

North Carolina Supplemental Retirement Plans

**STATEMENT OF INVESTMENT POLICY
FOR THE NC 401(k) AND NC 457(b)**

DECEMBER 2015

CONTENTS

I. PURPOSE	1
II. RESPONSIBILITIES OF PARTICIPANTS	2
III. RESPONSIBLE PARTIES	3
IV. PLAN STRUCTURE	9
V. INVESTMENT OPTION OBJECTIVES.....	12
VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA	20
VII. FUND ALLOCATION MODELS	25
VIII. REVIEW PROCEDURES	28
CODE REFERENCES	29
APPENDICES AND EXHIBITS	30

I. PURPOSE

A. PURPOSE OF THE PLANS

The State of North Carolina has established the North Carolina Supplemental Retirement Plans with the primary purpose of providing state government and local government employers (the “Employer”) with savings plans for employees to help them financially prepare for retirement. This statement of Investment Policy covers only the North Carolina Deferred Compensation Plan (NC 457 Plan) and the North Carolina Supplemental Retirement Income Plan (NC 401(k) Plan). Throughout this document, the NC 457 Plan and the NC 401(k) Plan will be referred to as the “Plans.” The Plans were designed to provide a range of separately managed or pooled investment options that may be offered for investment under the Plans. The Plans are structured such that an investment option may be provided through the use of individual mutual funds, commingled funds or through the use of separate accounts that utilize one or more outside investment advisors to manage the assets directed to that option.

The over-riding objective of the Plans is to provide suitable retirement vehicles for the employees of the Employer. The Plans are intended primarily to provide retirement savings for the employees. The Employer recognizes the diverse nature of its employees’ savings requirements, return objectives and risk tolerance, and therefore intends to provide a suitable range of investment options through the Plans which will meet the needs of employees in numerous life cycle stages and with different retirement savings requirements.

The Supplemental Retirement Plans are managed with the recognition that each underlying Plan is intended to meet the requirements of Sections 401(a), 401(k), 457, and 501(a) of the Internal Revenue Code of 1986, as amended (“Code”), and to qualify under the safe harbor in Section 404(c) of the Employee Retirement Income and Security Act of 1974, as amended (“ERISA”), as if the Plans are governed by that provision.

The Plans provide meaningful and independent participant control. Under the concept of participant control, if participants exercise control over their assets in the Plans, no program fiduciary shall be liable for any loss to the participant’s account that may result from their exercise of that control.

B. PURPOSE OF THE STATEMENT OF INVESTMENT POLICY

The purpose of this Statement of Investment Policy is to document the objectives and guidelines of the Plans. These objectives and guidelines have been formulated in response to:

- The desire of the Employer to provide its employees with a supplemental retirement and savings vehicle;
- The need to satisfy the fiduciary obligations of the Supplemental Retirement Board of Trustees (“Board”), the Department of State Treasurer (“DST”) and of the Employer; and
- The need to provide a set of standards for performance evaluation of each option.

II. RESPONSIBILITIES OF PARTICIPANTS

The Plans are voluntary and/or participant-directed. As such, participants bear responsibility for deciding the amount of current compensation to defer into the Plan(s) and developing a strategy for the investment of deferrals and Employer contributions, if applicable, in the investment options offered in the Plans and for directing the investment of all funds in their accounts. The appropriate asset mix for a participant is a function of multiple factors, including age, income, and length of time before funds are needed, tolerance for volatility risk, accumulation objectives, retirement income replacement objectives and other assets owned. The participant is best positioned to make the individual decision on how to allocate assets among the investment options available.

The specific responsibilities of the Plan participants are as follows:

- Determining an amount to contribute to the Plan within guidelines and Internal Revenue Service (“IRS”) limitations.
- Allocating existing account balances, rollover contributions and future contributions (including contributions made on behalf of the participant by the Employer) to the available investment options based on individual circumstances, goals and objectives and risk tolerances.
- Rebalancing account balances to the desired allocation, when necessary, due to market movements and account activity or selecting a Fund Allocation Model with automatic rebalancing.
- Reallocating account balances and direction of future contributions as personal circumstances, goals and objectives change.

It is the responsibility of the Plan participants to determine the combination of contribution level and asset allocation that will meet their individual retirement needs. The Employer expects participants to seek advice from personal advisors, as each participant deems necessary.

III. RESPONSIBLE PARTIES

The fiduciaries of the Plan(s) will act in the sole interest of the Plan participants and beneficiaries, for the exclusive purpose of providing benefits to participants and beneficiaries and for defraying the reasonable expenses of administering the Plans. Those fiduciaries exercising investment authority will act as prudent investors. Fiduciaries must comply with the provisions of this Statement of Investment Policy.

The specific responsibilities of the parties are detailed below.

A. BOARD OF TRUSTEES

The Board has the final responsibility for approving this Statement of Investment Policy and monitoring execution of the procedures, standards, goals and guidelines set forth in this Policy. Specific responsibilities for the Board include:

1. Planning

- Approve the types of investment options offered within the Plans so as to provide a broad range of options along the risk/return spectrum;
- Approve the appointment and removal of Investment Managers;
- Select an investment consultant, as necessary or appropriate, to render advice on the investment program, the selection of investment funds or managers, evaluation of investment performance, funds and managers, and other duties, as appropriate;
- Approve performance investment objectives for each investment option and fund or manager;
- Monitor, or cause to be monitored, the investment performance of the Plans' Investment Options and Managers;
- Approve appropriate investment structure for each option taking into consideration the performance, risk and cost of each potential structure.

2. Operations

- Approve the appointment and removal of the Recordkeeper, Custodian or other major service providers.
- Delegate responsibilities to the Department of State Treasurer, as appropriate;
- Delegate administrative duties, as appropriate, to the Recordkeeper, Custodian or other service providers;
- Approve and monitor participant communications plans and strategies, e.g., the general investment characteristics of each investment option to participants, including risk considerations. The Employer and the selected plan providers will supply information regarding the investment options and basic principles of investing to participants to help address the factors affecting asset allocation. However, the dissemination of information and the provision of investment funds by the Plans do not constitute investment advice to participants.

III. RESPONSIBLE PARTIES

3. Control

- Review and evaluate results of the investment options against established performance standards;
- Review and evaluate the results of individual investment managers against established performance standards or other established guidelines;
- Take whatever corrective action is deemed prudent and appropriate when an investment option or investment manager fails to perform against established policy objectives, guidelines and standards. The Board will also monitor the soundness of the investment firms which are retained by the Plans and their investment processes and will take corrective action, if necessary;
- Monitor Plan costs and the effectiveness of operations.

Investment Subcommittee

With respect to management of the investments of the Plans, the oversight responsibility of the Board may be delegated to an Investment Subcommittee of the Board. The Investment Subcommittee does not have final discretion to approve relevant items. The Investment Subcommittee is expected to make recommendations for the Board's approval. Following final approval, the Investment Subcommittee may be given the authority to implement all matters relevant to the Board's decision. The Investment Subcommittee must be comprised of Board of Trustees members nominated by the Board Chair and ratified by the Board. The responsibilities of the Investment Subcommittee may include the following:

- Make recommendations regarding the selection of qualified investment managers which fulfill the criteria of the identified asset class;
- Monitor investment results of each investment manager in the Plans by means of regular review and analyses to determine whether those responsible for investment results are meeting guidelines and criteria;
- Recommend appropriate action to the Board if objectives are not being met or if policies and guidelines are not being followed;
- Review this Policy and recommend modifications to it, as needed;
- Recommend rebalancing policy to the Board for approval

B. INVESTMENT MANAGER

The Board will hire, or cause to be hired, individual Investment Managers (or Sub-Advisors) to execute the various investment mandates described in this document. The Investment Managers have responsibility for implementing and monitoring the procedures, standards, goals, and guidelines prescribed to them by the Board through this document and the agreement between the investor and investment manager, commonly referred to as the Investment Management Agreement (IMA). Specific responsibilities of the Investment Managers include:

- Accept investment discretion for Plan assets as directed by the Board or its designee, and invest according to the stated investment philosophy and strategy as dictated in: A) the

III. RESPONSIBLE PARTIES

mutual fund prospectus or B) investment guidelines agreed upon with each manager of individual assets.

- Issue prospectuses, quarterly and annual reports and other pertinent information regarding the Plans' assets under their management on a timely basis to the Board and/or their designees.
- Meet as required with the Board and/or their designees to review portfolio and investment results.
- Notify the Board and/or their designees in advance of potential material changes in fund, strategy and firm operation under consideration or about to be implemented. This includes organizational, personnel or strategy changes that may impact asset management.
- Provide the Board or designee with a monthly or quarterly accounting of assets as requested by the Board or designee.
- Monitor compliance with laws, regulations, and contractual terms, including guidelines, and promptly report any violations thereof and proposed resolution plans to designated representatives of the Department and Investment Consultant.
- Issue detailed quarterly reporting to the Board and/or their designees, which includes the following information:
 - The market value of account assets as of the last business day of each quarter;
 - Time-weighted rates of return measured net of investment management fees and all expenses or gross of fees (as appropriate) for the current quarter, year-to-date and historical time periods, including returns since inception, compared to appropriate benchmarks;
 - Average account characteristics and number of holdings as of the last business day of each quarter;
 - Expenses;
 - Current investment strategy;
 - Changes implemented over the prior quarter;
 - Personnel changes and other material organizational events;
 - Other items that may be requested from time-to-time by the Board and/or their designees.

C. RECORDKEEPER

The recordkeeper has been delegated by the Board the responsibility for maintaining participant accounts and facilitating participant actions. In addition, the Recordkeeper has the following responsibilities:

- Enrollment of participants;
- Executing the Plan's participant communication activities;

III. RESPONSIBLE PARTIES

- Allocate and transfer the Plan assets as directed by the Board or the participants of the underlying Plan(s) through the Plan's custodian among permitted investment options;
- Make payments from the Plan to such participants or beneficiaries of the Plan(s) as directed and as permitted by the Plan documents;
- Provide a written accounting of all investments and all receipts, disbursements, income, expenses, and other transactions of the Plan at month end; and
- Reconcile account balances.

D. CUSTODIAN

The duties of the Custodian include the following:

- Provide custody and safekeeping of Plan assets;
- Allocate and transfer the Plan assets as directed by the Board, DST Staff or the participants of the underlying Plan(s) among permitted investment options;
- Allocate and transfer assets among Investment Managers within Plan options as directed by the Board or its designee;
- Provide a monthly report detailing the allocation of all Plan assets among the investment options and investment managers;
- Provide a written accounting of all investments and all receipts, disbursements, income, expenses, and other transactions of the Plan at month end;
- Reconcile asset account balances with the recordkeeper;
- Reconcile asset account position with investment managers;
- Produce manager compliance reports for DST Staff;
- Provide calculation of an accurate and timely daily NAV; and
- Provide calculation and timely provision of accurate performance data

E. INVESTMENT CONSULTANT

The duties of the Investment Consultant include:

- Issue a quarterly report to the Board and/or its designees which includes the following information:
 - The market value of Plan assets as of the last business day of the most recent calendar quarter;
 - The portion of Plan assets allocated to each investment option as of the last business day of the most recent calendar quarter;
 - Time-weighted rates of return and risk for all options measured net of investment management fees and all expenses or gross (as appropriate) relative to a peer group

III. RESPONSIBLE PARTIES

universe and a market benchmark for the most recent calendar quarter, year-to-date and historical time periods since inception;

- Time-weighted rates of return and risk for all Investment Managers in pooled investment options measured gross of investment management fees relative to a peer group universe and a market benchmark for the most recent calendar quarter, year-to-date and historical time periods including since inception returns;
- Portfolio characteristics (such as sector allocation, market capitalization, valuation ratios, credit quality, etc.) as appropriate for each Investment Option and Investment Manager relative to the appropriate benchmark as of the last business day of the most recent calendar quarter;
- A summary of the economic and market environment;
- Meet periodically with the Board and/or their designees to review performance of the Investment Options within the context of this Statement of Investment Policy.
- Review at least annually this Statement of Investment Policy and recommend modifications to the Board and/or their designees as appropriate.
- Notify the Board and/or their designees of any organizational or strategy changes to the investment funds and Investment Managers and the underlying reasons.
- Keep the Board and/or their designees informed about current investment trends and issues.
- Work with staff to find suitable new or replacement managers when needed.
- Review, at least annually, the Plans' investment option arrays and make recommendations to the Board and/or designees.

F. RETIREMENT SYSTEMS DIVISION STAFF

The duties of the DST Retirement Systems Division ("SRP") staff include:

- Coordinate activities of the Investment Consultant and DST Investment Management Division ("IMD") staff in providing plan recommendations to the Board and Investment Subcommittee;
- Coordinate activities of the Investment Consultant and IMD staff in the fulfillment of duties as assigned by the Board;
- Contribute to drafting of contracts and Investment Management Agreements;
- Execute contracts at Board direction;
- Oversee the day-to-day activities of the recordkeeper and custodian;
- Oversee the execution of the participant communication plan;
- Liaise with DST Financial Operations Division for purposes of financial reporting and audits; and
- Facilitate presentation of information to the Board.

III. RESPONSIBLE PARTIES

G. INVESTMENT MANAGEMENT DIVISION STAFF

- Attend Board (i.e., inclusive of the Investment Subcommittee) meetings and provide analysis and evaluation of investment managers and strategies;
- Monitor the performance, risk characteristics and organization of the investment managers in the Plans on a monthly basis, and the returns and risk characteristics of each option;
- Provide recommendations to the Board on investment manager replacements, either as requested by the Board or on their own initiative, in coordination with the investment consultant;
- Provide periodic updates and evaluations of investment managers
- Provide recommendations to the Board on the structure or number of investment options in co-ordination with the investment consultant
- Contribute to drafting and negotiation of Investment Management Agreements;
- Work with SRP staff to review rebalancing of investment managers within fund options as needed;
- Provide replacement or new manager recommendations to the Board in co-ordination with the investment consultant as needed;
- Regularly monitor the adherence of Investment Options and Investment Managers to stated investment policies, objectives and/or guidelines; identify any material deviations from stated investment policies, objectives and/or guidelines; coordinate resolution of compliance issues with investment managers, SRP staff, and the Investment Consultant; and
- Provide backup management and oversight of the custodian.

IV. PLAN STRUCTURE

The Plan will consist of an array of investment options, each with different risk and return characteristics, which will enable a participant to construct a portfolio that, in the aggregate, should meet his/her own individually desired risk and return characteristics and investment goals through separate, diversified investment options.

The following investment options, having the general investment characteristics outlined below, are authorized to be offered within the Plan:

Asset Class	Fund	Objective
Principal Preservation	Stable Value Fund	preservation of principle and stable income
Fixed Income	Fixed Income Index Fund	track the performance of the Barclay's Capital US Aggregate Bond Index
	Fixed Income Fund	moderate principal growth with low risk of principal loss through investment in a diversified portfolio of bonds
Inflation Sensitive	Inflation Responsive Fund	provide participants of the Plan with an actively managed option focused on providing exposure to various asset classes which show a correlation or sensitivity to inflation over various market environments
Large Cap US Equity	Large Cap Index Fund	track the performance of the Standard & Poor's 500 Index
	Large Cap Value Fund	long-term growth of capital utilizing a diversified portfolio of large companies which are deemed to have prices that do not reflect the company's asset values or current earnings ability and are thus undervalued
	Large Cap Growth Fund	long-term growth of capital utilizing a diversified portfolio of large companies with significant earnings growth potential
Small/Mid Cap US Equity	Small/Mid Cap Index Fund	track the performance of the Russell 2500 Index of smaller capitalization stocks
	Small/Mid Cap Value Fund	long-term growth of capital utilizing a diversified portfolio of mid- and small-capitalization companies which are deemed to have prices that do not reflect the company's asset value or current earnings ability and are thus undervalued

IV. PLAN STRUCTURE

	Small/Mid Cap Growth Fund	long-term growth of capital utilizing a diversified portfolio of mid- and small-capitalization companies with above average earnings growth potential
International Equity	International Index Fund	track the performance of the MSCI ACWI ex-US Index
	International Fund	long-term growth of capital utilizing a diversified portfolio of companies located outside the United States
Global Equity	Global Equity Fund	growth of capital through investments in listed equities of companies, without geographic limitation

Additionally, the Plans are authorized to provide at least three Model Allocation options that reasonably span the risk/return spectrum. These investment options are more fully described in Section VII and are provided for participants that desire a professionally constructed asset/fund allocation. The Board will periodically review the investment needs of the participants of the Plan(s) to determine if these options should be modified, some options eliminated, or additional options added to the Plans.

Default Investment Option

The Plans provides for a Default Investment Option when a plan participant has not made an affirmative investment election. The Board has chosen the Moderate Allocation Model with an assumed target retirement age of 65 as the default investment option. The Board shall monitor the investment option in accordance with the investment guidelines and criteria section of this policy.

Investment Manager Selection

The Board will approve investment managers for the Plans' assets consistent with the requirements of the mandate for the applicable option described in Section V. The Board will take into consideration:

- Firm Stability
- Investment Team and Process
- Realized and Prospective Performance
- Fees and Expenses

Investment options may be implemented through either a single investment manager or through multiple investment managers. This arrangement permits the creation of an investment program that provides diversification across multiple best-in-class investment managers where appropriate.

IV. PLAN STRUCTURE

Each investment option will have a target allocation to each underlying investment manager within that option and an allowable range around that target allocation. These targets and ranges are specified for each option in Appendix B to this document. The allocation of assets between multiple investment managers in each option will be monitored by the custodian. Periodic cash flows into or out of an option may be utilized to move the allocation between investment managers back toward the target for that option. On a quarterly basis the allocation between investment managers will be reviewed and rebalanced if necessary.

V. INVESTMENT OPTION OBJECTIVES

Stable Value Fund

The Stable Value Fund is intended to be the lowest risk investment option offered in the Plans. It will be invested primarily in investment contracts with insurance companies and other financial institutions that are backed by fixed income securities. These investment contracts will credit investor's principal accounts with a stable rate of interest.

Investment Objective

The primary objective of the Stable Value Fund is the preservation of principal. In addition, the stable value fund seeks to provide a credited rate of interest while providing book value liquidity for participant directed transactions.

Investment Management

The Option's assets will be invested primarily in fixed income securities wrapped by investment contracts to provide book value liquidity.

Performance Objectives

The performance of the portfolio is expected to be competitive with the 91 Day Treasury Bill Index plus 1% over rolling three year periods and outperform over rolling 5 year periods. Performance should be competitive with the median of a universe of stable value funds over three year periods and outperform over five year periods.

Fixed Income Fund

The Fixed Income Fund is intended to provide exposure to the broad domestic fixed income market.

Investment Objective

The primary investment objective of the Fixed Income Fund is to provide investment growth through interest income with the potential for low to moderate capital appreciation and low volatility. The option will be actively managed to enhance returns.

Investment Management

The Board recognizes that no investment manager is able to provide consistently superior returns in all time periods. Therefore, the Board has determined that multiple investment managers will be retained to manage portions of the Option's assets. This will provide diversification for the Option by investment organization. A table of the current investment managers for this option, their target allocations and the allocation range for each manager is shown in Appendix B.

Performance Objectives

Provide a rate of return that exceeds that generated by the Barclays Capital Aggregate Index over rolling five year periods. The Option's returns should remain competitive with the Barclays Capital Aggregate Index returns over rolling three year periods.

V. INVESTMENT OPTION OBJECTIVES

Provide a rate of return that places above the median manager in a universe of U.S. core bond or core plus (as appropriate) fixed income managers over rolling five year periods. The Option's returns should remain competitive with the universe over shorter, rolling three year periods.

Maintain a risk level, as measured by the standard deviation of quarterly returns, which does not exceed 150% of the risk of the Barclays Capital Aggregate Index over rolling five year periods.

Fixed Income Index Fund

The Fixed Income Index Fund is intended to provide passive exposure to the broad domestic fixed income market.

Investment Objective

The primary investment objective of the Fixed Income Index Fund is to provide a low cost passive bond investment option that will provide exposure to the income and capital appreciation of the US bond market.

Performance Objectives

The Option should provide a return that closely tracks that of the Barclays Capital US Aggregate Bond Index. Tracking error to this objective should be less than 0.25% annually gross of fees.

Inflation Responsive Fund

The Inflation Responsive Fund was established to provide participants of the Plan with an actively managed option focused on providing exposure to various asset classes which show a correlation or sensitivity to inflation over various market environments.

Investment Objective

This fund seeks to provide participants with protection from rising inflation by investing in several asset classes that are expected to be positively correlated to the Consumer Price Index ("CPI"), especially during period when the CPI is increasing. Since the Consumer Price Index is not an investible index the strategy will not keep up with inflation in all markets and may expose investors to negative returns. Based on the belief that no single asset class provides the highest correlation with CPI during all market conditions, the management team will allocate assets among several asset classes based on their evaluation of market conditions including expected sources of inflation. The asset classes in which the fund will invest includes but is not limited to TIPS and other inflation-sensitive bonds, emerging market currencies, real estate investment trusts, commodities, and gold.

Investment Management

One manager has been selected for the management of this fund. The manager selected is responsible for the asset allocation of the fund across multiple asset classes as well as the management decisions within the underlying asset classes. A table of the current investment manager for this Option, their target allocations and the allocation range for each manager is shown in Appendix B. This strategy may utilize sophisticated investment techniques, including

V. INVESTMENT OPTION OBJECTIVES

the use of derivatives and forward settling security transactions to adjust the portfolio's positioning.

Performance Objectives

Provide a rate of return that exceeds that generated by the PIMCO Inflation Response Index* and track CPI over rolling five year periods. The Option's returns should remain competitive with the Inflation Response Index returns over rolling three year periods.

Maintain a risk level, as measured by the standard deviation of monthly returns, which does not exceed 150% of the risk of the Inflation Response Index over rolling five year periods.

** The PIMCO Inflation Response Index is a composite index of five real return asset classes: TIPS, represented by Barclays Capital U.S. TIPS Index; Commodities, represented by DJ-UBS Commodity TR Index; REITs, represented by Dow Jones U.S. Select REIT Index; Emerging Market Currencies, represented by JPM Emerging Local Market ELMI Plus Index; and Gold, represented by DJ-UBS Gold TR Index. The five asset classes have the following weights, to which the index rebalances at the beginning of every month: TIPS - 45%, Commodities - 20%, REITs - 10%, Emerging Market Currencies - 15% and Gold - 10%. The index was designed by PIMCO to represent a diversified basket of asset classes that they have judged to serve either as an explicit or as an implicit inflation hedge.*

Large Cap Value Fund

The Large Cap Value Fund was established to provide participants of the Plan with an actively managed equity option targeted at the large cap sector of the U.S. equity market and managed in a value style.

Investment Objective

The primary objective of the Large Cap Value Fund is long-term growth of capital utilizing a diversified portfolio of large company stocks which are deemed to have stock prices that do not reflect the company's asset value or current earnings ability and are thus undervalued.

Investment Management

The Board recognizes that no investment manager is able to provide consistently superior returns in all time periods. Therefore, the Board has determined that multiple investment managers will be retained to manage portions of the option's assets. This will provide diversification for the Option by investment organization. A table of the current investment managers for this Option, their target allocations and the allocation range for each manager is shown in Appendix B.

V. INVESTMENT OPTION OBJECTIVES

Performance Objectives

Provide a rate of return that exceeds that generated by the Russell 1000 Value Index over rolling five year periods. The Option's returns should remain competitive with the Russell 1000 Value Index returns over rolling three year periods.

Provide a rate of return that places above the median manager in a universe of U.S. large cap value equity managers over rolling five year periods. The Option's returns should remain competitive with the universe over shorter, rolling three year periods.

Maintain a risk level, as measured by the standard deviation of monthly returns, which does not exceed 150% of the risk of the Russell 1000 Value Index over rolling five year periods.

Large Cap Growth Fund

The Large Cap Growth Fund was established to provide participants of the Plan with an actively managed equity option targeted at the large cap sector of the U.S. equity market and managed in a growth style.

Investment Objective

The primary objective of the Large Cap Growth Fund is long-term growth of capital utilizing a diversified portfolio invested in stocks of large companies with significant earnings growth potential.

Investment Management

The Board recognizes that no investment manager is able to provide consistently superior returns in all time periods. Therefore, the Board has determined that multiple investment managers will be retained to manage portions of the Option's assets. This will provide diversification for the Option by investment organization. A table of the current sub-advisors for this Option, their target allocations and the allocation range for each manager is shown in Appendix B.

Performance Objectives

Provide a rate of return that exceeds that generated by the Russell 1000 Growth Index over rolling five year periods. The portfolio's returns should remain competitive with the Russell 1000 Growth Index returns over rolling three year periods.

Provide a rate of return that places above the median manager in a universe of U.S. large cap growth equity managers over rolling five year periods. The portfolio's returns should remain competitive with the universe over shorter, rolling three year periods.

Maintain a risk level, as measured by the standard deviation of quarterly returns, which does not exceed 150% of the risk of the Russell 1000 Growth Index over rolling five year periods.

V. INVESTMENT OPTION OBJECTIVES

Large Cap Index Fund

The objective of the Large Cap Index Fund is to provide an equity option that will match the return of US large cap stocks. The Option will be invested in large cap stocks contained in the S&P 500 Index. This Option's goal is long term capital growth through a combination of reinvested dividend income and capital appreciation.

Investment Management

The Board has determined that this Option will be managed by a single investment manager.

Performance Standards

The Option should provide a rate of return that equals (gross of fees) the S&P 500 Index over rolling one, three and five year periods. The tracking error of the Option should not exceed 20 basis points on an annual basis.

Small/Mid Cap Value Fund

The Small/Mid Cap Value Option was established to provide participants of the Plans with an actively managed equity option targeted at the mid and small cap sectors of the U.S. equity market. The option is intended to have a value bias of investment management.

Investment Objective

The primary objective of the Small/Mid Cap Value Fund is long-term growth of capital through investment in a portfolio of small- to mid-sized companies which are deemed to have stock prices that do not reflect the company's asset value or current earnings ability and are thus undervalued.

Investment Management

The Board recognizes that no investment manager is able to provide consistently superior returns in all time periods. Therefore, the Board has determined that multiple investment managers will be retained to manage portions of the option's assets. This will provide diversification for the option by investment organization. A table of the current sub-advisors for this option, their target allocations and the allocation range for each sub-advisor is shown in Appendix B.

Performance Objectives

Provide a rate of return that exceeds that of the Russell 2500 Value Index over rolling five year periods. The Option's returns should remain competitive with the index returns over rolling three year periods.

Provide a rate of return that exceeds the median in a mid / small cap U.S. equity peer group universe over rolling five year periods. The Option's returns should remain competitive with the universe over rolling three year periods.

Maintain a risk level, as measured by the standard deviation of quarterly returns, which does not exceed 150% of the risk of the Russell 2500 Value Index over rolling five year periods.

V. INVESTMENT OPTION OBJECTIVES

Small/Mid Cap Growth Fund

The Small/Mid Cap Growth Fund was established to provide participants of the Plans with an actively managed equity option targeted at the mid and small cap sectors of the U.S. equity market. The Option is intended to have a growth bias of investment management.

Investment Objective

The primary objective of the Small/Mid Cap Growth Fund is long-term growth of capital utilizing a diversified portfolio invested in stocks of mid- and small-capitalization companies with above average earnings growth potential.

Investment Management

The Board recognizes that no investment manager is able to provide consistently superior returns in all time periods. Therefore, the Board has determined that multiple sub-advisors will be retained to manage portions of the Option's assets. This will provide diversification for the Option by investment organization. A table of the current sub-advisors for this Option, their target allocations and the allocation range for each manager is shown in Appendix B.

Performance Objectives

Provide a rate of return that exceeds that of the Russell 2500 Growth Index over rolling five year periods. The Option's returns should remain competitive with the index returns over rolling three year periods.

Provide a rate of return that exceeds the median in a mid / small cap U.S. equity peer group universe over rolling five year periods. The Option's returns should remain competitive with the universe over rolling three year periods.

Maintain a risk level, as measured by the standard deviation of quarterly returns, which does not exceed 150% of the risk of the Russell 2500 Growth Index over rolling five year periods.

Small/Mid Cap Index Fund

The objective of the Small / Mid Cap Index Fund is to provide an equity option that will match the return of the small and middle capitalization portions of the U.S. stock market. The Option will be invested in mid- and small-cap stocks contained in the Russell 2500 Index. This Option's goal is long-term capital growth through a combination of dividend income and capital appreciation.

Investment Management

The Board has determined that this Option will be managed by a single investment manager.

Performance Standards

The Option should provide a rate of return that equals (gross of fees) the Russell 2500 Index over rolling one, three and five year periods. The tracking error of the Option should not exceed 20 basis points on an annual basis.

V. INVESTMENT OPTION OBJECTIVES

International Fund

The International Fund was established to provide participants of the Plans with an actively managed equity option that will invest in non-U.S. equity markets.

Investment Objective

The primary objective of the International Fund is long-term growth of capital utilizing a diversified portfolio invested in stocks of companies located outside the United States.

Permissible Non-Equity Investments

The Option's investment managers may utilize hedging instruments, such as forward currency contracts or options, to reduce the exposure of their non-U.S. investments to fluctuations in the currency markets.

Investment Management

The Board recognizes that no investment manager is able to provide consistently superior returns in all time periods. Therefore, the Board has determined that multiple investment managers will be retained to manage portions of the Option's assets. This will provide diversification for the Option by investment organization. A table of the current sub-advisors for this Option, their target allocations and the allocation range for each manager is shown in Appendix B.

Performance Objectives

Provide a rate of return that exceeds the MSCI All Country World (ACWI) ex U.S. Index over rolling five year periods. The Option's returns should remain competitive with the index returns over rolling three year periods.

Provide a rate of return that places above the median of a non-U.S. equity peer group universe over rolling five year periods. The Option's returns should remain competitive with the universe median returns over rolling three year periods.

Maintain a risk level, as measured by the standard deviation of quarterly returns, which does not exceed 125% of the risk of the ACWI ex U.S. over rolling five year periods.

V. INVESTMENT OPTION OBJECTIVES

International Index Fund

The objective of the International Index Fund is to provide an equity option that will match the return of the international stock market. The Option will be invested in the stocks contained in the MSCI All Country World ex U.S. Index. This Option's goal is long-term capital growth through a combination of dividend income and capital appreciation.

Investment Management

The Board has determined that this Option will be managed by a single investment manager.

Performance Standards

The Option should provide a rate of return that equals (gross of fees) the MSCI ACWI ex U.S. Index over rolling one, three and five year periods. The tracking error of the Option should not exceed 30 basis points on an annual basis.

Global Equity Fund

The Global Equity Fund was established to provide participants of the Plans with an active equity investment option that invests in stocks of companies without any geographic limitation. The option will invest in both US and non-U.S. equity markets. The manager is expected to seek to outperform the broad global equity market through stock selection as well as sector and country/region selection

Investment Objective

The primary objective of the Option is to outperform global equity markets over the long term on a risk adjusted basis through a diversified portfolio of global equity securities.

Investment Management

The Board recognizes that no investment manager is able to provide consistently superior returns in all time periods. Therefore, the Board has determined that multiple investment managers will be retained to manage portions of the Option's assets. This will provide diversification for the Option by investment organization. A table of the current sub-advisors for this Option, their target allocations and the allocation range for each manager is shown in Appendix B.

Performance Objectives

Provide a rate of return that exceeds the MSCI All Country World Index (ACWI) over rolling five year periods. Performance over rolling three year periods should remain competitive versus the MSCI ACWI.

Provide a rate of return that places above the median of a global equity peer group universe over rolling five year periods. The Option's returns should remain competitive with the universe median returns over rolling three year periods.

Maintain a risk level, as measured by the standard deviation of quarterly returns, which does not exceed 125% of the risk of the MSCI ACWI over rolling five year periods.

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

A. Introduction

The North Carolina Supplemental Retirement Plans were established to provide a savings vehicle to assist employees as they prepare for retirement. The Plans pool their assets for investment purposes in the Supplemental Retirement Plans Group Trust (the “Trust”). Within the Trust, multiple Investment Managers are utilized to manage portions of the Plan’s assets. Each Investment Manager is retained with a specific mandate for the assets under their management. This Section of the Investment Policy Statement outlines the investment objectives and associated guidelines and criteria that are applicable to all Investment Managers employed by the Board.

B. Overall Objectives and Structure

All assets will be managed for the sole benefit of the participants and their beneficiaries.

C. Objectives and Guidelines for All Plan Investment Managers

- 1) Investment Objective – Specific investment objectives and guidelines are outlined in each investment manager’s legal contract. Each Investment Manager has been retained to manage a portfolio with a specific investment mandate. Therefore, it is imperative that each Investment Manager restricts its investment activities to its assigned mandate. Investment Managers are expected to remain fully invested consistent with their assigned mandates at all times.
- 2) Liquidity - Investment Managers are expected to maintain liquid investment profiles. The Board or its designee may have need from time to time to draw on a portion of any Investment Manager’s portfolio assets to meet participants’ disbursement requests. When such situations arise, the Investment Manager will be notified, prior to the withdrawal of funds from the portfolio, of the amount and timing of the withdrawal.
- 3) General Account Diversification - All investment accounts managed for the Plan must maintain sufficient diversification among security issuers and market sectors such that the performance of one security or sector will not have an excessive impact on the manager’s portfolio.
- 4) Performance Guidelines - The performance of each portfolio will be reviewed quarterly by the Board. Each mandate will be assigned specific target benchmarks and/or peer group universes against which the performance of individual portfolios will be measured. The following are the general performance objectives that each portfolio should meet:
 - (a) Outperformance of Assigned Benchmark: Investment Managers will be assigned a specific benchmark by mandate against which the performance of their portfolio(s) will be measured. Performance will be compared to the assigned benchmark over rolling three and five year periods. Outperformance, after deduction of investment management fees, of the assigned benchmark over a full market cycle is expected.

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

- (b) Peer Group Universe Comparison: Investment Managers will be informed of the peer group universe against which their performance will be compared. Investment Managers are expected to place above the median of their assigned peer group over rolling three and five year periods.
- (c) In assessing an Investment Manager's performance relative to the assigned benchmark and peer group universe, the Board will consider risk adjusted performance as well as absolute and relative returns.

5) Asset Restrictions/Exclusions

The Board requires that all Investment Managers comply with the following limitations and restrictions on their investment activities and holdings, unless specifically negotiated otherwise. In addition, these guidelines apply to separately managed accounts. Mutual funds and commingled fund guidelines will be reviewed, but ultimately dictate the guidelines for those investments.

(a) Restrictions:

- (i) Securities issued by, or obligations of, the Investment Manager or any Affiliate shall not be held in the account of any Investment Manager;
 - (ii) Except where explicitly permitted, all accounts shall be free of leverage and Investment Managers shall not engage in short sales or margin purchases;
 - (iii) Restricted securities are prohibited with the following exception: Securities acquired under rule 144A of the Securities Act of 1933 may be purchased with the stipulation that these securities shall not exceed 15% of the Investment Manager's account valued at market prices.
- (b) Derivative securities are prohibited except where specifically permitted in each mandate. Specific mandates may be permitted to make use of derivatives consistent with the overall investment guidelines and objectives of that mandate. Where derivative securities are permitted, they may not be used to establish a leveraged account without explicit permission from the Board. Investments in commercial paper or other similar securities intended as cash equivalents shall be made only if such paper is rated at least A1/P1 by Standard and Poor's, Moody's or Fitch respectively and has a maturity of less than one year or a commingled money market fund offered by the custodian bank is used which meets these standards. Commercial paper rated below A1/P1 by any of the three rating agencies is not permitted.
- (c) Investment Managers may utilize exchange traded funds ("ETF's") representing their primary assigned benchmark in lieu of cash. Any ETF holdings will be considered part of the manager's allocation to cash and be subject to the cash allocation limits.

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

D. Trade Execution

Investment Managers shall effect all purchases and sales of securities for the trust account(s) managed for the Plans in a manner consistent with the principals of best execution, taking into account net price (including commissions), execution capability and other services which the broker or dealer may provide. In this regard, the Investment Manager may effect transactions which cause the account to pay a commission or price in excess of a commission or price which another broker or dealer would have charged, provided, however, that the Investment Manager shall have first determined that such commission or cost is reasonable in relation to the value of the brokerage, research, performance measurement service and other services performed by that broker for the account(s).

Investment Managers are prohibited from purchasing securities from affiliates of the Manager in an initial offering, unless granted permission by the Board and/or its designee.

E. Proxy Voting

All proxies shall be voted by the Department of State Treasurer in accord with the proxy policy approved by the Board.

F. Reporting

- 1) Each Investment Manager is required to submit a written report to the Board and/or its designees of any personnel changes that might impact the management of the Plans' assets. This report should be submitted as soon as the change is known or could be expected.
- 2) Each Investment Manager is directed to perform monthly reconciliations of their account holdings and values with the Plans' custodian. The Investment Manager is directed to provide a written report to the Board and/or their designees of any significant unresolved discrepancies.
- 3) Each Investment Manager is directed to provide, within 30 days of the end of each calendar quarter, a written report to the Board and/or its designees detailing any derivative security holding and their potential impact on the portfolio given a worst case scenario.
- 4) Each Investment Manager is required to submit to the Board and/or its designees annually a written report detailing the firm's soft dollar activity. This report should be submitted within 30 days of the end of each calendar year. The report should list the types of services the firm buys, from whom the services are purchased, total soft dollars generated by the firm, and the percentage of the firm's total soft dollars that are generated by the Plan's portfolio.
- 5) Each Investment Manager should reconcile the performance of its portfolio with the calculations of the custodian on a quarterly basis. Any material discrepancies should be reported to the Board or its designee.

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

- 6) Each Investment Manager will promptly report any breach of these account guidelines to the Board or its designee, shall work in conjunction with the Board or designee to assess and develop a risk mitigation plan to address the breach in a timely manner, and then report to the Board or its designee the final resolution of the breach.

G. Reviews

The investment performance results of each Investment Manager will be reviewed quarterly. The Board may, at its discretion, require the appearance of the Investment Manager at its meetings or at a meeting of the Investment Subcommittee. This review will focus on the following:

- 1) Adherence to the guidelines stated in this Investment Policy Statement;
- 2) Adherence to the Investment Manager's stated investment style and philosophy; and
- 3) Comparison of performance results to the benchmarks and peer groups outlined in this Investment Policy Statement, as well as risk and other characteristics of the sub-advisor's performance;

The quarterly review may also focus on any aspect of the quarter's performance or on any occurrences during the quarter. The Board of the Investment Subcommittee will also review any required reporting that was submitted during the quarter.

H. Securities Lending

The Board has adopted a policy that it will not engage directly in securities lending in its separately managed accounts where securities are custodied with the Plan's custodian. The Board will seek to avoid securities lending in its fund investments. The Board has determined that investments in commingled or mutual funds that engage in securities lending may be permitted in certain circumstances, but each such instance will be evaluated individually, balancing the benefits of the fund (fees, flexibility, etc.) with the additional risks of securities lending. In cases where the Plans invest in funds that engage in securities lending, the collateral investment policies of these funds will be evaluated by the Consultant and staff to gauge their level of investment risk. Significant collateral investment risk will not be permitted in any of the Plan's investments.

I. Investment Manager Monitoring, Watch List and Termination Guidelines

The Board may approve placing an Investment Manager on a watch list or terminating an investment manager for any reason, including but not limited to the following:

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

- 1) A change in portfolio management personnel or senior executives of the Investment Manager or change in the ownership of the firm;
- 2) A change in investment process or style drift;
- 3) A violation of the rules or regulations of a governmental entity or self-regulatory organization; or
- 4) Any other circumstance regarding the investment option that the Board determines is in conflict with this Policy Statement or the best interests of the Plan;
- 5) Violation of terms of contract; and/or
- 6) Restructuring of an Investment Option.

In addition, the Board may consider other factors such as general economic and financial market conditions and trends or the structure of investment options in evaluating a particular portfolio's viability within the Plan. Should an Investment Manager fail to satisfy its performance criteria, or should the Board have some other concern about the Investment Manager or portfolio, the Board may approve any or all of the following actions:

- 1) Establish a probationary period during which any area of concern will be assessed and, if necessary, corrected;
- 2) Replace the Investment Manager with another Investment Manager for the mandate;
- 3) Terminate the Investment Manager;

Failure by an Investment Manager to achieve the performance objectives established by the Board over four (4) quarterly three-year periods shall cause that manager to be placed on a "watch list." An Investment Manager may also be placed on watch within a lesser period if the Investment Manager's strategy has deviated from the objective of the mandate. The watch period will be established for the next three quarters (four quarters in total), but may be lengthened or shortened. It is anticipated that the typical watch period will not exceed one year. If performance does not improve within a specific time period relative to the benchmark and/or peer group universe, that Investment Manager's mandate will be reviewed by Consultant and staff with a bias toward termination.

J. Mutual Funds

The Board may choose to use a mutual or commingled fund as the sole vehicle for an Option in the Plan or as part of an option. The qualitative guidelines presented for each Option are intended to represent the general characteristics of the portfolio. In general, deviations from these guidelines should be considered on a case by case basis within the framework of the overall portfolio. The Board recognizes that the guidelines presented here are superseded by the mutual fund's prospectus. Nevertheless, should a mutual fund violate these standards to a degree deemed significant by the Board, consideration should be given to the fund's continued suitability to the investment Option objective.

VII. FUND ALLOCATION MODELS

Asset allocation is the most important determinant of long term investment results. In order to assist participants in making effective asset allocation decisions, the Board has elected to offer participants a set of predetermined fund allocations that have been created by investment experts which utilize the Options offered in the Plans. Participants can elect to have their entire plan balance allocated in accordance with one of the models offered.

Model Allocation Determination

The Board has authorized a set of asset allocation models to be offered. These models were designed to be sensitive to the two primary drivers of optimal asset allocation: Risk Tolerance and Investment Horizon. Accordingly, the models are arrayed on these two dimensions.

Risk Tolerance

Participants are able to select their risk tolerance from one of three levels, Conservative, Moderate and Aggressive. Each model is designed to provide the highest expected long term return possible at that risk tolerance level.

Participant Investment Horizon

A participant's investment horizon is also a determinant of the level of risk that may be appropriate. Participants with longer investment horizons have more time to recover from short term losses and thus are able to accept more variability in their interim account values and potentially earn a higher long term return. For each of the three levels of general Risk Tolerance, four investment horizon models have been selected. These Investment Horizon models become more conservative, with higher allocations to bonds and stable value investments, as the horizon becomes shorter. These models were designed to be consistent with the participants' retirement date.

Model Allocation Investments

The Model Allocations are able to utilize all of the investment Options offered by the Plans. However, the models are not required to make use of all Options if it is determined that a particular Option is not appropriate for a given risk tolerance and investment time horizon.

Model Allocation Implementation

These asset allocation models will be implemented by the Plans' recordkeeper. The recordkeeper will automatically allocate any contributions and distributions across the Options in the model, in order to maintain the targeted model allocation. The recordkeeper will generally rebalance the allocation across the Options back to the target allocation on a quarterly basis.

Model Revisions

The Board will review these target allocations periodically. If any new Options are added to the Plans, the model allocations will be reviewed to ascertain whether the new Options should be included and in what allocation.

VII. FUND ALLOCATION MODELS

The current Model Allocations are shown below.

Conservative

The objective of the Conservative Model Allocation is to achieve long term growth in excess of inflation with a minimal risk of capital loss over a full market cycle.

Conservative	C01	C02	C03	C04
	0-5 Yrs	6-10 Yrs	11-15 Yrs	16+ Yrs
Large Cap Value	1%	2%	3%	3%
Large Cap Index	4%	4%	7%	8%
Large Cap Growth	1%	2%	3%	3%
Small / Mid Cap Value	2%	3%	5%	7%
Small / Mid Cap Index	0%	0%	0%	0%
Small / Mid Cap Growth	2%	3%	5%	7%
Global	6%	10%	15%	23%
International	3%	5%	7%	11%
International Index	0%	0%	0%	0%
Fixed Income	16%	14%	12%	10%
Fixed Income Index	17%	14%	13%	10%
Stable Value	40%	35%	22%	10%
Inflation Sensitive	8%	8%	8%	8%

Moderate

The objective of the Moderate Model Allocation is moderate growth of principal with limited downside risk over a market cycle.

Moderate	M01	M02	M03	M04
	0-5 Yrs	6-10 Yrs	11-15 Yrs	16+ Yrs
Large Cap Value	2%	3%	4%	5%
Large Cap Index	5%	7%	7%	10%
Large Cap Growth	2%	3%	4%	5%
Small / Mid Cap Value	4%	5%	7%	10%
Small / Mid Cap Index	0%	0%	0%	0%
Small / Mid Cap Growth	4%	5%	7%	10%
Global	11%	15%	19%	25%
International	6%	7%	9%	12%
International Index	0%	0%	0%	0%
Fixed Income	13%	12%	10%	4%
Fixed Income Index	13%	13%	10%	5%
Stable Value	31%	21%	14%	5%
Inflation Sensitive	9%	9%	9%	9%

VII. FUND ALLOCATION MODELS

Aggressive

The primary investment objective of the Aggressive Model Allocation is to maximize growth of principal over the long term with a reasonable level of overall volatility.

Aggressive	A01	A02	A03	A04
	0-5 Yrs	6-10 Yrs	11-15 Yrs	16+ Yrs
Large Cap Value	3%	4%	5%	6%
Large Cap Index	7%	7%	8%	11%
Large Cap Growth	3%	4%	5%	6%
Small / Mid Cap Value	6%	7%	9%	11%
Small / Mid Cap Index	0%	0%	0%	0%
Small / Mid Cap Growth	6%	7%	9%	11%
Global	16%	19%	24%	30%
International	8%	9%	12%	15%
International Index	0%	0%	0%	0%
Fixed Income	12%	10%	5%	0%
Fixed Income Index	12%	10%	6%	0%
Stable Value	17%	13%	7%	0%
Inflation Sensitive	10%	10%	10%	10%

VIII. REVIEW PROCEDURES

To fulfill its ongoing fiduciary responsibility, the Board will, on a periodic basis and not less than annually, review the actual results achieved by the investment options to verify that each Option is being managed in compliance with the investment guidelines and to evaluate the investment return produced in comparison to the performance objectives stated herein. The Investment Consultant will assist the Board in the review and evaluation.

On a periodic basis, the Board will review this Statement of Investment Policy to determine whether any changes should be made.

Adopted by the Board Chair:

Date: _____

CODE REFERENCES AND DEFINITIONS

Code References

Section 401(a) – Section 401(a) of the Code provides the general provisions for any tax qualified plan or trust.

Section 401(k) – Section 401(k) of the Code provides the legislation for a defined contribution plan established by an employer in which employees can make pretax contributions.

Section 501(a) – Section 501(a) of the Code provides the legislation for the tax advantaged status of most Section 401 plans.

Section 404(c) - Section 404(c) of ERISA provides a safe haven for plan sponsors regarding participant investment elections. Specifically, the fiduciaries of a plan that meets the requirements of Section 404(c) are relieved of fiduciary obligations related to investment decisions made by participants. The requirements for compliance with Section 404(c) include:

- Plan must offer at least three diversified core Options;
- Participants must be able to switch investments as frequently as appropriate given market conditions;
- Each of the three core Options must permit transfers at least quarterly;
- Participants must be given certain information on each of the investment alternatives “so as to permit informed investment decisions”; and
- If employer stock is offered as an investment alternative, special rules apply.

Section 457 – Section 457 of the Code provides regulation for Plans where payment of compensation is deferred.

Definitions

Investment Option: A specific investment fund offered to a participant; may be composed of a single mutual fund or a group of separate account vehicles.

Pooled Investment: A pooled investment option or fund is a structure where multiple investment managers are responsible for managing a portion of the Option or fund’s assets.

Mandate: A set of objectives and guidelines that describe a type of portfolio. Mandates are assigned to individual portfolio managers.

APPENDIX A**INVESTMENT FUND MANAGER MANDATES AND BENCHMARKS****Appendix A**

Asset Class	Investment Manager	Benchmark	Universe
Stable Value	Galliard	ML 91 Day T-Bill +1%	Stable Value
Fixed Income	Prudential Investment Management	Barclays Capital Aggregate	Core Plus Bond
	J.P. Morgan	Barclays Capital Aggregate	Core Bond
Fixed Income Index	Blackrock	Barclays Capital Aggregate	Core Bond
Inflation Sensitive Fund	PIMCO	Custom ¹	None
Large Cap Index	Blackrock	S & P 500	Large Cap Core Index
Large Cap Value	Robeco	Russell 1000 Value	Large Cap Value Equity
	Hotchkis & Wiley	Russell 1000 Value	Large Cap Value Equity
	Delaware	Russell 1000 Value	Large Cap Value Equity
Large Cap Growth	Sands Capital	Russell 1000 Growth	Large Cap Growth Equity
	Wellington	Russell 1000 Growth	Large Cap Growth Equity
	Loomis Sayles & Company	Russell 1000 Growth	Large Cap Growth Equity
Small / Mid Cap Index	Blackrock	Russell 2500	SMID Cap Core Index
Small / Mid Cap Value	Hotchkis & Wiley	Russell 2500 Value	SMID Cap Value Equity
	Earnest Partners	Russell 2500 Value	SMID Cap Value Equity
	Wedge Capital Management	Russell 2500 Value	SMID Cap Value Equity

¹ Inflation Sensitive Index: 45% Barclays Capital U.S. TIPS Index; 20% DJ-UBS Commodity TR Index; 10% Dow Jones U.S. Select REIT Index; 10% JPM Emerging Local Market ELMI Plus Index; 10% DJ-UBS Gold TR Index.

APPENDIX A**INVESTMENT FUND MANAGER MANDATES AND BENCHMARKS**

Small / Mid Cap Growth	TimeSquare Capital	Russell 2500 Growth	SMID Cap Growth Equity
	Brown Advisory	Russell 2500 Growth	SMID Cap Growth Equity
International Equity Index	Blackrock	MSCI ACWI ex US	NonUS Equity
International Equity	Baillie Gifford	MSCI ACWI ex US	NonUS Equity
	Mondrian	MSCI ACWI ex US	
Global Equity	Arrowstreet	MSCI ACWI	Global Equity
	Wellington	MSCI ACWI	Global Equity

Appendix B

The following tables list the current Investment Managers utilized in each fund. Each Investment Manager is assigned a target allocation of the fund and a range around that target which describes the minimum and maximum allocation to that Investment Manager. The Board has charged the Custodian with maintaining each Investment Manager's allocation of the individual funds' assets within these ranges. The Board designates DST staff with the authority to move assets between the Investment Managers in order to bring the allocation more closely in line with these target allocations.

Large Cap Index Fund

Investment Manager	Target Allocation
Blackrock	100.0%

Large Cap Value Fund

Investment Manager	Target Allocation	Allocation Range
Hotchkis & Wiley	33.3%	+/- 3%
Delaware	33.3%	+/- 3%
Robeco	33.3%	+/- 3%

Large Cap Growth Fund

Investment Manager	Target Allocation	Allocation Range
Sands Capital	33.3%	+/- 3%
Wellington	33.3%	+/- 3%
Loomis Sayles	33.3%	+/- 3%

Small/Mid Cap Index Fund

Investment Manager	Target Allocation
Blackrock	100.0%

Small/Mid Cap Value Fund

Investment Manager	Target Allocation	Allocation Range
Earnest Partners	33.3%	+/- 3%
Hotchkis & Wiley	33.3%	+/- 3%
Wedge Capital Management	33.3%	+/- 3%

Small/Mid Cap Growth Fund

Investment Manager	Target Allocation	Allocation Range
TimeSquare Capital	50.0%	+/- 3%
Brown Advisory	50.0%	+/- 3%

INVESTMENT FUND MANAGER MANDATES AND BENCHMARKS

International Equity Index Fund

Investment Manager	Target Allocation
Blackrock	100.0%

International Equity Fund

Investment Manager	Target Allocation	Allocation Range
Baillie Gifford	50.0%	+/- 3%
Mondrian	50.0%	+/- 3%

Global Equity Fund

Investment Manager	Target Allocation	Allocation Range
Arrowstreet	50.0%	+/- 3%
Wellington	50.0%	+/- 3%

Inflation Sensitive Fund

Investment Manager	Target Allocation
PIMCO	100%

Fixed Income Fund

Investment Manager	Target Allocation	Allocation Range
JP Morgan	50.0%	+/- 3%
Prudential Investment Management	50.0%	+/- 3%

Fixed Income Index Fund

Investment Manager	Target Allocation
Blackrock	100%

Appendix C
Service Providers

Effective on or about January 1, 2016

Recordkeeper:	Prudential Retirement Services
Custodian:	Bank of New York Mellon
Investment Consultant:	Mercer Investment Consulting
Investment Advisor:	Galliard Capital Management

Appendix D Investment Array

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

Guideline Exceptions Granted by the Board

Manager	Date	Guideline	Explanation
PIMCO – Inflation Strategy	Sept 2013	Prohibition against leverage	PIMCO utilized forward settling bond purchases in order to adjust their yield curve positioning. PIMCO will remain with the overall duration guidelines of the fund.

IPS Revision History

Version	Approved	Summary of Changes
1.4	Dec 2011	<ul style="list-style-type: none"> Change Stable Value guidelines to refer to “manager” generically and not Galliard specifically
1.5	June 2012	<ul style="list-style-type: none"> Change consultant reporting to quarterly Change global equity from “Opportunistic” to just Global Equity Fund, updated guidelines to traditional long equity Add Max 10% security limit to all equity funds Add new managers and update fund target allocations: <ul style="list-style-type: none"> Neuberger, Robeco, Wedge, Arrowstreet
1.6	June 2013	<ul style="list-style-type: none"> Move Global Equity country max limit to 60% from 50% (Approved Nov 2012) Add Inflation Fund Add revision history
1.7	September 2013	<ul style="list-style-type: none"> Clarify language around use of leverage in general; leverage prohibited except where permission granted by the Board. Add prohibition against purchasing initial offerings from affiliated entities of the investment manager Add Exceptions Granted table Modify global equity fund guidelines to allow smaller cap companies and frontier market countries
1.8	December 2013	<ul style="list-style-type: none"> prohibited from purchasing securities from affiliates of the Manager in an initial offering, unless granted permission by the Board
2.0	December 2015	<ul style="list-style-type: none"> removed detailed investment guidelines for each of the funds