

SUPPLEMENTAL RETIREMENT PLAN OF NORTH CAROLINA

WHEREAS, the North Carolina Department of State Treasurer and the Supplemental Retirement Board of Trustees (the “Board”) administer the Supplemental Retirement Income Plan of North Carolina (the “NC 401(k) Plan”), the North Carolina Public Employee Deferred Compensation Plan (the “NC 457 Plan”), and the North Carolina Public School Teachers’ and Professional Educators’ Investment Plan (the “NC 403(b) Program”);

WHEREAS, the Board has adopted the *Statement of Investment Policy for the NC 401(k) and NC 457(b)*, revised as of October 2, 2017 (the “401(k)/457 IPS”), and the *North Carolina Public School Teachers’ and Professional Educators’ Investment Plan Statement of Investment Policy*, revised as of September 21, 2017 (the “403(b) IPS”);

WHEREAS, at its meeting on September 21, 2017, the Board adopted, for the NC 401(k) and NC 457 Plans, revisions to the allocations and glidepath in GoalMaker, the addition of a Treasury Inflation Protected Securities fund (the “NC TIPS Fund”), and the elimination of the North Carolina Global Equity Fund;

WHEREAS, at its meeting on December 14, 2017, the Board adopted, for the NC 403(b) Program, revisions to the allocations and glidepath in GoalMaker, the addition of the Vanguard Short-Term Inflation-Protected Securities Index Fund, and the replacement of the MFS International Equity Fund with the Baillie Gifford International Equity Fund;

WHEREAS, at its meeting on December 14, 2017, the Board adopted a strategy and a manager for the NC TIPS Fund;

WHEREAS, at its meeting on December 14, 2017, the Board affirmed the current default investment option for the three Plans as the GoalMaker portfolio with a moderate risk profile, the Age Adjustment feature turned “on,” and consistent with the participant’s years to retirement;

WHEREAS, in the absence of a selection by a participant, the default retirement age for GoalMaker should be 65; and

WHEREAS, the Board wishes to amend the 401(k)/457 IPS and the 403(b) IPS to incorporate the foregoing.

NOW, THEREFORE, be it

RESOLVED, that:

A. Default Retirement Age in GoalMaker

1. In the absence of a selection by a participant, the default retirement age for GoalMaker is 65 in the NC 401(k) Plan, the NC 457 Plan, and NC 403(b) Program.
2. The “Default Investment Option” section of the 401(k)/457 IPS is revised as follows:

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 6~~5~~² as the default investment option. The Board shall monitor the investment option in accordance with the investment guidelines and criteria section of this policy.

3. The changes in A.1 and A.2 shall take effect on March 21, 2018.

B. Allocations and Glidepath in GoalMaker

1. NC 401(k) and NC 457 Plans. The Model Allocations in the 401(k)/457 IPS are amended as indicated in Attachment 1 to this Resolution. Such amendments shall take effect on June 1, 2018.
2. NC 403(b) Program. The Model Allocations in the 403(b) IPS are amended as indicated in Attachment 2 to this Resolution. Such amendments shall take effect on June 1, 2018.

C. Changes to the Investment Options in the NC 401(k) and NC 457 Plans. Attachment 3 to this Resolution contains revisions to the 401(k)/457 IPS to reflect the addition of the NC TIPS Fund to the NC 401(k) and NC 457 Plans and the removal of the North Carolina Global Equity Fund from the NC 401(k) and NC 457 Plans. The revisions in Attachment 3 related to the NC TIPS Fund shall take effect on June 1, 2018. The revisions in Attachment 3 related to the North Carolina Global Equity Fund shall take effect on June 15, 2018.

D. Changes to the Investment Options in the NC 403(b) Program. Attachment 4 to this Resolution contains revisions to the 403(b) IPS to reflect the addition of the Vanguard Short-Term Inflation-Protected Securities Index Fund to the NC 403(b) Program and the replacement of the MFS International Equity Fund with the Baillie Gifford International Equity Fund in the NC 403(b) Program. The revisions in Attachment 4 shall take effect on June 1, 2018.

E. Correction of Index Weighting. The weighting of the JPM Emerging Local Market ELMI Plus Index in the Inflation Sensitive Index in the footnote of Appendix A in the 401(k)/457 IPS is corrected as of March 21, 2018 to read as follows:

Inflation Sensitive Index: 45% Bloomberg Barclays Capital U.S. TIPS Index; 20% DJ-UBS Commodity TR Index; 10% Dow Jones U.S. Select REIT Index; 1~~5~~⁰% JPM Emerging Local Market ELMI Plus Index; 10% DJ-UBS Gold TR Index.

Approved by the Board, this 21st day of March, 2018.

Mary Buonfiglio, Secretary
North Carolina Supplemental Retirement Board of Trustees

Attachment 1: Changes to the Model Allocations in the 401(k)/457 IPS

VII. FUND ALLOCATION MODELS

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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 Index	4%	4%	7%	8%
Large Cap Core	2%	4%	6%	6%
Small / Mid-Cap Index	0%	0%	0%	0%
Small / Mid-Cap Core	4%	6%	10%	14%
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%

Conservative		Pre-Retirement						Post-Retirement		
		26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
Fund	NC Large Cap Index Fund	27%	24%	20%	17%	14%	13%	11%	10%	9%
	NC Small / Mid Cap Core Fund	12%	10%	8%	8%	6%	4%	4%	2%	2%
	NC International Fund	32%	28%	25%	18%	16%	12%	9%	9%	8%
	NC Fixed Income Fund	21%	31%	37%	41%	42%	41%	36%	33%	29%
	NC Stable Value Fund	0%	0%	4%	8%	12%	17%	22%	25%	26%
	NC Inflation Responsive Fund	8%	7%	6%	5%	4%	3%	3%	2%	2%
	NC TIPS Fund	0%	0%	0%	3%	6%	10%	15%	19%	24%

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 Index	5%	7%	7%	10%
Large-Cap Core	4%	6%	8%	10%
Small / Mid-Cap Index	0%	0%	0%	0%
Small / Mid-Cap Core	8%	10%	14%	20%
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%

Moderate		Pre-Retirement						Post-Retirement		
		26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
Fund	NC Large Cap Index Fund	33%	30%	27%	24%	21%	19%	18%	16%	14%
	NC Small / Mid Cap Core Fund	14%	12%	12%	10%	8%	6%	6%	4%	4%
	NC International Fund	38%	36%	32%	28%	24%	19%	15%	14%	12%
	NC Fixed Income Fund	6%	13%	21%	28%	33%	36%	34%	27%	23%
	NC Stable Value Fund	0%	0%	0%	3%	6%	10%	14%	19%	22%
	NC Inflation Responsive Fund	9%	9%	8%	7%	6%	5%	4%	4%	3%
	NC TIPS Fund	0%	0%	0%	0%	2%	5%	9%	16%	22%

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 Index	7%	7%	8%	11%
Large Cap Core	6%	8%	10%	12%
Small / Mid Cap Index	0%	0%	0%	0%
Small / Mid Cap Core	12%	14%	18%	22%
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%

Aggressive

		Pre-Retirement						Post-Retirement		
		26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
Fund	NC Large Cap Index Fund	34%	34%	32%	30%	28%	27%	25%	24%	21%
	NC Small / Mid Cap Core Fund	14%	14%	14%	12%	10%	10%	8%	6%	6%
	NC International Fund	40%	40%	38%	36%	32%	24%	21%	20%	17%
	NC Fixed Income Fund	2%	2%	7%	13%	21%	27%	26%	19%	19%
	NC Stable Value Fund	0%	0%	0%	0%	1%	3%	8%	14%	17%
	NC Inflation Responsive Fund	10%	10%	9%	9%	7%	6%	4%	3%	3%
	NC TIPS Fund	0%	0%	0%	0%	1%	3%	8%	14%	17%

Attachment 2: Changes to the Model Allocations in the 403(b) IPS

VII. Fund Allocation Models

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G. Current Model Allocations

The current Model Allocations are shown below.

NC 403(b) Program Conservative Model Allocation

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
Vanguard Windsor II	2%	4%	7%	9%
Vanguard 500 Index	5%	5%	7%	8%
T. Rowe Price Blue-Chip Growth	2%	4%	7%	9%
DFA Small Cap Core	4%	6%	10%	14%
MFS Institutional International Equity	6%	10%	14%	22%
Metropolitan West Total Return Bond	16%	14%	12%	10%
Vanguard Total Bond Market Index	17%	14%	13%	10%
Vanguard Short-Term Bond Index Fund	40%	35%	22%	10%
PIMCO Inflation Response Multi-Asset	8%	8%	8%	8%

Conservative		Pre-Retirement						Post-Retirement		
		26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
Fund	Vanguard 500 Index Fund Admiral	27%	24%	20%	17%	14%	13%	11%	10%	9%
	DFA US Small Cap I	12%	10%	8%	8%	6%	4%	4%	2%	2%
	Baillie Gifford International Equity	32%	28%	25%	18%	16%	12%	9%	9%	8%
	Metropolitan West Total Return Bd Plan	21%	31%	37%	41%	42%	41%	36%	33%	29%
	Vanguard Short-Term Bond Index Adm	0%	0%	4%	8%	12%	17%	22%	25%	26%
	PIMCO Inflation Responsive Multi-Asset Fund Inst	8%	7%	6%	5%	4%	3%	3%	2%	2%
	Vanguard Short-Term TIPS	0%	0%	0%	3%	6%	10%	15%	19%	24%

NC 403(b) Program Moderate Model Allocation

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
Vanguard Windsor II	5%	7%	9%	11%
Vanguard 500 Index	5%	7%	7%	11%
T. Rowe Price Blue Chip Growth	5%	7%	9%	11%
DFA Small Cap Core	8%	10%	14%	20%
MFS Institutional International Equity	11%	14%	18%	24%
Metropolitan West Total Return Bond	13%	12%	10%	4%
Vanguard Total Bond Market Index	13%	13%	10%	5%
Vanguard Short-Term Bond Index Fund	31%	21%	14%	5%
PIMCO Inflation Response Multi-Asset	9%	9%	9%	9%

Moderate		Pre-Retirement						Post-Retirement	
		26+	21-25	16-20	11-15	6-10	0-5	0-5	11+
Fund	Vanguard 500 Index Fund Admiral	33%	30%	27%	24%	21%	19%	18%	14%
	DFA US Small Cap I	14%	12%	12%	10%	8%	6%	6%	4%
	Baillie Gifford International Equity	38%	36%	32%	28%	24%	19%	15%	12%
	Metropolitan West Total Return Bd Plan	6%	13%	21%	28%	33%	36%	34%	23%
	Vanguard Short-Term Bond Index Adm	0%	0%	0%	3%	6%	10%	14%	22%
	PIMCO Inflation Responsive Multi-Asset Fund Inst	9%	9%	8%	7%	6%	5%	4%	3%
	Vanguard Short-Term TIPS	0%	0%	0%	0%	2%	5%	9%	22%

NC 403(b) Program Aggressive Model Allocation

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
Vanguard Windsor II	7%	9%	11%	14%
Vanguard 500 Index	7%	7%	9%	11%
T. Rowe Price Blue Chip Growth	7%	9%	11%	14%
DFA Small Cap Core	12%	14%	18%	22%
MFS Institutional International Equity	16%	18%	23%	29%
Metropolitan West Total Return Bond	12%	10%	5%	0%
Vanguard Total Bond Market Index	12%	10%	6%	0%
Vanguard Short-Term Bond Index Fund	17%	13%	7%	0%
PIMCO Inflation Response Multi-Asset	10%	10%	10%	10%

Aggressive		Pre-Retirement						Post-Retirement		
		26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
Fund	Vanguard 500 Index Fund Admiral	34%	34%	32%	30%	28%	27%	25%	24%	21%
	DFA US Small Cap I	14%	14%	14%	12%	10%	10%	8%	6%	6%
	Baillie Gifford International Equity	40%	40%	38%	36%	32%	24%	21%	20%	17%
	Metropolitan West Total Return Bd Plan	2%	2%	7%	13%	21%	27%	26%	19%	19%
	Vanguard Short-Term Bond Index Adm	0%	0%	0%	0%	1%	3%	8%	14%	17%
	PIMCO Inflation Responsive Multi-Asset Fund Inst	10%	10%	9%	9%	7%	6%	4%	3%	3%
	Vanguard Short-Term TIPS	0%	0%	0%	0%	1%	3%	8%	14%	17%

Attachment 3: Changes to the Investment Options in the NC 401(k) and NC 457 Plans

IV. PLAN STRUCTURE

The Plans will offer 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 principal and stable income
Fixed Income	Fixed Income Index Fund	track the performance of the Bloomberg Barclays 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
	<u>TIPS Fund</u>	<u>track the performance of the Bloomberg Barclays 1-10 Year U.S. Government Inflation-linked Bond Index</u>
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 Core Fund	long-term capital appreciation of larger capitalization stocks while pursuing both value and growth investment styles

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 Core Fund	long-term capital appreciation of smaller capitalization stocks while pursuing both value and growth investment styles
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

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~~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.~~

TIPS Fund

The TIPS Fund is intended to provide passive exposure to the Treasury Inflation Protected Securities (TIPS) market.

Investment Objective

The primary investment objective of the TIPS Fund is to provide a low-cost passive investment option that will provide exposure to the Treasury Inflation Protected Securities (TIPS) market.

Investment Management

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

Performance Objectives

The option should provide a return that closely tracks that of the Bloomberg Barclays 1-10 Year U.S. Government Inflation-linked Bond Index. The tracking error to this objective should be less than 0.25% annually gross of fees.

APPENDIX A

Asset Class	Investment Manager	Benchmark	Universe
Stable Value	Galliard	3-Year Constant Maturity Yield	Stable Value
Fixed Income	Prudential Global Investment Management	Bloomberg Barclays Capital Aggregate	Core Plus Bond
	TCW	Bloomberg Barclays Capital Aggregate	Core Plus Bond
Fixed Income Index	BlackRock	Bloomberg 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 Core	Hotchkis & Wiley	Russell 1000 Value	Large Cap Value Equity
	Macquarie	Russell 1000 Value	Large Cap Value Equity
	Sands Capital	Russell 1000 Growth	Large Cap Growth Equity
	Loomis Sayles & Company	Russell 1000 Growth	Large Cap Growth Equity
	BlackRock	Russell 1000	Large Cap Core Index
Small / Mid Cap Index	BlackRock	Russell 2500	SMID Cap Core Index
Small / Mid Cap Core	Hotchkis & Wiley	Russell 2500 Value	SMID Cap Value Equity
	Earnest Partners	Russell 2500 Value	SMID Cap Value Equity

¹ *Inflation Sensitive Index: 45% Bloomberg Barclays Capital U.S. TIPS Index; 20% DJ-UBS Commodity TR Index; 10% Dow Jones U.S. Select REIT Index; 15% JPM Emerging Local Market ELMI Plus Index; 10% DJ-UBS Gold TR Index.*

	Wedge Capital Management	Russell 2500 Value	SMID Cap Value Equity
	TimesSquare Capital	Russell 2500 Growth	SMID Cap Growth Equity
	Brown Advisory	Russell 2500 Growth	SMID Cap Growth Equity
	BlackRock	Russell 2500	SMID Cap Core Index
International Equity Index	BlackRock	MSCI ACWI ex US	Non-US Equity
International Equity	Baillie Gifford	MSCI ACWI ex US	Non-US Equity
	Mondrian	MSCI ACWI ex US	
Global Equity	Arrowstreet	MSCI ACWI	Global Equity
	Wellington	MSCI ACWI	Global Equity
<u>TIPS</u>	<u>BlackRock</u>	<u>Bloomberg Barclays 1-10 Year U.S. Government Inflation-linked Bond</u>	<u>TIPS</u>

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 Departmental staff with the authority to move assets between the investment managers in order to bring the allocations more closely in line with these target allocations.

Large Cap Index Fund

Investment Manager	Target Allocation
BlackRock	100.0%

Large Cap Core Fund

Investment Manager	Target Allocation	Allocation Range
Hotchkis & Wiley	18.75%	+/- 3%
Macquarie	18.75%	+/- 3%
Sands Capital	18.75	+/- 3%
Loomis Sayles	18.75	+/- 3%
BlackRock Russell 1000 Index	25.0%	+/- 3%

Small/Mid Cap Index Fund

Investment Manager	Target Allocation
BlackRock	100.0%

Small/Mid Cap Core Fund

Investment Manager	Target Allocation	Allocation Range
Earnest Partners	15.83%	+/- 3%
Hotchkis & Wiley	15.83%	+/- 3%
Wedge Capital Management	15.83%	+/- 3%
TimesSquare Capital	23.75%	+/- 3%
Brown Advisory	23.75%	+/- 3%
BlackRock Russell 2500 Index	5.0%	+/- 1%

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
TCW	50.0%	+/- 3%
Prudential Global Investment Management	50.0%	+/- 3%

Fixed Income Index Fund

Investment Manager	Target Allocation
BlackRock	100%

TIPS Fund

<u>Investment Manager</u>	<u>Target Allocation</u>
<u>BlackRock</u>	<u>100%</u>

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 TCW Core Plus Bond PGIM Core Plus Bond	
		Inflation Responsive Fund PIMCO IRMAF	
	<u>Treasury Inflation Protected Securities (TIPS) Passive</u> <u>BlackRock TIPS Index</u>		
	Large Cap Equity Passive BlackRock Equity Index	Large Cap Core Fund Hotchkis & Wiley Large Cap Value Macquarie Large Cap Value Sands Capital Large Cap Growth Loomis Large Cap Growth BlackRock Russell 1000 Index	

	Small/Mid Cap Equity Passive BlackRock Russell 2500 Index	Small/Mid Cap Core Fund Hotchkis & Wiley SMID Cap Value Earnest Partners SMID Cap Value Wedge SMID Cap Value TimesSquare SMID Cap Growth Brown Advisory SMID Cap Growth BlackRock Russell 2500 Index
		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

Attachment 4: Changes to the Investment Options in the NC 403(b) Program

V. Investment Option Selection Criteria and Monitoring

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B. Investment Option Objectives

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Treasury Inflation Protected Securities (TIPS) Fund. The primary objective of the TIPS Fund is to provide a low-cost passive investment option that will provide exposure to the Treasury Inflation Protected Securities (TIPS) market

Performance Objectives: The option should provide a return that closely tracks that of the Bloomberg Barclays 0-5 Year U.S. Government Inflation-linked Bond Index. The tracking error to this objective should be less than 0.25% annually gross of fees.

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International Fund. 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.

- Provide a rate of return that exceeds the MSCI ACWI ex USEAFE 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 places above the median of a foreign large growth 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 ex USEAFE Growth Index over rolling five-year periods.

APPENDIX A

Current Investment Line Up

Investment	Ticker	Benchmark
Vanguard Short Term Bond Index Admiral	VBIRX	BB Barclays US 1-5 yr Gov Credit
Metropolitan West Total Return Bond	MWTSX	Bloomberg Barclays US Aggregate
Vanguard Total Bond Market Index Admiral	VBTLX	Bloomberg Barclays US Aggregate
PIMCO Inflation Response Multi-Asset Institutional	PIRMX	PIMCO Inflation Response Index*
Vanguard Short-Term Inflation-Protected Securities Index Fund Admiral Shares	VTAPX	Bloomberg Barclays 0-5 Year U.S. Government Inflation-linked Bond Index
Vanguard Windsor II Admiral	VWNAX	Russell 1000 Value
Vanguard 500 Index Admiral	VFIAX	S&P 500
T. Rowe Price Blue Chip Growth	TBCIX	Russell 1000 Growth
Vanguard Extended Market Index Admiral	VEXAX	S&P Completion
DFA U.S. Small Cap	DFSTX	Russell 2000
Vanguard Total International Stock Index Admiral	VTIAX	FTSE Global All Cap ex US
MFS Institutional International Equity	MIELX	MSCI EAFE Growth
Baillie Gifford International Equity Fund	BGIKX	MSCI ACWI ex US

* PIMCO Inflation Response Index is a customized index: 45% Bloomberg Barclays US TIPs Index; 20% Dow Jones UBS Commodity Index; 15% JP Morgan Emerging Local Markets Index; 10% Dow Jones US Select REIT Index; 10% Dow Jones UBS Gold Index.