North Carolina Supplemental Retirement Plans

401(k) and 457 Plans

Investment Holding Guideline Compliance Summary

As of September 30, 2014

Mercer Investments

EQUITY PORTFOLIOS - FUND LEVEL

Category	Applicable asset class	Guideline	LARGE CAP PASSIVE	LARGE CAP VALUE	LARGE CAP GROWTH	MID/SMALL PASSIVE	MID/SMALL VALUE	MID/SMALL GROWTH	INTL PASSIVE	INTL EQUITY	GLOBAL EQUITY
Individual securities	Passive domestic equity	Must mirror index by full replication or sampling	✓		-	✓					
	Active domestic equity	Max: greater of 5% or index weight + 2.5%, but must be less than 10%		~	~		~	~			
	Large cap value equity	ADR/Foreign Max: 20%		~	-			-			
	Large cap growth equity, Mid/Small cap equity	ADR/Foreign Max: 10%			×		~	~			
	Passive international equity	Max: greater of 5% or index weight							\checkmark		
	Active international equity	Max: 7.5%								✓	\checkmark
	Active equity	Futures, options, swaps RESTRICTED		~	~		~	~		~	\checkmark
	Equity	144A Max: 15%	✓	✓	✓	✓	~	✓	~	~	✓
	Equity	Manager's own security RESTRICTED	~	~	~	~	~	~	~	✓	~
	Equity	Restricted securities RESTRICTED	✓	\checkmark	✓	✓	✓	✓	\checkmark	✓	\checkmark
Sector diversification	Large cap equity	Individual sector weight Max: greater of 25% or 2x index weight		~	~	-		-			
	Mid/Small cap equity	Diversification Min: 5 sectors			-		~	~			
Country diversification	International equity	Max: 2x index weight but must be less than 50%; if index weight < 5%, then must be less than 10%; for global equity, max US weight: 60%								~	~
Average market cap	Equity	Within benchmark market cap range		\checkmark	✓		✓	✓		✓	\checkmark
Style	Value Equity	P/B, P/E < Broad market		~			~				
	Growth equity	P/B, P/E > Broad market			✓			✓			
Positioning	Equity	Short positions RESTRICTED	~	1	~	~	~	~	~	~	✓
	Equity	Leverage RESTRICTED	~	~	~	~	~	~	~	~	~
Currency hedging	Domestic equity	RESTRICTED	~	~	~	~	~	~			
			✓	~	 ✓ 	~	✓	✓	~	✓	~

Galliard to monitor

In compliance with IPS.

 \checkmark

X Not in compliance with IPS.

In compliance with manager guidelines, but not with fund guidelines.

1

EQUITY PORTFOLIOS - MANAGER LEVEL

	Applicable asset	Guideline	LARGE CAP PASSIVE			.UE	LARGE CAP GROWTH		MID/SMALL CAP PASSIVE	MID/SMALL CAP VALUE		MID/SMALL CAP GROWTH		INTL PASSIVE			GLOBAL EQUITY			
	class		BlackRock	Hotchkis & Wiley	Wellington	Robeco BP	Sands Capital	Wellington	Loomis	BlackRock	Hotchkis & Wiley	EARNEST	WEDGE	Times Square	Brown Advisory	BlackRock	Baillie Gifford	Mondrian Investment Partners	Wellington	Arrowstreet
	Passive domestic equity	Must mirror index by full replication or sampling	~							~										
	Active domestic equity	Max: greater of 5% or index weight + 2.5%, but must be less than 10%		~	\checkmark	✓	0	\checkmark	0		~	\checkmark	✓	~	✓					
	Large cap value equity	ADR/Foreign Max: 20%		✓	\checkmark	✓														
	Large cap growth equity, Mid/Small cap equity	ADR/Foreign Max: 10%					0	\checkmark	0		0	\checkmark	\checkmark	~	\checkmark					
Individual	Passive international equity	Max: greater of 5% or index weight														~				
securities	Active international equity	Max: 7.5%	- 1														✓	~	~	~
	Active equity	Futures, options, swaps RESTRICTED		~	\checkmark	✓	\checkmark	\checkmark	~		~	\checkmark	~	~	✓		~	~	~	✓
	Equity	144A Max: 15%		~	\checkmark	✓	\checkmark	\checkmark	\checkmark	~	~	\checkmark	~	~	~	~	~	\checkmark	~	✓
	Equity	Manager's own security RESTRICTED	~	~	\checkmark	✓	\checkmark	\checkmark	~	~	~	\checkmark	✓	~	✓	~	~	\checkmark	~	✓
	Equity	Restricted securities RESTRICTED		~	\checkmark	✓	\checkmark	\checkmark	~	~	~	\checkmark	~	~	~	~	~	\checkmark	~	✓
Sector	Large cap equity	Individual sector weight Max: greater of 25% or 2x index weight		~	\checkmark	✓	~	\checkmark	~											
diversification	Mid/Small cap equity	Diversification Min: 5 sectors									~	\checkmark	✓	~	✓					
Country diversification	International equity	Max: 2x index weight but must be less than 50%; if index weight < 5%, then must be less than 10%; for global equity, max US weight: 60%															~	√	~	~
Average market cap	Equity	Within benchmark market cap range		~	\checkmark	✓	\checkmark	\checkmark	\checkmark		✓	\checkmark	✓	~	\checkmark		✓	\checkmark	~	✓
Style	Value equity	P/B, P/E < Broad market		~	\checkmark	✓					~	\checkmark	\checkmark							
Style	Growth equity	P/B, P/E > Broad market					\checkmark	√	\checkmark					~	\checkmark					
Positioning	Equity	Short positions RESTRICTED	✓	~	1	✓	~	√	~	~	~	\checkmark	\checkmark	~	\checkmark	~	~	~	~	~
	Equity	Leverage RESTRICTED	✓	~	1	✓	\checkmark	✓	\checkmark	✓	✓	\checkmark	\checkmark	~	\checkmark	~	✓	√	~	✓
Currency hedging	Domestic equity	RESTRICTED	~	~	√	✓	\checkmark	✓	\checkmark	✓	~	\checkmark	\checkmark	~	\checkmark					
Cash reserves	Equity	Must be fully invested	~	~	~	✓	~	✓	~	~	~	✓	~	~	✓	~	✓	✓	~	~
Manager self-repo Galliard to monitor				In compliance	with IPS	<u></u> ו	×	Not in complian	ce with IPS	7	0	In compliance v		uidelines, but	1					

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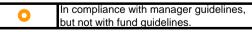
FIXED INCOME PORTFOLIOS

Category	Applicable asset class	Guideline	FIXED INCOME PASSIVE	FIXED INCOME	FIXED IN		STABLE VALUE
			BlackRock	FUND	JPMorgan	PIMCO	Galliard
	Fixed income	Max: 5%	\checkmark	NA	\checkmark	NA	
Individual securities	Fixed income	144A Max: 15%	\checkmark	\checkmark	\checkmark	\checkmark	
	Fixed income	Restricted securities RESTRICTED	\checkmark	\checkmark	\checkmark	\checkmark	
Sector diversification	Fixed income	Corporate sector allocations similar to benchmark	\checkmark	×	\checkmark	0	
	Fixed income	Min average quality: A-; Max HY: 20%; Max non- US Government & Corporates: 20%;		~	\checkmark	\checkmark	
Quality	Passive fixed income	HY and non-USD- denominated RESTRICTED	\checkmark				
	Cash	Min average quality: A1/P1					NA
Duration	Fixed income	Max: +/- 25% of benchmark		\checkmark	\checkmark	\checkmark	
Duration	Passive fixed income	Must match index	\checkmark				
Maturity	Cash	Max: 1 year					NA
Currency hedging	Fixed income	RESTRICTED at manager level	\checkmark		\checkmark	0	
Cash reserves	Fixed income	Must be fully invested	\checkmark	\checkmark	\checkmark	\checkmark	

Manager self-report Galliard to monitor Prudential to monitor

✓ In compliance with IPS.

X Not in compliance with IPS.



3

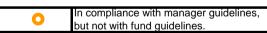
INFLATION SENSITIVE PORTFOLIO

Category	Applicable asset class	Guideline	INFLATION SENSITIVE PIMCO
	Fixed income	144A Max: 15%	~
Individual securities	Fixed income	Manager's own security RESTRICTED	\checkmark
	Fixed income	Restricted securities RESTRICTED	\checkmark
	Commodities	Max: 40%	~
Sector diversification	Equity and REITs	Max: 15%	~
	Gold	Max: 25%	~
Quality	Fixed income	Min average quality: A-	
Quanty	Cash	Min average quality: A1/P1	
Maturity	Cash	Max: 1 year	
Cash reserves	Fixed income	Must be fully invested	~

Manager self-report Galliard to monitor

✓ In compliance with IPS.

× Not in compliance with IPS.



EQUITY PORTFOLIOS - MANAGER LEVEL

SANDS - LARGE CAP GROWTH

Guideline: Max individual security weight: greater of 5% or Index weight + 2.5%, but must be less than 10% Portfolio largest position size: 6.3%; Portfolio largest excess weight over BM: 5.9% Manager's contractual guideline: IN COMPLIANCE. Max percentage size of largest position: 15%

Loomis - LARGE CAP GROWTH

Guideline: Max individual security weight: greater of 5% or Index weight + 2.5%, but must be less than 10% Portfolio largest position size: 5.9%; Portfolio largest excess weight over BM: 5.4% Manager's contractual guideline: IN COMPLIANCE. Max percentage size of largest position: 8%

SANDS - LARGE CAP GROWTH Guideline: ADR/Foreign Max 10% Portfolio ADR exposure 11.8% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding ADR/Foreign Max

Loomis - LARGE CAP GROWTH

Guideline: ADR/Foreign Max 10% Portfolio ADR exposure 14.1% Manager's contractual guideline: IN COMPLIANCE. ADR/Foreign Max 15%

Hotchkis & Wiley - Mid Cap Value Guideline: ADR/Foreign Max 10% Portfolio Non-US exposure 20.3% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding ADR/Foreign Max

FIXED INCOME PORTFOLIOS - FUND LEVEL

FIXED INCOME FUND Individual security weight guideline - Mercer does not have PIMCO's holdings, and cannot calculate aggregate fund exposure to individual securities

FIXED INCOME FUND

Guideline: Individual corporate sector weight must be within +/- 5% of Index weight to that corporate sector Fund allocation to corporates : 17.1%; BM allocation: 23.2% Largely due to PIMCO's significant underweight Manager's contractual guideline: While the fund is out of guideline it is still in-line with the overall objectives of the fund.

FIXED INCOME PORTFOLIOS - MANAGER LEVEL

PIMCO - FIXED INCOME

Guideline: Individual corporate sector weight must be within +/- 5% of Index weight to that corporate sector Portfolio allocation to Financials: 9.0%; BM allocation: 7.7% Portfolio allocation to Industrials: 1.0%; BM allocation: 13.8% Portfolio allocation to Utilities is 0.0%; BM allocation is 1.8% Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding corporate sector weight

PIMCO - FIXED INCOME

Guideline: Currency hedging RESTRICTED PIMCO employs currency hedging to hedge out non-USD security FX exposure or to take minor positions in FX as a complement to non-US positions Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding currency hedging

STABLE VALUE

GALLIARD - STABLE VALUE Galliard did not have information available at the time of report production