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North Carolina

Supplemental Retirement Plans

Performance Evaluation Report

First Quarter 2017

Services provided by Mercer Investment Consulting LLC

MARSH & McLENNAN COMPANIES

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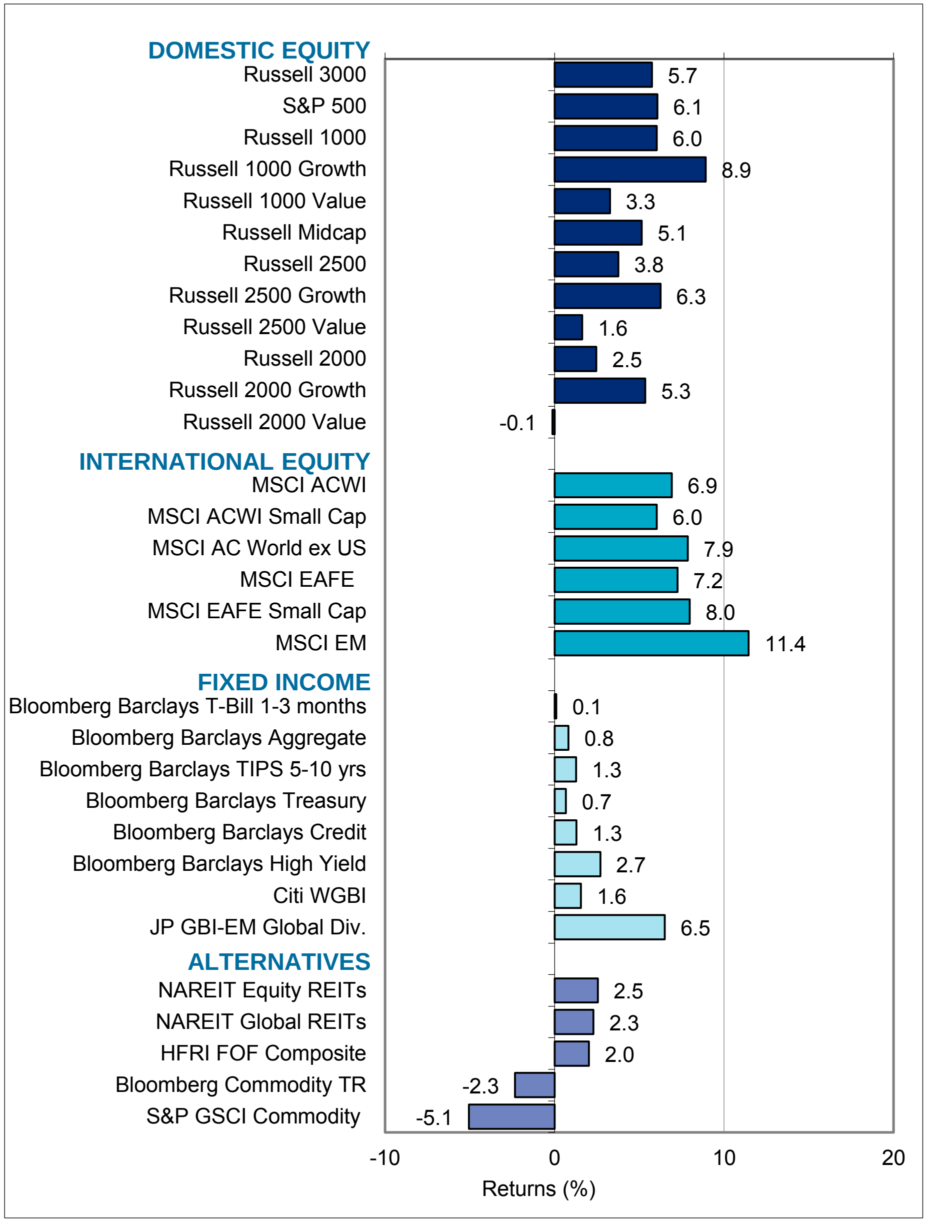
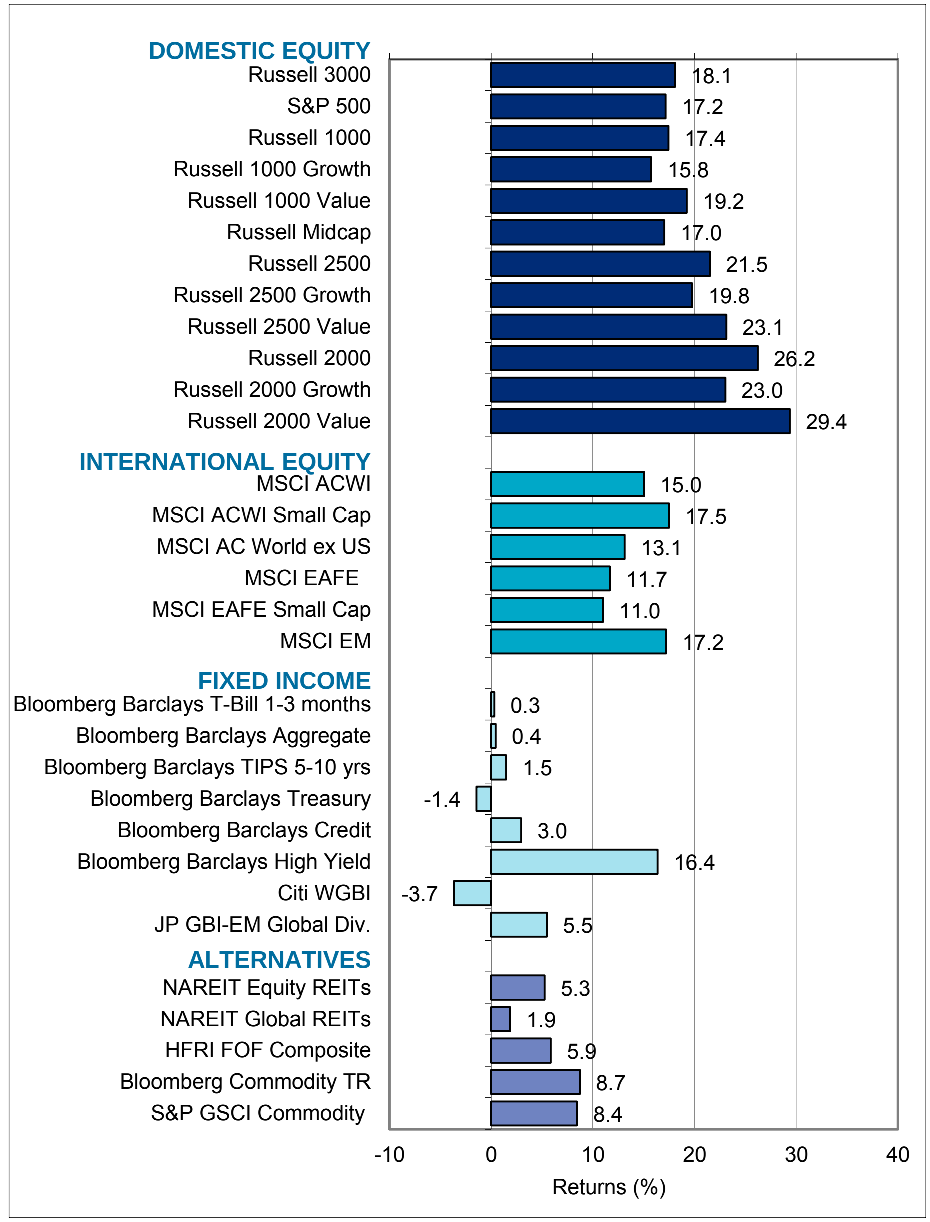
Quarter in Review

Market Performance
First Quarter 2017



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

Market Performance
1 Year

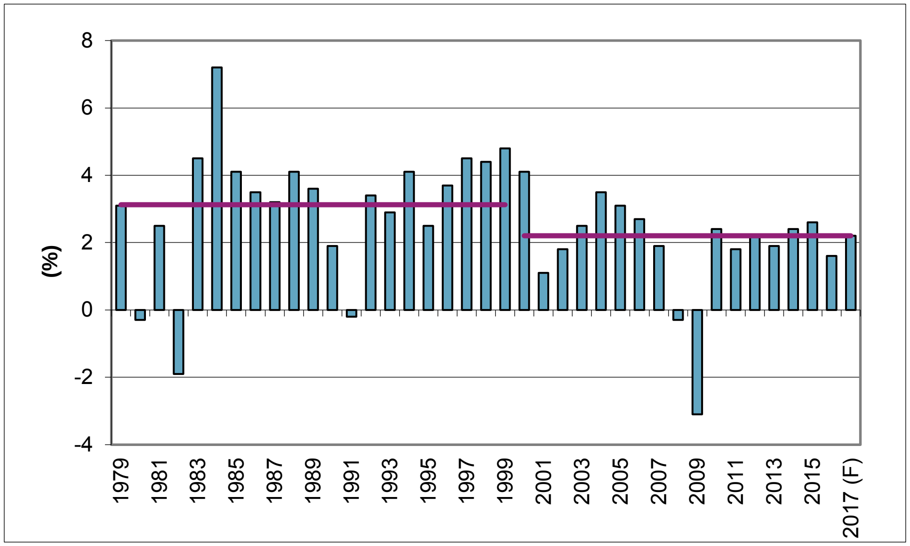


Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

Macro Environment

Economic Review

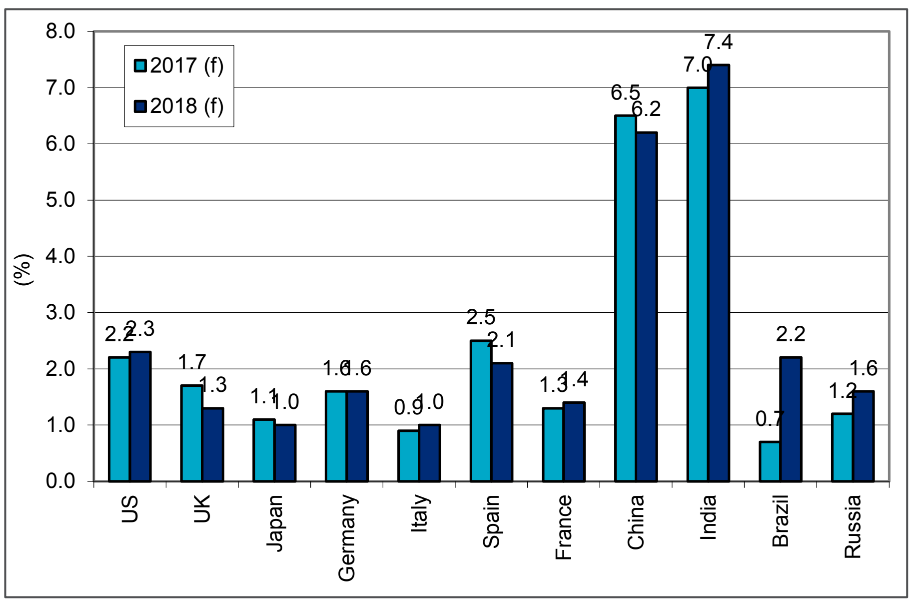
Annual GDP Growth



Source: Bureau of Economic Analysis

World Economic Growth

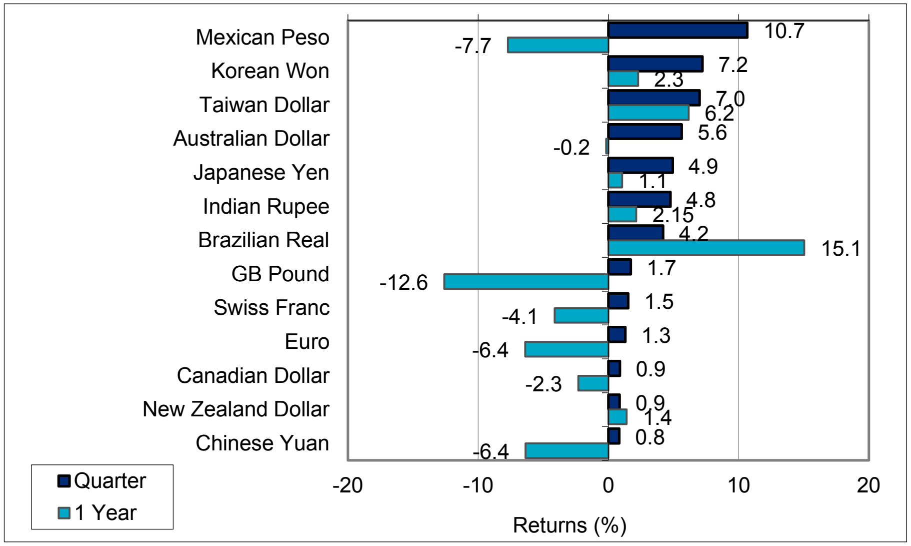
(Forecasts as of March 2017)



Source: Bloomberg

- The first quarter of 2017 saw a synchronized improvement in growth across both developed and emerging market economies. Austerity is giving way to more pro-cyclical fiscal policy stances and deflationary fears are receding.
- The US economy added an average of 178k jobs per month in the first quarter, down slightly from the 187k pace during 2016. The unemployment rate continued its downward trend falling from 4.7% to 4.5% in the first quarter. With the economy near full employment, the pace of growth is likely to slow. Over the past year, average hourly earnings have risen by 2.7%. Economists forecast GDP growth of 2.2% in 2017, an improvement from 1.6% growth in 2016.
- Eurozone GDP growth of 1.8% for 2016 was in-line with the growth rate for the US, and data has surprised to the upside thus far in 2017. The primary risks to the growth outlook for 2017 appear to be political in nature. The British government triggered Article 50 in March, beginning a 2-year negotiation window for their exit from the EU. Additionally, surprises in French and German elections later this year could present risks to the current recovery.
- In Japan, GDP grew by 1.0% in 2016, similar to growth rates seen in recent periods. Net exports were a tailwind to growth, reflecting a weaker yen and sluggish domestic demand. Markets continue to expect a coordination of monetary and fiscal policies (i.e. helicopter money).
- The growth outlook for emerging market economies appears to be strengthening. Higher commodity prices, improving export growth, structural reforms, falling inflation and more pro-cyclical interest rate policies have provided positive contributions. While anti-trade sentiment and a rising US dollar remain risks, emerging market economies appear better prepared to handle these potential headwinds than a couple of years ago.

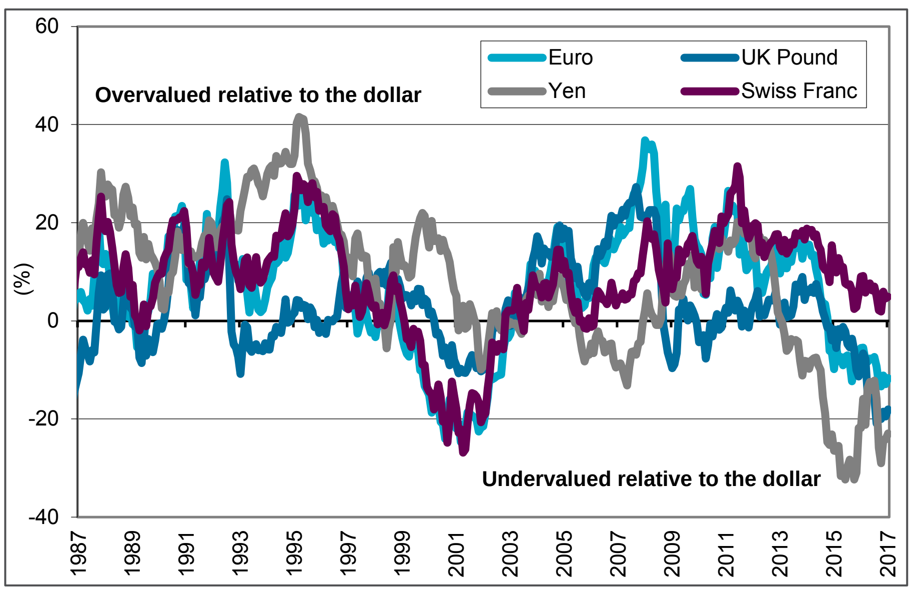
Performance of Foreign Currencies versus the US Dollar



Source: Bloomberg

Currency Valuation versus US Dollar

(Based on Relative PPP)



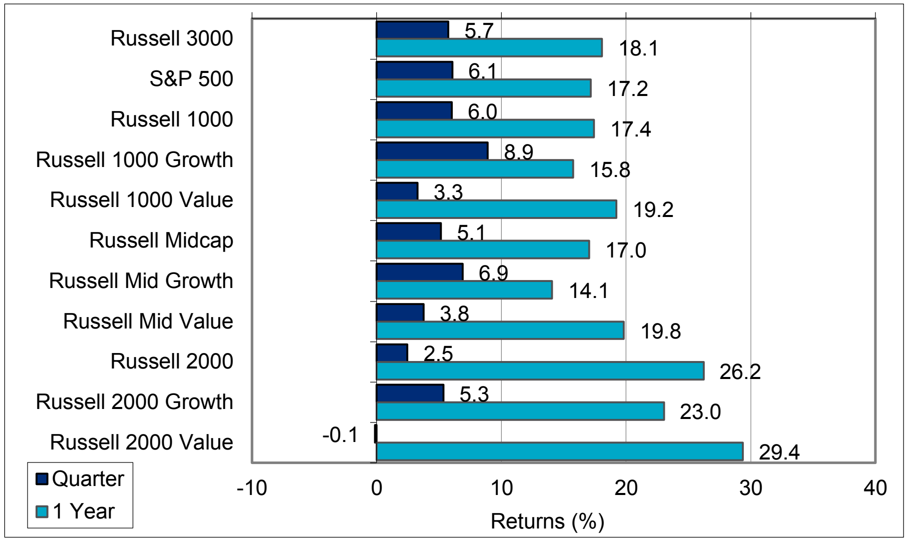
Source: Bloomberg

- The dollar weakened during the first quarter, giving back a portion of its post-election gains. The Dollar Index (DXY) declined 1.8% during the first quarter, but it is up 6.1% over the past year. The dollar weakened early in the quarter on comments from President Trump and later in the quarter on the possibility that fiscal stimulus may run into Congressional gridlock. Additionally, the FOMC's future rate hike projections remained unchanged following the March increase.
- The euro gained 1.3% against the dollar during the first quarter, as an improving growth outlook for the Eurozone could lead to less accommodative monetary policies. During the past 12-months, the euro has declined by 6.4% relative to the dollar.
- The Japanese yen rebounded from a difficult fourth quarter to post a 5.0% gain versus the dollar during the first quarter. Over the past year, the yen has seen significant swings, but performance over the full period was mostly flat, as the yen gained 1.1% against the dollar.
- Following significant declines in 2014 and 2015, emerging market currencies generally stabilized in 2016, and appreciated in the first quarter of this year. EM currencies benefited from stronger domestic conditions.
- The Mexican peso was one of the worst performing currencies of 2016, declining 16.7% against the dollar over concerns about the Trump administration's views on trade. It rebounded 10.7% relative to the dollar during the first quarter, with most of the movement seen in March on hopes that Trump's trade policies will be less protectionist than expressed during the campaign.
- Relatively high US yields should provide support to the dollar 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

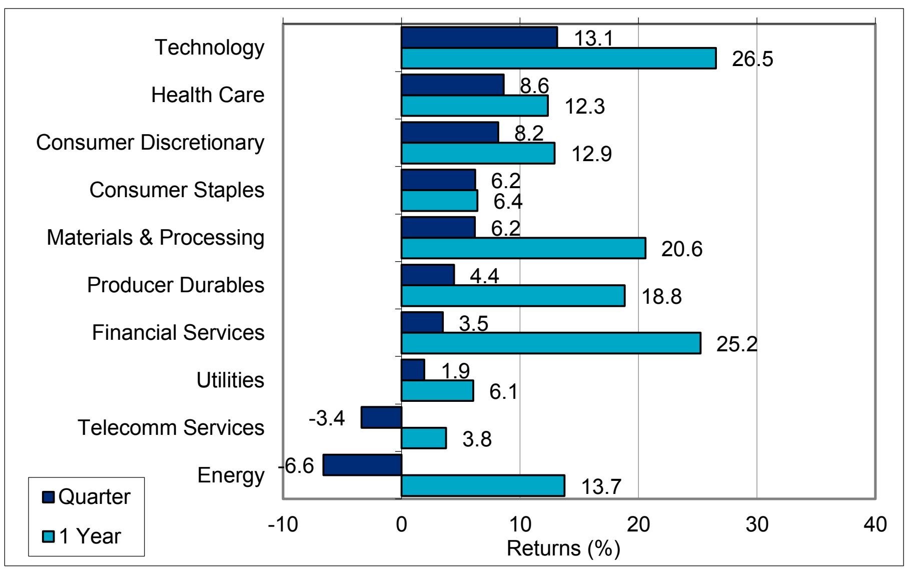
US Equities – Style, Sector, Cap Performance

Style and Capitalization Market Performance



Source: Standard & Poor's, Russell, Bloomberg

Sector Performance



Source: Datastream

Broad Market

- US equities posted a strong start to 2017 with steady gains through the first two months of the year in anticipation of tax and regulatory reform. The momentum slowed in March as uncertainty surrounding the implementation of these reforms grew.

Market Cap

- **Large Caps:** The S&P 500 returned 6.1% during the first quarter and 17.2% over the past 1-year.
- **Mid Caps:** The Russell Midcap Index returned 5.1% during the first quarter. The index has returned 17.0% during the past 12-months, slightly trailing large-caps.
- **Small Caps:** Small-cap stocks returned 2.5% for the quarter, bringing their 1-year return to 26.2%.

Style

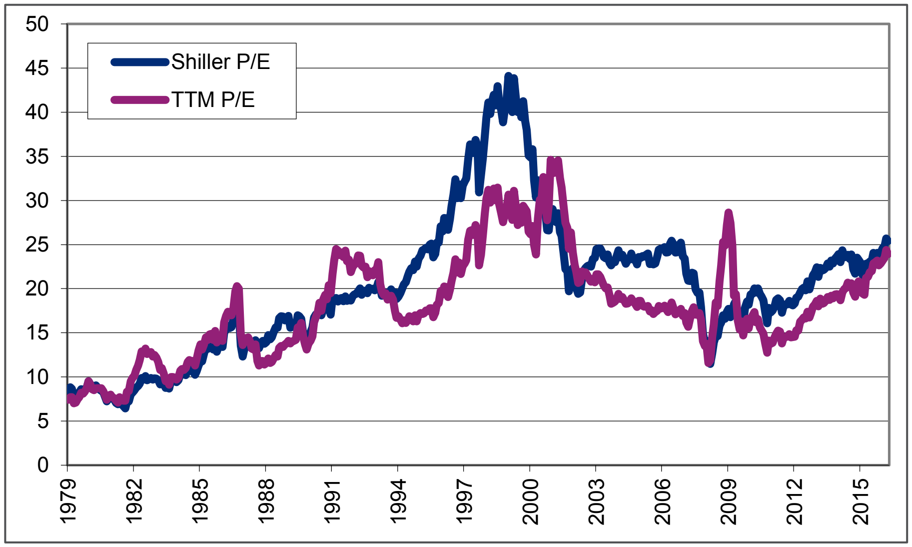
- **Value vs. Growth:** Growth outperformed value across all market capitalizations during the first quarter. Large-cap growth stocks were the best performing style, with the Russell 1000 Growth index returning 8.9% during the quarter.
- For the quarter, growth factors generally outperformed, while momentum and value factors lagged.

Sector

- Most sectors were positive during the first quarter. Technology stocks performed particularly well, returning 13.1%. Health care and consumer discretionary stocks also posted solid gains, returning 8.6% and 8.2%, respectively. Energy and telecom were the only sectors to produce negative returns during the first quarter, declining 6.6% and 3.4%, respectively.

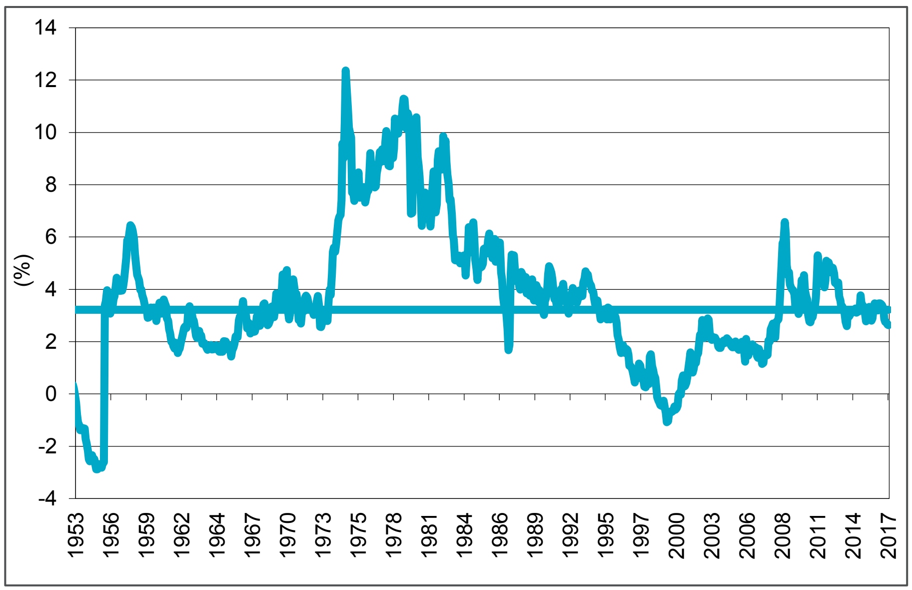
US Equities – Valuation Review

US Equities – P/E Ratio



Source: MSCI, Bloomberg, Mercer

US Equities – Estimated Equity Risk Premium[1]
Versus Long-Term Treasuries

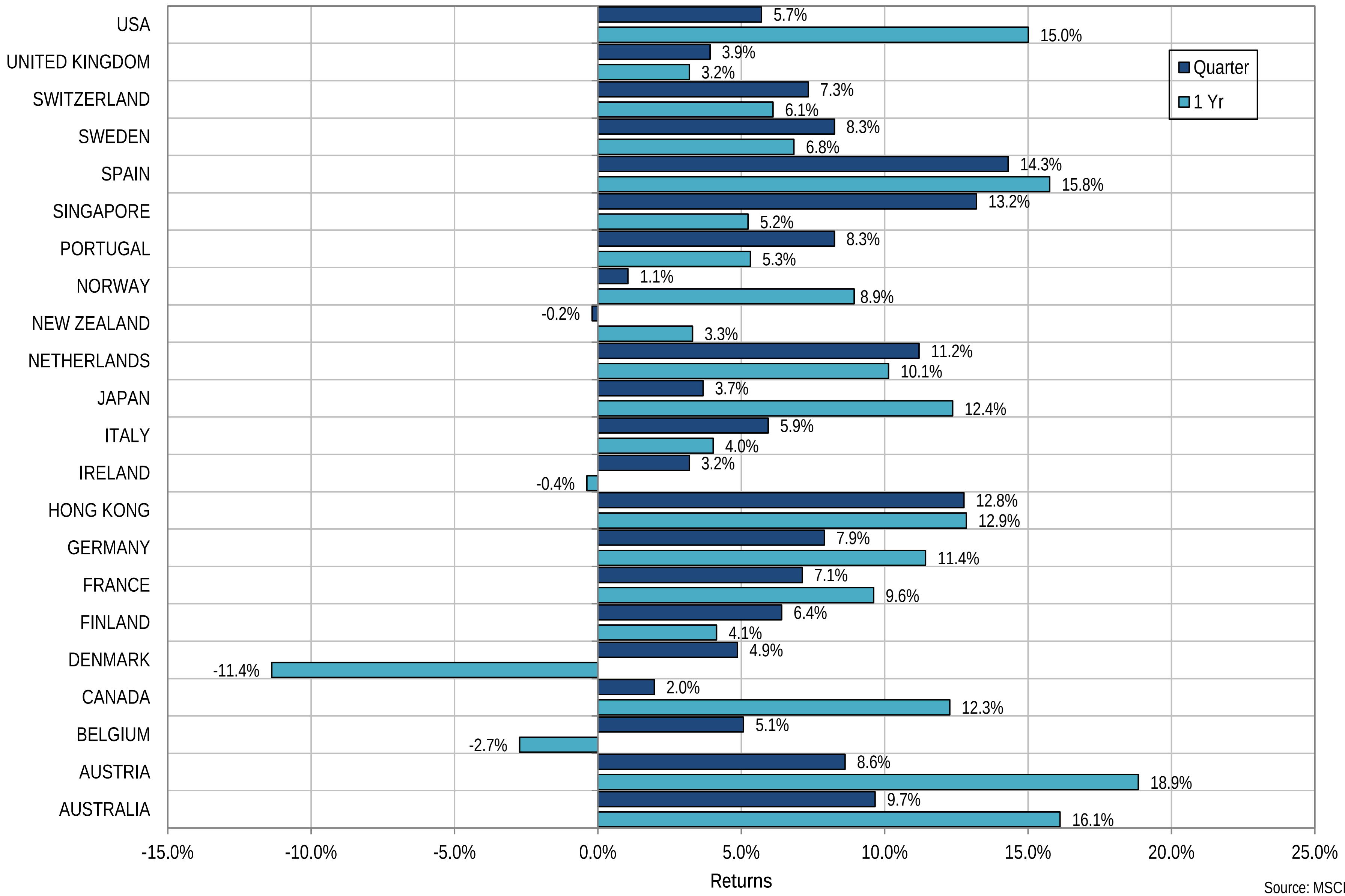


Source: MSCI, Bloomberg, Mercer

- The P/E ratio on the MSCI US index rose slightly to 23.9 during the first quarter as gains on US stocks were partially offset by improved earnings. The cyclically-adjusted P/E based on 10-year average earnings (Shiller's methodology) increased from 24.6 to 25.4, which is above the long-term median P/E of 19.6.
- The valuation case for equities relative to bonds worsened during the fourth quarter. Our estimate of the prospective equity risk premium on the MSCI US index declined from 2.7% to 2.6%. This was driven by higher equity valuations, as the long-term real Treasury yield was virtually unchanged.
- US equity markets benefited from encouraging economic reports during the quarter, as well as the anticipation of tax reforms, infrastructure spending, and deregulation under the Trump administration. While expectations for the administration have waned since the unsuccessful attempt at healthcare reform, the overall economy appears to remain healthy.
- While job growth is showing some signs of a potential slowdown, the overall labor market remains strong. Most observers agree that the US economy is nearing full employment, with the unemployment rate currently at 4.5%. At the current pace of jobs gains, labor market conditions could become tight in the coming quarters, increasing pressures on wages. Absent a rebound in productivity growth, this could be a headwind for corporate profits.
- While US equities remain rich on an absolute basis, they are more reasonably priced relative to the low yields offered by high quality bonds.

[1] Definitions:
Shiller's P/E = Current MSCI US price/average 10-year real earnings
Normalized P/E = Current S&P 500 price/(current trailing twelve month sales * 6.6% profit margin)
Equity Risk Premium = Earnings yield (1/PE) minus the real yield on long-term Treasuries

Developed Country Performance

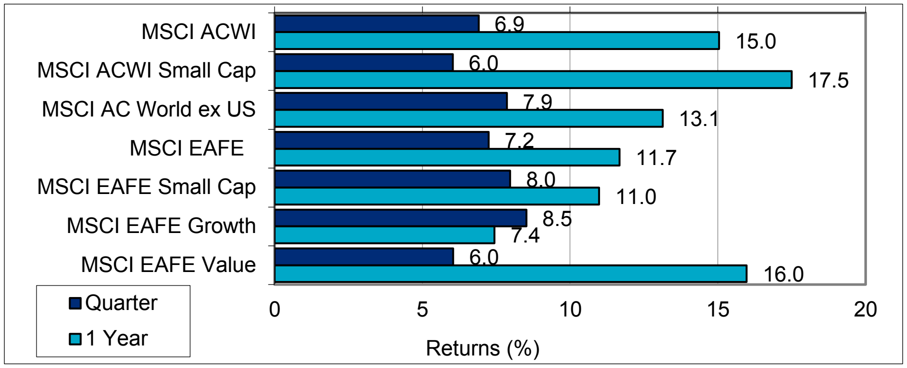


Source: MSCI

Asset Class

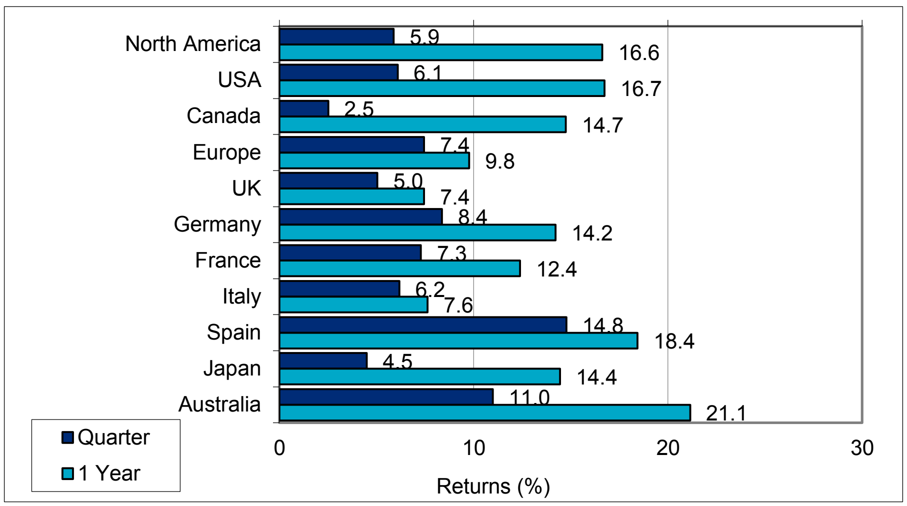
International Equities – Performance Review

Global and International Equity Performance



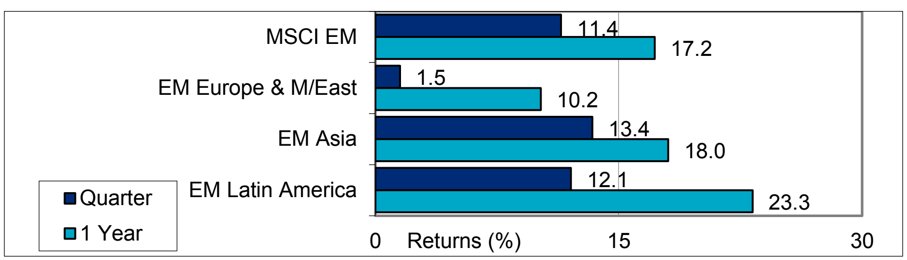
Source: MSCI, Bloomberg

Developed Country Performance



Source: MSCI, Bloomberg

Emerging Market Performance



Source: MSCI, Bloomberg

- **Global equities** posted solid returns during the first quarter, led by emerging market equities. The MSCI ACWI index increased 6.9% during the first quarter, leaving the 1-year return at 15.0%.

- **Global small cap equities** rose 6.0%, underperforming global large cap equities by 90 basis points during the first quarter. Over the past 12-months, global small caps have outperformed large caps by 250 basis points.

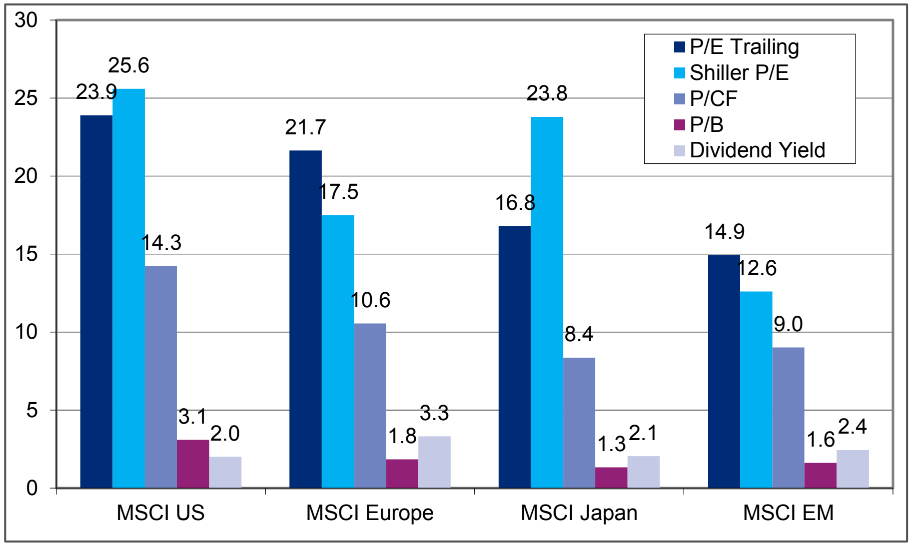
- **International developed stocks** posted solid gains during the first quarter. In $US terms, the MSCI EAFE index appreciated 7.3%, leaving its 1-year return at 11.7%. In local currency terms, the MSCI EAFE Index returned 4.7% during the quarter, lifting its 1-year return to 18.0%. Both European and Japanese stocks saw gains in $US terms during the first quarter. The MSCI Europe index rose 7.4% in $US, and gained 8.0% in local currency terms. The MSCI Japan index gained 4.5% in $US, but fell 0.2% in local currency terms.

- **International small cap equities** outperformed international large caps during the first quarter, returning 8.0%. Over the past 12-months, the MSCI EAFE Small Cap index returned 11.0%, underperforming large caps by 0.7 percentage points.

- **Emerging market stocks** posted strong gains during the first quarter, returning 11.5%. Emerging market stocks have returned 17.2% over the last 12 months. European / Middle Eastern emerging markets acted as a drag on performance, returning 1.5% for the quarter. Meanwhile, Asian and Latin American emerging markets returned 13.4% and 12.1%, respectively. Latin American stocks are the best performer over the past year, benefiting from the recovery in commodity prices.

International Equities – Valuation Review

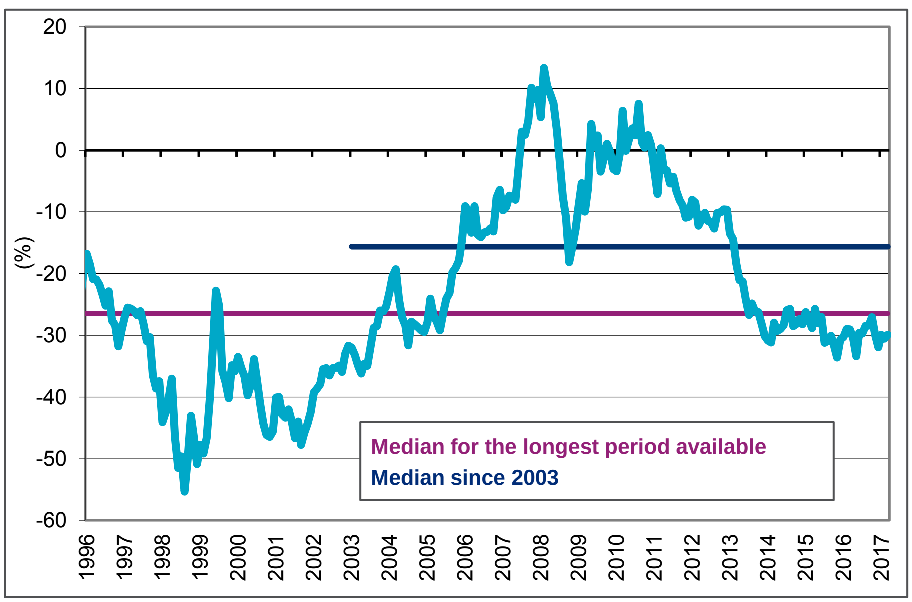
Global Valuations



Source: MSCI, Bloomberg

Valuation of MSCI Emerging Markets to MSCI World

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



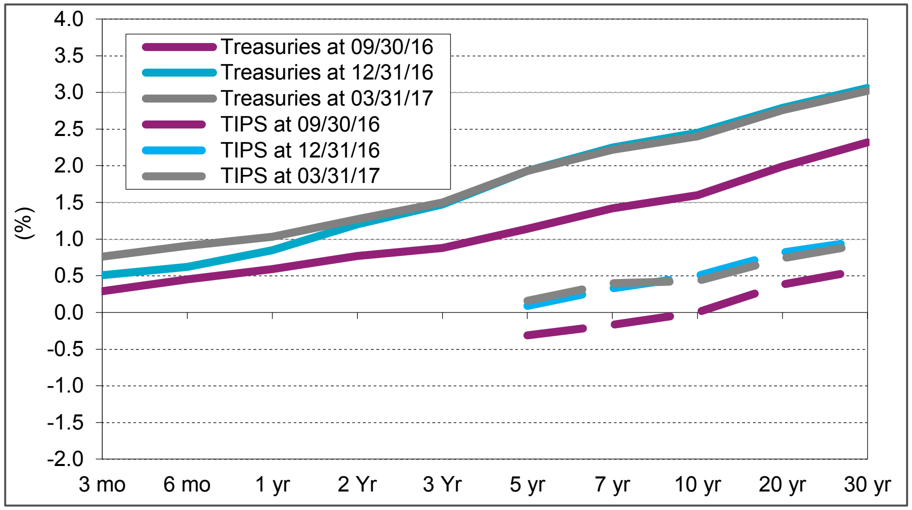
Source: MSCI, Bloomberg

- 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 17.5. European earnings should be stronger, given respectable GDP growth, limited wage pressures and accommodative monetary policies. The downside risks appear to be mainly political in nature, with upcoming Brexit negotiations for the UK, and elections in France and Germany.
- Japanese stocks appear reasonably valued, trading at 17x trailing earnings. Analysts project solid earnings growth in 2017, and more than 70% of firms have raised their forward guidance. Stronger global growth and more stable EM conditions should help, although the Q1 rise in the yen and potential protectionist measures are risks.
- Emerging market valuations are reasonable with a 14.9 trailing P/E, in-line with the historical median. Based on a mix of valuation measures, emerging market stocks trade at a 30% discount to developed market stocks, which is larger than the historical median. This gap could narrow if macro conditions remain favorable. Stronger global growth, accelerating exports, better domestic conditions and more supportive monetary and fiscal policies should lead to higher earnings. Additionally, with profitability near cyclical lows, firms have significant capacity for margin expansion. Analysts are optimistic, forecasting double-digit growth over the next year. Risks to the earnings outlook include a decline in commodity prices or a rise in protectionism, which would weigh on exporters.

Asset Class

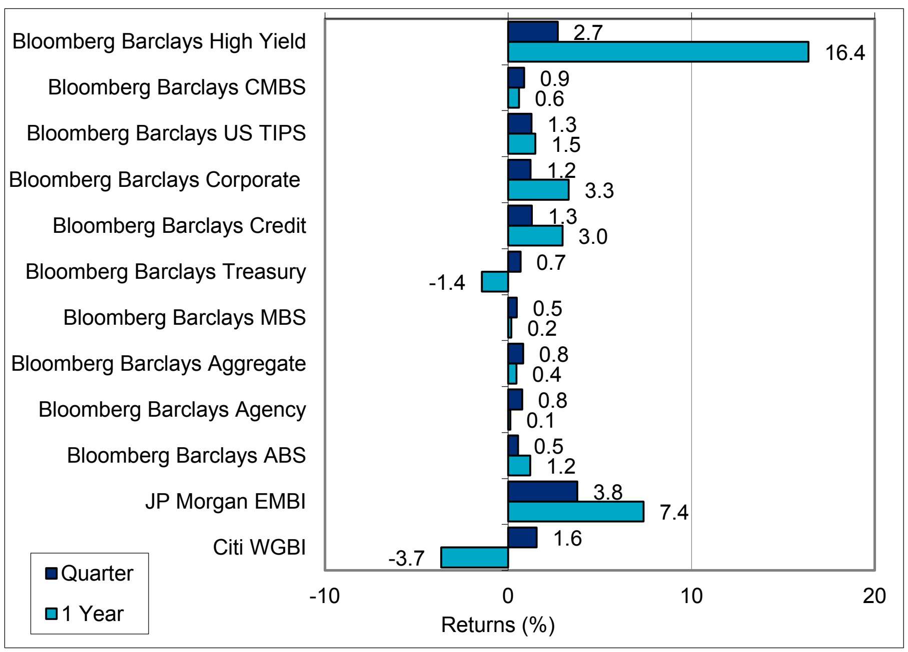
Fixed Income – Interest Rates and Yield Curve

Treasury Yield Curve



Source: Federal Reserve

Bond Performance by Duration

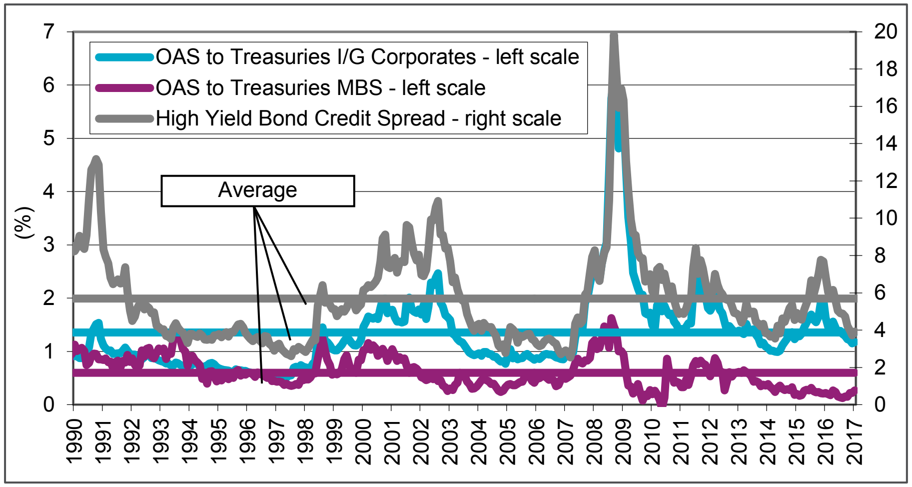


Source: Barclays, Bloomberg

- Interest rates saw only modest changes during the first quarter, following significant increases during the fourth quarter of 2016. The largest moves during the quarter were at the short end of the curve, with yields on 3-month and 1-year Treasuries rising by 25 basis points and 18 basis points, respectively. Rates were largely unchanged at the long end of the curve, with 10-year and 30-year Treasury yields declining by 5 basis points and 4 basis points respectively. The changes at the short end of the curve reflected the 25 basis point increase in the Fed Funds rate following the March meeting. FOMC members project two additional rate hikes in 2017, a position that was generally considered dovish by market participants.
- In both January and March, the ECB held rates at current levels. As announced in 2016, the ECB intends to reduce the pace of its monthly asset purchases in April 2017 from 80 billion to 60 billion euros per month. The BOJ also left monetary policy unchanged in its January and March meetings, and will continue to target a 0% interest rate on 10-year government bonds.
- Monetary policy divergence is likely to continue, as Fed tightens while the ECB and BOJ continue to ease. Any material changes in monetary policy could drive asset price volatility.
- **US Bonds** produced positive results during the first quarter, despite the Fed rate hike. The Bloomberg Barclays Aggregate Bond Index rose 0.8% for the quarter, leaving its 1-year return at 0.4%.
- **Long-Duration Bonds** generally outperformed shorter-duration bonds, given a modest decline in yields at the long end of the curve. The Bloomberg Barclays Long Treasury Index and the Bloomberg Barclays Long Corporate Index both returned 1.4% during the first quarter. Over the past 1-year, long corporate bonds have outperformed long Treasury bonds by 10.3 percentage points.
- **TIPS** rose by 1.3%, outperforming Treasuries as inflation breakeven rates rose. The inflation breakeven on 10-year TIPS increased by 2 basis points to 1.97%. Real yields on TIPS remain positive, with the real yield on 5-year TIPS rising by 7 basis points to 0.16%.

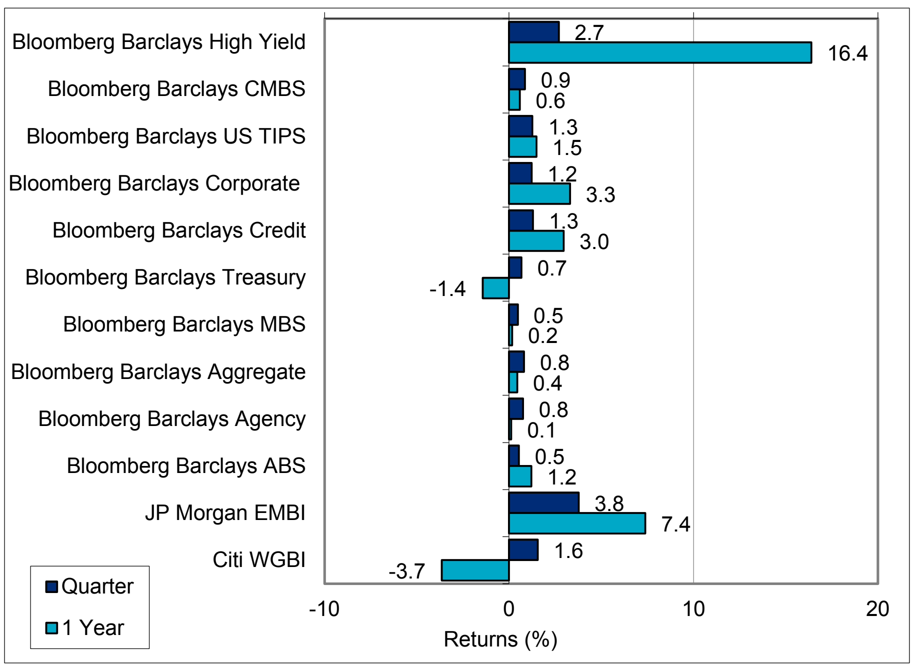
Fixed Income – Credit and Non-US Bonds

Credit Spreads



Source: Barclays

Sector, Credit, and Global Bond Performance

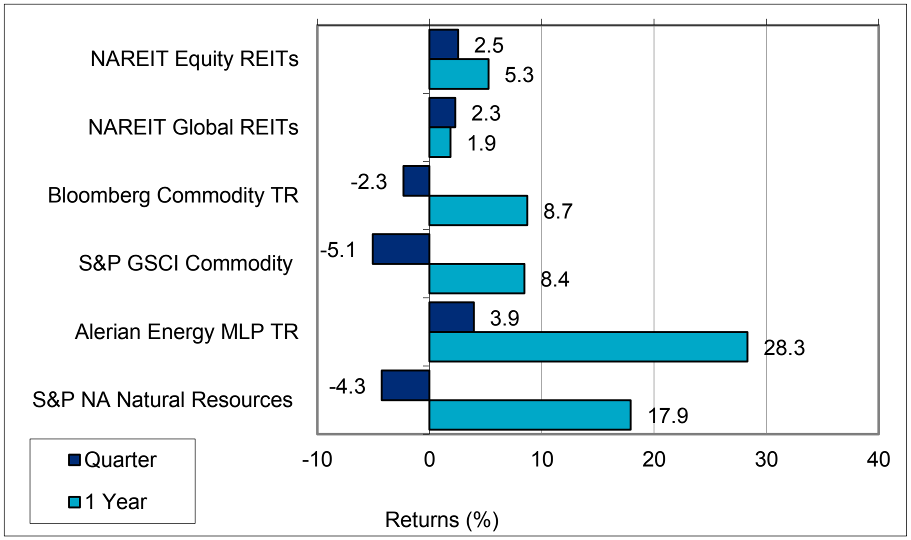


Source: Barclays, Citigroup, JP Morgan, Bloomberg

- The yield on investment-grade corporate bonds fell by 4 basis points during the quarter to 3.3% and the credit spread to Treasuries fell by 5 basis points to 1.2%.
- The yield on high yield bonds fell by 28 basis points to 5.8% during the quarter and the credit spread fell by 26 basis points to 3.8%. The credit spread remains well below the long-term median level of 4.8%, having fallen by 280 bps since the start of 2016.
- **US Treasuries** gained 0.7% during the first quarter as yields rose by 2 basis points. The Bloomberg Barclays Treasury Index has declined by 1.4% over the past 12-months.
- **US corporate** bonds gained 1.2% during the first quarter. Corporate bonds outperformed Treasuries by 55 basis point during the quarter quarter and by 4.7 percentage points over the past 12-months.
- **US MBS, CMBS and ABS** saw modest, but positive, results during the quarter. US CMBS performed best, returning 0.9%, while US ABS and MBS both gained 0.5%.
- **High yield bonds** produced another solid quarter, returning 2.7% as credit spreads continued their decline. Over the past year, high yield bonds returned an impressive 16.4%, outperforming global equities.
- **Global bonds** posted positive results, returning 1.6% during the first quarter. However, over the past 12-months, the Citigroup World Government Bond Index has declined 3.7%.
- **Emerging market debt (local currency)** saw strong returns during the first quarter, as the index returned 6.5%. During the past year, emerging market debt (local) has returned 5.5%.

Alternatives – Performance Review

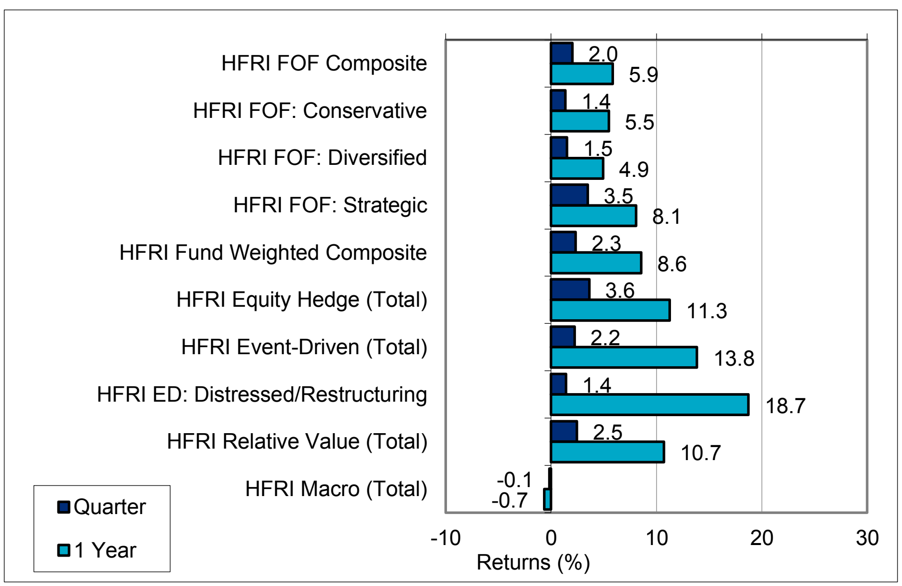
Real Asset Performance



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

- **REITs** saw a modest rebound during the first quarter, as long-term interest rates were largely unchanged. US REITs rose 2.5% during the first quarter, leaving returns over the past year at 5.3%. Global REITs returned by 2.3% during the quarter and have gained 1.9% over the past 12 months.
- **Commodities** generally saw declines during the first quarter, as the price of oil declined on higher than expected US crude oil inventories. The Bloomberg Commodity Index fell 2.3% during the quarter, but remains up 8.7% over the past year. The energy heavy S&P GSCI Commodity Index declined 5.1% for the quarter, but is up 8.4% over the last 12 months. The S&P North American Natural Resources Sector Index fell 4.3% during the first quarter. The index remains up 17.9% over the past year.

Hedge Fund Performance



Source: HFR

- **Hedge fund of funds** gained 2.0% during the first quarter, bringing its 1-year return up to 5.9%. Returns across most strategies were positive for the quarter. Event-driven strategies continued to perform well, returning 2.2% during the quarter and 13.8% over the past year. Distressed/restructuring strategies returned 1.4% for the quarter and are up 18.7% over the past 12-months. The HFRI Equity Hedge Index returned 3.6% for the quarter and 5.5% over the last year. Macro strategies saw slight declines during the first quarter, with the HFRI Macro Index declining 0.1%.

Executive Summary

Fund Changes/ Performance Updates

Domestic equities continued their rise during the first quarter, as a result of strong economic reports and continued investor optimism. The Russell 3000 Index gained 5.7% during the quarter, and has posted positive results in 16 of the last 17 quarters. In a reversal from 2016, larger capitalization equities outpaced their smaller counterparts and growth oriented securities significantly outpaced value. The spread between growth and value was evident across all market capitalizations, although it was most pronounced in large cap equities (560 basis points). The growth oriented information technology and consumer discretionary sectors led the market, while industrials and financials pulled back from their fourth quarter rally, as investors feared the new administration would not be able to implement infrastructure spending and tax reforms. Active management rebounded to start the year after a difficult 2016, as a majority of domestic indices ranked in the bottom half of their respective peer group universes. Active managers benefited from the rebound in growth oriented securities and the rally within the information technology sector.

International equities gained 7.2% during the quarter, which outpaced domestic equities by 150 basis points. International equities were led by the European region, despite the political uncertainty in the EU and the implications of the Brexit. Similar to domestic equities, growth oriented securities outperformed value internationally, although the spread was more narrow (250 basis points). Emerging markets equities rallied during the first quarter despite a 9% decline in the price of oil. Emerging market equities benefited from faster than expected trade growth and strong capital inflows. The growth outlook for emerging markets has improved due to higher commodity prices, export growth, and structural reform.

Interest rates moves were moderate during the quarter, with the largest change coming at the short end of the curve as a result of the 0.25% federal funds rate increase that occurred in March. Spread sectors generally outperformed Treasury securities, as corporate spreads slightly narrowed. Similar to emerging market equities, emerging market debt was the top performing fixed income segment during the quarter, benefiting from the US dollar depreciation along with capital inflows.

The State of North Carolina Supplemental Retirement Plan had a strong first quarter, as all funds posted positive results and eight of the nine active funds outperformed their respective indices. Investors rotated back into larger capitalization, growth oriented securities and this was beneficial for the **Large Cap Growth Fund,** which returned 11.1% and ranked in the top quartile of the peer group universe**.** The Large Cap Growth Fund struggled in 2016, as more defensive, dividend oriented securities led the market. Concentrated growth manager Sands drove the outperformance of the Fund over the quarter, as its overweight to and strong security selection within the information technology sector aided results. The **Mid/Small Cap Value** Fund was the top relative performer during the quarter, driven by Earnest, who outperformed the Russell 2500 Value Index by 510 basis points and ranked in the 2nd percentile of the peer group universe. Earnest tends to let its winners run and will have a much larger capitalization bias relative to the index, which was extremely beneficial during the first quarter. The **Mid/Small Cap Growth Fund** was the only Fund that posted negative relative results during the quarter, as both underlying managers trailed the Russell 25000 Growth Index. International equities rallied during the first quarter and similar to domestic equities, growth oriented securities outperformed. This was beneficial for Ballie Gifford, whose growth oriented investment strategy outperformed the MSCI ACWI ex US by 160 basis points and drove the outperformance of the **International Equity Fund**. The **Global Equity Fund** outperformed the MSCI ACWI benchmark by 90 basis points, aided by the Fund's underweight to the underperforming US region. **The Fixed Income Fund** outperformed the Bloomberg Barclays Aggregate benchmark by 40 basis points, driven by the outperformance of Prudential. Spread sectors generally outperformed Treasury securities during the first quarter, which aided Prudential. Additionally, Prudential's out of benchmark exposure to high yield debt was a contributor, as high yield spreads continued to compress. TCW replaced JPMorgan during the quarter and took over the portfolio on January 4, 2017.

Additional Manager Analysis

Baillie Gifford (Manager 1Q Return vs. Benchmark)

Baillie Gifford returned 9.6% which outperformed the benchmark by 160 basis points and ranked in the top quartile of its peer group universe. Baillie Gifford utilizes a bottom-up approach, based on fundamental research, with a focus on identifying quality growth stocks that have an identifiable competitive advantage. The strategy seeks stocks that can sustain above average growth in earnings and cash flow. The strategy focuses on a longer-term approach and will generally have lower turnover. Baillie Gifford has a team of regional and global sector research analysts who work with their internal portfolio construction group that takes the best ideas and places them in a holistic international context. During the quarter, international equities outperformed domestic equities, driven by stronger than expected growth and US dollar depreciation. Investors rotated back into growth securities internationally and this was beneficial for Baillie Gifford given their investment process. Baillie Gifford's growth orientation is evident in the strategy's information technology positioning, which is nearly double that of the benchmark. This overweight position to the information technology and consumer discretionary sectors drove relative results during the quarter. Additionally, having no exposure to the weak performing energy sector was beneficial, as oil prices declined by 9%. 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. Over the trailing-year, the strategy outperformed the benchmark by 210 basis points and ranked in the top quartile of the peer group universe.

Manager Updates

We were recently informed by **Delaware Investments** (Delaware), that the Large Cap Value Focus strategy recently hit $30 billion. As a result, they have closed the strategy to new investors; however, existing accounts are permitted to add incrementally to their positions. We are not recommending any change in strategy rating. We view Delaware's recent closing of the Large Cap Value Focus strategy as consistent with our expectations (approximately $28 billion of capacity; note that market appreciation also marginally contributed to the asset growth). As a result, we are pleased to see that Delaware has closed the strategy to new investors.

On March 14, 2017 we were informed by **Delaware Investments** that their firm will adopt the name of its parent and become Macquarie Investment Management (MIM), to reflect the firm's global investment capabilities. The change will be effective March 31, 2017. The news that Delaware Investments will adopt the name of its parent and become Macquarie Investment Management (MIM) does not come as a complete surprise to us given that Delaware, through the course of our various manager meetings with teams over the past few months, has been hinting at the prospect of increasing integration with their parent. The intent of the integration is to leverage the breadth of the firm's infrastructure and other resources on global basis. Our view of the business does not change since Delaware remains committed to the multi-boutique structure, and its approach to managing client assets, will not change. Delaware has further committed to the retained independence of their investment teams.

On April 12, 2017, **Loomis Sayles** announced that Robert J. Blanding, Chairman, will retire effective May 1, 2017. Effective May 1, 2017, Kevin Charleston, CEO and President, will assume the Chairman role. We do not recommend any rating changes as a result of this announcement. We have been aware of this succession plan (see news items dated April 2014 and March 2015) and believe this is a natural progression of Charleston's responsibilities.

Mercer met with **Mondrian** to review their international equity strategy at their London office. We are maintaining our A rating on Mondrian's International equity strategy as a result of the meeting. We continue to have high conviction in the investment philosophy, underpinned by a disciplined research and implementation process and a stable business environment that encourages staff retention.

Executive Summary

Mercer met with **PIMCO** to review their Inflation Response Mult-Asset Fund. We are positive on the Inflation Response Multi-Asset Fund (IRMAF) and we believe it has an above average chance of meeting its performance objective, i.e., to deliver 3-4% in excess returns (before fees) over a custom index of assets that target a high inflation beta. The strategic components appear well thought out, and the underlying investment sleeves are based on active strategies, which we generally like. Weaknesses include the fact that PIMCO remains opaque with regards to performance attribution, as well as about the capacity of the strategy and their ability to trade in the US TIPS market, which can be illiquid at times. As a result of the meeting, we maintained the "B+" rating on the strategy.

Mercer met with **Prudential** to discuss their Core Plus Fixed Income strategy. Prudential offers an experienced investment team with state of the art risk management systems. The team is well rounded and experienced in all sectors of the market. The firm boasts a cohesive team, with a notable level of collaboration between portfolio managers and analysts. The spread exposure is concentrated into structured product, corporates and high yield/emerging markets. The non-benchmark sector allocation is well-integrated into the firm's risk-controlled portfolio construction methodology. In our view, the robust methodology of active risk thresholds ensures that this strategy will not be exposed to sources of tail risk that are unwarranted by current and long-term market projections. As a result of the meeting, we maintained the strategy's "A" rating.

Mercer met with **Sands** to review their Select Growth Equity strategy. We uphold our conviction in the skilled and experienced research teams managing these strategies. Sands' deep team of seasoned analysts and thorough fundamental research support a stable well-defined process focused on identifying leading growth companies in attractive areas of the market. Investors should be aware that the team's concentrated long-term approach, focused on quality growth factors, may lead to notable benchmark differentiation and underperformance at times, particularly when those factors are not rewarded by the market. As such, we are not surprised by the more recent 2016 calendar year underperformance given near-term style headwinds. Rather, we are comforted to note the team's strict adherence to process and objectivity in the midst of temporary market driven challenges.

On February 22, 2017, **Times Square Capital Management** (TSCM) informed us that they hired David M. Cielusniak as the firm's new Chief Operating and Chief Compliance Officer. Cielusniak has 16 years of industry experience and was most recently Deputy Chief Operating Officer for Credit Suisse Asset Management, Americas. Cielusniak will join TSCM on February 27th 2017. We are pleased to learn that TSCM has completed their search for their new Chief Operating and Chief Compliance Officer and, as a result, reaffirm our "A" rating on the SMID Cap Growth strategy.

On March 1, 2017, **WEDGE** Capital Management (WEDGE) indicated that Michael Gardner, the firm's longest serving Partner -- having been with WEDGE for 27 years -- will be retiring on March 31, 2017. He will be turning 65 in the coming months and elected to retire in order to pursue management of his personal financial assets. Over his tenure with the firm, Gardner served in various roles including his initial duties as Lead Small Cap Research Analyst and, more currently, as the Director of Quantitative Research, a role he began transitioning out of over seven years ago (See Mercer Research Note dated 30 November 2009.) Separately, WEDGE used the discussion regarding Gardner's pending retirement to also disclose the departure of a research analyst on the team, which occurred in February 2017, as well as the formal addition of Analyst Brandon Smith in 3Q2016. We believe Gardner's retirement will have di minimis impact on WEDGE. Additionally, we believe WEDGE is appropriately resourced to absorb the analyst turnover. Furthermore, we are pleased that the firm has added to its research resources via Smith. That said, we intend to address Smith's integration into the firm over the ongoing course of our research of WEDGE. We do not recommend any changes to the "B+" rating of the strategy as a result of the announcement.

NC CURRENT INVESTMENT STRUCTURE

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

Fee Review

A	B	C	D	E	F	G	H	I	
					C+D+E	B*F		F-H	
Funds and Sub-Advisors	**Assets**	**Inv. Mgmt. Fee**	**Custodial Expenses[1]**	**NC Budget[2]**	**Total Estimated Expense (%)**	**Total Estimated Expense ($)[3]**	**Mercer Median Expense [4]**	**Difference**	
North Carolina Stable Value Fund	**$2,475,020,511**	**0.333%**	**0.001%**	**0.025%**	**0.359%**	**$8,892,257**	0.42%	-0.06%	F-H
Galliard	$2,475,020,511	0.333%	0.000%			$8,241,818	0.42%	-0.08%	C-H
North Carolina Fixed Income Passive Fund	**$455,797,946**	**0.020%**	**0.003%**	**0.025%**	**0.048%**	**$218,545**	0.20%	-0.15%	
BlackRock	$455,797,946	0.020%	0.000%			$91,160	0.02%	0.00%	
North Carolina Fixed Income Fund	**$676,878,609**	**0.158%**	**0.007%**	**0.025%**	**0.191%**	**$1,289,495**	0.49%	-0.30%	
50% TCW[7]	$338,057,640	0.167%	0.000%			$563,336	0.25%	-0.08%	
50% Prudential	$338,820,969	0.150%	0.000%			$508,231	0.25%	-0.10%	
North Carolina Inflation Sensitive Fund	**$426,440,177**	**0.690%**	**0.003%**	**0.025%**	**0.718%**	**$3,060,526**	0.82%	-0.10%	
PIMCO	$426,440,177	0.690%	0.000%			$2,942,437	0.82%	-0.13%	
North Carolina Large Cap Passive Fund	**$1,449,537,771**	**0.007%**	**0.001%**	**0.025%**	**0.033%**	**$471,155**	0.20%	-0.17%	
BlackRock	$1,449,537,771	0.007%	0.000%			$101,468	0.01%	0.00%	
North Carolina Large Cap Value Fund	**$977,063,813**	**0.377%**	**0.008%**	**0.025%**	**0.410%**	**$4,009,531**	0.71%	-0.30%	
33.3% Hotchkis & Wiley	$327,493,395	0.500%	0.000%			$1,637,467	0.43%	0.07%	
33.3% Delaware	$325,307,179	0.292%	0.000%			$950,614	0.43%	-0.13%	
33.3% Robeco BP	$324,263,239	0.339%	0.000%			$1,097,790	0.43%	-0.09%	
North Carolina Large Cap Growth Fund	**$942,555,803**	**0.419%**	**0.010%**	**0.025%**	**0.454%**	**$4,277,924**	0.75%	-0.30%	
33.3% Sands Capital Management	$315,724,127	0.514%	0.000%			$1,623,133	0.46%	0.05%	
33.3% Wellington Management Company	$312,960,562	0.350%	0.000%			$1,095,362	0.57%	-0.22%	
33.3% Loomis Sayles	$313,871,114	0.392%	0.000%			$1,231,613	0.46%	-0.07%	
North Carolina SMID Cap Passive Fund	**$258,340,678**	**0.007%**	**0.005%**	**0.025%**	**0.037%**	**$96,334**	0.25%	-0.21%	
BlackRock	$258,340,678	0.007%	0.000%			$18,084	0.02%	-0.01%	
North Carolina SMID Value Fund	**$525,186,905**	**0.605%**	**0.016%**	**0.025%**	**0.645%**	**$3,389,175**	0.98%	-0.33%	
33.3% Hotchkis & Wiley	$174,998,693	0.569%	0.000%			$994,993	0.60%	-0.03%	
33.3% EARNEST Partners	$175,328,008	0.517%	0.000%			$906,180	0.71%	-0.19%	
33.3% WEDGE Capital Management	$174,860,204	0.729%	0.000%			$1,274,161	0.71%	0.02%	
North Carolina SMID Growth Fund	**$396,537,162**	**0.665%**	**0.015%**	**0.025%**	**0.705%**	**$2,796,357**	0.95%	-0.24%	
50% TimesSquare Capital Management	$197,854,475	0.763%	0.000%			$1,510,544	0.75%	0.01%	
50% Brown Advisory	$198,682,687	0.566%	0.000%			$1,125,470	0.75%	-0.18%	
North Carolina International Passive Fund	**$51,041,270**	**0.025%**	**0.034%**	**0.025%**	**0.084%**	**$42,684**	0.36%	-0.27%	
BlackRock	$51,041,270	0.025%	0.000%			$12,607	0.06%	-0.04%	
North Carolina International Equity Fund	**$627,649,613**	**0.444%**	**0.009%**	**0.025%**	**0.478%**	**$3,000,170**	0.94%	-0.46%	
50% Baillie Gifford	$315,221,714	0.440%	0.000%			$1,385,887	0.57%	-0.13%	
50% Mondrian Investment Partners	$312,427,899	0.448%	0.000%			$1,399,712	0.57%	-0.12%	
North Carolina Global Equity Fund	**$908,452,997**	**0.544%**	**0.006%**	**0.025%**	**0.575%**	**$5,224,092**	0.95%	-0.37%	
50% Wellington Management Company	$455,710,119	0.500%	0.000%			$2,278,551	0.55%	-0.05%	
50% Arrowstreet	$452,742,878	0.589%	0.000%			$2,665,086	0.55%	0.04%	
Total	**$10,170,503,255**	**0.331%**	**0.006%**	**0.025%**	**0.362%**	**$36,768,244**	**0.582%**		

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

7 IM Fee includes 3 Month Fee Holiday

Performance Scorecard

	Mercer Rating	Return								Risk[1]
		3 Years to 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		5 Years to 03/31/2017
		I	U	I	U	I	U	I	U	I
Large Cap Passive Fund (tracked within 20bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Equity Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
Large Cap Value Fund		✗	✓	✗	✓	✗	✓	✗	✓	NA
Hotchkis & Wiley Large Cap Value	A (T)	✓	✓	✓	✓	✗	✗	✗	✗	✓
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 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		5 Years to 03/31/2017
		I	U	I	U	I	U	I	U	I
Mid/Small Cap Passive Fund (tracked within 30 bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Russell 2500 Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
Mid/Small Cap Value Fund		✓	✓	✗	✓	✗	✓	✓	✓	NA
Hotchkis & Wiley SMID Cap Value	B+ (T)	✗	✗	✗	✗	✗	✗	✗	✗	✓
EARNEST Partners SMID Cap Value	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓
WEDGE SMID Cap Value	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mid/Small Cap Growth Fund		✗	✓	✗	✓	✗	✓	✗	✓	NA
TimesSquare SMID Cap Growth	A	✗	✗	✗	✗	✗	✗	✗	✗	✓
Brown Advisory	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓

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

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Performance Scorecard

	Mercer Rating	Return								Risk[1]
		3 Years to 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		5 Years to 03/31/2017
		I	U	I	U	I	U	I	U	I
International Passive Fund (tracked within 60 bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock ACWI ex US Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
International Equity Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA
Baillie Gifford ACWI ex US Growth	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mondrian ACWI ex US Value	B+	✓	✗	✓	✓	✓	✗	✓	✗	✓
Global Equity Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA
Wellington Global Opportunities	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓
Arrowstreet Global Equity ACWI	A	✓	✓	✓	✓	✓	✓	✓	✓	✓

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

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Performance Scorecard

	Mercer Rating	Return								Risk[1]
		3 Years to 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		5 Years to 03/31/2017
		I	U	I	U	I	U	I	U	I
Inflation Responsive Fund		✓	✓	✓	✓	✓	✓	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
TCW Core Plus[2]	A	✓	✗	✓	✗	✓	✗	✓	✓	✓
Prudential Core Plus[3]	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stable Value Fund	A	✓	✗	✓	✓	✓	✗	✓	✓	NA

[1] A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.
[2] Represents the TCW Core Plus Composite.
[3] Represents the Prudential Core Plus Composite.
***** A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

Watch List Criteria

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

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

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

Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Sands Large Cap Growth	4Q16	A (T)	Maintain Watch Status	Sands constructs a concentrated, aggressive growth portfolio with low turnover and adheres to a strict buy and hold philosophy. Due to the funds loose constraints and concentrated nature, it can be common for the strategy to exhibit significant tracking error relative to the benchmark. The conviction-weighted, concentrated structure of this portfolio places a heavy emphasis on top holdings and these can have a significant impact on the strategy's performance. The top five holdings represented just over 36% of the portfolio at the end of the first quarter. Sands had a strong start to 2017, as it outperformed the Russell 1000 Growth Index by 520 basis points and ranked in the 2nd percentile of the peer group universe. This was the 15th best relative quarter for the strategy since its inception. Sands benefited from the rotation back into larger capitalization companies with higher earnings growth and sales growth. Sands large overweight (14.0%) to the information technology sector aided results, along with strong security selection, which added 350 basis points of relative outperformance. Sands out of benchmark exposure to Alibaba was beneficial, as the company benefited from sales growth along with growth in its cloud business. 2016 was a difficult year for Sands. The first and fourth quarters were the top two worst quarters in the strategy's lengthy history. In 2016, the strategy trailed the benchmark by 1,390 basis points and ranked in the 99th percentile of the peer group universe. Sands active sector exposures proved unfavorable, as investors preferred higher yielding stocks in the more defensive sectors like utilities and telecommunications. The markets preference for yield subsided slightly in the second half of 2016, but the top third highest yielding stocks in the Russell 1000 Growth Index outperformed the bottom third lowest yielding stocks by over 1500 basis points. This preference for yield created an extremely difficult market environment for active managers in the large cap growth space, as 93% managers failed to outperform the benchmark. Mercer was not surprised by the underperformance given the near-term style headwinds. We were comforted to note the team's strict adherence to process and objectivity in the midst of temporary market driven challenges. Since inception, Sands has outperformed the benchmark by a comfortable margin, although there have been periods of extreme volatility. We uphold our conviction in the skilled and experienced research teams managing the strategy.

***** 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	Maintain Watch Status	Over the long term, Wellington believes companies that can sustain above average earnings growth will outperform the growth indices and the market overall. The investment objective of the Opportunistic Growth portfolio is to provide long-term, total returns above the growth indexes by investing in the stocks of successful, growing companies. Wellington seeks companies that either have a cost advantage, a customer advantage, or competitive advantage before conducting a further in-depth, fundamental review of the business model. The final Opportunistic Growth portfolio is composed of roughly 100 to 150 stocks and is constructed in three different sleeves: large cap, mid cap, and small cap. Allocation to each sleeve is determined by the market weights of large, mid and small cap stocks in the Russell 3000 Growth Index. Wellington flagged the watch list for performance reason during the fourth quarter of 2016, as relative performance struggled over the prior to two and a half year period. Over 2016, Wellington trailed the benchmark by 450 basis points and ranked in the bottom half of the peer group universe. 2016 was a very difficult market environment for active large cap growth managers, as investors preferred higher yielding stocks in more defensive sectors like utilities and telecommunications. The markets preference for yield subsided slightly in the second half of 2016, but the top third highest yielding stocks in the Russell 1000 Growth Index outperformed the bottom third lowest yielding stocks by over 1500 basis points. During the first quarter, Wellington outperformed the benchmark by 170 basis points as investors rotated back into higher quality growth equities. This was beneficial given Wellington's investment process. Wellington's strong security selection within the information technology and industrials sectors led to the outperformance. Wellington continues to focus on quality growth companies benefiting from long term cyclical 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.

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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 first quarter, the strategy trailed the benchmark by 50 basis points and ranked in the bottom quartile of the peer group universe. Investors rotated back into larger capitalization growth securities, although quality factors were not in favor. This was a headwind for Timesquare, who typically has biases towards companies with earnings stability and higher ROE. During the first quarter, biotechnology was the strongest performing industry, as it returned 17.0%. This was a major source of underperformance for TimesSquare which typically has a lower weight to this industry because of the lack of quality. The results over the trailing-year have negatively affected the longer-term results and we believe that TSCM's style has been out of favor over the more recent market cycle. We still have confidence in the team and strategy but recommend maintaining the watch status given the more recent performance.

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Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Boston Partners Large Cap Value	Recommend 1Q17	A	Add to Watch List	Boston Partners attempt to identify securities that exhibit quality, attractive valuations and improving business momentum. The strategy is typically more conservative and generally performs best in periods of heightened volatility. The process is defined by the team's unwavering focus on stocks exhibiting quality, valuation, and improving business momentum. The strategy's front-end quantitative screen is simple yet effective in its role of providing structure and focus to the fundamental research effort. This is a well-diversified, fundamentally-driven strategy that benefits from the experience, insights, and close collaboration of portfolio managers Mark Donovan and David Pyle. The strategy is expected to exhibit a relative value approach and has a focus on principal protection. Boston Partners flagged the watch list for underperformance this past quarter and this was mainly attributed to the relative underperformance in 2016. Boston Partners trailed the benchmark by 230 basis points in 2016, as higher dividend paying companies led the market. Boston Partners's investment process results in a strong negative tilt towards dividend factors, which would explain some of the calendar year underperformance. Despite the style headwinds, Boston Partners ranked in the 51st percentile of the peer group universe, and fared better in the fourth quarter when cyclical securities came back in favor. During the first quarter of 2017, the strategy outperformed the benchmark by 80 basis points and ranked in the top half of the peer group universe. Boston Partners benefited from strong security selection in the communications, consumer services and information technology sectors. Despite the rough period in 2016, Mercer continues to have confidence in Boston Partner's disciplined investment process.

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Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Hotchkis and Wiley	Recommended 1Q17	B+ (T)	Add to Watch List	Hotchkis & Wiley utilizes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies where the intrinsic value of the companies future cash flows exceeds the market price. The team does not consider benchmark characteristics in portfolio construction, as they view permanent loss of capital the primary source of risk. Hotchkis believes that the low valuations and lower leverage provides them a margin of safety. Hotchkis, like other value managers, struggled in 2016 when more defensive names were in favor. Hotchkis avoided the non-cyclical securities with higher payout ratios that investors preferred during the first half of 2016, as Hotchkis believed these companies had excessive valuations resulting from the low interest rate environment. During the second half of 2016, cyclical securities rebounded and outperformed the securities with higher payout ratios. In 2016, Hotchkis underperformed the benchmark by 320 basis points but ranked in the top half of the peer group universe. Investors rotated back into growth during the first quarter and Hotchkis trailed the benchmark by 40 basis points. A majority of the underperformance came from Hotchkis's large overweight to the energy sector (10.7%), which was the worst performer with oil prices declining by 9%. Hotchkis was able to offset some of this underperformance with strong security selection in the utilities sector, particularly with holding NRG. Given the outperformance of higher dividend paying securities with extreme valuations, it is not suprising to see Hotchkis struggle. We continue to have confidence in Hotchkis's investment process and fundamental approach to value investing.

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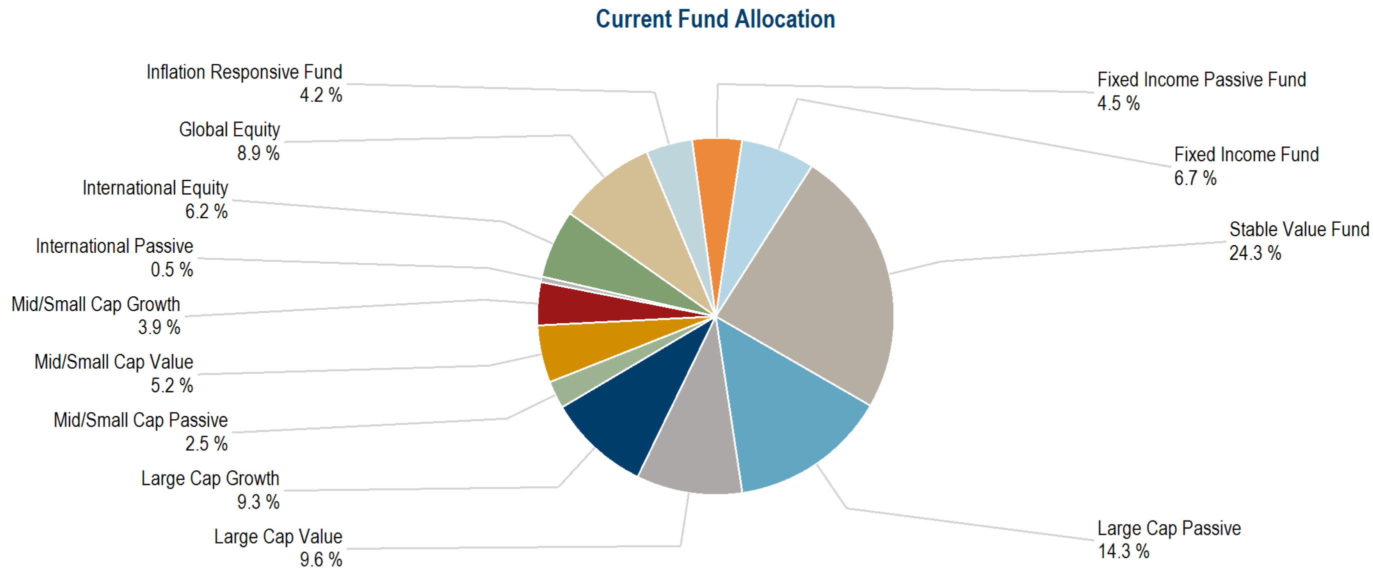
Total Plan

Total Plan

Asset Allocation



	Current Balance
North Carolina Stable Value Fund	$2,475,020,511
North Carolina Fixed Income Passive Fund	$455,797,946
North Carolina Fixed Income Fund	$676,878,609
North Carolina Inflation Responsive Fund	$426,440,177
North Carolina Large Cap Passive Fund	$1,449,537,771
North Carolina Large Cap Value Fund	$977,063,813
North Carolina Large Cap Growth Fund	$942,555,804
North Carolina SMID Cap Passive Fund	$258,340,678
North Carolina SMID Value Fund	$525,186,905
North Carolina SMID Growth Fund	$396,537,162
North Carolina International Passive Fund	$51,041,270
North Carolina International Equity Fund	$627,649,613
North Carolina Global Equity Fund	$908,452,996
Total	**$10,170,503,254**

Total Plan

Fund Returns

	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Large Cap Passive	**$1,449,537,771**	**14.3%**	**6.1%**	**34**	**17.1%**	**37**	**10.2%**	**14**	**13.2%**	**15**	**16.9%**	**Mar-09**
S&P 500			*6.1%*	*34*	*17.2%*	*36*	*10.4%*	*12*	*13.3%*	*13*	*17.0%*	*Mar-09*
Large Cap Value	**$977,063,813**	**9.6%**	**3.9%**	**39**	**20.4%**	**28**	**8.1%**	**38**	**13.0%**	**17**	**15.6%**	**Mar-09**
Russell 1000 Value			*3.3%*	*68*	*19.2%*	*42*	*8.7%*	*16*	*13.1%*	*17*	*16.7%*	*Mar-09*
Large Cap Growth	**$942,555,804**	**9.3%**	**11.1%**	**15**	**16.2%**	**27**	**8.9%**	**62**	**12.0%**	**40**	**18.5%**	**Mar-09**
Russell 1000 Growth			*8.9%*	*56*	*15.8%*	*35*	*11.3%*	*8*	*13.3%*	*16*	*17.7%*	*Mar-09*
Mid/Small Cap Passive	**$258,340,678**	**2.5%**	**3.7%**	**45**	**21.5%**	**44**	**7.5%**	**33**	**12.6%**	**28**	**18.2%**	**Mar-09**
Russell 2500			*3.8%*	*45*	*21.5%*	*44*	*7.4%*	*33*	*12.6%*	*28*	*18.3%*	*Mar-09*
Mid/Small Cap Value	**$525,186,905**	**5.2%**	**3.7%**	**13**	**22.5%**	**50**	**7.7%**	**25**	**13.5%**	**11**	**20.4%**	**Mar-09**
Russell 2500 Value			*1.6%*	*39*	*23.1%*	*45*	*7.6%*	*27*	*12.9%*	*25*	*18.0%*	*Mar-09*
Mid/Small Cap Growth	**$396,537,162**	**3.9%**	**5.3%**	**69**	**17.9%**	**62**	**6.1%**	**41**	**11.8%**	**29**	**17.0%**	**Mar-09**
Russell 2500 Growth			*6.3%*	*56*	*19.8%*	*51*	*7.2%*	*28*	*12.2%*	*25*	*18.5%*	*Mar-09*
International Passive	**$51,041,270**	**0.5%**	**8.1%**	**25**	**13.4%**	**34**	**0.7%**	**45**	**4.4%**	**85**	**9.7%**	**Mar-09**
MSCI ACWI ex USA Gross			*8.0%*	*27*	*13.7%*	*27*	*1.0%*	*31*	*4.8%*	*75*	*10.2%*	*Mar-09*
International Equity	**$627,649,613**	**6.2%**	**8.6%**	**37**	**12.9%**	**30**	**2.0%**	**27**	**5.6%**	**50**	**10.6%**	**Mar-09**
MSCI ACWI ex USA Gross			*8.0%*	*51*	*13.7%*	*22*	*1.0%*	*47*	*4.8%*	*70*	*10.2%*	*Mar-09*
Global Equity	**$908,452,996**	**8.9%**	**7.9%**	**30**	**15.4%**	**36**	**6.5%**	**17**	**10.7%**	**14**	**13.7%**	**Mar-09**
MSCI ACWI Gross			*7.0%*	*49*	*15.7%*	*32*	*5.7%*	*31*	*9.0%*	*41*	*13.5%*	*Mar-09*
Inflation Responsive Fund	**$426,440,177**	**4.2%**	**2.3%**	**38**	**7.4%**	**28**	**0.8%**	**39**	**--**	**--**	**1.1%**	**Sep-13**
PIMCO Inflation Response Index			*1.7%*	*56*	*3.3%*	*99*	*-1.3%*	*80*	*-1.2%*	*87*	*-0.6%*	*Sep-13*
Fixed Income Passive Fund	**$455,797,946**	**4.5%**	**0.8%**	**63**	**0.4%**	**90**	**2.6%**	**43**	**2.2%**	**65**	**2.7%**	**Sep-10**
BBgBarc US Aggregate TR			*0.8%*	*63*	*0.4%*	*89*	*2.7%*	*39*	*2.3%*	*62*	*2.8%*	*Sep-10*
Fixed Income Fund	**$676,878,609**	**6.7%**	**1.2%**	**30**	**2.0%**	**49**	**3.2%**	**18**	**3.1%**	**31**	**4.9%**	**Mar-09**
BBgBarc US Aggregate TR			*0.8%*	*63*	*0.4%*	*89*	*2.7%*	*39*	*2.3%*	*62*	*4.0%*	*Mar-09*
Stable Value Fund	**$2,475,020,511**	**24.3%**	**0.5%**	**45**	**2.0%**	**32**	**1.9%**	**51**	**2.1%**	**54**	**2.6%**	**Jun-09**
3-Year Constant Maturity Yield			*0.4%*	*86*	*1.1%*	*94*	*1.0%*	*92*	*0.8%*	*99*	*0.9%*	*Jun-09*
T-BILLS + 1.5%			*0.5%*	*11*	*1.9%*	*52*	*1.7%*	*73*	*1.6%*	*89*	*1.6%*	*Jun-09*

Total Plan

Performance Summary

Total Plan Performance

	Current Market Value	Current Allocation	Ending March 31, 2017								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Large Cap Passive	**$1,449,537,771**	**14.3%**	**6.1%**	**34**	**17.1%**	**37**	**10.2%**	**14**	**13.2%**	**15**	**16.9%**	**Mar-09**
S&P 500			*6.1%*	*34*	*17.2%*	*36*	*10.4%*	*12*	*13.3%*	*13*	*17.0%*	*Mar-09*
Mercer Mutual Fund US Equity Large Cap Core Median			*5.6%*		*16.0%*		*8.6%*		*12.0%*		*15.5%*	*Mar-09*
NCSRP BlackRock Equity Index	$1,449,537,771	14.3%	6.1%	26	17.2%	50	10.4%	37	13.3%	51	17.0%	Mar-09
S&P 500			*6.1%*	*31*	*17.2%*	*55*	*10.4%*	*37*	*13.3%*	*38*	*17.0%*	*Mar-09*
Mercer Instl US Equity Large Cap Index Median			*6.0%*		*17.2%*		*10.3%*		*13.3%*		*17.0%*	*Mar-09*
Large Cap Value	**$977,063,813**	**9.6%**	**3.9%**	**39**	**20.4%**	**28**	**8.1%**	**38**	**13.0%**	**17**	**15.6%**	**Mar-09**
Russell 1000 Value			*3.3%*	*68*	*19.2%*	*42*	*8.7%*	*16*	*13.1%*	*17*	*16.7%*	*Mar-09*
Mercer Mutual Fund US Equity Large Cap Value Median			*3.7%*		*18.6%*		*7.6%*		*11.9%*		*15.4%*	*Mar-09*
NCSRP Hotchkis & Wiley Large Cap Value	$327,493,395	3.2%	4.7%	29	25.7%	9	8.7%	42	14.8%	11	19.6%	Mar-09
Russell 1000 Value			*3.3%*	*70*	*19.2%*	*46*	*8.7%*	*42*	*13.1%*	*44*	*16.7%*	*Mar-09*
Mercer Instl US Equity Large Cap Value Median			*3.9%*		*18.9%*		*8.5%*		*12.9%*		*16.6%*	*Mar-09*
NCSRP Delaware Large Cap Value	$325,307,179	3.2%	3.3%	68	17.0%	69	--	--	--	--	7.4%	Jun-15
Delaware Large Cap Value Strategy			*3.3%*	*69*	*17.1%*	*68*	*10.0%*	*16*	*14.4%*	*15*	*7.7%*	*Jun-15*
Russell 1000 Value			*3.3%*	*70*	*19.2%*	*46*	*8.7%*	*42*	*13.1%*	*44*	*7.9%*	*Jun-15*
Mercer Instl US Equity Large Cap Value Median			*3.9%*		*18.9%*		*8.5%*		*12.9%*		*7.0%*	*Jun-15*
NCSRP Robeco BP Large Cap Value	$324,263,239	3.2%	4.1%	43	20.1%	35	7.7%	68	13.4%	38	15.8%	Nov-11
Russell 1000 Value			*3.3%*	*70*	*19.2%*	*46*	*8.7%*	*42*	*13.1%*	*44*	*14.9%*	*Nov-11*
Mercer Instl US Equity Large Cap Value Median			*3.9%*		*18.9%*		*8.5%*		*12.9%*		*14.7%*	*Nov-11*
Large Cap Growth	**$942,555,804**	**9.3%**	**11.1%**	**15**	**16.2%**	**27**	**8.9%**	**62**	**12.0%**	**40**	**18.5%**	**Mar-09**
Russell 1000 Growth			*8.9%*	*56*	*15.8%*	*35*	*11.3%*	*8*	*13.3%*	*16*	*17.7%*	*Mar-09*
Mercer Mutual Fund US Equity Large Cap Growth Median			*9.3%*		*14.7%*		*9.4%*		*11.6%*		*16.0%*	*Mar-09*
NCSRP Sands Capital Large Cap Growth	$315,724,127	3.1%	14.1%	2	17.6%	25	6.3%	97	11.6%	77	21.2%	Mar-09
Russell 1000 Growth			*8.9%*	*53*	*15.8%*	*47*	*11.3%*	*29*	*13.3%*	*35*	*17.7%*	*Mar-09*
Mercer Instl US Equity Large Cap Growth Median			*9.1%*		*15.5%*		*10.3%*		*12.6%*		*16.7%*	*Mar-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending March 31, 2017 3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
NCSRP Wellington Opportunistic Growth	$312,960,562	3.1%	10.6%	20	15.4%	51	9.0%	73	13.0%	44	17.1%	Mar-09
Russell 1000 Growth			*8.9%*	*53*	*15.8%*	*47*	*11.3%*	*29*	*13.3%*	*35*	*17.7%*	*Mar-09*
Russell 3000 Growth			*8.6%*	*57*	*16.3%*	*40*	*10.9%*	*35*	*13.2%*	*37*	*17.7%*	*Mar-09*
Mercer Instl US Equity Large Cap Growth Median			*9.1%*		*15.5%*		*10.3%*		*12.6%*		*16.7%*	*Mar-09*
NCSRP Loomis Large Cap Growth	$313,871,114	3.1%	9.0%	52	16.9%	33	--	--	--	--	14.0%	Aug-14
Loomis Large Cap Growth Strategy			*8.8%*	*55*	*16.5%*	*36*	*12.8%*	*7*	*15.8%*	*5*	*13.5%*	*Aug-14*
Russell 1000 Growth			*8.9%*	*53*	*15.8%*	*47*	*11.3%*	*29*	*13.3%*	*35*	*11.3%*	*Aug-14*
Mercer Instl US Equity Large Cap Growth Median			*9.1%*		*15.5%*		*10.3%*		*12.6%*		*10.3%*	*Aug-14*
Mid/Small Cap Passive	**$258,340,678**	**2.5%**	**3.7%**	**45**	**21.5%**	**44**	**7.5%**	**33**	**12.6%**	**28**	**18.2%**	**Mar-09**
Russell 2500			*3.8%*	*45*	*21.5%*	*44*	*7.4%*	*33*	*12.6%*	*28*	*18.3%*	*Mar-09*
Mercer Mutual Fund US Equity Small+Mid Median			*3.4%*		*20.7%*		*6.3%*		*11.4%*		*17.0%*	*Mar-09*
NCSRP BlackRock Russell 2500 Index Fund	$258,340,678	2.5%	3.7%	54	21.5%	58	7.5%	61	12.7%	61	18.4%	Mar-09
Russell 2500			*3.8%*	*53*	*21.5%*	*57*	*7.4%*	*61*	*12.6%*	*62*	*18.3%*	*Mar-09*
Mercer Instl US Equity Small + Mid Cap Median			*3.9%*		*22.6%*		*8.4%*		*13.4%*		*18.8%*	*Mar-09*
Mid/Small Cap Value	**$525,186,905**	**5.2%**	**3.7%**	**13**	**22.5%**	**50**	**7.7%**	**25**	**13.5%**	**11**	**20.4%**	**Mar-09**
Russell 2500 Value			*1.6%*	*39*	*23.1%*	*45*	*7.6%*	*27*	*12.9%*	*25*	*18.0%*	*Mar-09*
Mercer Mutual Fund US Equity Small+Mid Value Median			*0.6%*		*22.5%*		*6.1%*		*11.7%*		*17.3%*	*Mar-09*
NCSRP Hotchkis & Wiley	$174,998,693	1.7%	1.2%	75	22.0%	43	5.4%	74	14.0%	26	22.3%	Mar-09
Hotchkis Custom SMID Value Index			*1.6%*	*71*	*23.1%*	*29*	*7.6%*	*46*	*12.9%*	*45*	*18.6%*	*Mar-09*
Mercer Instl US Equity SMID Value Median			*2.9%*		*20.7%*		*7.4%*		*12.7%*		*18.5%*	*Mar-09*
NCSRP EARNEST Partners	$175,328,008	1.7%	6.7%	2	25.7%	14	9.7%	19	13.8%	29	18.5%	Mar-09
EARNEST Custom SMID Value Index			*1.6%*	*71*	*23.1%*	*29*	*7.6%*	*46*	*12.9%*	*45*	*17.4%*	*Mar-09*
Mercer Instl US Equity SMID Value Median			*2.9%*		*20.7%*		*7.4%*		*12.7%*		*18.5%*	*Mar-09*
NCSRP WEDGE SMID Cap Value	$174,860,204	1.7%	3.8%	33	22.9%	31	10.3%	10	14.9%	14	16.8%	Dec-11
Russell 2500 Value			*1.6%*	*71*	*23.1%*	*29*	*7.6%*	*46*	*12.9%*	*45*	*14.6%*	*Dec-11*
Mercer Instl US Equity SMID Value Median			*2.9%*		*20.7%*		*7.4%*		*12.7%*		*14.6%*	*Dec-11*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending March 31, 2017 3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
Mid/Small Cap Growth	**$396,537,162**	**3.9%**	**5.3%**	**69**	**17.9%**	**62**	**6.1%**	**41**	**11.8%**	**29**	**17.0%**	**Mar-09**
Russell 2500 Growth			*6.3%*	*56*	*19.8%*	*51*	*7.2%*	*28*	*12.2%*	*25*	*18.5%*	*Mar-09*
Mercer Mutual Fund US Equity Small+Mid Growth Median			*6.5%*		*19.8%*		*5.6%*		*10.6%*		*16.7%*	*Mar-09*
NCSRP TimesSquare Composite	$197,854,475	1.9%	5.8%	76	15.9%	88	4.7%	83	11.8%	45	17.0%	Mar-09
NCSRP TimesSquare SMID Growth			*5.8%*	*76*	*15.9%*	*88*	*4.7%*	*83*	*11.8%*	*45*	*--*	*Mar-09*
TimesSquare Custom SMID Growth Index			*6.3%*	*70*	*19.8%*	*54*	*7.2%*	*40*	*12.2%*	*32*	*18.2%*	*Mar-09*
Mercer Instl US Equity SMID Growth Median			*7.4%*		*20.2%*		*6.7%*		*11.7%*		*18.4%*	*Mar-09*
NCSRP Brown Advisory	$198,682,687	2.0%	5.2%	87	21.6%	33	9.2%	18	13.5%	25	19.1%	Mar-09
Brown Custom SMID Growth Index			*6.3%*	*70*	*19.8%*	*54*	*7.2%*	*40*	*12.2%*	*32*	*18.1%*	*Mar-09*
Mercer Instl US Equity SMID Growth Median			*7.4%*		*20.2%*		*6.7%*		*11.7%*		*18.4%*	*Mar-09*
International Passive	**$51,041,270**	**0.5%**	**8.1%**	**25**	**13.4%**	**34**	**0.7%**	**45**	**4.4%**	**85**	**9.7%**	**Mar-09**
MSCI ACWI ex USA Gross			*8.0%*	*27*	*13.7%*	*27*	*1.0%*	*31*	*4.8%*	*75*	*10.2%*	*Mar-09*
Mercer Mutual Fund World ex US/EAFE Equity Index Median			*7.6%*		*12.2%*		*0.6%*		*5.6%*		*9.8%*	*Mar-09*
NCSRP BlackRock ACWI ex US Fund	$51,041,270	0.5%	8.1%	13	13.5%	13	0.7%	62	4.6%	95	9.9%	Mar-09
MSCI ACWI ex USA Gross			*8.0%*	*25*	*13.7%*	*7*	*1.0%*	*13*	*4.8%*	*78*	*10.2%*	*Mar-09*
Mercer Instl World ex US/EAFE Equity Passive Median			*7.4%*		*12.3%*		*0.8%*		*6.0%*		*10.2%*	*Mar-09*
International Equity	**$627,649,613**	**6.2%**	**8.6%**	**37**	**12.9%**	**30**	**2.0%**	**27**	**5.6%**	**50**	**10.6%**	**Mar-09**
MSCI ACWI ex USA Gross			*8.0%*	*51*	*13.7%*	*22*	*1.0%*	*47*	*4.8%*	*70*	*10.2%*	*Mar-09*
Mercer Mutual Fund World ex US/EAFE Equity Median			*8.0%*		*10.6%*		*0.9%*		*5.6%*		*10.2%*	*Mar-09*
NCSRP Baillie Gifford ACWI ex US Growth	$315,221,714	3.1%	9.6%	15	15.8%	12	3.9%	15	7.2%	40	13.3%	Mar-09
MSCI ACWI ex USA Gross			*8.0%*	*49*	*13.7%*	*30*	*1.0%*	*71*	*4.8%*	*93*	*10.2%*	*Mar-09*
MSCI AC Wld ex US Growth Gross			*9.2%*	*22*	*10.0%*	*67*	*1.9%*	*47*	*5.2%*	*87*	*10.3%*	*Mar-09*
Mercer Instl World ex US/EAFE Equity Median			*7.9%*		*11.6%*		*1.8%*		*6.8%*		*11.5%*	*Mar-09*
NCSRP Mondrian ACWI ex US Value	$312,427,899	3.1%	7.7%	55	11.1%	56	1.4%	59	5.3%	85	9.5%	Mar-09
MSCI ACWI ex USA Gross			*8.0%*	*49*	*13.7%*	*30*	*1.0%*	*71*	*4.8%*	*93*	*10.2%*	*Mar-09*
MSCI AC Wld Ex US Value Gross			*6.8%*	*81*	*17.4%*	*8*	*0.0%*	*85*	*4.4%*	*94*	*10.0%*	*Mar-09*
Mercer Instl World ex US/EAFE Equity Median			*7.9%*		*11.6%*		*1.8%*		*6.8%*		*11.5%*	*Mar-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending March 31, 2017 3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
Global Equity	**$908,452,996**	**8.9%**	**7.9%**	**30**	**15.4%**	**36**	**6.5%**	**17**	**10.7%**	**14**	**13.7%**	**Mar-09**
MSCI ACWI Gross			*7.0%*	*49*	*15.7%*	*32*	*5.7%*	*31*	*9.0%*	*41*	*13.5%*	*Mar-09*
Mercer Mutual Fund Global Equity Median			*6.9%*		*14.3%*		*4.8%*		*8.5%*		*12.9%*	*Mar-09*
NCSRP Wellington Global Composite	$455,710,119	4.5%	8.1%	26	15.0%	43	7.6%	15	12.0%	12	14.8%	Mar-09
NCSRP Wellington Global Opportunities			*8.1%*	*26*	*15.0%*	*43*	*7.6%*	*15*	*12.0%*	*12*	*--*	*Mar-09*
MSCI ACWI Gross			*7.0%*	*45*	*15.7%*	*36*	*5.7%*	*50*	*9.0%*	*67*	*13.5%*	*Mar-09*
Mercer Instl Global Equity Median			*6.8%*		*14.3%*		*5.6%*		*9.7%*		*13.9%*	*Mar-09*
NCSRP Arrowstreet Global Equity ACWI	$452,742,878	4.5%	7.9%	31	17.4%	20	6.8%	25	10.9%	25	10.9%	Mar-12
MSCI ACWI Gross			*7.0%*	*45*	*15.7%*	*36*	*5.7%*	*50*	*9.0%*	*67*	*9.0%*	*Mar-12*
Mercer Instl Global Equity Median			*6.8%*		*14.3%*		*5.6%*		*9.7%*		*9.7%*	*Mar-12*
Inflation Responsive Fund	**$426,440,177**	**4.2%**	**2.3%**	**38**	**7.4%**	**28**	**0.8%**	**39**	**--**	**--**	**1.1%**	**Sep-13**
PIMCO Inflation Response Index			*1.7%*	*56*	*3.3%*	*99*	*-1.3%*	*80*	*-1.2%*	*87*	*-0.6%*	*Sep-13*
Mercer Mutual Fund Diversified Inflation Hedge Median			*2.1%*		*7.0%*		*-0.5%*		*0.7%*		*0.7%*	*Sep-13*
NCSRP PIMCO Inflation Response Multi-Asset	$426,440,177	4.2%	2.5%	35	8.2%	19	1.7%	19	--	--	2.0%	Sep-13
PIMCO Inflation Response Multi-Asset Strategy			*2.3%*	*38*	*7.4%*	*25*	*0.9%*	*38*	*0.6%*	*55*	*1.4%*	*Sep-13*
PIMCO Inflation Response Index			*1.7%*	*56*	*3.3%*	*99*	*-1.3%*	*80*	*-1.2%*	*87*	*-0.6%*	*Sep-13*
Consumer Price Index			*1.0%*	*77*	*2.4%*	*99*	*1.0%*	*25*	*1.2%*	*27*	*1.2%*	*Sep-13*
Mercer Mutual Fund Diversified Inflation Hedge Median			*2.1%*		*7.0%*		*-0.5%*		*0.7%*		*0.7%*	*Sep-13*
Fixed Income Passive Fund	**$455,797,946**	**4.5%**	**0.8%**	**63**	**0.4%**	**90**	**2.6%**	**43**	**2.2%**	**65**	**2.7%**	**Sep-10**
BBgBarc US Aggregate TR			*0.8%*	*63*	*0.4%*	*89*	*2.7%*	*39*	*2.3%*	*62*	*2.8%*	*Sep-10*
Mercer Mutual Fund US Fixed Core Median			*1.0%*		*2.0%*		*2.4%*		*2.6%*		*3.0%*	*Sep-10*
NCSRP BlackRock Debt Index Fund	$455,797,946	4.5%	0.8%	62	0.5%	88	2.8%	35	2.4%	59	2.9%	Sep-10
BBgBarc US Aggregate TR			*0.8%*	*63*	*0.4%*	*89*	*2.7%*	*39*	*2.3%*	*62*	*2.8%*	*Sep-10*
Mercer Mutual Fund US Fixed Core Median			*1.0%*		*2.0%*		*2.4%*		*2.6%*		*3.0%*	*Sep-10*
Fixed Income Fund	**$676,878,609**	**6.7%**	**1.2%**	**30**	**2.0%**	**49**	**3.2%**	**18**	**3.1%**	**31**	**4.9%**	**Mar-09**
BBgBarc US Aggregate TR			*0.8%*	*63*	*0.4%*	*89*	*2.7%*	*39*	*2.3%*	*62*	*4.0%*	*Mar-09*
Mercer Mutual Fund US Fixed Core Median			*1.0%*		*2.0%*		*2.4%*		*2.6%*		*4.8%*	*Mar-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending March 31, 2017 3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
NCSRP TCW Core Plus	$338,057,640	3.3%	0.7%	95	--	--	--	--	--	--	0.7%	Jan-17
TCW Core Plus Bond Strategy			*1.0%*	*61*	*1.4%*	*63*	*3.0%*	*66*	*3.9%*	*16*	*1.0%*	*Jan-17*
BBgBarc US Aggregate TR			*0.8%*	*88*	*0.4%*	*91*	*2.7%*	*84*	*2.3%*	*97*	*0.8%*	*Jan-17*
Mercer Instl US Fixed Core Median			*1.1%*		*1.8%*		*3.1%*		*3.2%*		*1.1%*	*Jan-17*
NCSRP Prudential Core Plus	$338,820,969	3.3%	1.8%	9	4.0%	16	--	--	--	--	3.6%	Dec-14
Prudential Core Plus Strategy			*1.9%*	*7*	*4.0%*	*16*	*4.3%*	*5*	*4.6%*	*7*	*3.5%*	*Dec-14*
BBgBarc US Aggregate TR			*0.8%*	*88*	*0.4%*	*91*	*2.7%*	*84*	*2.3%*	*97*	*1.8%*	*Dec-14*
Mercer Instl US Fixed Core Median			*1.1%*		*1.8%*		*3.1%*		*3.2%*		*2.5%*	*Dec-14*
Stable Value Fund	**$2,475,020,511**	**24.3%**	**0.5%**	**45**	**2.0%**	**32**	**1.9%**	**51**	**2.1%**	**54**	**2.6%**	**Jun-09**
3-Year Constant Maturity Yield			*0.4%*	*86*	*1.1%*	*94*	*1.0%*	*92*	*0.8%*	*99*	*0.9%*	*Jun-09*
T-BILLS + 1.5%			*0.5%*	*11*	*1.9%*	*52*	*1.7%*	*73*	*1.6%*	*89*	*1.6%*	*Jun-09*
Mercer Instl Stable Value Median			*0.5%*		*1.9%*		*1.9%*		*2.1%*		*2.5%*	*Jun-09*

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

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending March 31, 2017 3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
GoalMaker Funds	--	--	--	--	--	--	--	--	--	--	--	
Conservative 0-5 Yrs	**$456,983,412**	**4.5%**	**2.1%**	**99**	**5.2%**	**98**	**3.4%**	**84**	**4.3%**	**97**	**6.1%**	**Jun-09**
C01 Benchmark			*1.9%*	*99*	*4.7%*	*99*	*3.0%*	*89*	*3.8%*	*99*	*4.9%*	*Jun-09*
Mercer Mutual Fund Target Date 2015 Median			*3.4%*		*8.4%*		*4.4%*		*6.2%*		*8.7%*	*Jun-09*
Conservative 6-10 Yrs	**$123,590,067**	**1.2%**	**2.7%**	**88**	**6.7%**	**89**	**3.8%**	**60**	**5.1%**	**82**	**7.1%**	**Jun-09**
C02 Benchmark			*2.5%*	*91*	*6.3%*	*90*	*3.5%*	*77*	*4.6%*	*84*	*5.9%*	*Jun-09*
Mercer Mutual Fund Target Date 2020 Median			*3.8%*		*9.1%*		*4.3%*		*6.3%*		*9.2%*	*Jun-09*
Conservative 11-15 Yrs	**$83,277,401**	**0.8%**	**3.8%**	**85**	**9.3%**	**76**	**4.6%**	**55**	**6.6%**	**74**	**8.6%**	**Jun-09**
C03 Benchmark			*3.4%*	*90*	*9.0%*	*81*	*4.4%*	*61*	*6.2%*	*80*	*8.0%*	*Jun-09*
Mercer Mutual Fund Target Date 2025 Median			*4.4%*		*10.3%*		*4.7%*		*7.2%*		*10.1%*	*Jun-09*
Conservative 16+ Yrs	**$192,760,950**	**1.9%**	**4.9%**	**52**	**12.2%**	**40**	**5.3%**	**41**	**8.0%**	**41**	**10.3%**	**Jun-09**
C04 Benchmark			*4.5%*	*76*	*12.1%*	*41*	*5.2%*	*43*	*7.8%*	*48*	*9.8%*	*Jun-09*
Mercer Mutual Fund Target Date 2030 Median			*4.9%*		*11.8%*		*5.0%*		*7.7%*		*10.6%*	*Jun-09*
Moderate 0-5 Yrs	**$549,767,734**	**5.4%**	**3.0%**	**87**	**7.6%**	**70**	**4.0%**	**59**	**5.6%**	**78**	**7.5%**	**Jun-09**
M01 Benchmark			*2.8%*	*95*	*7.3%*	*79*	*3.8%*	*79*	*5.1%*	*88*	*6.6%*	*Jun-09*
Mercer Mutual Fund Target Date 2015 Median			*3.4%*		*8.4%*		*4.4%*		*6.2%*		*8.7%*	*Jun-09*
Moderate 6-10 Yrs	**$399,531,532**	**3.9%**	**3.8%**	**62**	**9.3%**	**42**	**4.6%**	**40**	**6.6%**	**44**	**8.5%**	**Jun-09**
M02 Benchmark			*3.4%*	*75*	*9.0%*	*57*	*4.4%*	*44*	*6.2%*	*55*	*8.0%*	*Jun-09*
Mercer Mutual Fund Target Date 2020 Median			*3.8%*		*9.1%*		*4.3%*		*6.3%*		*9.2%*	*Jun-09*
Moderate 11-15 Yrs	**$372,917,561**	**3.7%**	**4.6%**	**37**	**11.4%**	**25**	**5.0%**	**34**	**7.6%**	**39**	**9.8%**	**Jun-09**
M03 Benchmark			*4.3%*	*61*	*11.2%*	*26*	*5.0%*	*37*	*7.3%*	*49*	*9.3%*	*Jun-09*
Mercer Mutual Fund Target Date 2025 Median			*4.4%*		*10.3%*		*4.7%*		*7.2%*		*10.1%*	*Jun-09*
Moderate 16+ Yrs	**$725,893,138**	**7.1%**	**5.8%**	**13**	**14.5%**	**4**	**5.6%**	**22**	**9.0%**	**5**	**11.4%**	**Jun-09**
M04 Benchmark			*5.4%*	*25*	*14.6%*	*3*	*5.7%*	*22*	*8.9%*	*5*	*11.1%*	*Jun-09*
Mercer Mutual Fund Target Date 2030 Median			*4.9%*		*11.8%*		*5.0%*		*7.7%*		*10.6%*	*Jun-09*

Total Plan

Performance Summary

	Current Market Value	Current Allocation	Ending March 31, 2017								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
Aggressive 0-5 Yrs	**$233,181,479**	**2.3%**	**4.0%**	**26**	**9.7%**	**18**	**4.7%**	**25**	**6.8%**	**10**	**9.0%**	**Jun-09**
R01 Benchmark			*3.6%*	*38*	*9.4%*	*22*	*4.6%*	*30*	*6.5%*	*28*	*8.3%*	*Jun-09*
Mercer Mutual Fund Target Date 2015 Median			*3.4%*		*8.4%*		*4.4%*		*6.2%*		*8.7%*	*Jun-09*
Aggressive 6-10 Yrs	**$266,485,783**	**2.6%**	**4.6%**	**14**	**11.4%**	**7**	**5.0%**	**15**	**7.6%**	**5**	**10.0%**	**Jun-09**
R02 Benchmark			*4.3%*	*23*	*11.2%*	*12*	*5.0%*	*16*	*7.3%*	*10*	*9.3%*	*Jun-09*
Mercer Mutual Fund Target Date 2020 Median			*3.8%*		*9.1%*		*4.3%*		*6.3%*		*9.2%*	*Jun-09*
Aggressive 11-15 Yrs	**$280,464,351**	**2.8%**	**5.5%**	**6**	**13.8%**	**1**	**5.5%**	**9**	**8.8%**	**3**	**11.0%**	**Jun-09**
R03 Benchmark			*5.1%*	*16*	*13.8%*	*1*	*5.6%*	*8*	*8.6%*	*4*	*10.8%*	*Jun-09*
Mercer Mutual Fund Target Date 2025 Median			*4.4%*		*10.3%*		*4.7%*		*7.2%*		*10.1%*	*Jun-09*
Aggressive 16+ Yrs	**$749,668,876**	**7.4%**	**6.6%**	**1**	**17.0%**	**1**	**6.1%**	**7**	**10.2%**	**1**	**12.6%**	**Jun-09**
R04 Benchmark			*6.2%*	*2*	*17.2%*	*1*	*6.2%*	*3*	*10.1%*	*1*	*12.6%*	*Jun-09*
Mercer Mutual Fund Target Date 2030 Median			*4.9%*		*11.8%*		*5.0%*		*7.7%*		*10.6%*	*Jun-09*

Total Plan

Performance Summary - NET OF FFES

Total Plan Performance

	Current Market Value	Current Allocation	Ending March 31, 2017 3 Mo	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
Large Cap Passive	**$1,449,537,771**	**14.3%**	**6.1%**	**17.1%**	**10.2%**	**13.2%**	**16.9%**	**Mar-09**
S&P 500			*6.1%*	*17.2%*	*10.4%*	*13.3%*	*17.0%*	*Mar-09*
NCSRP BlackRock Equity Index	$1,449,537,771	14.3%	6.1%	17.2%	10.4%	13.3%	17.0%	Mar-09
S&P 500			*6.1%*	*17.2%*	*10.4%*	*13.3%*	*17.0%*	*Mar-09*
Large Cap Value	**$977,063,813**	**9.6%**	**3.9%**	**20.4%**	**8.1%**	**13.0%**	**15.6%**	**Mar-09**
Russell 1000 Value			*3.3%*	*19.2%*	*8.7%*	*13.1%*	*16.7%*	*Mar-09*
NCSRP Hotchkis & Wiley Large Cap Value	$327,493,395	3.2%	4.6%	25.1%	8.2%	14.2%	19.0%	Mar-09
Russell 1000 Value			*3.3%*	*19.2%*	*8.7%*	*13.1%*	*16.7%*	*Mar-09*
NCSRP Delaware Large Cap Value	$325,307,179	3.2%	3.3%	16.6%	--	--	7.1%	Jun-15
Russell 1000 Value			*3.3%*	*19.2%*	*8.7%*	*13.1%*	*7.9%*	*Jun-15*
NCSRP Robeco BP Large Cap Value	$324,263,239	3.2%	4.0%	19.7%	7.4%	13.0%	15.4%	Nov-11
Russell 1000 Value			*3.3%*	*19.2%*	*8.7%*	*13.1%*	*14.9%*	*Nov-11*
Large Cap Growth	**$942,555,804**	**9.3%**	**11.1%**	**16.2%**	**8.9%**	**12.0%**	**18.5%**	**Mar-09**
Russell 1000 Growth			*8.9%*	*15.8%*	*11.3%*	*13.3%*	*17.7%*	*Mar-09*
NCSRP Sands Capital Large Cap Growth	$315,724,127	3.1%	14.0%	17.0%	5.7%	11.0%	20.5%	Mar-09
Russell 1000 Growth			*8.9%*	*15.8%*	*11.3%*	*13.3%*	*17.7%*	*Mar-09*
NCSRP Wellington Opportunistic Growth	$312,960,562	3.1%	10.5%	15.0%	8.6%	12.6%	16.7%	Mar-09
Russell 1000 Growth			*8.9%*	*15.8%*	*11.3%*	*13.3%*	*17.7%*	*Mar-09*
Russell 3000 Growth			*8.6%*	*16.3%*	*10.9%*	*13.2%*	*17.7%*	*Mar-09*
NCSRP Loomis Large Cap Growth	$313,871,114	3.1%	8.9%	16.5%	--	--	13.6%	Aug-14
Russell 1000 Growth			*8.9%*	*15.8%*	*11.3%*	*13.3%*	*11.3%*	*Aug-14*

Total Plan

Performance Summary - NET OF FFES

	Current Market Value	Current Allocation	Ending March 31, 2017 3 Mo	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
Mid/Small Cap Passive	**$258,340,678**	**2.5%**	**3.7%**	**21.5%**	**7.5%**	**12.6%**	**18.2%**	**Mar-09**
Russell 2500			*3.8%*	*21.5%*	*7.4%*	*12.6%*	*18.3%*	*Mar-09*
NCSRP BlackRock Russell 2500 Index Fund	$258,340,678	2.5%	3.7%	21.5%	7.5%	12.7%	18.4%	Mar-09
Russell 2500			*3.8%*	*21.5%*	*7.4%*	*12.6%*	*18.3%*	*Mar-09*
Mid/Small Cap Value	**$525,186,905**	**5.2%**	**3.7%**	**22.5%**	**7.7%**	**13.5%**	**20.4%**	**Mar-09**
Russell 2500 Value			*1.6%*	*23.1%*	*7.6%*	*12.9%*	*18.0%*	*Mar-09*
NCSRP Hotchkis & Wiley	$174,998,693	1.7%	1.0%	21.3%	4.8%	13.3%	21.5%	Mar-09
Hotchkis Custom SMID Value Index			*1.6%*	*23.1%*	*7.6%*	*12.9%*	*18.6%*	*Mar-09*
NCSRP EARNEST Partners	$175,328,008	1.7%	6.6%	25.1%	9.1%	13.2%	17.8%	Mar-09
EARNEST Custom SMID Value Index			*1.6%*	*23.1%*	*7.6%*	*12.9%*	*17.4%*	*Mar-09*
NCSRP WEDGE SMID Cap Value	$174,860,204	1.7%	3.6%	22.0%	9.5%	14.0%	16.0%	Dec-11
Russell 2500 Value			*1.6%*	*23.1%*	*7.6%*	*12.9%*	*14.6%*	*Dec-11*
Mid/Small Cap Growth	**$396,537,162**	**3.9%**	**5.3%**	**17.9%**	**6.1%**	**11.8%**	**17.0%**	**Mar-09**
Russell 2500 Growth			*6.3%*	*19.8%*	*7.2%*	*12.2%*	*18.5%*	*Mar-09*
NCSRP TimesSquare Composite	$197,854,475	1.9%	5.6%	15.0%	3.8%	10.9%	16.1%	Mar-09
NCSRP TimesSquare SMID Growth			*5.6%*	*15.0%*	*3.8%*	*10.9%*	*--*	*Mar-09*
TimesSquare Custom SMID Growth Index			*6.3%*	*19.8%*	*7.2%*	*12.2%*	*18.2%*	*Mar-09*
NCSRP Brown Advisory	$198,682,687	2.0%	5.1%	20.9%	8.6%	12.8%	18.4%	Mar-09
Brown Custom SMID Growth Index			*6.3%*	*19.8%*	*7.2%*	*12.2%*	*18.1%*	*Mar-09*
International Passive	**$51,041,270**	**0.5%**	**8.1%**	**13.4%**	**0.7%**	**4.4%**	**9.7%**	**Mar-09**
MSCI ACWI ex USA Gross			*8.0%*	*13.7%*	*1.0%*	*4.8%*	*10.2%*	*Mar-09*
NCSRP BlackRock ACWI ex US Fund	$51,041,270	0.5%	8.1%	13.5%	0.7%	4.5%	9.8%	Mar-09
MSCI ACWI ex USA Gross			*8.0%*	*13.7%*	*1.0%*	*4.8%*	*10.2%*	*Mar-09*

Total Plan

Performance Summary - NET OF FFES

	Current Market Value	Current Allocation	Ending March 31, 2017 3 Mo	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
International Equity	**$627,649,613**	**6.2%**	**8.6%**	**12.9%**	**2.0%**	**5.6%**	**10.6%**	**Mar-09**
MSCI ACWI ex USA Gross			*8.0%*	*13.7%*	*1.0%*	*4.8%*	*10.2%*	*Mar-09*
NCSRP Baillie Gifford ACWI ex US Growth	$315,221,714	3.1%	9.5%	15.3%	3.4%	6.7%	12.7%	Mar-09
MSCI ACWI ex USA Gross			*8.0%*	*13.7%*	*1.0%*	*4.8%*	*10.2%*	*Mar-09*
MSCI AC Wld ex US Growth Gross			*9.2%*	*10.0%*	*1.9%*	*5.2%*	*10.3%*	*Mar-09*
NCSRP Mondrian ACWI ex US Value	$312,427,899	3.1%	7.6%	10.6%	1.0%	4.8%	9.0%	Mar-09
MSCI ACWI ex USA Gross			*8.0%*	*13.7%*	*1.0%*	*4.8%*	*10.2%*	*Mar-09*
MSCI AC Wld Ex US Value Gross			*6.8%*	*17.4%*	*0.0%*	*4.4%*	*10.0%*	*Mar-09*
Global Equity	**$908,452,996**	**8.9%**	**7.9%**	**15.4%**	**6.5%**	**10.7%**	**13.7%**	**Mar-09**
MSCI ACWI Gross			*7.0%*	*15.7%*	*5.7%*	*9.0%*	*13.5%*	*Mar-09*
NCSRP Wellington Global Composite	$455,710,119	4.5%	8.0%	14.4%	7.1%	11.5%	14.3%	Mar-09
NCSRP Wellington Global Opportunities			*8.0%*	*14.4%*	*7.1%*	*11.5%*	*--*	*Mar-09*
MSCI ACWI Gross			*7.0%*	*15.7%*	*5.7%*	*9.0%*	*13.5%*	*Mar-09*
NCSRP Arrowstreet Global Equity ACWI	$452,742,878	4.5%	7.7%	16.7%	6.1%	10.2%	10.2%	Mar-12
MSCI ACWI Gross			*7.0%*	*15.7%*	*5.7%*	*9.0%*	*9.0%*	*Mar-12*
Inflation Responsive Fund	**$426,440,177**	**4.2%**	**2.3%**	**7.4%**	**0.8%**	**--**	**1.1%**	**Sep-13**
PIMCO Inflation Response Index			*1.7%*	*3.3%*	*-1.3%*	*-1.2%*	*-0.6%*	*Sep-13*
NCSRP PIMCO Inflation Response Multi-Asset	$426,440,177	4.2%	2.3%	7.5%	1.0%	--	1.4%	Sep-13
PIMCO Inflation Response Index			*1.7%*	*3.3%*	*-1.3%*	*-1.2%*	*-0.6%*	*Sep-13*
Consumer Price Index			*1.0%*	*2.4%*	*1.0%*	*1.2%*	*1.2%*	*Sep-13*

Total Plan

Performance Summary - NET OF FFES

	Current Market Value	Current Allocation	Ending March 31, 2017 3 Mo	1 Yr	3 Yrs	5 Yrs	Inception Return	Since
Fixed Income Passive Fund	**$455,797,946**	**4.5%**	**0.8%**	**0.4%**	**2.6%**	**2.2%**	**2.7%**	**Sep-10**
BBgBarc US Aggregate TR			*0.8%*	*0.4%*	*2.7%*	*2.3%*	*2.8%*	*Sep-10*
NCSRP BlackRock Debt Index Fund	$455,797,946	4.5%	0.8%	0.5%	2.7%	2.4%	2.8%	Sep-10
BBgBarc US Aggregate TR			*0.8%*	*0.4%*	*2.7%*	*2.3%*	*2.8%*	*Sep-10*
Fixed Income Fund	**$676,878,609**	**6.7%**	**1.2%**	**2.0%**	**3.2%**	**3.1%**	**4.9%**	**Mar-09**
BBgBarc US Aggregate TR			*0.8%*	*0.4%*	*2.7%*	*2.3%*	*4.0%*	*Mar-09*
NCSRP TCW Core Plus	$338,057,640	3.3%	0.7%	--	--	--	0.7%	Jan-17
BBgBarc US Aggregate TR			*0.8%*	*0.4%*	*2.7%*	*2.3%*	*0.8%*	*Jan-17*
NCSRP Prudential Core Plus	$338,820,969	3.3%	1.7%	3.8%	--	--	3.4%	Dec-14
BBgBarc US Aggregate TR			*0.8%*	*0.4%*	*2.7%*	*2.3%*	*1.8%*	*Dec-14*

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

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

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

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

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

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