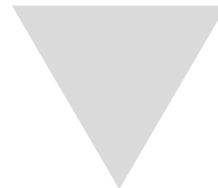
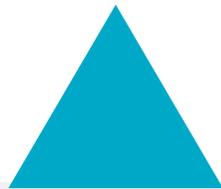


HEALTH WEALTH CAREER

# NORTH CAROLINA SUPPLEMENTAL RETIREMENT PLANS

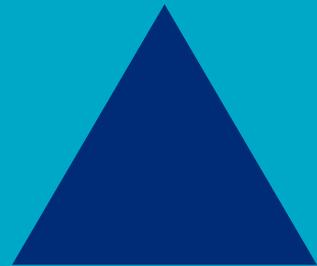
FOURTH QUARTER PERFORMANCE REVIEW



# AGENDA

- Capital Markets Review
- Fourth Quarter Performance
- Appendix

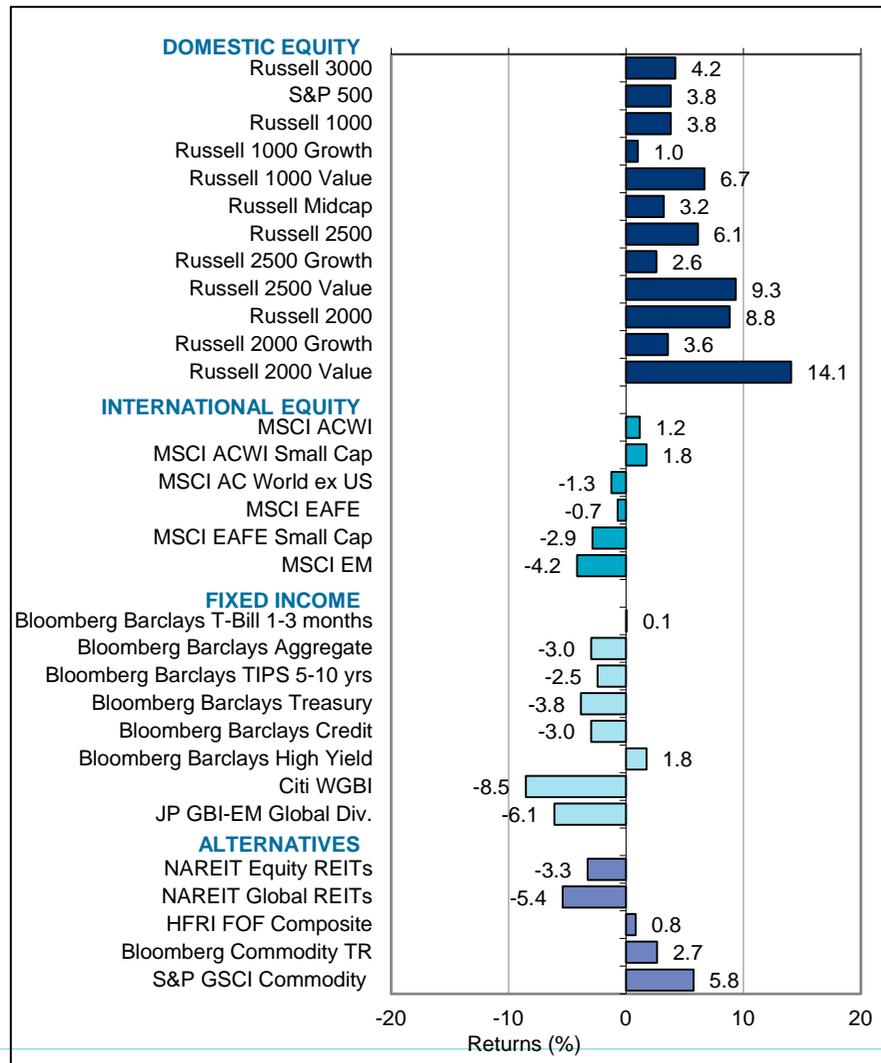
# CAPITAL MARKETS REVIEW



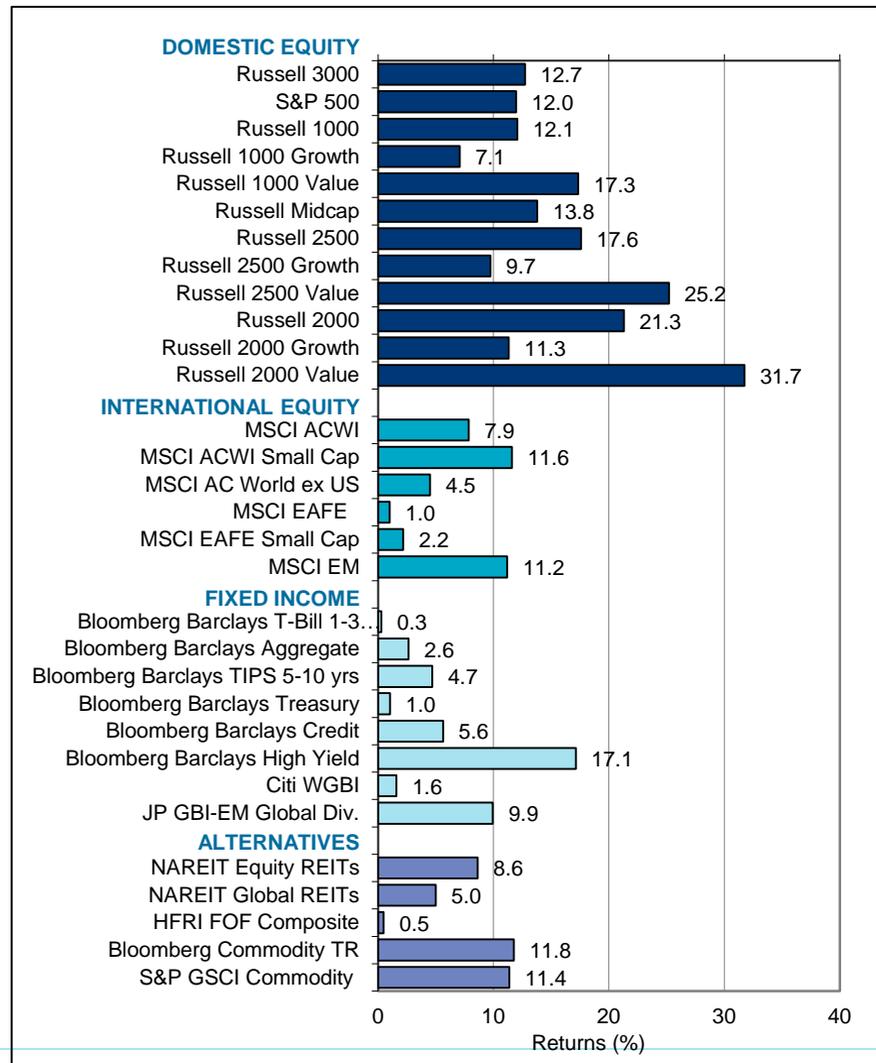
# PERFORMANCE SUMMARY

## QUARTER IN REVIEW

**Market Performance**  
Fourth Quarter 2016



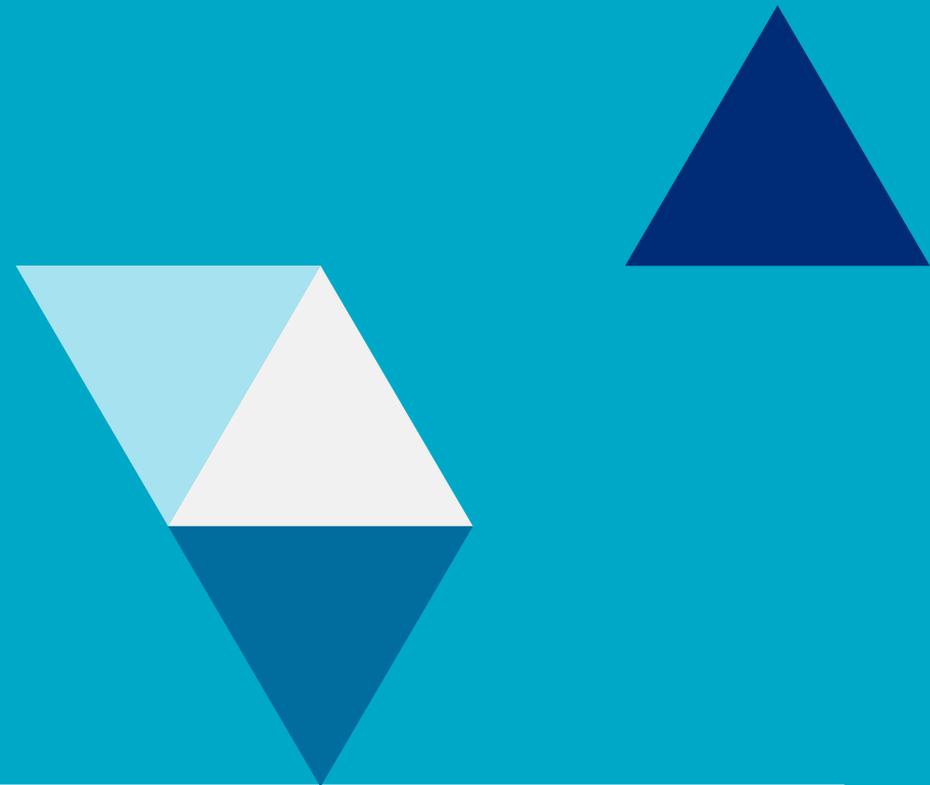
**Market Performance**  
2016



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

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

# FOURTH QUARTER PERFORMANCE



# NORTH CAROLINA SUPPLEMENTAL RETIREMENT PLANS INVESTMENT STRUCTURE

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

# FUND REVIEW

## FUND PERFORMANCE AS OF DECEMBER 31, 2016

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

# PERFORMANCE SCORECARD

	Mercer Rating	Return								Risk <sup>1</sup>
		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		3 Years to 03/31/2016		5 Years to 12/31/2016
		I	U	I	U	I	U	I	U	I
<b>Large Cap Passive Fund (tracked within 20bps)</b>		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Equity Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
<b>Large Cap Value Fund</b>		✗	✓	✗	✓	✗	✓	✓	✓	NA
Hotchkis & Wiley Large Cap Value	A (T)	✓	✓	✗	✗	✗	✗	✓	✓	✓
Delaware Large Cap Value <sup>2</sup>	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Robeco BP Large Cap Value	A	✗	✗	✗	✗	✗	✗	✓	✓	✓
<b>Large Cap Growth Fund</b>		✗	✗	✗	✓	✗	✗	✗	✗	NA
Sands Capital Large Cap Growth	A (T)	✗	✗	✗	✗	✗	✗	✗	✗	✓
Wellington Opportunistic Growth	A	✗	✗	✗	✗	✗	✗	✗	✗	✓
Loomis Large Cap Growth <sup>3</sup>	B+ (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓

<sup>1</sup> 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%.

<sup>2</sup> Represents the Delaware Large Cap Growth Composite.

<sup>3</sup> Represents the Loomis Large Cap Growth Composite.

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# PERFORMANCE SCORECARD

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

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

<sup>1</sup> 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 <sup>1</sup>
		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		3 Years to 03/31/2016		5 Years to 12/31/2016
		I	U	I	U	I	U	I	U	I
<b>Inflation Responsive Fund</b>		✓	✓	✓	✓	NA	NA	NA	NA	NA
PIMCO Inflation Response-Multi Asset	B+ (W)	✓	✓	✓	✓	✓	✓	✓	✗	NA
<b>Fixed Income Passive Fund (tracked within 25 bps)</b>		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Debt Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
<b>Fixed Income Fund</b>		✓	✓	✓	✓	✓	✓	✗	✓	NA
JP Morgan Core Bond	B+	✓	✗	✓	✗	✓	✓	✓	✓	✓
Prudential Core Plus <sup>2</sup>	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Stable Value Fund</b>	A	✓	✓	✓	✗	✓	✓	✓	✓	NA

<sup>1</sup> 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%.

<sup>2</sup> Represents the Prudential Core Plus Composite.

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# WATCH LIST

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
TimesSquare SMID Growth	3Q16	A	Maintain Watch Status	<p>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.</p> <p>The strategy has struggled more recently, as it underperformed over the last three calendar years. Historically, the fundamental approach has been beneficial during falling markets and this is where the strategy has added a significant portion of its alpha. TSCM outperformed the benchmark during the last 12 down markets, but struggled at certain points in extreme growth markets. Since 2013, there have only been three negative quarters by the Russell 2500 Growth Index, which has been a bit of a headwind for TSCM. During the fourth quarter, the strategy trailed the benchmark by 70 basis points basis points, which was mainly attributed to poor security selection within the producer durables sector. TSCAM's holding ,Paylocity Holding Corp, fell by 33% after management lowered guidance for its next fiscal quarter along with fears of the negative impact of a repeal of the Affordable Care Act. Over the trailing-year, a majority of the underperformance can be attributed to security selection in the information technology and producer durables sectors. The results over the trailing-year have negatively affected the longer-term results and we believe that TSCM's style has been out of favor over the more recent market cycle. We still have confidence in the team and strategy but recommend maintaining the watch status given the more recent performance.</p>
JPMorgan Core Bond	1Q16	B+	Replaced 1Q17	<p>JPMorgan was placed on the Watch List at the 1Q16 Board Meeting after portfolio manager, Doug Swanson, decided to retire from the firm. Swanson was replaced by Barb Miller, who had worked on the value team for several years. Mercer believes that the merger of the Columbus and New York investment research platforms could limit the team's ability to maintain their value-oriented approach. Several credit analysts have left JPMorgan in the last few month to join Ohio based employers, although recently JPMorgan announced the hiring of one portfolio manager and one analysts at their Columbus office. JPMorgan has denied plans to transition the Columbus teams to New York. Mercer recommended replacing JPMorgan due to the uncertainty surrounding the strategy. This strategy was replaced with TCW in January.</p>

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# WATCH LIST

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Sands Large Cap Growth	4Q16	A (T)	Add to Watch List	<p>Sands constructs a concentrated, aggressive growth portfolio with low turnover and adheres to a strict buy and hold philosophy. Due to the funds loose constraints and concentrated nature, it can be common for the strategy to exhibit significant tracking error relative to the benchmark. The conviction-weighted, concentrated structure of this portfolio places a heavy emphasis on top holdings and these can have a significant impact on the strategy's performance. The top five holdings represented just over 35% of the portfolio at the end of the fourth quarter and all five of these holdings posted negative returns. Stock selection was responsible for 740 bps of the relative underperformance, driven by Alibaba and Illumina. Alibaba shares fell sharply even though the company reported revenue and earnings per share above market expectations, as investors had concerns over the yuan and the macro economy in China. Sands continues to have a positive secular view on biotechnology and pharmaceuticals, as they believe there are major areas of need that continue to exist in the treatment of disease. This view resulted in an overweight to the health care sector, which was by far the worst performing sector in the fourth quarter and year-to-date. There continues to be volatility surrounding drug pricing and future legislative action which has negatively impacted portfolio holdings.</p> <p>Sands had a difficult start to 2016, as the strategy trailed the benchmark by 1020 basis points and ranked in the 99th percentile of the peer group universe in the first quarter. Sands active sector exposures proved unfavorable, as investors preferred higher yielding stocks in the more defensive sectors like utilities and telecommunications. The markets preference for yield subsided slightly in the second half of 2016, but the top third highest yielding stocks in the Russell 1000 Growth Index outperformed the bottom third lowest yielding stocks by over 1500 basis points. This preference for yield created an extremely difficult market environment for active managers in the large cap growth space, as 93% managers failed to outperform the benchmark. Since inception, Sands has outperformed the benchmark by a comfortable margin, although there have been periods of extreme volatility. We continue to have a favorable view on the team and process but will continue to monitor the tracking error and portfolio construction in relation to our expectations.</p>

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# WATCH LIST

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Wellington Opportunistic Growth	4Q16	A	Add to Watch List	<p>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.</p> <p>Wellington flagged the watch list for performance reason, as relative performance has struggled since Q2 2014. Over 2016, Wellington trailed the benchmark by 450 basis points and ranked in the bottom half of the peer group universe. 2016 was a very difficult market environment for active large cap growth managers, as investors preferred higher yielding stocks in more defensive sectors like utilities and telecommunications. The markets preference for yield subsided slightly in the second half of 2016, but the top third highest yielding stocks in the Russell 1000 Growth Index outperformed the bottom third lowest yielding stocks by over 1500 basis points. During the fourth quarter, Wellington struggled with security selection in the information technology and health care sectors. Wellington continues to focus on quality growth companies benefiting from long cycle growth and has positioned the portfolio to benefit from secular trends to cloud computing and the growing adoption of electronic payments. We continue to believe in the leadership, investment acumen and collaboration of portfolio managers Drew Shilling, Timothy Manning, and Steven Angeli.</p>

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

# 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 <sup>1</sup>	NC Budget <sup>2</sup>	Total Estimated Expense (%)	Total Estimated Expense (\$) <sup>3</sup>	Mercer Median Expense <sup>4</sup>	Difference	
<b>North Carolina Stable Value Fund</b>	<b>\$2,468,752,807</b>	<b>0.338%</b>	<b>0.001%</b>	<b>0.025%</b>	<b>0.364%</b>	<b>\$8,994,823</b>	0.42%	-0.06%	F-H
Galliard	\$2,468,752,807	0.338%	0.000%			\$8,344,384	0.42%	-0.08%	C-H
<b>North Carolina Fixed Income Passive Fund</b>	<b>\$439,213,867</b>	<b>0.020%</b>	<b>0.004%</b>	<b>0.025%</b>	<b>0.049%</b>	<b>\$215,228</b>	0.20%	-0.15%	
BlackRock	\$439,213,867	0.020%	0.000%			\$87,843	0.02%	0.00%	
<b>North Carolina Fixed Income Fund</b>	<b>\$660,437,177</b>	<b>0.168%</b>	<b>0.008%</b>	<b>0.025%</b>	<b>0.201%</b>	<b>\$1,327,639</b>	0.48%	-0.28%	
50% JP Morgan	\$329,318,539	0.186%	0.000%			\$612,773	0.22%	-0.03%	
50% Prudential	\$331,118,638	0.150%	0.000%			\$496,678	0.25%	-0.10%	
<b>North Carolina Inflation Sensitive Fund</b>	<b>\$402,997,156</b>	<b>0.690%</b>	<b>0.004%</b>	<b>0.025%</b>	<b>0.719%</b>	<b>\$2,898,769</b>	0.82%	-0.10%	
PIMCO	\$402,997,156	0.690%	0.000%			\$2,780,680	0.79%	-0.10%	
<b>North Carolina Large Cap Passive Fund</b>	<b>\$1,383,425,216</b>	<b>0.007%</b>	<b>0.002%</b>	<b>0.025%</b>	<b>0.034%</b>	<b>\$466,527</b>	0.20%	-0.17%	
BlackRock	\$1,383,425,216	0.007%	0.000%			\$96,840	0.01%	0.00%	
<b>North Carolina Large Cap Value Fund</b>	<b>\$947,135,394</b>	<b>0.378%</b>	<b>0.009%</b>	<b>0.025%</b>	<b>0.413%</b>	<b>\$3,907,147</b>	0.72%	-0.30%	
33.3% Hotchkis & Wiley	\$314,457,557	0.500%	0.000%			\$1,572,288	0.43%	0.07%	
33.3% Delaware	\$317,953,027	0.294%	0.000%			\$935,906	0.43%	-0.14%	
33.3% Robeco BP	\$314,724,810	0.340%	0.000%			\$1,069,174	0.43%	-0.09%	
<b>North Carolina Large Cap Growth Fund</b>	<b>\$868,586,721</b>	<b>0.422%</b>	<b>0.013%</b>	<b>0.025%</b>	<b>0.460%</b>	<b>\$3,994,563</b>	0.76%	-0.30%	
33.3% Sands Capital Management	\$288,660,262	0.516%	0.000%			\$1,488,989	0.47%	0.05%	
33.3% Wellington Management Company	\$289,343,183	0.350%	0.000%			\$1,012,701	0.58%	-0.23%	
33.3% Loomis Sayles	\$290,583,276	0.400%	0.000%			\$1,161,750	0.47%	-0.07%	
<b>North Carolina SMID Cap Passive Fund</b>	<b>\$248,548,237</b>	<b>0.007%</b>	<b>0.006%</b>	<b>0.025%</b>	<b>0.038%</b>	<b>\$95,648</b>	0.26%	-0.22%	
BlackRock	\$248,548,237	0.007%	0.000%			\$17,398	0.02%	-0.01%	
<b>North Carolina SMID Value Fund</b>	<b>\$493,766,237</b>	<b>0.609%</b>	<b>0.018%</b>	<b>0.025%</b>	<b>0.652%</b>	<b>\$3,220,639</b>	0.99%	-0.34%	
33.3% Hotchkis & Wiley	\$165,749,723	0.572%	0.000%			\$948,749	0.60%	-0.02%	
33.3% EARNEST Partners	\$163,665,935	0.518%	0.000%			\$847,520	0.71%	-0.20%	
33.3% WEDGE Capital Management	\$164,350,579	0.737%	0.000%			\$1,211,103	0.71%	0.02%	
<b>North Carolina SMID Growth Fund</b>	<b>\$372,161,122</b>	<b>0.664%</b>	<b>0.018%</b>	<b>0.025%</b>	<b>0.707%</b>	<b>\$2,631,467</b>	0.95%	-0.24%	
50% TimesSquare Capital Management	\$186,482,852	0.761%	0.000%			\$1,419,079	0.75%	0.01%	
50% Brown Advisory	\$185,678,270	0.567%	0.000%			\$1,053,639	0.77%	-0.20%	
<b>North Carolina International Passive Fund</b>	<b>\$46,651,738</b>	<b>0.025%</b>	<b>0.039%</b>	<b>0.025%</b>	<b>0.089%</b>	<b>\$41,599</b>	0.35%	-0.26%	
BlackRock	\$46,651,738	0.025%	0.000%			\$11,523	0.06%	-0.04%	
<b>North Carolina International Equity Fund</b>	<b>\$685,949,721</b>	<b>0.447%</b>	<b>0.012%</b>	<b>0.025%</b>	<b>0.483%</b>	<b>\$2,833,031</b>	0.94%	-0.46%	
50% Baillie Gifford	\$290,037,183	0.443%	0.000%			\$1,285,149	0.55%	-0.11%	
50% Mondrian Investment Partners	\$295,912,538	0.451%	0.000%			\$1,333,650	0.55%	-0.10%	
<b>North Carolina Global Equity Fund</b>	<b>\$849,827,844</b>	<b>0.546%</b>	<b>0.008%</b>	<b>0.025%</b>	<b>0.578%</b>	<b>\$4,915,108</b>	0.95%	-0.37%	
50% Wellington Management Company	\$423,380,961	0.500%	0.000%			\$2,116,905	0.54%	-0.04%	
50% Arrowstreet	\$426,446,883	0.591%	0.000%			\$2,520,458	0.54%	0.05%	
<b>Total</b>	<b>\$9,767,453,237</b>	<b>0.332%</b>	<b>0.007%</b>	<b>0.025%</b>	<b>0.364%</b>	<b>\$35,542,189</b>	<b>0.580%</b>		

<sup>1</sup>Quarterly custodian expenses paid to BNY Mellon - (Annualized)

<sup>2</sup>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.

<sup>3</sup>Manager fee estimates reflect investment management fee only.

<sup>4</sup>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.

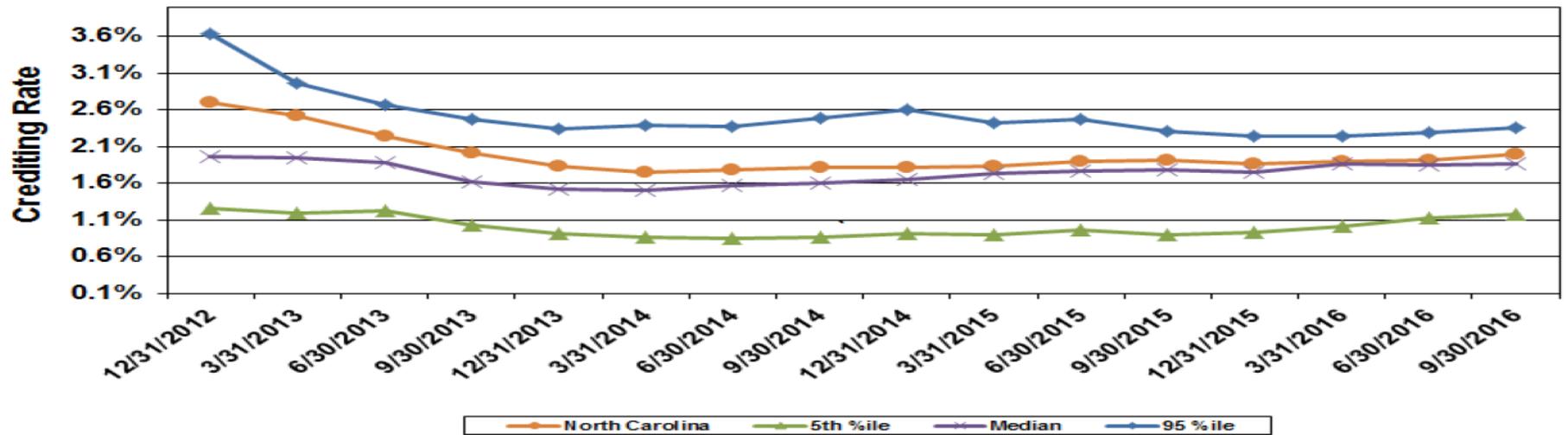
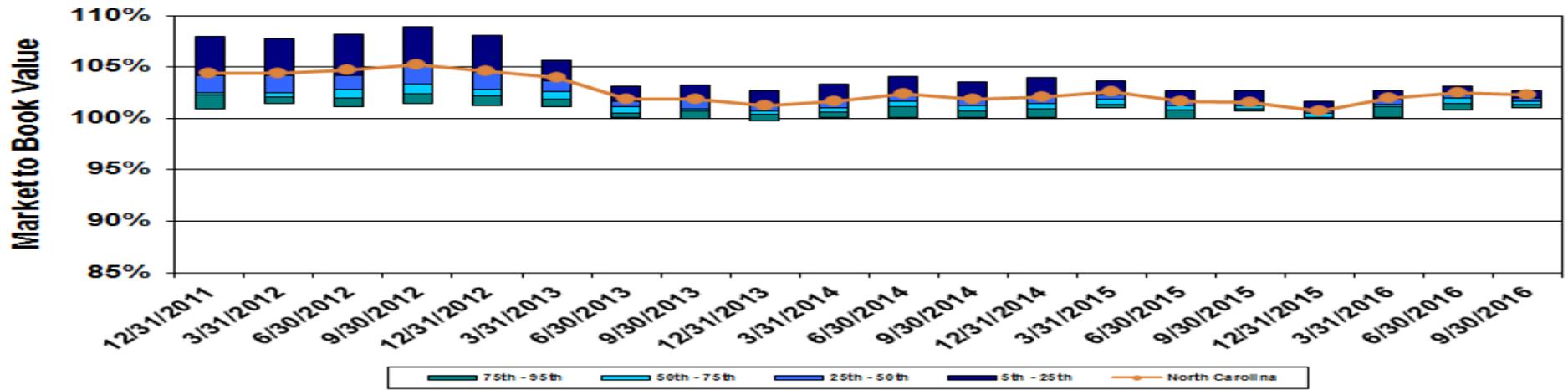
<sup>5</sup>Does not include the \$31 per participant record-keeping fee

<sup>6</sup>Mercer Stable Value Median for Funds with over \$500M in assets

# FEE REVIEW

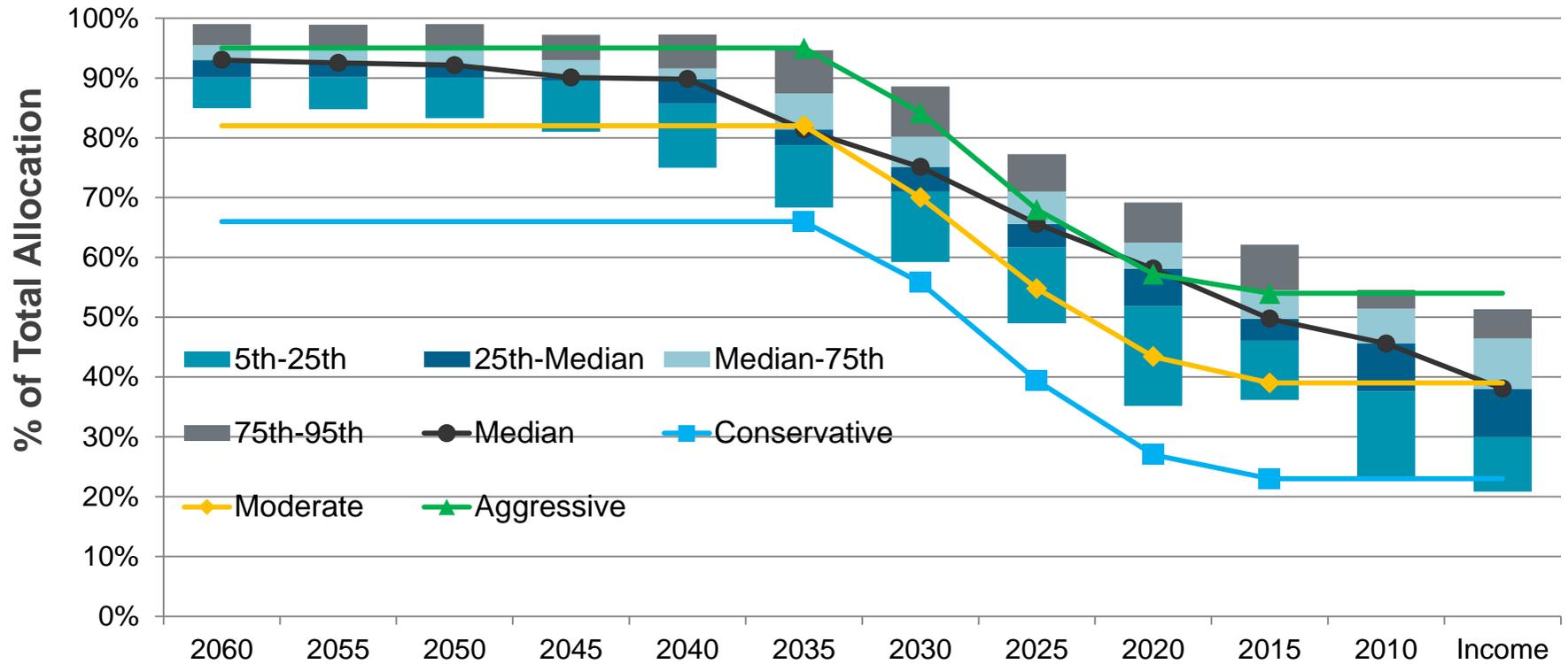
<b>North Carolina Stable Value Fund Operating Expenses</b>	<b>Expense Ratio</b>	<b>Per \$1000</b>
Investment Management fee paid to Galliard	0.067%	\$0.67
Investment Management fees paid to Non-Affiliated Investment Advisors	0.062%	\$0.62
Investment Contract Fees*	0.171%	\$1.71
Acquired Fund Fees**	0.036%	\$0.36
Investment Contract Fees	0.014%	\$0.14
Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non-Affiliated Investment Advisors***	0.022%	\$0.22
12b-1 Distribution Fee	None	None
Other Expenses	0.027%	\$0.27
<b>Total Annual Fund Operating Expenses****</b>	<b>0.363%</b>	<b>\$3.63</b>

# STABLE VALUE REVIEW



# TARGET DATE FUNDS ASSET ALLOCATION COMPARISON TO MARKET SURVEY

## Growth Asset Allocation



Source: Mercer Quarterly Target Date Fund Survey (Q3 2016 including 53 TDFs)

# FUND REVIEW

## GOALMAKER PERFORMANCE AS OF DECEMBER 31, 2016

Name	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
<b>Conservative 0-5 Yrs</b>	-0.3%	53	4.4%	90	4.4%	90	3.0%	77	4.7%	93
Conservative 0-5 Yrs Benchmark	-0.1%	44	4.2%	93	4.2%	93	2.8%	81	4.0%	95
<b>Conservative 6-10 Yrs</b>	0.0%	39	5.1%	86	5.1%	86	3.2%	68	5.6%	82
Conservative 6-10 Yrs Benchmark	0.2%	22	5.0%	86	5.0%	86	3.0%	80	5.0%	85
<b>Conservative 11-15 Yrs</b>	0.3%	39	6.5%	77	6.5%	77	3.7%	61	7.2%	77
Conservative 11-15 Yrs Benchmark	0.7%	14	6.7%	72	6.7%	72	3.7%	61	6.8%	93
<b>Conservative 16+ Yrs</b>	0.9%	21	7.8%	47	7.8%	47	4.1%	49	8.9%	40
Conservative +16 Yrs Benchmark	1.4%	7	8.3%	27	8.3%	27	4.2%	32	8.6%	53

Name	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
<b>Moderate 0-5 Yrs</b>	0.2%	19	5.6%	76	5.6%	76	3.4%	64	6.1%	76
Moderate 0-5 Yrs Benchmark	0.5%	5	5.6%	77	5.6%	77	3.2%	72	5.6%	86
<b>Moderate 6-10 Yrs</b>	0.3%	21	6.5%	54	6.5%	54	3.7%	39	7.2%	45
Moderate 6-10 Yrs Benchmark	0.7%	7	6.7%	49	6.7%	49	3.7%	39	6.8%	55
<b>Moderate 11-15 Yrs</b>	0.6%	16	7.4%	47	7.4%	47	3.9%	39	8.4%	44
Moderate 11-15 Yrs Benchmark	1.2%	6	7.8%	21	7.8%	21	4.0%	35	8.1%	52
<b>Moderate 16+ Yrs</b>	1.2%	13	8.7%	13	8.7%	13	4.1%	39	10.1%	5
Moderate +16 Yrs Benchmark	2.0%	1	9.5%	9	9.5%	9	4.4%	27	9.9%	7

Name	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
<b>Aggressive 0-5 Yrs</b>	0.4%	7	6.6%	49	6.6%	49	3.8%	31	7.5%	10
Aggressive 0-5 Yrs Benchmark	0.8%	1	6.9%	35	6.9%	35	3.9%	31	7.1%	37
<b>Aggressive 6-10 Yrs</b>	0.6%	8	7.4%	25	7.4%	25	3.9%	25	8.4%	7
Aggressive 6-10 Yrs Benchmark	1.2%	1	7.8%	10	7.8%	10	4.0%	20	8.1%	16
<b>Aggressive 11-15 Yrs</b>	1.1%	7	8.5%	9	8.5%	9	4.2%	26	9.8%	4
Aggressive 11-15 Yrs Benchmark	1.8%	1	9.3%	3	9.3%	3	4.4%	11	9.5%	6
<b>Aggressive 16+ Yrs</b>	1.8%	2	10.0%	5	10.0%	5	4.4%	28	11.5%	1
Aggressive +16 Yrs Benchmark	2.6%	1	10.9%	2	10.9%	2	4.7%	3	11.4%	1

- The GoalMaker Portfolios had competitive performance versus their benchmarks over the time periods evaluated ended December 31, 2016.

# FUND REVIEW

## MANAGER PERFORMANCE AS OF DECEMBER 31, 2016

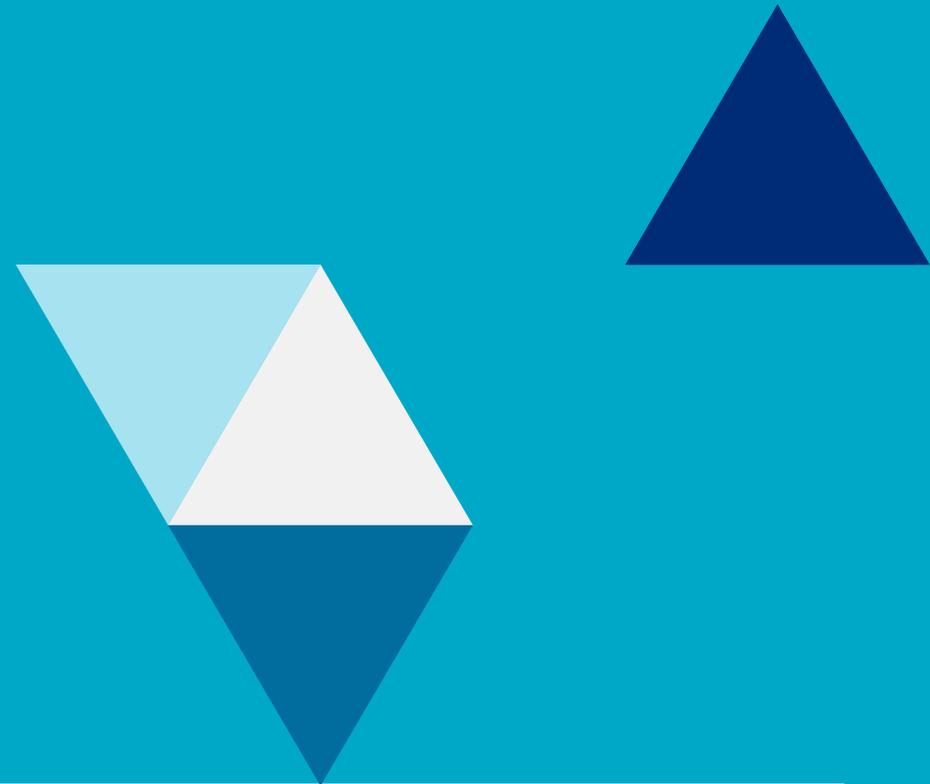
Name	Market Value										Inception	
	(\$m)	(%)	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
NCSRP BlackRock Equity Index	\$1,383.4	14.2%	3.8%	--	12.0%	--	8.9%	--	14.7%	--	16.7%	Mar-09
S&P 500			3.8%	--	12.0%	--	8.9%	--	14.7%	--	16.7%	Mar-09
NCSRP Hotchkis & Wiley Large Cap Value	\$314.5	3.2%	10.7%	8	21.4%	9	8.9%	23	16.9%	7	19.6%	Mar-09
Russell 1000 Value			6.7%	55	17.3%	26	8.6%	29	14.8%	41	16.8%	Mar-09
NCSRP Delaware Large Cap Value	\$318.0	3.3%	3.6%	91	15.2%	49	--	--	--	--	6.4%	Jun-15
Delaware Large Cap Value Strategy			3.8%	90	15.2%	49	9.8%	9	15.5%	27	6.7%	Jun-15
Russell 1000 Value			6.7%	55	17.3%	26	8.6%	29	14.8%	41	7.0%	Jun-15
NCSRP Robeco BP Large Cap Value	\$314.7	3.2%	8.5%	25	15.0%	51	7.3%	63	--	--	15.7%	Nov-11
Robeco BP Large Cap Value Strategy			8.3%	26	14.7%	53	7.2%	67	15.4%	31	15.5%	Nov-11
Russell 1000 Value			6.7%	55	17.3%	26	8.6%	29	14.8%	41	15.0%	Nov-11
NCSRP Sands Capital Large Cap Growth	\$288.7	3.0%	-7.3%	99	-6.8%	99	1.9%	99	13.6%	57	19.9%	Mar-09
Russell 1000 Growth			1.0%	37	7.1%	23	8.6%	27	14.5%	36	17.0%	Mar-09
NCSRP Wellington Opportunistic Growth	\$289.3	3.0%	-2.8%	86	2.6%	66	5.9%	75	14.8%	32	16.2%	Mar-09
Russell 1000 Growth			1.0%	37	7.1%	23	8.6%	27	14.5%	36	17.0%	Mar-09
Russell 3000 Growth			1.2%	35	7.4%	22	8.3%	32	14.4%	38	17.0%	Mar-09
NCSRP Loomis Large Cap Growth	\$290.6	3.0%	-4.2%	95	6.7%	27	--	--	--	--	11.5%	Aug-14
Loomis Large Cap Growth Strategy			-4.4%	95	6.5%	30	9.7%	11	16.5%	9	11.1%	Aug-14
Russell 1000 Growth			1.0%	37	7.1%	23	8.6%	27	14.5%	36	8.6%	Aug-14
NCSRP BlackRock Russell 2500 Index Fund	\$248.5	2.5%	6.2%	--	17.7%	--	7.0%	--	14.7%	--	18.5%	Mar-09
Russell 2500			6.1%	--	17.6%	--	6.9%	--	14.5%	--	18.4%	Mar-09
NCSRP Hotchkis & Wiley	\$165.7	1.7%	12.7%	8	22.0%	40	7.0%	57	18.5%	3	22.9%	Mar-09
Hotchkis Custom SMID Value Index			9.3%	49	25.2%	23	8.2%	42	15.0%	39	19.0%	Mar-09
NCSRP EARNEST Partners	\$163.7	1.7%	7.2%	68	20.6%	53	8.8%	27	15.2%	38	18.1%	Mar-09
EARNEST Custom SMID Value Index			9.3%	49	25.2%	23	8.2%	42	15.0%	39	17.8%	Mar-09
NCSRP WEDGE SMID Cap Value	\$164.4	1.7%	8.6%	58	21.8%	41	9.9%	13	16.9%	13	16.9%	Dec-11
WEDGE SMID Cap Value Strategy			8.3%	60	21.5%	44	9.8%	15	16.8%	14	16.9%	Dec-11
Russell 2500 Value			9.3%	49	25.2%	23	8.2%	42	15.0%	39	15.0%	Dec-11
NCSRP TimesSquare Composite	\$186.5	1.9%	1.9%	40	7.2%	64	2.4%	85	13.4%	45	16.8%	Mar-09
NCSRP TimesSquare SMID Growth			1.9%	40	7.2%	64	2.4%	85	13.4%	45	--	Mar-09
TimesSquare Custom SMID Growth Index			2.6%	28	9.7%	33	5.5%	32	13.9%	27	17.9%	Mar-09

# FUND REVIEW

## MANAGER PERFORMANCE AS OF DECEMBER 31, 2016

Name	Market Value										Inception	
	(\$m)	(%)	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>NCSRP Brown Advisory</b> Brown Custom SMID Growth Index	\$185.7	1.9%	-1.1%	89	11.6%	25	7.1%	16	15.0%	20	19.0%	Mar-09
			2.6%	28	9.7%	33	5.5%	32	13.9%	27	17.8%	Mar-09
<b>NCSRP BlackRock ACWI ex US Fund</b> MSCI ACWI ex USA Gross	\$46.7	0.5%	-1.4%	--	5.2%	--	-1.7%	--	5.2%	--	9.1%	Mar-09
			-1.2%	--	5.0%	--	-1.3%	--	5.5%	--	9.4%	Mar-09
<b>NCSRP Baillie Gifford ACWI ex US Growth</b> MSCI ACWI ex USA Gross MSCI AC Wld ex US Growth Gross	\$290.0	3.0%	-3.8%	73	6.7%	10	0.9%	22	8.0%	37	12.4%	Mar-09
			-1.2%	41	5.0%	18	-1.3%	65	5.5%	90	9.4%	Mar-09
			-5.7%	90	0.5%	62	-0.9%	58	5.7%	88	9.4%	Mar-09
<b>NCSRP Mondrian ACWI ex US Value</b> MSCI ACWI ex USA Gross MSCI AC Wld Ex US Value Gross	\$295.9	3.0%	-1.5%	44	5.3%	17	0.1%	40	5.4%	91	8.8%	Mar-09
			-1.2%	41	5.0%	18	-1.3%	65	5.5%	90	9.4%	Mar-09
			3.4%	4	9.6%	4	-1.9%	75	5.2%	93	9.4%	Mar-09
<b>NCSRP Wellington Global Composite</b> <b>NCSRP Wellington Global Opportunities</b> MSCI ACWI Gross	\$423.4	4.3%	0.6%	49	3.5%	75	4.4%	33	13.2%	11	14.2%	Mar-09
			0.6%	49	3.5%	75	4.4%	33	13.2%	11	--	Mar-09
			1.3%	42	8.5%	29	3.7%	45	10.0%	70	12.9%	Mar-09
<b>NCSRP Arrowstreet Global Equity ACWI</b> <b>Arrowstreet Global Equity ACWI Strategy</b> MSCI ACWI Gross	\$426.4	4.4%	2.1%	32	9.9%	17	4.3%	34	--	--	9.7%	Mar-12
			2.5%	27	9.7%	18	6.0%	10	13.5%	6	11.4%	Mar-12
			1.3%	42	8.5%	29	3.7%	45	10.0%	70	7.9%	Mar-12
<b>NCSRP PIMCO Inflation Response Multi-Asset</b> <b>PIMCO Inflation Response Multi-Asset Strategy</b> PIMCO Inflation Response Index	\$403.0	4.1%	-1.2%	84	11.3%	12	2.2%	5	--	--	1.4%	Sep-13
			-1.3%	88	10.5%	13	1.5%	13	0.8%	56	0.8%	Sep-13
			-2.6%	99	6.8%	46	-0.5%	64	-0.9%	82	-1.2%	Sep-13
<b>NCSRP BlackRock Debt Index Fund</b> Barclays Aggregate	\$439.2	4.5%	-3.0%	--	2.7%	--	3.1%	--	2.3%	--	2.8%	Sep-10
			-3.0%	--	2.7%	--	3.0%	--	2.2%	--	2.8%	Sep-10
<b>NCSRP JP Morgan Core Bond</b> Barclays Aggregate	\$329.3	3.4%	-2.9%	80	2.4%	95	3.3%	62	2.9%	66	4.7%	Mar-09
			-3.0%	84	2.7%	91	3.0%	84	2.2%	96	4.0%	Mar-09
<b>NCSRP Prudential Core Plus</b> <b>Prudential Core Plus Strategy</b> Barclays Aggregate	\$331.1	3.4%	-2.8%	67	5.9%	13	--	--	--	--	3.2%	Dec-14
			-2.8%	73	5.6%	16	4.5%	7	4.7%	6	3.0%	Dec-14
			-3.0%	84	2.7%	91	3.0%	84	2.2%	96	1.6%	Dec-14

# APPENDIX



# NET PERFORMANCE AS OF DECEMBER 31, 2016

	Ending December 31, 2016				Inception	
	3 Mo	1 Yr	3 Yrs	5 Yrs	Return	Since
<b>Large Cap Passive</b>	<b>3.8%</b>	<b>11.9%</b>	<b>8.7%</b>	<b>14.5%</b>	<b>16.6%</b>	<b>Mar-09</b>
S&P 500	3.8%	12.0%	8.9%	14.7%	16.7%	Mar-09
NCSRP BlackRock Equity Index S&P 500	3.8%	12.0%	8.9%	14.6%	16.7%	Mar-09
<b>Large Cap Value</b>	<b>7.4%</b>	<b>16.8%</b>	<b>7.9%</b>	<b>15.0%</b>	<b>15.5%</b>	<b>Mar-09</b>
Russell 1000 Value	6.7%	17.3%	8.6%	14.8%	16.8%	Mar-09
NCSRP Hotchkis & Wiley Large Cap Value Russell 1000 Value	10.5%	20.8%	8.4%	16.4%	19.0%	Mar-09
NCSRP Delaware Large Cap Value Russell 1000 Value	3.5%	14.9%	--	--	6.1%	Jun-15
NCSRP Robeco BP Large Cap Value Russell 1000 Value	8.4%	14.6%	7.0%	15.2%	15.3%	Nov-11
<b>Large Cap Growth</b>	<b>-4.9%</b>	<b>0.4%</b>	<b>5.3%</b>	<b>13.7%</b>	<b>17.6%</b>	<b>Mar-09</b>
Russell 1000 Growth	1.0%	7.1%	8.6%	14.5%	17.0%	Mar-09
NCSRP Sands Capital Large Cap Growth Russell 1000 Growth	-7.4%	-7.3%	1.4%	13.0%	19.2%	Mar-09
NCSRP Wellington Opportunistic Growth Russell 1000 Growth	-2.9%	2.3%	5.6%	14.4%	15.8%	Mar-09
NCSRP Wellington Opportunistic Growth Russell 3000 Growth	1.0%	7.1%	8.6%	14.5%	17.0%	Mar-09
NCSRP Loomis Large Cap Growth Russell 1000 Growth	-4.3%	6.3%	--	--	11.1%	Aug-14
<b>Mid/Small Cap Passive</b>	<b>6.2%</b>	<b>17.7%</b>	<b>6.9%</b>	<b>14.6%</b>	<b>18.3%</b>	<b>Mar-09</b>
Russell 2500	6.1%	17.6%	6.9%	14.5%	18.4%	Mar-09
NCSRP BlackRock Russell 2500 Index Fund Russell 2500	6.2%	17.7%	7.0%	14.6%	18.5%	Mar-09
<b>Mid/Small Cap Value</b>	<b>9.1%</b>	<b>20.6%</b>	<b>7.8%</b>	<b>16.1%</b>	<b>20.6%</b>	<b>Mar-09</b>
Russell 2500 Value	9.3%	25.2%	8.2%	15.0%	18.4%	Mar-09
NCSRP Hotchkis & Wiley Hotchkis Custom SMID Value Index	12.6%	21.3%	6.4%	17.8%	22.2%	Mar-09
NCSRP EARNEST Partners EARNEST Custom SMID Value Index	7.1%	20.0%	8.2%	14.6%	17.5%	Mar-09
NCSRP WEDGE SMID Cap Value Russell 2500 Value	8.4%	20.9%	9.1%	16.0%	16.0%	Dec-11
<b>Mid/Small Cap Growth</b>	<b>0.2%</b>	<b>8.6%</b>	<b>3.9%</b>	<b>13.3%</b>	<b>16.8%</b>	<b>Mar-09</b>
Russell 2500 Growth	2.6%	9.7%	5.4%	13.9%	18.2%	Mar-09

	Ending December 31, 2016				Inception	
	3 Mo	1 Yr	3 Yrs	5 Yrs	Return	Since
NCSRP TimesSquare TimesSquare Custom SMID Growth Index	1.8%	6.3%	1.6%	12.5%	15.9%	Mar-09
NCSRP Brown Advisory Brown Custom SMID Growth Index	-1.2%	11.0%	6.5%	14.4%	18.3%	Mar-09
<b>International Passive</b>	<b>-1.3%</b>	<b>5.2%</b>	<b>-1.7%</b>	<b>5.0%</b>	<b>8.9%</b>	<b>Mar-09</b>
MSCI ACWI ex USA Gross	-1.2%	5.0%	-1.3%	5.5%	9.4%	Mar-09
NCSRP BlackRock ACWI ex US Fund MSCI ACWI ex USA Gross	-1.4%	5.2%	-1.7%	5.1%	9.0%	Mar-09
<b>International Equity</b>	<b>-2.8%</b>	<b>5.5%</b>	<b>-0.2%</b>	<b>6.1%</b>	<b>9.8%</b>	<b>Mar-09</b>
MSCI ACWI ex USA Gross	-1.2%	5.0%	-1.3%	5.5%	9.4%	Mar-09
NCSRP Baillie Gifford ACWI ex US Growth MSCI ACWI ex USA Gross	-3.9%	6.3%	0.4%	7.5%	11.8%	Mar-09
NCSRP Baillie Gifford ACWI ex US Growth MSCI AC Wld ex US Growth Gross	-1.2%	5.0%	-1.3%	5.5%	9.4%	Mar-09
NCSRP Mondrian ACWI ex US Value MSCI ACWI ex USA Gross	-1.6%	4.8%	-0.4%	4.9%	8.3%	Mar-09
NCSRP Mondrian ACWI ex US Value MSCI AC Wld Ex US Value Gross	-1.2%	5.0%	-1.3%	5.5%	9.4%	Mar-09
<b>Global Equity</b>	<b>1.1%</b>	<b>6.0%</b>	<b>3.7%</b>	<b>11.9%</b>	<b>13.1%</b>	<b>Mar-09</b>
MSCI ACWI Gross	1.3%	8.5%	3.7%	10.0%	12.9%	Mar-09
NCSRP Wellington Global Composite MSCI ACWI Gross	0.5%	3.0%	3.8%	12.6%	13.6%	Mar-09
NCSRP Arrowstreet Global Equity ACWI MSCI ACWI Gross	1.9%	9.2%	3.7%	--	9.0%	Mar-12
<b>Inflation Responsive Fund</b>	<b>-1.3%</b>	<b>10.5%</b>	<b>1.4%</b>	<b>--</b>	<b>0.5%</b>	<b>Sep-13</b>
PIMCO Inflation Response Index	-2.6%	6.8%	-0.5%	-0.9%	-1.2%	Sep-13
NCSRP PIMCO Inflation Response Multi-Asset PIMCO Inflation Response Index	-1.3%	10.6%	1.5%	--	0.8%	Sep-13
<b>Fixed Income Passive Fund</b>	<b>-3.0%</b>	<b>2.6%</b>	<b>3.0%</b>	<b>2.1%</b>	<b>2.7%</b>	<b>Sep-10</b>
Barclays Aggregate	-3.0%	2.6%	3.0%	2.2%	2.8%	Sep-10
NCSRP BlackRock Debt Index Fund Barclays Aggregate	-3.0%	2.7%	3.1%	2.2%	2.8%	Sep-10
<b>Fixed Income Fund</b>	<b>-2.9%</b>	<b>4.0%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>4.9%</b>	<b>Mar-09</b>
Barclays Aggregate	-3.0%	2.6%	3.0%	2.2%	4.0%	Mar-09
NCSRP JP Morgan Core Bond Barclays Aggregate	-2.9%	2.2%	3.1%	2.7%	4.5%	Mar-09
NCSRP Prudential Core Plus Barclays Aggregate	-2.8%	5.6%	--	--	2.9%	Dec-14
<b>Stable Value Fund</b>	<b>0.5%</b>	<b>2.0%</b>	<b>1.9%</b>	<b>2.1%</b>	<b>2.6%</b>	<b>Jun-09</b>
3-Year Constant Maturity Yield	0.3%	1.0%	1.0%	0.8%	0.9%	Jun-09
T-BILLS + 1.5%	0.5%	1.8%	1.6%	1.6%	1.6%	Jun-09

# MANAGER UPDATES

- Mercer met with **Arrowstreet** to review their ACWI strategy. Mercer continues to have strong conviction in the strategy and maintained the “A” rating as a result of the meeting.
- Mercer met with **BlackRock** to review their passive equity strategies managed by the Americas Index Equity Portfolio Management team. We believe the team has the requisite skills, experience, and resources to effectively track equity market indices. BlackRock is able to use its breadth and scale to lower costs and improve execution for clients. We maintained the “A” rating as a result of the meeting.
- Mercer met with **Brown’s** director of research, Tim Hathaway, and reviewed the efforts Brown has done, or is considering, to strengthen the firm’s research process. During the meeting, Brown noted they had adopted Bloomberg’s factor analytics to help it gain a richer appreciation for the effects that macro shocks might have on its strategies. Additionally, Brown has hired an investigative researcher that is utilized to uncover insights and/or industry contacts not commonly developed by Brown’s fundamental research analysts. We also learned from Hathaway that the firm had hired an outside firm to assess the behavioral biases of its portfolio managers. As a result of the meeting, we maintained our “B+” rating on the strategy and believe that the firm is committed to enhancing its research.
- **Delaware** announced the hiring of John Leonard as the firm’s new Head of Equity. Leonard was most recently the Head of Equity at UBS Asset Management and will join Delaware effective March 3, 2017. All Delaware equity portfolio managers will report directly to Leonard as a result of this announcement. Mercer is not proposing any rating changes to the Delaware Large Cap Value strategy as a result of this announcement, as we believe Leonard is a strong fit for Delaware’s Head of Equity.
- Mercer visited **Delaware** on-site at their Philadelphia office and reviewed their Large Cap Value strategy. We continue to have conviction in the tenured and cohesive team led by Ty Nutt, a sound investment approach and the rigorous application of the investment discipline. We also believe the highly collaborative process fosters multiple levels of accountability and forms the basis in constructing an equal-weighted, concentrated, low-turnover portfolio. We maintained the “A” rating as a result of the meeting.
- Mercer met with **Hotchkis & Wiley** at their Los Angeles headquarters to review the Large Cap Fundamental Value strategy. We continue to have a favorable view on the firm’s sector focused approach to research that fosters strong debate within the team. We believe Hotchkis has a disciplined focus on exploiting attractively-valued companies experiencing short-term mispricing but have prospects for improving business fundamentals and healthy economic returns. We maintained the “A (T)” rating as a result of the meeting.

## MANAGER UPDATES (CONTINUED)

- Mercer met with **Boston Partners** to review their Large Cap Value strategy at their Boston headquarters. We continue to believe in the deep and experienced research team and the investment acumen of Mark Donovan and David Pyle. The team has an unwavering focus on finding higher quality names trading at attractive valuations. As a result of the meeting, we maintained an “A” rating on the strategy.
- **Prudential** officially announced the planned retirement of Executive Chairman of Prudential Fixed Income, James Sullivan, which was effective at the end of 2016. Michael Lillard will succeed Sullivan as head of Prudential Fixed Income, while maintaining his role as Chief Investment Officer. The role of Executive Chairman will cease to exist going forward. Mercer is not recommending any rating changes as a result of this announcement, as Prudential clearly communicated the transition and we do not anticipate a meaningful impact on the management of the Core Plus strategy.
- Mercer met with **TimesSquare** at their New York headquarters to discuss their SMID Cap Growth strategy. We continue to believe in the tenured and cohesive portfolio management team, along with their proven and repeatable investment process. Even though the strategies short-term performance has been a bit challenged, it continues to be managed within our expectations. We appreciate the value of Babyak and Rosenthal’s individual investment experience, as well as their time together managing the strategy. As a result of the meeting, we maintained our “A” rating on the strategy.

# APPENDIX - DISCLOSURES

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