

HEALTH WEALTH CAREER

NORTH CAROLINA SUPPLEMENTAL RETIREMENT PLANS

FIRST QUARTER PERFORMANCE REVIEW

MAKE TOMORROW, TODAY





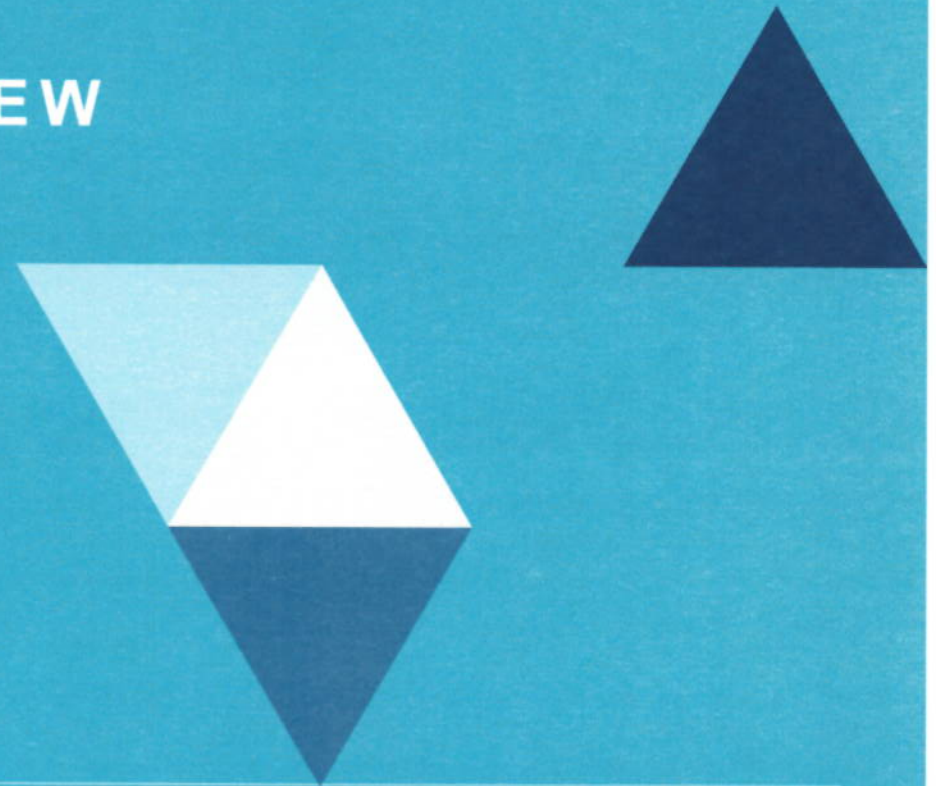
AGENDA

- Capital Markets Review
- First Quarter Performance
- Appendix





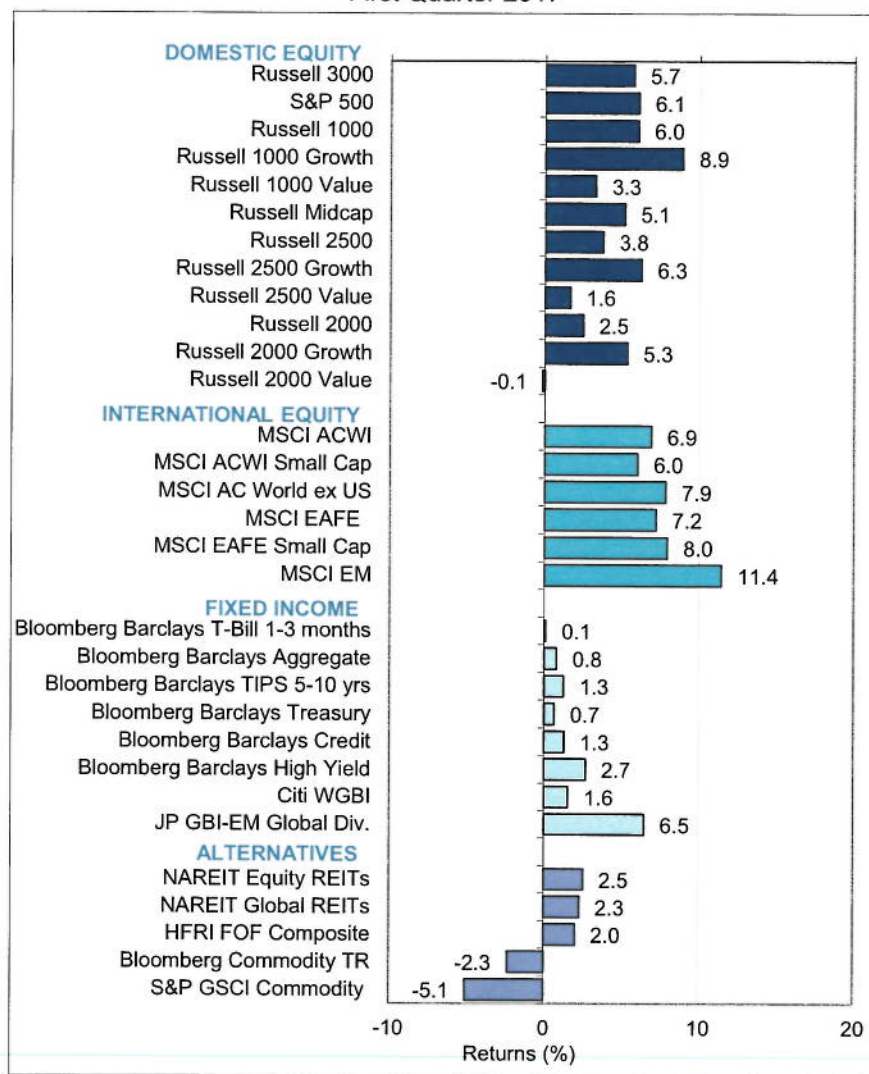
CAPITAL MARKETS REVIEW



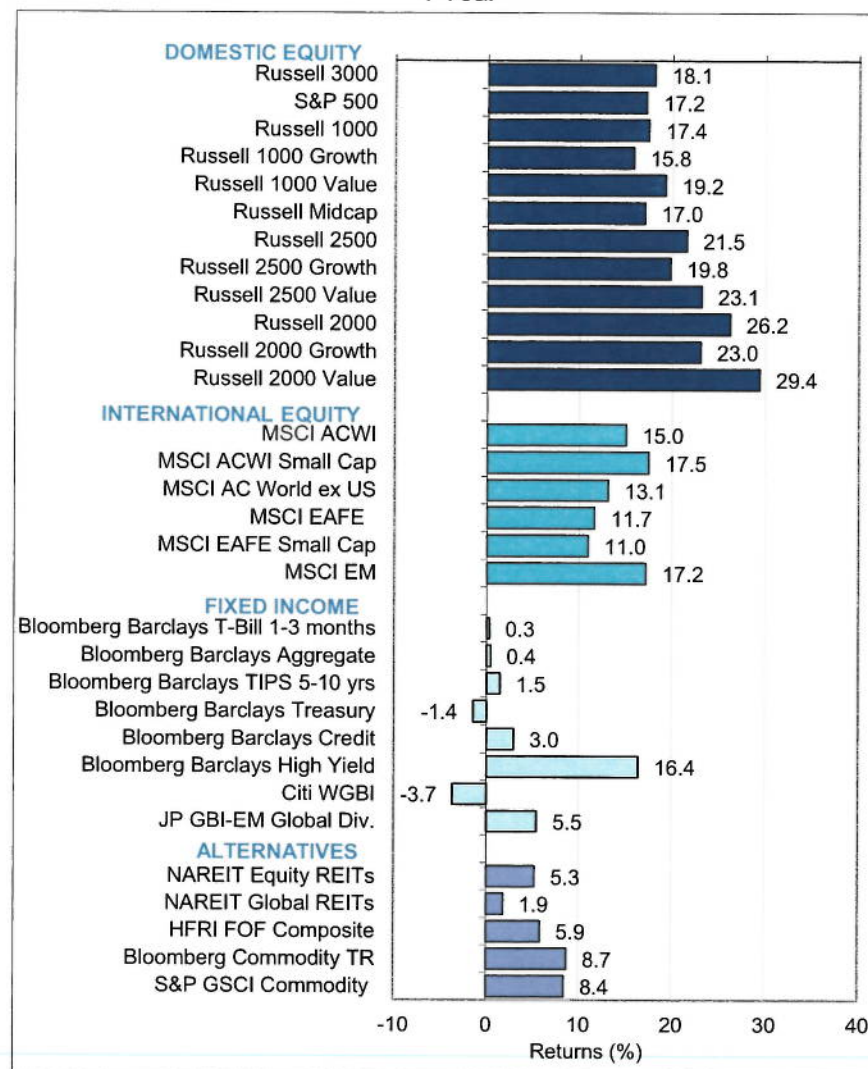
PERFORMANCE SUMMARY

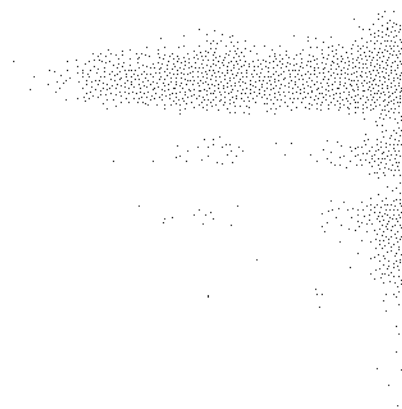
QUARTER IN REVIEW

Market Performance
First Quarter 2017



Market Performance
1 Year



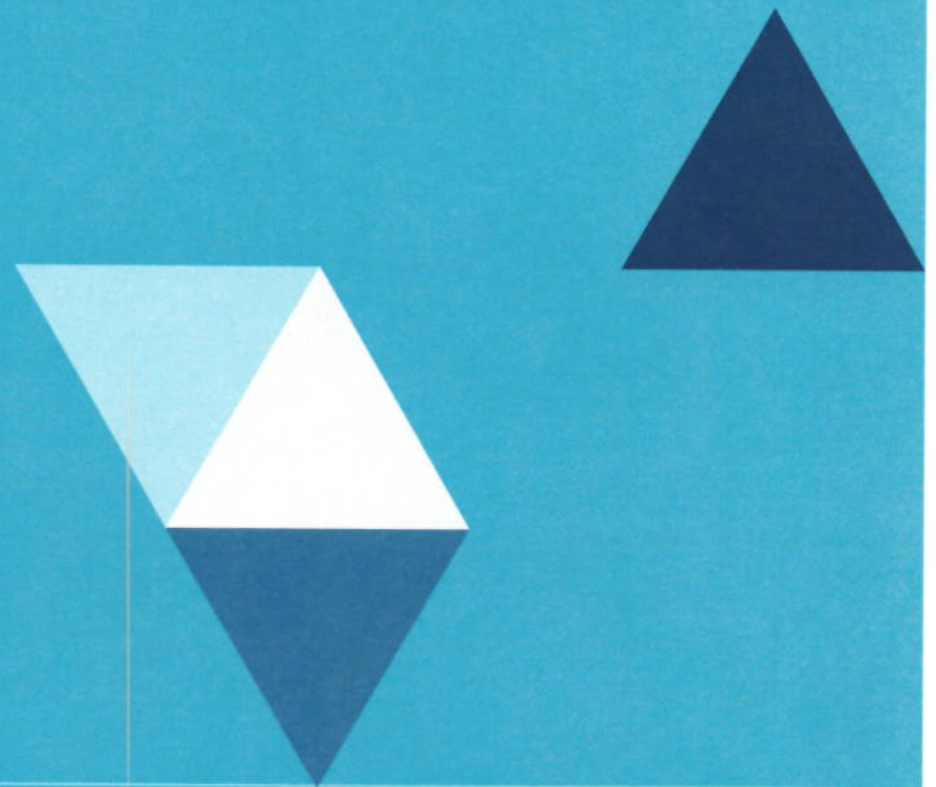


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FIRST QUARTER PERFORMANCE



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
Goal Maker		Stable Value Fund Galliard Stable Value	
	Fixed Income BlackRock Debt Index	Fixed Income Fund TCW Core Plus Prudential Core Plus	
		Inflation Responsive Fund PIMCO IRMAF	
	Large Cap Equity BlackRock Equity Index	Large Cap Value Fund Hotchkis & Wiley Large Cap Value Delaware Large Cap Value Boston Partners Large Cap Value	
		Large Cap Growth Fund Sands Capital Large Cap Growth Wellington Opportunistic Growth Loomis Large Cap Growth	
	Small/Mid Cap Equity BlackRock Russell 2500 Index	Small/Mid Cap Value Fund Hotchkis & Wiley SMID Value Earnest Partners SMID Cap Value Wedge SMID Cap Value	
		Small/Mid Cap Growth Fund TimesSquare SMID Growth Brown Advisory SMID Growth	
		Global Equity Fund Wellington Global Opportunities Arrowstreet Global Equity ACWI	
	International Equity BlackRock ACWI ex US Index	International Equity Fund Baillie Gifford ACWI ex US Growth Mondrian ACWI ex US Value	

FUND REVIEW

FUND PERFORMANCE AS OF MARCH 31, 2017

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

PERFORMANCE SCORECARD

	Mercer Rating	Return								Risk ¹	
		3 Years to 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		5 Years to 03/31/2017	
		I	U	I	U	I	U	I	U	I	
Large Cap Passive Fund (tracked within 20bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA	
BlackRock Equity Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA	
Large Cap Value Fund		✗	✓	✗	✓	✗	✓	✗	✓	NA	
Hotchkis & Wiley Large Cap Value	A (T)	✓	✓	✓	✓	✗	✗	✗	✗	✓	
Delaware Large Cap Value ²	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Boston Partners Large Cap Value	A	✗	✗	✗	✗	✗	✗	✗	✗	✓	
Large Cap Growth Fund		✗	✗	✗	✗	✗	✓	✗	✗	NA	
Sands Capital Large Cap Growth	A (T)	✗	✗	✗	✗	✗	✗	✗	✗	✓	
Wellington Opportunistic Growth	A	✗	✗	✗	✗	✗	✗	✗	✗	✓	
Loomis Large Cap Growth ³	B+ (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓	

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

² Represents the Delaware Large Cap Growth Composite.

³ Represents the Loomis Large Cap Growth Composite.

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

PERFORMANCE SCORECARD

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

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PERFORMANCE SCORECARD

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

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PERFORMANCE SCORECARD

	Mercer Rating	Return								Risk ¹	
		3 Years to 03/31/2017		3 Years to 12/31/2016		3 Years to 09/30/2016		3 Years to 06/30/2016		5 Years to 03/31/2017	
		I	U	I	U	I	U	I	U	I	
Inflation Responsive Fund		✓	✓	✓	✓	✓	✓	NA	NA	NA	
PIMCO Inflation Response-Multi Asset	B+ (W)	✓	✓	✓	✓	✓	✓	✓	✓	NA	
Fixed Income Passive Fund (tracked within 25 bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA	
BlackRock Debt Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA	
Fixed Income Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA	
TCW Core Plus ²	A	✓	✗	✓	✗	✓	✗	✓	✓	✓	
Prudential Core Plus ³	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Stable Value Fund	A	✓	✗	✓	✓	✓	✗	✓	✓	NA	

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

² Represents the TCW Core Plus Composite.

³ Represents the Prudential Core Plus Composite.

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WATCH LIST

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

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WATCH LIST

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Wellington Opportunistic Growth	4Q16	A	Maintain Watch Status	<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 during the fourth quarter of 2016, as relative performance struggled over the prior to two and a half year period. Over 2016, Wellington trailed the benchmark by 450 basis points and ranked in the bottom half of the peer group universe. 2016 was a very difficult market environment for active large cap growth managers, as investors preferred higher yielding stocks in more defensive sectors like utilities and telecommunications. The markets preference for yield subsided slightly in the second half of 2016, but the top third highest yielding stocks in the Russell 1000 Growth Index outperformed the bottom third lowest yielding stocks by over 1500 basis points. During the first quarter, Wellington outperformed the benchmark by 170 basis points as investors rotated back into higher quality growth equities. This was beneficial given Wellington's investment process. Wellington's strong security selection within the information technology and industrials sectors led to the outperformance. Wellington continues to focus on quality growth companies benefiting from long term cyclical growth and has positioned the portfolio to benefit from secular trends to cloud computing and the growing adoption of electronic payments. We continue to believe in the leadership, investment acumen and collaboration of portfolio managers Drew Shilling, Timothy Manning, and Steven Angeli.</p>

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

WATCH LIST

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

WATCH LIST

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Hotchkis and Wiley	Recommended 1Q17	B+ (T)	Add to Watch List	<p>Hotchkis & Wiley utilizes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies where the intrinsic value of the companies future cash flows exceeds the market price. The team does not consider benchmark characteristics in portfolio construction, as they view permanent loss of capital the primary source of risk. Hotchkis believes that the low valuations and lower leverage provides them a margin of safety.</p> <p>Hotchkis, like other value managers, struggled in 2016 when more defensive names were in favor. Hotchkis avoided the non-cyclical securities with higher payout ratios that investors preferred during the first half of 2016, as Hotchkis believed these companies had excessive valuations resulting from the low interest rate environment. During the second half of 2016, cyclical securities rebounded and outperformed the securities with higher payout ratios. In 2016, Hotchkis underperformed the benchmark by 320 basis points but ranked in the top half of the peer group universe. Investors rotated back into growth during the first quarter and Hotchkis trailed the benchmark by 40 basis points. A majority of the underperformance came from Hotchkis's large overweight to the energy sector (10.7%), which was the worst performer with oil prices declining by 9%. Hotchkis was able to offset some of this underperformance with strong security selection in the utilities sector, particularly with holding NRG. Given the outperformance of higher dividend paying securities with extreme valuations, it is not surprising to see Hotchkis struggle. We continue to have confidence in Hotchkis's investment process and fundamental approach to value investing.</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 ¹	NC Budget ²	Total Estimated Expense (%)	Total Estimated Expense (\$) ³	Mercer Median Expense ⁴	Difference	
North Carolina Stable Value Fund Galliard	\$2,475,020,511 \$2,475,020,511	0.333% 0.333%	0.001% 0.000%	0.025%	0.359%	\$8,892,257 \$8,241,818	0.42% 0.42%	-0.06% -0.08%	F-H C-H
North Carolina Fixed Income Passive Fund BlackRock	\$455,797,946 \$455,797,946	0.020% 0.020%	0.003% 0.000%	0.025%	0.048%	\$218,545 \$91,160	0.20% 0.02%	-0.15% 0.00%	
North Carolina Fixed Income Fund 50% TCW ⁷ 50% Prudential	\$676,878,609 \$338,057,640 \$338,820,969	0.158% 0.167% 0.150%	0.007% 0.000% 0.000%	0.025%	0.191%	\$1,289,495 \$663,336 \$508,231	0.49% 0.26% 0.25%	-0.30% -0.08% -0.10%	
North Carolina Inflation Sensitive Fund PIMCO	\$426,440,177 \$426,440,177	0.690% 0.690%	0.003% 0.000%	0.025%	0.718%	\$3,060,526 \$2,942,437	0.82% 0.82%	-0.10% -0.13%	
North Carolina Large Cap Passive Fund BlackRock	\$1,449,537,771 \$1,449,537,771	0.007% 0.007%	0.001% 0.000%	0.025%	0.033%	\$471,155 \$101,468	0.20% 0.01%	-0.17% 0.00%	
North Carolina Large Cap Value Fund 33.3% Hotchkis & Wiley 33.3% Delaware 33.3% Robeco BP	\$977,063,813 \$327,493,395 \$325,307,179 \$324,263,239	0.377% 0.500% 0.292% 0.339%	0.008% 0.000% 0.000% 0.000%	0.025%	0.410%	\$4,009,531 \$1,637,467 \$950,614 \$1,097,790	0.71% 0.43% 0.43% 0.43%	-0.30% 0.07% -0.13% -0.09%	
North Carolina Large Cap Growth Fund 33.3% Sands Capital Management 33.3% Wellington Management Company 33.3% Loomis Sayles	\$942,555,803 \$315,724,127 \$312,960,562 \$313,871,114	0.419% 0.514% 0.350% 0.392%	0.010% 0.000% 0.000% 0.000%	0.025%	0.454%	\$4,277,924 \$1,623,133 \$1,095,362 \$1,231,613	0.75% 0.46% 0.57% 0.46%	-0.30% 0.05% -0.22% -0.07%	
North Carolina SMID Cap Passive Fund BlackRock	\$258,340,678 \$258,340,678	0.007% 0.007%	0.005% 0.000%	0.025%	0.037%	\$96,334 \$18,084	0.25% 0.02%	-0.21% -0.01%	
North Carolina SMID Value Fund 33.3% Hotchkis & Wiley 33.3% EARNEST Partners 33.3% WEDGE Capital Management	\$525,186,905 \$174,998,693 \$175,328,008 \$174,860,204	0.605% 0.669% 0.517% 0.729%	0.016% 0.000% 0.000% 0.000%	0.025%	0.645%	\$3,389,175 \$994,993 \$906,180 \$1,274,161	0.98% 0.60% 0.71% 0.71%	-0.33% -0.03% -0.19% 0.02%	
North Carolina SMID Growth Fund 50% TimesSquare Capital Management 50% Brown Advisory	\$396,537,162 \$197,854,475 \$198,682,687	0.665% 0.763% 0.566%	0.015% 0.000% 0.000%	0.025%	0.705%	\$2,796,357 \$1,510,644 \$1,125,470	0.95% 0.75% 0.75%	-0.24% 0.01% -0.18%	
North Carolina International Passive Fund BlackRock	\$51,041,270 \$51,041,270	0.025% 0.025%	0.034% 0.000%	0.025%	0.084%	\$42,684 \$12,607	0.36% 0.06%	-0.27% -0.04%	
North Carolina International Equity Fund 50% Baillie Gifford 50% Mondrian Investment Partners	\$627,649,613 \$315,221,714 \$312,427,899	0.444% 0.440% 0.448%	0.009% 0.000% 0.000%	0.025%	0.478%	\$3,000,170 \$1,385,687 \$1,399,712	0.94% 0.57% 0.57%	-0.46% -0.13% -0.12%	
North Carolina Global Equity Fund 50% Wellington Management Company 50% Arrowstreet	\$908,452,997 \$455,710,119 \$452,742,878	0.544% 0.500% 0.589%	0.006% 0.000% 0.000%	0.025%	0.575%	\$5,224,092 \$2,278,551 \$2,665,086	0.95% 0.56% 0.55%	-0.37% -0.05% 0.04%	
Total	\$10,170,503,255	0.331%	0.006%	0.025%	0.362%	\$36,768,244	0.582%		

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

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

³ Manager fee estimates reflect investment management fee only.

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

⁵ Does not include the \$31 per participant record-keeping fee

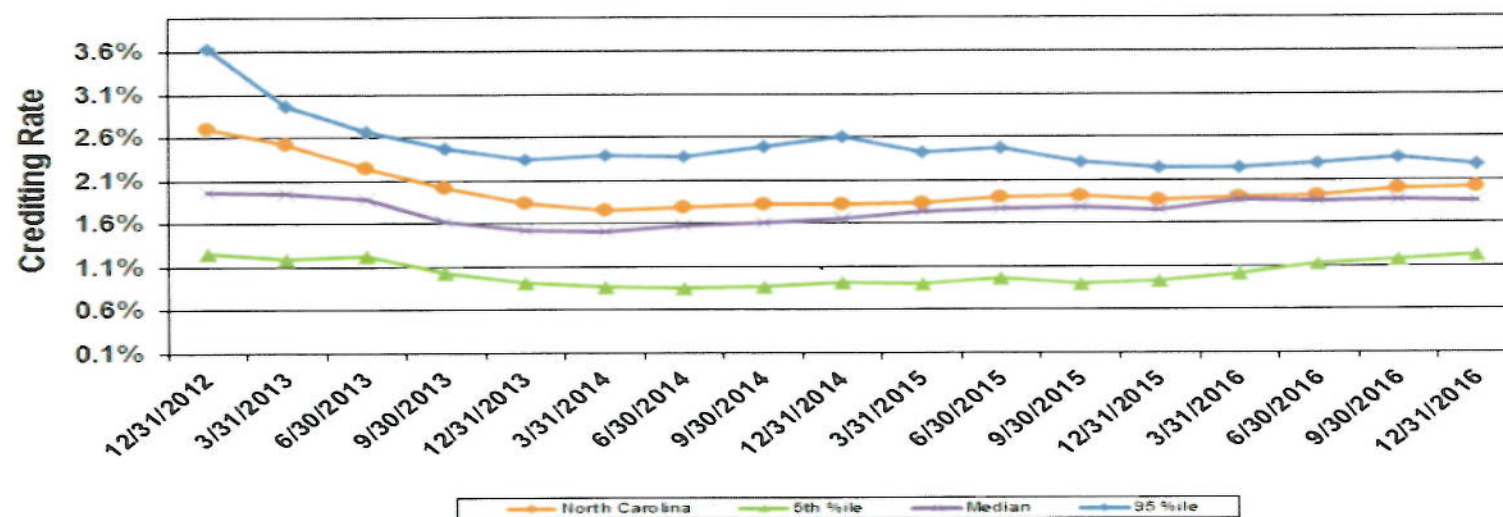
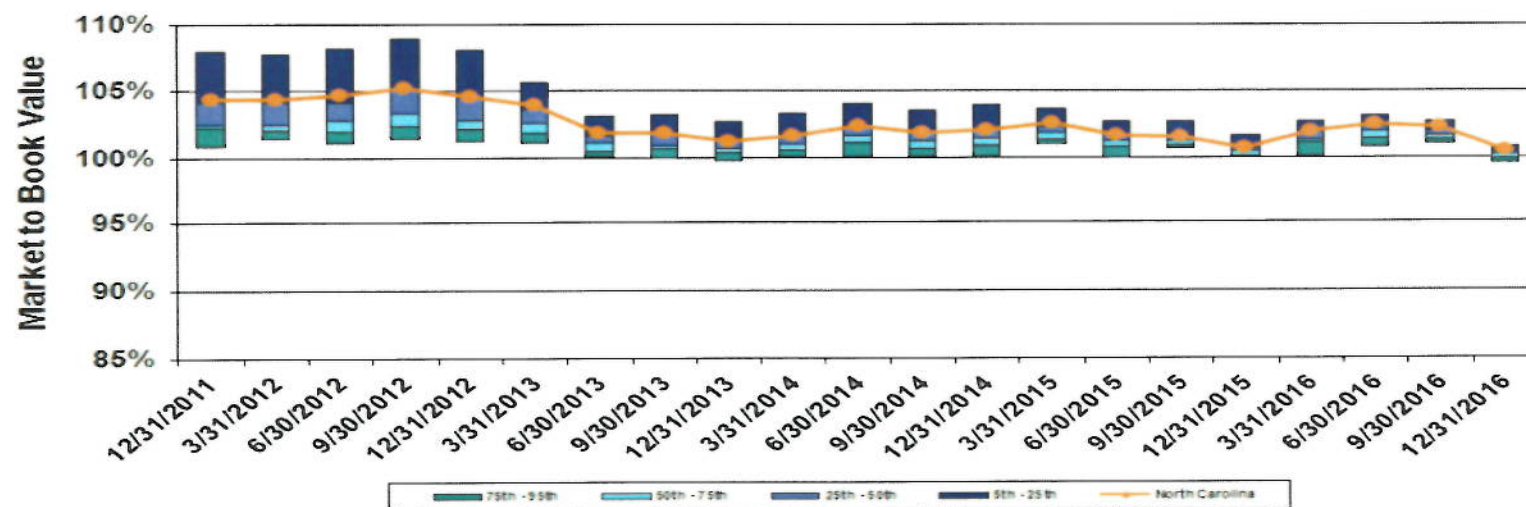
⁶ Mercer Stable Value Median for Funds with over \$500M in assets

⁷ IM Fee includes 3 Month Fee Holiday

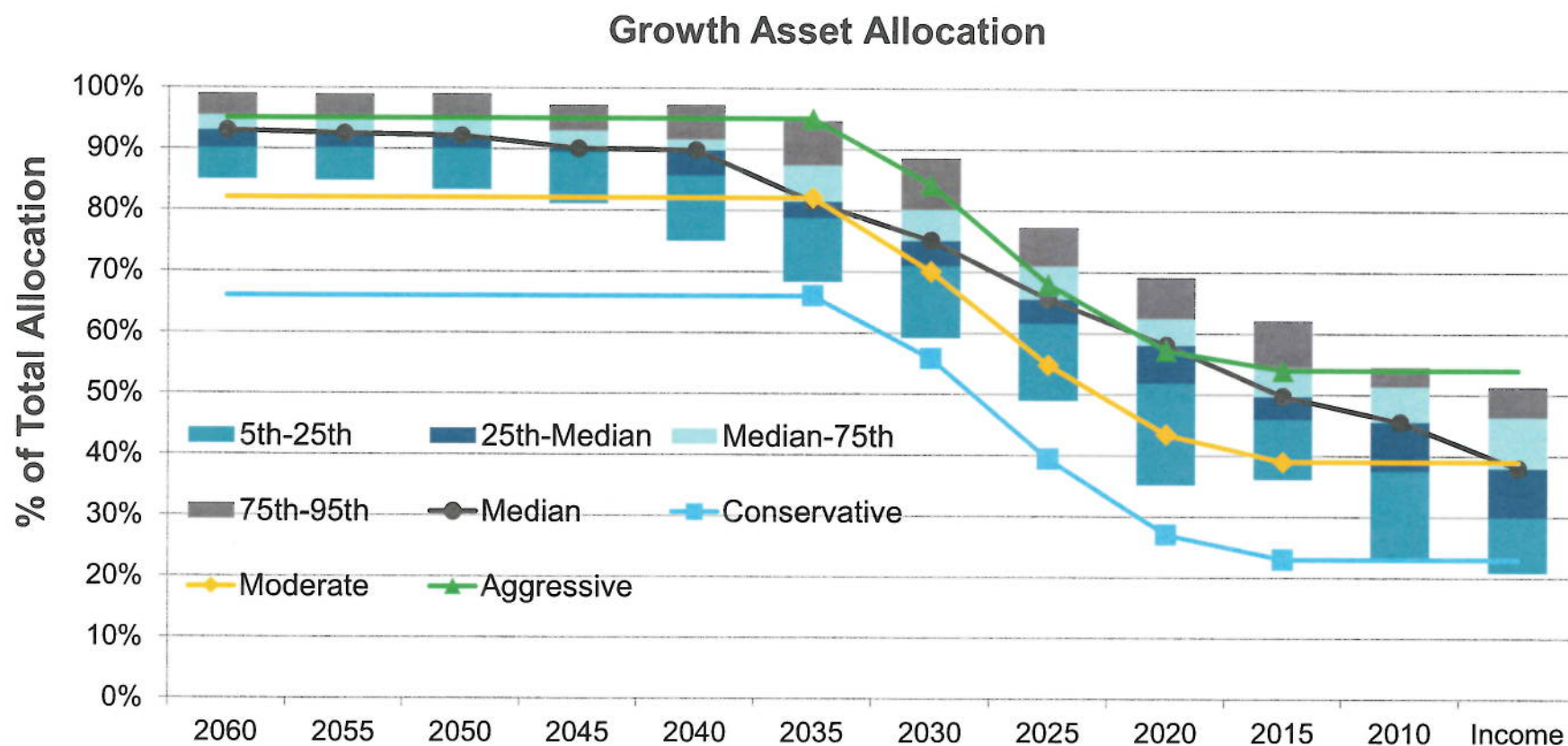
FEE REVIEW

North Carolina Stable Value Fund Operating Expenses	Expense Ratio	Per \$1000
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**	0.033%	\$0.33
Investment Contract Fees	0.014%	\$0.14
Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non-Affiliated Investment Advisors***	0.018%	\$0.18
12b-1 Distribution Fee	None	None
Other Expenses	0.027%	\$0.27
Total Annual Fund Operating Expenses****	0.360%	\$3.60

STABLE VALUE REVIEW



TARGET DATE FUNDS ASSET ALLOCATION COMPARISON TO MARKET SURVEY



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

FUND REVIEW

GOALMAKER PERFORMANCE AS OF MARCH 31, 2017

Name	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Conservative 0-5 Yrs	2.1%	99	4.4%	90	5.2%	98	3.4%	84	4.3%	97
Conservative 0-5 Yrs Benchmark	1.9%	99	4.2%	93	4.7%	99	3.0%	89	3.8%	99
Conservative 6-10 Yrs	2.7%	88	5.1%	86	6.7%	89	3.8%	60	5.1%	82
Conservative 6-10 Yrs Benchmark	2.5%	91	5.0%	86	6.3%	90	3.5%	77	4.6%	84
Conservative 11-15 Yrs	3.8%	85	6.5%	77	9.3%	76	4.6%	55	6.6%	74
Conservative 11-15 Yrs Benchmark	3.4%	90	6.7%	72	9.0%	81	4.4%	61	6.2%	80
Conservative 16+ Yrs	4.9%	52	7.8%	47	12.2%	40	5.3%	41	8.0%	41
Conservative +16 Yrs Benchmark	4.5%	76	8.3%	27	12.1%	41	5.2%	43	7.8%	48

Name	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Moderate 0-5 Yrs	3.0%	87	5.6%	76	7.6%	70	4.0%	59	5.6%	78
Moderate 0-5 Yrs Benchmark	2.8%	95	5.6%	77	7.3%	79	3.8%	79	5.1%	88
Moderate 6-10 Yrs	3.8%	62	6.5%	54	9.3%	42	4.6%	40	6.6%	44
Moderate 6-10 Yrs Benchmark	3.4%	75	6.7%	49	9.0%	57	4.4%	44	6.2%	55
Moderate 11-15 Yrs	4.6%	37	7.4%	47	11.4%	25	5.0%	34	7.6%	39
Moderate 11-15 Yrs Benchmark	4.3%	61	7.8%	21	11.2%	26	5.0%	37	7.3%	49
Moderate 16+ Yrs	5.8%	13	8.7%	13	14.5%	4	5.6%	22	9.0%	5
Moderate +16 Yrs Benchmark	5.4%	25	9.5%	9	14.6%	3	5.7%	22	8.9%	5

Name	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Aggressive 0-5 Yrs	4.0%	26	6.6%	49	9.7%	18	4.7%	25	6.8%	10
Aggressive 0-5 Yrs Benchmark	3.6%	38	6.9%	35	9.4%	22	4.6%	30	6.5%	28
Aggressive 6-10 Yrs	4.6%	14	7.4%	25	11.4%	7	5.0%	15	7.6%	5
Aggressive 6-10 Yrs Benchmark	4.3%	23	7.8%	10	11.2%	12	5.0%	16	7.3%	10
Aggressive 11-15 Yrs	5.5%	6	8.5%	9	13.8%	1	5.5%	9	8.8%	3
Aggressive 11-15 Yrs Benchmark	5.1%	16	9.3%	3	13.8%	1	5.6%	8	8.6%	4
Aggressive 16+ Yrs	6.6%	1	10.0%	5	17.0%	1	6.1%	7	10.2%	1
Aggressive +16 Yrs Benchmark	6.2%	2	10.9%	2	17.2%	1	6.2%	3	10.1%	1

- The GoalMaker Portfolios had competitive performance versus their benchmarks over the time periods evaluated ended March 31, 2017.

FUND REVIEW

MANAGER PERFORMANCE AS OF MARCH 31, 2017

Name	Market Value (\$m)	YTD (%)	Inception									
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
NCSRP BlackRock Equity Index	\$1,449.5	14.3%	6.1%	--	17.2%	--	10.4%	--	13.3%	--	17.0%	Mar-09
S&P 500			6.1%	--	17.2%	--	10.4%	--	13.3%	--	17.0%	Mar-09
NCSRP Hotchkis & Wiley Large Cap Value	\$327.5	3.2%	4.7%	29	25.7%	8	8.7%	39	14.8%	10	19.6%	Mar-09
Russell 1000 Value			3.3%	70	19.2%	47	8.7%	39	13.1%	41	16.7%	Mar-09
NCSRP Delaware Large Cap Value	\$325.3	3.2%	3.3%	68	17.0%	69	--	--	--	--	7.4%	Jun-15
Delaware Large Cap Value Strategy			3.3%	69	17.1%	68	10.0%	14	14.4%	14	7.7%	Jun-15
Russell 1000 Value			3.3%	70	19.2%	47	8.7%	39	13.1%	41	7.9%	Jun-15
NCSRP Robeco BP Large Cap Value	\$324.3	3.2%	4.1%	44	20.1%	34	7.7%	65	13.4%	35	15.8%	Nov-11
Russell 1000 Value			3.3%	70	19.2%	47	8.7%	39	13.1%	41	14.9%	Nov-11
NCSRP Sands Capital Large Cap Growth	\$315.7	3.1%	14.1%	2	17.6%	25	6.3%	98	11.6%	77	21.2%	Mar-09
Russell 1000 Growth			8.9%	55	15.8%	47	11.3%	28	13.3%	35	17.7%	Mar-09
NCSRP Wellington Opportunistic Growth	\$313.0	3.1%	10.6%	21	15.4%	51	9.0%	72	13.0%	43	17.1%	Mar-09
Russell 1000 Growth			8.9%	55	15.8%	47	11.3%	28	13.3%	35	17.7%	Mar-09
Russell 3000 Growth			8.6%	58	16.3%	41	10.9%	34	13.2%	36	17.7%	Mar-09
NCSRP Loomis Large Cap Growth	\$313.9	3.1%	9.0%	54	16.9%	34	--	--	--	--	14.0%	Aug-14
Loomis Large Cap Growth Strategy			8.8%	57	16.5%	37	12.8%	7	15.8%	5	13.5%	Aug-14
Russell 1000 Growth			8.9%	55	15.8%	47	11.3%	28	13.3%	35	11.3%	Aug-14
NCSRP BlackRock Russell 2500 Index Fund	\$258.3	2.5%	3.7%	--	21.5%	--	7.5%	--	12.7%	--	18.4%	Mar-09
Russell 2500			3.8%	--	21.5%	--	7.4%	--	12.6%	--	18.3%	Mar-09
NCSRP Hotchkis & Wiley	\$175.0	1.7%	1.2%	76	22.0%	43	5.4%	76	14.0%	25	22.3%	Mar-09
Hotchkis Custom SMID Value Index			1.6%	72	23.1%	29	7.6%	51	12.9%	45	18.6%	Mar-09
NCSRP EARNEST Partners	\$175.3	1.7%	6.7%	2	25.7%	14	9.7%	20	13.8%	29	18.5%	Mar-09
EARNEST Custom SMID Value Index			1.6%	72	23.1%	29	7.6%	51	12.9%	45	17.4%	Mar-09
NCSRP WEDGE SMID Cap Value	\$174.9	1.7%	3.8%	34	22.9%	31	10.3%	10	14.9%	13	16.8%	Dec-11
Russell 2500 Value			1.6%	72	23.1%	29	7.6%	51	12.9%	45	14.6%	Dec-11
NCSRP TimesSquare Composite	\$197.9	1.9%	5.8%	78	15.9%	86	4.7%	80	11.8%	43	17.0%	Mar-09
TimesSquare Custom SMID Growth Index			6.3%	71	19.8%	51	7.2%	39	12.2%	32	18.2%	Mar-09

FUND REVIEW

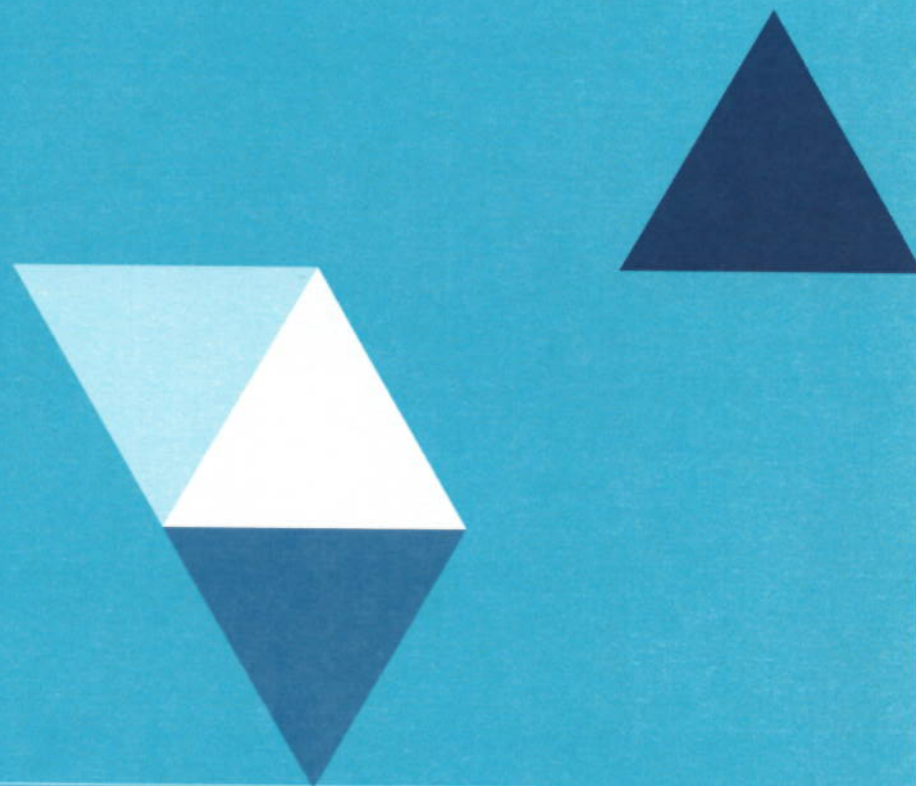
MANAGER PERFORMANCE AS OF MARCH 31, 2017

Name	Market Value		3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception	
	(\$m)	(%)									Return	Since
NCSRP Brown Advisory	\$198.7	2.0%	5.2%	86	21.6%	30	9.2%	17	13.5%	24	19.1%	Mar-09
Brown Custom SMID Growth Index			6.3%	71	19.8%	51	7.2%	39	12.2%	32	18.1%	Mar-09
NCSRP BlackRock ACWI ex US Fund	\$51.0	0.5%	8.1%	--	13.5%	--	0.7%	--	4.6%	--	9.9%	Mar-09
MSCI ACWI ex USA Gross			8.0%	--	13.7%	--	1.0%	--	4.8%	--	10.2%	Mar-09
NCSRP Baillie Gifford ACWI ex US Growth	\$315.2	3.1%	9.6%	16	15.8%	12	3.9%	14	7.2%	41	13.3%	Mar-09
MSCI ACWI ex USA Gross			8.0%	49	13.7%	29	1.0%	71	4.8%	93	10.2%	Mar-09
MSCI AC Wld ex US Growth Gross			9.2%	22	10.0%	66	1.9%	48	5.2%	88	10.3%	Mar-09
NCSRP Mondrian ACWI ex US Value	\$312.4	3.1%	7.7%	54	11.1%	55	1.4%	59	5.3%	86	9.5%	Mar-09
MSCI ACWI ex USA Gross			8.0%	49	13.7%	29	1.0%	71	4.8%	93	10.2%	Mar-09
MSCI AC Wld Ex US Value Gross			6.8%	82	17.4%	8	0.0%	86	4.4%	94	10.0%	Mar-09
NCSRP Wellington Global Composite	\$455.7	4.5%	8.1%	28	15.0%	43	7.6%	14	12.0%	13	14.8%	Mar-09
NCSRP Wellington Global Opportunities			8.1%	28	15.0%	43	7.6%	14	12.0%	13	--	Mar-09
MSCI ACWI Gross			7.0%	47	15.7%	37	5.7%	49	9.0%	67	13.5%	Mar-09
NCSRP Arrowstreet Global Equity ACWI	\$452.7	4.5%	7.9%	34	17.4%	21	6.8%	25	10.9%	26	10.9%	Mar-12
MSCI ACWI Gross			7.0%	47	15.7%	37	5.7%	49	9.0%	67	9.0%	Mar-12
NCSRP PIMCO Inflation Response Multi-Asset	\$426.4	4.2%	2.5%	35	8.2%	19	1.7%	19	--	--	2.0%	Sep-13
PIMCO Inflation Response Multi-Asset Strategy			2.3%	38	7.4%	25	0.9%	38	0.6%	55	1.4%	Sep-13
PIMCO Inflation Response Index			1.7%	56	3.3%	99	-1.3%	80	-1.2%	87	-0.6%	Sep-13
NCSRP BlackRock Debt Index Fund	\$455.8	4.5%	0.8%	--	0.5%	--	2.8%	--	2.4%	--	2.9%	Sep-10
Barclays Aggregate			0.8%	--	0.4%	--	2.7%	--	2.3%	--	2.8%	Sep-10
NCSRP TCW	\$338.1	3.3%	0.7%	94	--	--	--	--	--	--	0.7%	Mar-09
Barclays Aggregate			0.8%	87	0.4%	90	2.7%	83	2.3%	97	0.8%	Mar-09
NCSRP Prudential Core Plus	\$338.8	3.3%	1.8%	8	4.0%	15	--	--	--	--	3.6%	Dec-14
Prudential Core Plus Strategy			1.9%	7	4.0%	15	4.3%	5	4.6%	7	3.5%	Dec-14
Barclays Aggregate			0.8%	87	0.4%	90	2.7%	83	2.3%	97	1.8%	Dec-14





APPENDIX



NET PERFORMANCE AS OF MARCH 31, 2017

	Ending March 31, 2017				Inception	
	3 Mo	1 Yr	3 Yrs	5 Yrs	Return	Since
Large Cap Passive	6.1%	17.1%	10.2%	13.2%	16.9%	Mar-09
S&P 500	6.1%	17.2%	10.4%	13.3%	17.0%	Mar-09
NCSRP BlackRock Equity Index	6.1%	17.2%	10.4%	13.3%	17.0%	Mar-09
S&P 500	6.1%	17.2%	10.4%	13.3%	17.0%	Mar-09
Large Cap Value	3.9%	20.4%	8.1%	13.0%	15.6%	Mar-09
Russell 1000 Value	3.3%	19.2%	8.7%	13.1%	16.7%	Mar-09
NCSRP Hotchkis & Wiley Large Cap Value	4.6%	25.1%	8.2%	14.2%	19.0%	Mar-09
Russell 1000 Value	3.3%	19.2%	8.7%	13.1%	16.7%	Mar-09
NCSRP Delaware Large Cap Value	3.3%	16.6%	--	--	7.1%	Jun-15
Russell 1000 Value	3.3%	19.2%	8.7%	13.1%	7.9%	Jun-15
NCSRP Boston Partners Large Cap Value	4.0%	19.7%	7.4%	13.0%	15.4%	Nov-11
Russell 1000 Value	3.3%	19.2%	8.7%	13.1%	14.9%	Nov-11
Large Cap Growth	11.1%	16.2%	8.9%	12.0%	18.5%	Mar-09
Russell 1000 Growth	8.9%	15.8%	11.3%	13.3%	17.7%	Mar-09
NCSRP Sands Capital Large Cap Growth	14.0%	17.0%	5.7%	11.0%	20.5%	Mar-09
Russell 1000 Growth	8.9%	15.8%	11.3%	13.3%	17.7%	Mar-09
NCSRP Wellington Opportunistic Growth	10.5%	15.0%	8.6%	12.6%	16.7%	Mar-09
Russell 1000 Growth	8.9%	15.8%	11.3%	13.3%	17.7%	Mar-09
Russell 3000 Growth	8.6%	16.3%	10.9%	13.2%	17.7%	Mar-09
NCSRP Loomis Large Cap Growth	8.9%	16.5%	--	--	13.6%	Aug-14
Russell 1000 Growth	8.9%	15.8%	11.3%	13.3%	11.3%	Aug-14
Mid/Small Cap Passive	3.7%	21.5%	7.5%	12.6%	18.2%	Mar-09
Russell 2500	3.8%	21.5%	7.4%	12.6%	18.3%	Mar-09
NCSRP BlackRock Russell 2500 Index Fund	3.7%	21.5%	7.5%	12.7%	18.4%	Mar-09
Russell 2500	3.8%	21.5%	7.4%	12.6%	18.3%	Mar-09
Mid/Small Cap Value	3.7%	22.5%	7.7%	13.5%	20.4%	Mar-09
Russell 2500 Value	1.6%	23.1%	7.6%	12.9%	18.0%	Mar-09
NCSRP Hotchkis & Wiley	1.0%	21.3%	4.8%	13.3%	21.5%	Mar-09
Hotchkis Custom SMID Value Index	1.6%	23.1%	7.6%	12.9%	18.6%	Mar-09
NCSRP EARNST Partners	6.6%	25.1%	9.1%	13.2%	17.8%	Mar-09
EARNST Custom SMID Value Index	1.6%	23.1%	7.6%	12.9%	17.4%	Mar-09
NCSRP WEDGE SMID Cap Value	3.6%	22.0%	9.5%	14.0%	16.0%	Dec-11
Russell 2500 Value	1.6%	23.1%	7.6%	12.9%	14.6%	Dec-11
Mid/Small Cap Growth	5.3%	17.9%	6.1%	11.8%	17.0%	Mar-09
Russell 2500 Growth	6.3%	19.8%	7.2%	12.2%	18.5%	Mar-09

	Ending March 31, 2017				Inception	
	3 Mo	1 Yr	3 Yrs	5 Yrs	Return	Since
NCSRP TimesSquare	5.6%	15.0%	3.8%	10.9%	16.1%	Mar-09
TimesSquare Custom SMID Growth Index	6.3%	19.8%	7.2%	12.2%	18.2%	Mar-09
NCSRP Brown Advisory	5.1%	20.9%	8.6%	12.8%	18.4%	Mar-09
Brown Custom SMID Growth Index	6.3%	19.8%	7.2%	12.2%	18.1%	Mar-09
International Passive	8.1%	13.4%	0.7%	4.4%	9.7%	Mar-09
MSCI ACWI ex USA Gross	8.0%	13.7%	1.0%	4.8%	10.2%	Mar-09
NCSRP BlackRock ACWI ex US Fund	8.1%	13.5%	0.7%	4.5%	9.8%	Mar-09
MSCI ACWI ex USA Gross	8.0%	13.7%	1.0%	4.8%	10.2%	Mar-09
International Equity	8.6%	12.9%	2.0%	5.6%	10.6%	Mar-09
MSCI ACWI ex USA Gross	8.0%	13.7%	1.0%	4.8%	10.2%	Mar-09
NCSRP Baillie Gifford ACWI ex US Growth	9.5%	15.3%	3.4%	6.7%	12.7%	Mar-09
MSCI ACWI ex USA Gross	8.0%	13.7%	1.0%	4.8%	10.2%	Mar-09
MSCI ACWI ex US Growth Gross	9.2%	10.0%	1.9%	5.2%	10.2%	Mar-09
NCSRP Mondrian ACWI ex US Value	7.6%	10.6%	1.0%	4.8%	9.0%	Mar-09
MSCI ACWI ex USA Gross	8.0%	13.7%	1.0%	4.8%	10.2%	Mar-09
MSCI ACWI ex US Value Gross	6.8%	17.4%	0.0%	4.4%	10.0%	Mar-09
Global Equity	7.9%	15.4%	6.5%	10.7%	13.7%	Mar-09
MSCI ACWI Gross	7.0%	15.7%	5.7%	9.0%	13.5%	Mar-09
NCSRP Wellington Global Composite	8.0%	14.4%	7.1%	11.5%	14.3%	Mar-09
MSCI ACWI Gross	7.0%	15.7%	5.7%	9.0%	13.5%	Mar-09
NCSRP Arrowstreet Global Equity ACWI	7.7%	16.7%	6.1%	10.2%	10.2%	Mar-12
MSCI ACWI Gross	7.0%	15.7%	5.7%	9.0%	9.0%	Mar-12
Inflation Responsive Fund	2.3%	7.4%	0.8%	--	1.1%	Sep-13
PIMCO Inflation Response Index	1.7%	3.3%	-1.3%	-1.2%	-0.6%	Sep-13
NCSRP PIMCO Inflation Response Multi-Asset	2.3%	7.5%	1.0%	--	1.4%	Sep-13
PIMCO Inflation Response Index	1.7%	3.3%	-1.3%	-1.2%	-0.6%	Sep-13
Fixed Income Passive Fund	0.8%	0.4%	2.6%	2.2%	2.7%	Sep-10
Barclays Aggregate	0.6%	0.4%	2.7%	2.3%	2.8%	Sep-10
NCSRP BlackRock Debt Index Fund	0.8%	0.5%	2.7%	2.4%	2.8%	Sep-10
Barclays Aggregate	0.6%	0.4%	2.7%	2.3%	2.8%	Sep-10
Fixed Income Fund	1.2%	2.8%	3.2%	3.1%	4.9%	Mar-09
Barclays Aggregate	0.6%	0.4%	2.7%	2.3%	4.0%	Mar-09
NCSRP TCW	0.7%	--	--	--	0.7%	Mar-09
Barclays Aggregate	0.6%	0.4%	2.7%	2.3%	0.6%	Mar-09
NCSRP Prudential Core Plus	1.7%	3.8%	--	--	3.4%	Dec-14
Barclays Aggregate	0.6%	0.4%	2.7%	2.3%	1.9%	Dec-14
Stable Value Fund	0.5%	2.0%	1.9%	2.1%	2.6%	Jun-09
3-Year Constant Maturity Yield	0.4%	1.1%	1.0%	0.8%	0.9%	Jun-09
T-BILLS + 1.5%	0.5%	1.9%	1.7%	1.6%	1.6%	Jun-09

MANAGER UPDATES

- We were recently informed by **Delaware Investments** (Delaware), that the Large Cap Value Focus strategy recently hit \$30 billion. As a result, they have closed the strategy to new investors; however, existing accounts are permitted to add incrementally to their positions. We are not recommending any change in strategy rating. We view Delaware's recent closing of the Large Cap Value Focus strategy as consistent with our expectations (approximately \$28 billion of capacity; note that market appreciation also marginally contributed to the asset growth). As a result, we are pleased to see that Delaware has closed the strategy to new investors.
- On March 14, 2017 we were informed by **Delaware Investments** that their firm will adopt the name of its parent and become Macquarie Investment Management (MIM), to reflect the firm's global investment capabilities. The change will be effective March 31, 2017. The news that Delaware Investments will adopt the name of its parent and become Macquarie Investment Management (MIM) does not come as a complete surprise to us given that Delaware, through the course of our various manager meetings with teams over the past few months, has been hinting at the prospect of increasing integration with their parent. The intent of the integration is to leverage the breadth of the firm's infrastructure and other resources on global basis. Our view of the business does not change since Delaware remains committed to the multi-boutique structure, and its approach to managing client assets, will not change. Delaware has further committed to the retained independence of their investment teams.
- On April 12, 2017, **Loomis Sayles** announced that Robert J. Blanding, Chairman, will retire effective May 1, 2017. Effective May 1, 2017, Kevin Charleston, CEO and President, will assume the Chairman role. We do not recommend any rating changes as a result of this announcement. We have been aware of this succession plan (see news items dated April 2014 and March 2015) and believe this is a natural progression of Charleston's responsibilities.
- Mercer met with **Mondrian** to review their international equity strategy at their London office. We are maintaining our A rating on Mondrian's International equity strategy as a result of the meeting. We continue to have high conviction in the investment philosophy, underpinned by a disciplined research and implementation process and a stable business environment that encourages staff retention.
- Mercer met with **PIMCO** to review their Inflation Response Multi-Asset Fund. We are positive on the Inflation Response Multi-Asset Fund (IRMAF) and we believe it has an above average chance of meeting its performance objective, i.e., to deliver 3-4% in excess returns (before fees) over a custom index of assets that target a high inflation beta. The strategic components appear well thought out, and the underlying investment sleeves are based on active strategies, which we generally like. Weaknesses include the fact that PIMCO remains opaque with regards to performance attribution, as well as about the capacity of the strategy and their ability to trade in the US TIPS market, which can be illiquid at times. As a result of the meeting, we maintained the "B+" rating on the strategy.

MANAGER UPDATES (CONTINUED)

- Mercer met with **Prudential** to discuss their Core Plus Fixed Income strategy. Prudential offers an experienced investment team with state of the art risk management systems. The team is well rounded and experienced in all sectors of the market. The firm boasts a cohesive team, with a notable level of collaboration between portfolio managers and analysts. The spread exposure is concentrated into structured product, corporates and high yield/emerging markets. The non-benchmark sector allocation is well-integrated into the firm's risk-controlled portfolio construction methodology. In our view, the robust methodology of active risk thresholds ensures that this strategy will not be exposed to sources of tail risk that are unwarranted by current and long-term market projections. As a result of the meeting, we maintained the strategy's "A" rating.
- Mercer met with **Sands** to review their Select Growth Equity strategy. We uphold our conviction in the skilled and experienced research teams managing these strategies. Sands' deep team of seasoned analysts and thorough fundamental research support a stable well-defined process focused on identifying leading growth companies in attractive areas of the market. Investors should be aware that the team's concentrated long-term approach, focused on quality growth factors, may lead to notable benchmark differentiation and underperformance at times, particularly when those factors are not rewarded by the market. As such, we are not surprised by the more recent 2016 calendar year underperformance given near-term style headwinds. Rather, we are comforted to note the team's strict adherence to process and objectivity in the midst of temporary market driven challenges.
- On February 22, 2017, **Times Square Capital Management (TSCM)** informed us that they hired David M. Cielusniak as the firm's new Chief Operating and Chief Compliance Officer. Cielusniak has 16 years of industry experience and was most recently Deputy Chief Operating Officer for Credit Suisse Asset Management, Americas. Cielusniak will join TSCM on February 27th 2017. We are pleased to learn that TSCM has completed their search for their new Chief Operating and Chief Compliance Officer and, as a result, reaffirm our "A" rating on the SMID Cap Growth strategy.
- On March 1, 2017, **WEDGE Capital Management (WEDGE)** indicated that Michael Gardner, the firm's longest serving Partner -- having been with WEDGE for 27 years -- will be retiring on March 31, 2017. He will be turning 65 in the coming months and elected to retire in order to pursue management of his personal financial assets. Over his tenure with the firm, Gardner served in various roles including his initial duties as Lead Small Cap Research Analyst and, more currently, as the Director of Quantitative Research, a role he began transitioning out of over seven years ago (See Mercer Research Note dated 30 November 2009.) Separately, WEDGE used the discussion regarding Gardner's pending retirement to also disclose the termination of Dennis Tong, Equity Analyst, which occurred in February 2017, as well as the formal addition of Analyst Brandon Smith in 3Q2016. We believe Gardner's retirement will have di minimis impact on WEDGE. Additionally, we believe WEDGE is appropriately resourced to absorb Tong's departure. Furthermore, we are pleased that the firm has added to its research resources via Smith. That said, we intend to address Smith's integration into the firm over the ongoing course of our research of WEDGE. We do not recommend any changes to the "B+" rating of the strategy as a result of the announcement.

APPENDIX - DISCLOSURES

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