75	4.4%	33	13.2%	11	14.2%	Mar-09
NCSRP Wellington Global Opportunities			*0.6%*	*49*	*3.5%*	*75*	*4.4%*	*33*	*13.2%*	*11*	*--*	*Mar-09*
MSCI ACWI Gross			*1.3%*	*42*	*8.5%*	*29*	*3.7%*	*45*	*10.0%*	*70*	*12.9%*	*Mar-09*
Mercer Instl Global Equity Median			*0.5%*		*6.4%*		*3.5%*		*10.8%*		*13.1%*	*Mar-09*
NCSRP Arrowstreet Global Equity ACWI	$426,446,883	4.4%	2.1%	32	9.9%	17	4.3%	34	--	--	9.7%	Mar-12
Arrowstreet Global Equity ACWI Strategy			*2.5%*	*27*	*9.7%*	*18*	*6.0%*	*10*	*13.5%*	*6*	*11.4%*	*Mar-12*
MSCI ACWI Gross			*1.3%*	*42*	*8.5%*	*29*	*3.7%*	*45*	*10.0%*	*70*	*7.9%*	*Mar-12*
Mercer Instl Global Equity Median			*0.5%*		*6.4%*		*3.5%*		*10.8%*		*8.6%*	*Mar-12*
Inflation Responsive Fund	**$402,997,156**	**4.1%**	**-1.3%**	**88**	**10.5%**	**13**	**1.4%**	**19**	**--**	**--**	**0.5%**	**Sep-13**
PIMCO Inflation Response Index			*-2.6%*	*99*	*6.8%*	*46*	*-0.5%*	*64*	*-0.9%*	*82*	*-1.2%*	*Sep-13*
Mercer Mutual Fund Diversified Inflation Hedge Median			*-0.3%*		*5.9%*		*0.7%*		*1.1%*		*0.6%*	*Sep-13*
NCSRP PIMCO Inflation Response Multi-Asset	$402,997,156	4.1%	-1.2%	84	11.3%	12	2.2%	5	--	--	1.4%	Sep-13
PIMCO Inflation Response Multi-Asset Strategy			*-1.3%*	*88*	*10.5%*	*13*	*1.5%*	*13*	*0.8%*	*56*	*0.8%*	*Sep-13*
PIMCO Inflation Response Index			*-2.6%*	*99*	*6.8%*	*46*	*-0.5%*	*64*	*-0.9%*	*82*	*-1.2%*	*Sep-13*
Consumer Price Index			*0.0%*	*29*	*2.1%*	*99*	*1.2%*	*25*	*1.4%*	*44*	*0.9%*	*Sep-13*
Mercer Mutual Fund Diversified Inflation Hedge Median			*-0.3%*		*5.9%*		*0.7%*		*1.1%*		*0.6%*	*Sep-13*
Fixed Income Passive Fund	**$439,213,867**	**4.5%**	**-3.0%**	**88**	**2.6%**	**64**	**3.0%**	**40**	**2.1%**	**69**	**2.7%**	**Sep-10**
BBgBarc US Aggregate TR			*-3.0%*	*85*	*2.6%*	*63*	*3.0%*	*37*	*2.2%*	*66*	*2.8%*	*Sep-10*
Mercer Mutual Fund US Fixed Core Median			*-2.2%*		*3.2%*		*2.7%*		*2.7%*		*3.0%*	*Sep-10*
NCSRP BlackRock Debt Index Fund	$439,213,867	4.5%	-3.0%	86	2.7%	63	3.1%	32	2.3%	64	2.8%	Sep-10
BBgBarc US Aggregate TR			*-3.0%*	*85*	*2.6%*	*63*	*3.0%*	*37*	*2.2%*	*66*	*2.8%*	*Sep-10*
Mercer Mutual Fund US Fixed Core Median			*-2.2%*		*3.2%*		*2.7%*		*2.7%*		*3.0%*	*Sep-10*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending December 31, 2016								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Fixed Income Fund	**$660,437,177**	**6.8%**	**-2.9%**	**82**	**4.0%**	**33**	**3.3%**	**25**	**3.2%**	**30**	**4.9%**	**Mar-09**
BBgBarc US Aggregate TR			*-3.0%*	*85*	*2.6%*	*63*	*3.0%*	*37*	*2.2%*	*66*	*4.0%*	*Mar-09*
Mercer Mutual Fund US Fixed Core Median			*-2.2%*		*3.2%*		*2.7%*		*2.7%*		*4.8%*	*Mar-09*
NCSRP JP Morgan Core Bond	$329,318,539	3.4%	-2.9%	80	2.4%	95	3.3%	62	2.9%	66	4.7%	Mar-09
BBgBarc US Aggregate TR			*-3.0%*	*84*	*2.6%*	*91*	*3.0%*	*84*	*2.2%*	*96*	*4.0%*	*Mar-09*
Mercer Instl US Fixed Core Median			*-2.6%*		*3.7%*		*3.4%*		*3.2%*		*5.4%*	*Mar-09*
NCSRP Prudential Core Plus	$331,118,638	3.4%	-2.8%	67	5.9%	13	--	--	--	--	3.2%	Dec-14
Prudential Core Plus Strategy			*-2.8%*	*73*	*5.6%*	*16*	*4.5%*	*7*	*4.7%*	*6*	*3.0%*	*Dec-14*
BBgBarc US Aggregate TR			*-3.0%*	*84*	*2.6%*	*91*	*3.0%*	*84*	*2.2%*	*96*	*1.6%*	*Dec-14*
Mercer Instl US Fixed Core Median			*-2.6%*		*3.7%*		*3.4%*		*3.2%*		*2.1%*	*Dec-14*
Stable Value Fund	**$2,468,752,807**	**25.3%**	**0.5%**	**19**	**2.0%**	**29**	**1.9%**	**39**	**2.1%**	**39**	**2.6%**	**Jun-09**
3-Year Constant Maturity Yield			*0.3%*	*85*	*1.0%*	*98*	*0.9%*	*97*	*0.8%*	*99*	*0.8%*	*Jun-09*
T-BILLS + 1.5%			*0.5%*	*39*	*1.8%*	*56*	*1.6%*	*58*	*1.6%*	*80*	*1.6%*	*Jun-09*
Mercer Instl Stable Value Median			*0.5%*		*1.9%*		*1.7%*		*1.9%*		*2.2%*	*Jun-09*

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

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending December 31, 2016 3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
GoalMaker Funds	--	--	--	--	--	--	--	--	--	--	--	
Conservative 0-5 Yrs	**$442,286,218**	**4.5%**	**-0.3%**	**53**	**4.4%**	**90**	**3.0%**	**77**	**4.7%**	**93**	**6.0%**	**Jun-09**
C01 Benchmark			*-0.1%*	*44*	*4.2%*	*93*	*2.8%*	*81*	*4.0%*	*95*	*4.8%*	*Jun-09*
Mercer Mutual Fund Target Date 2015 Median			*-0.2%*		*6.6%*		*3.6%*		*6.8%*		*8.5%*	*Jun-09*
Conservative 6-10 Yrs	**$120,527,615**	**1.2%**	**0.0%**	**39**	**5.1%**	**86**	**3.2%**	**68**	**5.6%**	**82**	**7.0%**	**Jun-09**
C02 Benchmark			*0.2%*	*22*	*5.0%*	*86*	*3.0%*	*80*	*5.0%*	*85*	*5.8%*	*Jun-09*
Mercer Mutual Fund Target Date 2020 Median			*-0.2%*		*6.6%*		*3.5%*		*7.1%*		*8.9%*	*Jun-09*
Conservative 11-15 Yrs	**$79,980,969**	**0.8%**	**0.3%**	**39**	**6.5%**	**77**	**3.7%**	**61**	**7.2%**	**77**	**8.4%**	**Jun-09**
C03 Benchmark			*0.7%*	*14*	*6.7%*	*72*	*3.7%*	*61*	*6.8%*	*93*	*7.8%*	*Jun-09*
Mercer Mutual Fund Target Date 2025 Median			*0.1%*		*7.3%*		*3.8%*		*8.2%*		*9.7%*	*Jun-09*
Conservative 16+ Yrs	**$183,252,966**	**1.9%**	**0.9%**	**21**	**7.8%**	**47**	**4.1%**	**49**	**8.9%**	**40**	**9.9%**	**Jun-09**
C04 Benchmark			*1.4%*	*7*	*8.3%*	*27*	*4.2%*	*32*	*8.6%*	*53*	*9.5%*	*Jun-09*
Mercer Mutual Fund Target Date 2030 Median			*0.4%*		*7.6%*		*4.1%*		*8.8%*		*10.1%*	*Jun-09*
Moderate 0-5 Yrs	**$522,179,878**	**5.3%**	**0.2%**	**19**	**5.6%**	**76**	**3.4%**	**64**	**6.1%**	**76**	**7.4%**	**Jun-09**
M01 Benchmark			*0.5%*	*5*	*5.6%*	*77*	*3.2%*	*72*	*5.6%*	*86*	*6.4%*	*Jun-09*
Mercer Mutual Fund Target Date 2015 Median			*-0.2%*		*6.6%*		*3.6%*		*6.8%*		*8.5%*	*Jun-09*
Moderate 6-10 Yrs	**$381,220,360**	**3.9%**	**0.3%**	**21**	**6.5%**	**54**	**3.7%**	**39**	**7.2%**	**45**	**8.3%**	**Jun-09**
M02 Benchmark			*0.7%*	*7*	*6.7%*	*49*	*3.7%*	*39*	*6.8%*	*55*	*7.8%*	*Jun-09*
Mercer Mutual Fund Target Date 2020 Median			*-0.2%*		*6.6%*		*3.5%*		*7.1%*		*8.9%*	*Jun-09*
Moderate 11-15 Yrs	**$350,721,602**	**3.6%**	**0.6%**	**16**	**7.4%**	**47**	**3.9%**	**39**	**8.4%**	**44**	**9.5%**	**Jun-09**
M03 Benchmark			*1.2%*	*6*	*7.8%*	*21*	*4.0%*	*35*	*8.1%*	*52*	*9.0%*	*Jun-09*
Mercer Mutual Fund Target Date 2025 Median			*0.1%*		*7.3%*		*3.8%*		*8.2%*		*9.7%*	*Jun-09*
Moderate 16+ Yrs	**$684,622,084**	**7.0%**	**1.2%**	**13**	**8.7%**	**13**	**4.1%**	**39**	**10.1%**	**5**	**10.9%**	**Jun-09**
M04 Benchmark			*2.0%*	*1*	*9.5%*	*9*	*4.4%*	*27*	*9.9%*	*7*	*10.8%*	*Jun-09*
Mercer Mutual Fund Target Date 2030 Median			*0.4%*		*7.6%*		*4.1%*		*8.8%*		*10.1%*	*Jun-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending December 31, 2016: 3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception: Return	Since
Aggressive 0-5 Yrs	**$220,603,127**	**2.3%**	**0.4%**	**7**	**6.6%**	**49**	**3.8%**	**31**	**7.5%**	**10**	**8.8%**	**Jun-09**
R01 Benchmark			*0.8%*	*1*	*6.9%*	*35*	*3.9%*	*31*	*7.1%*	*37*	*8.0%*	*Jun-09*
Mercer Mutual Fund Target Date 2015 Median			*-0.2%*		*6.6%*		*3.6%*		*6.8%*		*8.5%*	*Jun-09*
Aggressive 6-10 Yrs	**$245,022,549**	**2.5%**	**0.6%**	**8**	**7.4%**	**25**	**3.9%**	**25**	**8.4%**	**7**	**9.6%**	**Jun-09**
R02 Benchmark			*1.2%*	*1*	*7.8%*	*10*	*4.0%*	*20*	*8.1%*	*16*	*9.0%*	*Jun-09*
Mercer Mutual Fund Target Date 2020 Median			*-0.2%*		*6.6%*		*3.5%*		*7.1%*		*8.9%*	*Jun-09*
Aggressive 11-15 Yrs	**$268,821,436**	**2.8%**	**1.1%**	**7**	**8.5%**	**9**	**4.2%**	**26**	**9.8%**	**4**	**10.6%**	**Jun-09**
R03 Benchmark			*1.8%*	*1*	*9.2%*	*3*	*4.4%*	*11*	*9.5%*	*6*	*10.4%*	*Jun-09*
Mercer Mutual Fund Target Date 2025 Median			*0.1%*		*7.3%*		*3.8%*		*8.2%*		*9.7%*	*Jun-09*
Aggressive 16+ Yrs	**$699,338,566**	**7.2%**	**1.8%**	**2**	**9.9%**	**5**	**4.3%**	**28**	**11.5%**	**1**	**12.0%**	**Jun-09**
R04 Benchmark			*2.6%*	*1*	*10.9%*	*2*	*4.7%*	*3*	*11.3%*	*1*	*12.2%*	*Jun-09*
Mercer Mutual Fund Target Date 2030 Median			*0.4%*		*7.6%*		*4.1%*		*8.8%*		*10.1%*	*Jun-09*

Total Plan

Performance Summary - NET OF FFES

Total Plan Performance

	Current Market Value	Current Allocation	Ending December 31, 2016 3 Mo	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
Large Cap Passive	**$1,383,425,216**	**14.2%**	**3.8%**	**11.9%**	**8.7%**	**14.5%**	**16.6%**	**Mar-09**
S&P 500			*3.8%*	*12.0%*	*8.9%*	*14.7%*	*16.7%*	*Mar-09*
NCSRP BlackRock Equity Index	$1,383,425,216	14.2%	3.8%	12.0%	8.9%	14.6%	16.7%	Mar-09
S&P 500			*3.8%*	*12.0%*	*8.9%*	*14.7%*	*16.7%*	*Mar-09*
Large Cap Value	**$947,135,394**	**9.7%**	**7.4%**	**16.8%**	**7.9%**	**15.0%**	**15.5%**	**Mar-09**
Russell 1000 Value			*6.7%*	*17.3%*	*8.6%*	*14.8%*	*16.8%*	*Mar-09*
NCSRP Hotchkis & Wiley Large Cap Value	$314,457,557	3.2%	10.5%	20.8%	8.4%	16.4%	19.0%	Mar-09
Russell 1000 Value			*6.7%*	*17.3%*	*8.6%*	*14.8%*	*16.8%*	*Mar-09*
NCSRP Delaware Large Cap Value	$317,953,027	3.3%	3.5%	14.9%	--	--	6.1%	Jun-15
Delaware Large Cap Value Strategy			*3.7%*	*15.2%*	*9.8%*	*15.5%*	*6.7%*	*Jun-15*
Russell 1000 Value			*6.7%*	*17.3%*	*8.6%*	*14.8%*	*7.0%*	*Jun-15*
NCSRP Robeco BP Large Cap Value	$314,724,810	3.2%	8.4%	14.6%	7.0%	15.2%	15.3%	Nov-11
Robeco BP Large Cap Value Strategy			*8.3%*	*14.7%*	*7.2%*	*15.4%*	*15.5%*	*Nov-11*
Russell 1000 Value			*6.7%*	*17.3%*	*8.6%*	*14.8%*	*15.0%*	*Nov-11*
Large Cap Growth	**$868,586,721**	**8.9%**	**-4.9%**	**0.4%**	**5.3%**	**13.7%**	**17.6%**	**Mar-09**
Russell 1000 Growth			*1.0%*	*7.1%*	*8.6%*	*14.5%*	*17.0%*	*Mar-09*
NCSRP Sands Capital Large Cap Growth	$288,660,262	3.0%	-7.4%	-7.3%	1.4%	13.0%	19.2%	Mar-09
Russell 1000 Growth			*1.0%*	*7.1%*	*8.6%*	*14.5%*	*17.0%*	*Mar-09*
NCSRP Wellington Opportunistic Growth	$289,343,183	3.0%	-2.9%	2.3%	5.6%	14.4%	15.8%	Mar-09
Russell 1000 Growth			*1.0%*	*7.1%*	*8.6%*	*14.5%*	*17.0%*	*Mar-09*
Russell 3000 Growth			*1.2%*	*7.4%*	*8.3%*	*14.4%*	*17.0%*	*Mar-09*
NCSRP Loomis Large Cap Growth	$290,583,276	3.0%	-4.3%	6.3%	--	--	11.1%	Aug-14
Loomis Large Cap Growth Strategy			*-4.4%*	*6.5%*	*9.7%*	*16.5%*	*11.1%*	*Aug-14*
Russell 1000 Growth			*1.0%*	*7.1%*	*8.6%*	*14.5%*	*8.6%*	*Aug-14*

Total Plan

Performance Summary - NET OF FFES

	Current Market Value	Current Allocation	Ending December 31, 2016 3 Mo	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
Mid/Small Cap Passive	**$248,548,237**	**2.5%**	**6.2%**	**17.7%**	**6.9%**	**14.6%**	**18.3%**	**Mar-09**
Russell 2500			*6.1%*	*17.6%*	*6.9%*	*14.5%*	*18.4%*	*Mar-09*
NCSRP BlackRock Russell 2500 Index Fund	$248,548,237	2.5%	6.2%	17.7%	7.0%	14.6%	18.5%	Mar-09
Russell 2500			*6.1%*	*17.6%*	*6.9%*	*14.5%*	*18.4%*	*Mar-09*
Mid/Small Cap Value	**$493,766,237**	**5.1%**	**9.1%**	**20.6%**	**7.8%**	**16.1%**	**20.6%**	**Mar-09**
Russell 2500 Value			*9.3%*	*25.2%*	*8.2%*	*15.0%*	*18.4%*	*Mar-09*
NCSRP Hotchkis & Wiley	$165,749,723	1.7%	12.6%	21.3%	6.4%	17.8%	22.2%	Mar-09
Hotchkis Custom SMID Value Index			*9.3%*	*25.2%*	*8.2%*	*15.0%*	*19.0%*	*Mar-09*
NCSRP EARNEST Partners	$163,665,935	1.7%	7.1%	20.0%	8.2%	14.6%	17.5%	Mar-09
EARNEST Custom SMID Value Index			*9.3%*	*25.2%*	*8.2%*	*15.0%*	*17.8%*	*Mar-09*
NCSRP WEDGE SMID Cap Value	$164,350,579	1.7%	8.4%	20.9%	9.1%	16.0%	16.0%	Dec-11
WEDGE SMID Cap Value Strategy			*8.3%*	*21.5%*	*9.8%*	*16.8%*	*16.8%*	*Dec-11*
Russell 2500 Value			*9.3%*	*25.2%*	*8.2%*	*15.0%*	*15.0%*	*Dec-11*
Mid/Small Cap Growth	**$372,161,122**	**3.8%**	**0.2%**	**8.6%**	**3.9%**	**13.3%**	**16.8%**	**Mar-09**
Russell 2500 Growth			*2.6%*	*9.7%*	*5.4%*	*13.9%*	*18.2%*	*Mar-09*
NCSRP TimesSquare Composite	$186,482,852	1.9%	1.8%	6.3%	1.6%	12.5%	15.9%	Mar-09
NCSRP TimesSquare SMID Growth			*1.8%*	*6.3%*	*1.6%*	*12.5%*	*--*	*Mar-09*
TimesSquare Custom SMID Growth Index			*2.6%*	*9.7%*	*5.4%*	*13.9%*	*17.9%*	*Mar-09*
NCSRP Brown Advisory	$185,678,270	1.9%	-1.2%	11.0%	6.5%	14.4%	18.3%	Mar-09
Brown Custom SMID Growth Index			*2.6%*	*9.7%*	*5.4%*	*13.9%*	*17.8%*	*Mar-09*
International Passive	**$46,651,738**	**0.5%**	**-1.3%**	**5.2%**	**-1.7%**	**5.0%**	**8.9%**	**Mar-09**
MSCI ACWI ex USA Gross			*-1.2%*	*5.0%*	*-1.3%*	*5.5%*	*9.4%*	*Mar-09*
NCSRP BlackRock ACWI ex US Fund	$46,651,738	0.5%	-1.4%	5.2%	-1.7%	5.1%	9.0%	Mar-09
MSCI ACWI ex USA Gross			*-1.2%*	*5.0%*	*-1.3%*	*5.5%*	*9.4%*	*Mar-09*

Total Plan

Performance Summary - NET OF FFES

	Current Market Value	Current Allocation	Ending December 31, 2016				Inception	
			3 Mo	1 Yr	3 Yrs	5 Yrs	Return	Since
International Equity	**$585,949,721**	**6.0%**	**-2.8%**	**5.5%**	**-0.2%**	**6.1%**	**9.8%**	**Mar-09**
MSCI ACWI ex USA Gross			*-1.2%*	*5.0%*	*-1.3%*	*5.5%*	*9.4%*	*Mar-09*
NCSRP Baillie Gifford ACWI ex US Growth	$290,037,183	3.0%	-3.9%	6.3%	0.4%	7.5%	11.8%	Mar-09
MSCI ACWI ex USA Gross			*-1.2%*	*5.0%*	*-1.3%*	*5.5%*	*9.4%*	*Mar-09*
MSCI AC Wld ex US Growth Gross			*-5.7%*	*0.5%*	*-0.9%*	*5.7%*	*9.4%*	*Mar-09*
NCSRP Mondrian ACWI ex US Value	$295,912,538	3.0%	-1.6%	4.8%	-0.4%	4.9%	8.3%	Mar-09
MSCI ACWI ex USA Gross			*-1.2%*	*5.0%*	*-1.3%*	*5.5%*	*9.4%*	*Mar-09*
MSCI AC Wld Ex US Value Gross			*3.4%*	*9.6%*	*-1.9%*	*5.2%*	*9.4%*	*Mar-09*
Global Equity	**$849,827,844**	**8.7%**	**1.1%**	**6.0%**	**3.7%**	**11.9%**	**13.1%**	**Mar-09**
MSCI ACWI Gross			*1.3%*	*8.5%*	*3.7%*	*10.0%*	*12.9%*	*Mar-09*
NCSRP Wellington Global Composite	$423,380,961	4.3%	0.5%	3.0%	3.8%	12.6%	13.6%	Mar-09
NCSRP Wellington Global Opportunities			*0.5%*	*3.0%*	*3.8%*	*12.6%*	*--*	*Mar-09*
MSCI ACWI Gross			*1.3%*	*8.5%*	*3.7%*	*10.0%*	*12.9%*	*Mar-09*
NCSRP Arrowstreet Global Equity ACWI	$426,446,883	4.4%	1.9%	9.2%	3.7%	--	9.0%	Mar-12
Arrowstreet Global Equity ACWI Strategy			*2.5%*	*9.7%*	*6.0%*	*13.5%*	*11.4%*	*Mar-12*
MSCI ACWI Gross			*1.3%*	*8.5%*	*3.7%*	*10.0%*	*7.9%*	*Mar-12*
Inflation Responsive Fund	**$402,997,156**	**4.1%**	**-1.3%**	**10.5%**	**1.4%**	**--**	**0.5%**	**Sep-13**
PIMCO Inflation Response Index			*-2.6%*	*6.8%*	*-0.5%*	*-0.9%*	*-1.2%*	*Sep-13*
NCSRP PIMCO Inflation Response Multi-Asset	$402,997,156	4.1%	-1.3%	10.6%	1.5%	--	0.8%	Sep-13
PIMCO Inflation Response Multi-Asset Strategy			*-1.3%*	*10.5%*	*1.5%*	*0.8%*	*0.8%*	*Sep-13*
PIMCO Inflation Response Index			*-2.6%*	*6.8%*	*-0.5%*	*-0.9%*	*-1.2%*	*Sep-13*
Consumer Price Index			*0.0%*	*2.1%*	*1.2%*	*1.4%*	*0.9%*	*Sep-13*

Total Plan

Performance Summary - NET OF FFES

	Current Market Value	Current Allocation	Ending December 31, 2016 3 Mo	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
Fixed Income Passive Fund	**$439,213,867**	**4.5%**	**-3.0%**	**2.6%**	**3.0%**	**2.1%**	**2.7%**	**Sep-10**
BBgBarc US Aggregate TR			*-3.0%*	*2.6%*	*3.0%*	*2.2%*	*2.8%*	*Sep-10*
NCSRP BlackRock Debt Index Fund	$439,213,867	4.5%	-3.0%	2.7%	3.1%	2.2%	2.8%	Sep-10
BBgBarc US Aggregate TR			*-3.0%*	*2.6%*	*3.0%*	*2.2%*	*2.8%*	*Sep-10*
Fixed Income Fund	**$660,437,177**	**6.8%**	**-2.9%**	**4.0%**	**3.3%**	**3.2%**	**4.9%**	**Mar-09**
BBgBarc US Aggregate TR			*-3.0%*	*2.6%*	*3.0%*	*2.2%*	*4.0%*	*Mar-09*
NCSRP JP Morgan Core Bond	$329,318,539	3.4%	-2.9%	2.2%	3.1%	2.7%	4.5%	Mar-09
BBgBarc US Aggregate TR			*-3.0%*	*2.6%*	*3.0%*	*2.2%*	*4.0%*	*Mar-09*
NCSRP Prudential Core Plus	$331,118,638	3.4%	-2.8%	5.6%	--	--	2.9%	Dec-14
Prudential Core Plus Strategy			*-2.8%*	*5.6%*	*4.5%*	*4.7%*	*3.0%*	*Dec-14*
BBgBarc US Aggregate TR			*-3.0%*	*2.6%*	*3.0%*	*2.2%*	*1.6%*	*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.
JPMorgan Core Bond (Columbus)	**B+**	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.	Despite now theoretically being one team, our rating pertains solely to the New York (NY) fixed income team's investment product, rather than that of the Columbus team, (now respectively called US Macro Drive and US Value Drive).
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.

Appendix

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