

BenchmarkDC Presentation
for
North Carolina Retirement Systems
(for the 5 years ending December 31, 2014)



Key takeaways

Returns

- Your 5-year net total return of plan participants was 9.5%. This was equal to the U.S. average of 9.5% and above the peer average of 8.8%.

Value added

- Your 5-year total plan net value added was 0.7%. This was above the U.S. average of 0.1% and above the peer average of 0.1%.

Cost and cost effectiveness

- Your total plan cost of 0.50% was above your benchmark cost of 0.41%. The following are the main reasons why your fund was high cost compared to your peers:
 - Added cost from active versus indexed options
 - Higher administrative expenses

Note: page references throughout this presentation refer to the full BenchmarkDC report.

Peer and universe characteristics 2014

From page 12 of full report

Characteristic	Your plan	Peers	U.S. universe
# of plan sponsors	1	16	134
Plan assets			
- Smallest to largest	\$9.0 BN	\$2.1 BN - \$15.9 BN	\$60 mil - \$47.6 BN
- Median	\$9.0 BN	\$6.9 BN	\$4.4 BN
Account balance of average participant			
- Median value - peer and universe	\$31,618	\$64,000	\$130,000
# of plan participants	255,000	112,829	54,678
% of plan assets in employer stock	0%	0%	11%
% of indexable assets indexed	30%	48%	53%
# of investment options	13	17	16
Corporate, Public	Public	6 Corp, 10 Public	109 Corp, 25 Public

* Peer and universe figures are averages if not specified otherwise.

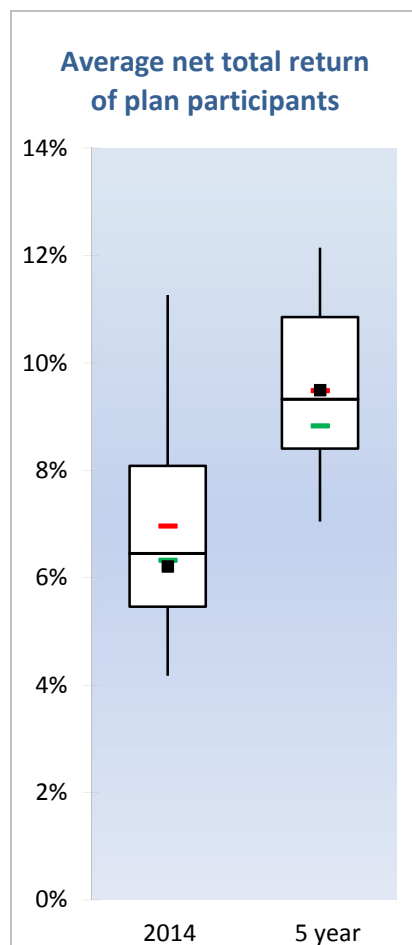
Peer group

Your peer group is comprised of 16 DC plans, with assets ranging from \$2.1 billion to \$15.9 billion versus your \$9.0 billion. Your peer group is used to benchmark your costs.

Peers

Alcatel-Lucent Master Pension Trust	NRECA
American Airlines, Inc	Ohio Public Employees Def. Comp.
CIEBA #002	Siemens Corp
Federal Reserve OEB	State of Tennessee
FedEx	Utah RS
Florida State Board of Administration	Virginia RS
Maryland Supplemental Retirement Plans	
Michigan Office of Retirement Services	
Minnesota State RS	
North Carolina Total Retirement Plans	

Average total net return of plan participants



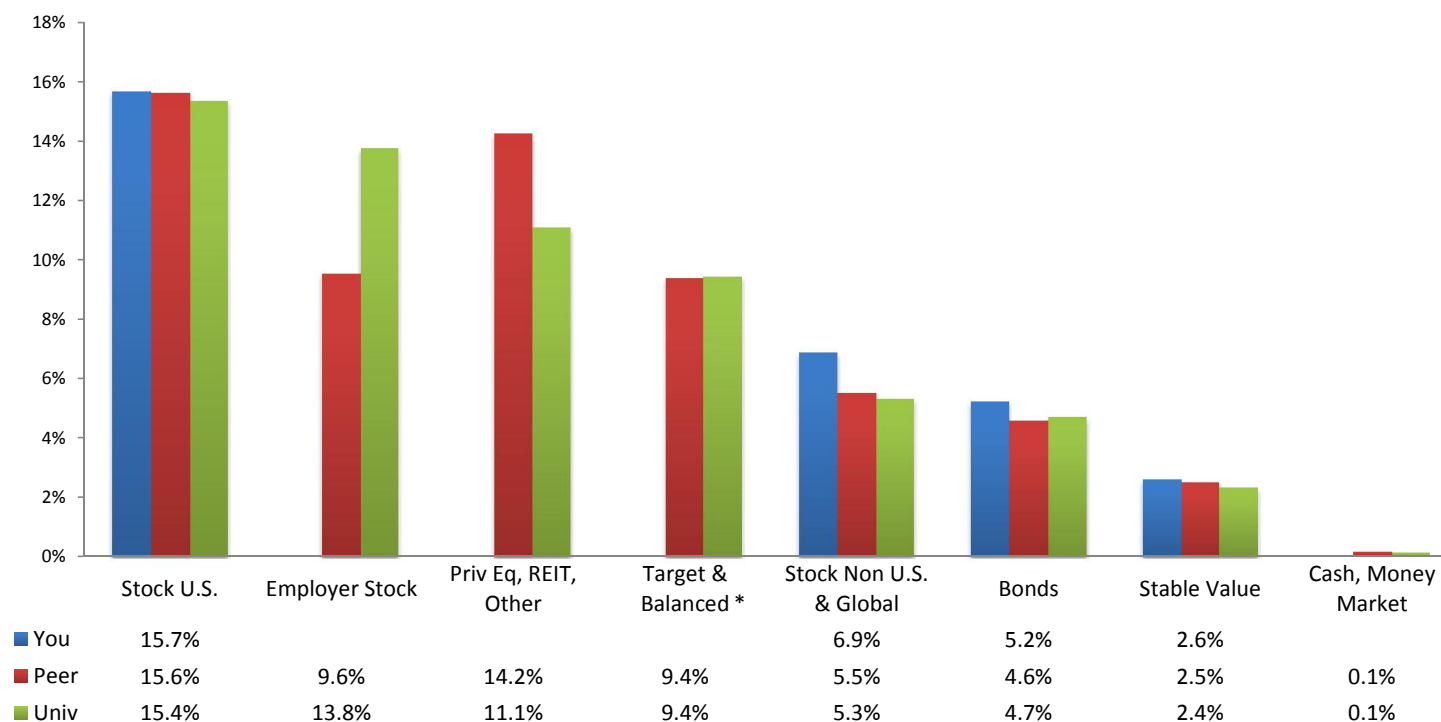
	2014	5 year
U.S. universe		
90th %ile	11.3%	12.1%
75th %ile	8.1%	10.9%
Median	6.5%	9.3%
25th %ile	5.5%	8.4%
10th %ile	4.2%	7.0%
Count	134	100
— Average	7.0%	9.5%
— Peer Average	6.3%	8.8%
North Carolina Retirement Systems		
■ Your plan	6.2%	9.5%

1. Annual history is available in Appendix B.
2. Returns excluding the impact of employer stock are shown on page 21.

Reasons why your 5-year total net return was equal to the universe average

Investment option performance differences

Average net returns by major asset category
(5-years ending Dec 2014, compounded)



* 40% of North Carolina Supplemental Retirement Plans DC Assets are in GoalMaker. GoalMaker is an asset allocation service for no additional cost provided by Prudential; it helps members allocate funds to 13 investment portfolios best suited to their risk profile and time horizon. This service rebalances assets quarterly.

Reasons why your 5-year total net return was equal to the universe average

Asset mix differences

Asset Category (Ranked by Univ. Returns)	5-yr avg Asset Mix ¹			5-yr Net Returns		
	Your	Peer	Univ.	Your	Peer	Univ.
Stock U.S.	47%	37%	31%	16%	16%	15%
Employer Stock	0%	1%	12%	n/a	10%	14%
Priv Eq, REIT, Other	1%	2%	1%	n/a	14%	11%
Target & Balanced*	0%	16%	20%	n/a	9%	9%
Stock Non U.S. & Global	11%	9%	7%	7%	6%	5%
Bonds	9%	11%	8%	5%	5%	5%
Stable Value	32%	20%	18%	3%	3%	2%
Cash, Money Market	0%	6%	4%	n/a	0%	0%
Total	100%	100%	100%	9%	9%	9%

1. Asset mix shown is the average of beginning of year (b.o.y.) holdings because annual returns are earned on b.o.y holdings. Thus b.o.y holdings are the most relevant for understanding why your total returns differ from peers and universe plans. Options discontinued during the year, loans and self-directed windows are excluded from b.o.y holdings because return data was unavailable for these options.

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Reasons why your 5-year total net return was equal to the universe average

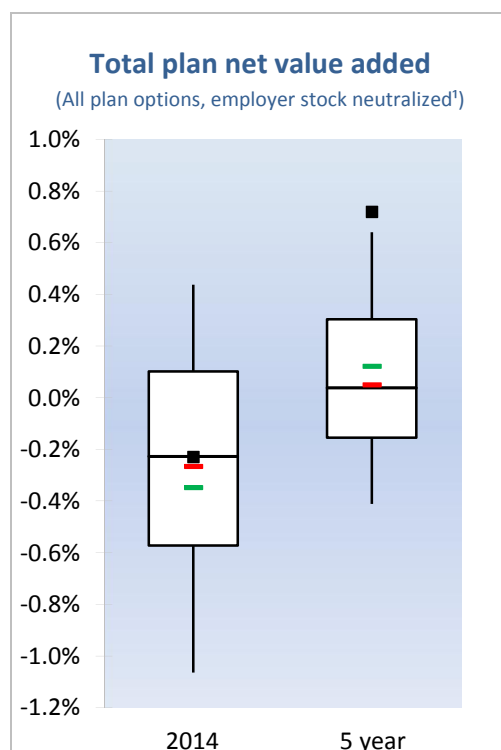
Summary

Reason	+Increased/ -Decreased Your Return
Asset mix. On average, your participants were in fewer of the better performing asset categories of the past 5 years (i.e., stock, priv eq, REIT, other, target & balanced*) and more of the poorer performing asset categories (i.e., bonds, stable value).	-0.5%
Better asset category returns on average. Asset category returns reflect investment option performance and the mix of investment option styles in the category.	0.5%
Higher 5-year average plan costs	0.0%
Other. Caused by using the universe averages to explain instead of the less intuitive average of you versus each plan annually.	0.0%
Total (equals your participants' return minus the universe average)	0.0%

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Total plan net value added

Your plan's total net value added from all investment options was -0.2% in 2014 and 0.7% for the 5-year period ending 2014.

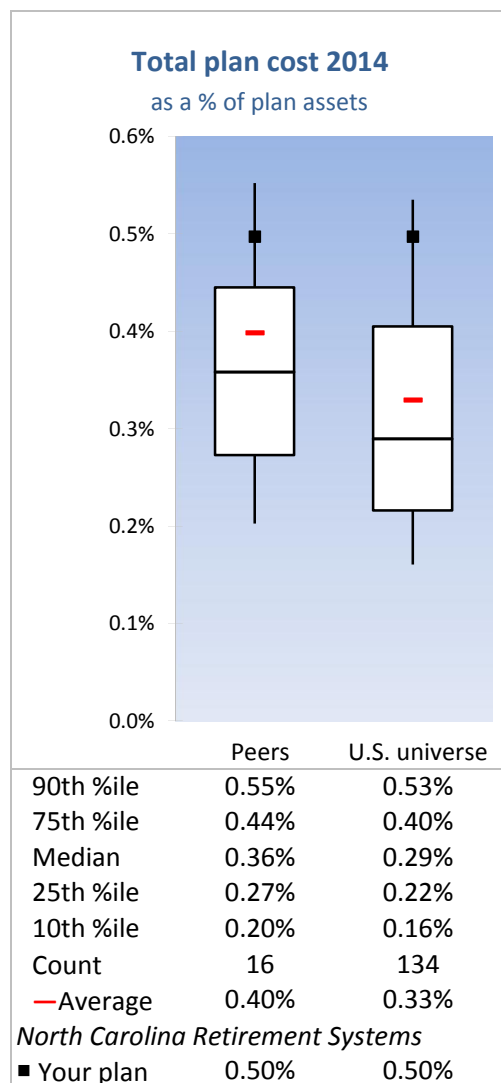


	2014	5 year
U.S. universe		
90th %ile	0.4%	0.6%
75th %ile	0.1%	0.3%
Median	-0.2%	0.0%
25th %ile	-0.6%	-0.2%
10th %ile	-1.1%	-0.4%
Count	134	100
— Average	-0.3%	0.1%
— Peer Average	-0.3%	0.1%
North Carolina Retirement Systems		
■ Your plan	-0.2%	0.7%

1. Employer stock's value added impact was neutralized by setting its benchmark return equal to its actual total return.

Total plan net value added shows how your plan's investment options performed on an overall basis. Positive net value added indicates that, on average, your plan's investment options are outperforming their benchmark indices after fees, whereas negative net value added indicates that they are underperforming.

Total plan cost



Trend analysis is based on 100 universe funds and 13 peers with 5 consecutive years of data.

Are your total plan costs reasonable?

CEM calculates a benchmark cost for your plan based on the median cost that your peers pay for your plan participants' mix of investment options. Your total plan cost was 0.50%. This was 0.09% above your peer-based benchmark cost of 0.41%.

Being high or low cost is neither good nor bad in and of itself. But as fiduciaries you should understand where and why you are paying more (or less) than peers and be comfortable that you are receiving value for what you are paying. Reasons for your plan's 0.09% cost excess are summarized in the following table.

Your total plan cost versus benchmark

North Carolina Retirement Systems	\$000s	%
Total plan cost	\$43,182	0.50%
Peer-based benchmark cost	\$35,686	0.41%
Excess cost	\$7,496	0.09%

Reasons for your plan's higher cost

Reason	+Excess/-Savings	
	\$000s	%
Paying same for similar-style investment options	-\$20	0.00%
Added cost from active versus indexed options	\$2,606	0.03%
Higher administrative expenses	\$4,959	0.06%
Less assets in mutual fund windows	-\$33	0.00%
Size versus peers adjustment	-\$16	0.00%
Total excess cost	\$7,496	0.09%

Reason 1: Paying more for similar-style investment options

Cost impact of paying more/-less for your plan's investment options

Provider - Option Name	Asset Class ² & Implementation Style	Cost ¹			Average Assets \$mills (B)	Cost/-Savings in \$000s (A X B X 1000)
		Your Plan	Peer Median	More/-Less (A)		
Multi-Mgr - North Carolina Large Cap Value Fund	Stock U.S. Large Cap	0.55%	0.52%	0.04%	898	321
Multi-Mgr - North Carolina Large Cap Growth Fund	Stock U.S. Large Cap	0.60%	0.52%	0.08%	862	687
BlackRock - North Carolina Large Cap Passive Fund	Stock U.S. Large Cap - indexed	0.17%	0.11%	0.06%	1,233	751
BlackRock - North Carolina SMID Cap Passive Fund	Stock U.S. Mid Cap - indexed	0.17%	0.14%	0.03%	213	60
Multi-Mgr - North Carolina SMID Growth Fund	Stock U.S. Mid Cap	0.86%	0.78%	0.08%	318	260
Multi-Mgr - North Carolina SMID Value Fund	Stock U.S. Mid Cap	0.79%	0.78%	0.01%	439	43
Multi-Mgr - North Carolina Global Equity Fund	Stock Global	0.75%	0.65%	0.10%	698	703
Multi-Mgr - North Carolina International Equity Fund	Stock Global	0.69%	0.65%	0.04%	527	205
BlackRock - North Carolina International Passive Fund	Stock Global - indexed	0.18%	0.18%	0.00%	39	0
Multi-Mgr - North Carolina Fixed Income Fund	Bonds Broad	0.35%	0.48%	-0.13%	551	-743
BlackRock - North Carolina Fixed Income Passive Fund	Bonds Broad - indexed	0.18%	0.13%	0.05%	319	163
Galliard - North Carolina Stable Value Fund	Stable Value (ex GIC)	0.44%	0.37%	0.08%	2,280	1,746
PIMCO - North Carolina Inflation Responsive Fund	Other	0.97%	0.72%	0.24%	308	743
Total				0.06%	8,686	4,939
Less: Impact of administrative expenses (see page 30 for details) ³				0.06%		
Total after adjustment				0.00%		

1. Net administrative expenses have been included in investment option costs to permit comparison between bundled and unbundled peers.
2. The stock asset classes combine the styles: growth, value, broad. Therefore, one reason costs may be higher or lower is differences in proportions of these styles. Starting on page 33 costs are compared on an uncombined basis by style.
3. To avoid double counting and to isolate the impact from paying less or more for similar-style investment options, the net impact of differences in unbundled administrative costs has been removed.

Reason 2: Added cost from active versus indexed options

Cost Impact of Investment Options Being More/-Less Actively Managed

Indexable Option Types ¹	Active Premium ² (A)	% Actively Managed		Average Assets \$mills (D)	Cost/ -Savings in \$000s ⁴ A x (B-C) x D
		Your Plan (B)	Peer Average ³ (C)		
Stock U.S. Broad or Large Cap	0.41%	58%	52%	2,994	797
Stock U.S. Mid Cap	0.64%	78%	54%	970	1,520
Stock Global	0.46%	97%	97%	1,264	-30
Bonds Broad	0.35%	62%	52%	870	319
Total		70%	62%	6,098	2,606
Total as a % of plan assets					0.03%

1. Only option types where both indexed and active management styles are relevant are shown. Thus employer stock, stable value funds and loans are excluded from assets for the purpose of this comparison.

2. The active premium is the additional cost of external active management relative to passive management for each asset class (based on the peer universe).

3. The total peer average is weighted by your plan's assets in indexable options. The total peer average is 52% when weighted by each peer's assets in indexable options.

4. Cost/-Savings for each option type equals the amount by which you are more/-less actively managed than the peer average, multiplied by the active premium multiplied by your plan's average assets in the option type.

Reason 3: Higher administrative expenses

From page 30 of full report

Administrative expenses (if able to report 100% separately from investment management fees¹)

Administrative Service	Cost as a % of plan assets		Cost/ -Savings	
	Your Plan	Peer Median	%	\$000s
	(A)	(B)	(A - B)	
Total administrative expenses	0.15%	0.09%	0.06%	\$4,959

1. 16 of your fund's 16 peers were able to report 100% of their administrative expenses.

Administrative expenses

	Your plan		Peer average		U.S. average	
	% of plan assets	\$ per participant	% of plan assets	\$ per participant	% of plan assets	\$ per participant
Recordkeeping/Admin/custody*	0.12%	\$42	0.10%	\$73	0.07%	\$73
Internal oversight	0.02%	\$6	0.01%	\$9	0.01%	\$15
Consulting	0.00%	\$1	0.00%	\$4	0.01%	\$7
Other plan costs	0.00%	\$1	0.00%	\$3	0.01%	\$8

* Recordkeeping fee of 0.079% is charged on all plan assets. A 0.055% fee for custodial and other fund related expenses is charged only on non-stable value assets. The North Carolina SRP are currently in contract negotiations with its recordkeeper and custodian and these fees have at this time been negotiated down to 0.11% or \$34 per participant.

Fee allocation

From page 56 of full report

Paying administration expenses from the expense ratio of investment options

	You	Peer	Universe
% of plans that pay all or part of administrative expenses from the expense ratio of investment options (i.e., via revenue sharing, bundled arrangements, etc)	Yes	50% Yes	57% Yes

Allocating administration expenses

	You	Peer	Universe
Are any recordkeeping or administrative expenses allocated to participants via fee allocation or wraps?	Yes	69%	64%
a. An asset based fee	Yes	64%	39%
b. A flat fee per participant	No	27%	40%
c. A combination of asset based fee and flat fee	No	9%	17%
d. Other (describe)	No	0%	4%

Investment option monitoring

The investment options that you should pay the closest attention to are those with 'outlier' returns or costs relative to similar style options. In the table below, outliers are highlighted in red. They are defined as costs in the highest 10% of your peers or returns in the bottom 10% of the U.S. universe.

Investment Option	Cost 2014					Net Total Return 2014					Net Value Added 2014					Net Total Return 5-year					Net Value Added 5-year				
	Your	Peer Med	Rank ¹ vs. Peer			Your	Univ Med	Rank vs. Univ			Your	Univ Med	Rank vs. Univ			Your	Univ Med	Rank vs. Univ			Your	Univ Med	Rank vs. Univ		
Multi-Mgr - North Carolina Large Cap Value	0.55%	0.55%	■	■	■	12.7%	11.1%	■	■	■	-0.8%	-2.2%	■	■	■	14.9%	15.0%	■	■	■	-0.5%	-0.5%	■	■	■
Multi-Mgr - North Carolina Large Cap Growt	0.60%	0.55%	■	■	■	9.0%	11.1%	■	■	■	-4.1%	-2.2%	■	■	■	16.2%	15.0%	■	■	■	0.4%	-0.5%	■	■	■
BlackRock - North Carolina Large Cap Passivi	0.17%	0.12%	■	■	■	13.5%	13.6%	■	■	■	-0.2%	-0.1%	■	■	■	15.4%	15.4%	■	■	■	-0.1%	-0.1%	■	■	■
BlackRock - North Carolina SMID Cap Passivi	0.17%	0.14%	■	■	■	7.1%	9.6%	■	■	■	0.5%	0.0%	■	■	■	16.3%	16.5%	■	■	■	0.0%	-0.1%	■	■	■
Multi-Mgr - North Carolina SMID Growth Fu	0.86%	0.78%	■	■	■	1.4%	8.6%	■	■	■	-5.7%	-2.2%	■	■	■	15.5%	16.1%	■	■	■	-1.8%	-0.5%	■	■	■
Multi-Mgr - North Carolina SMID Value Func	0.79%	0.78%	■	■	■	11.9%	8.6%	■	■	■	4.8%	-2.2%	■	■	■	18.3%	16.1%	■	■	■	3.3%	-0.5%	■	■	■
Multi-Mgr - North Carolina Global Equity Fu	0.75%	0.69%	■	■	■	5.1%	2.8%	■	■	■	0.4%	-1.0%	■	■	■	10.9%	10.2%	■	■	■	1.0%	0.0%	■	■	■
Multi-Mgr - North Carolina International Eqi	0.69%	0.69%	■	■	■	-2.1%	2.8%	■	■	■	1.3%	-1.0%	■	■	■	5.3%	10.2%	■	■	■	0.0%	0.0%	■	■	■
BlackRock - North Carolina International Pas	0.18%	n/a	■	■	■	-4.5%	-4.0%	■	■	■	-1.1%	-0.3%	■	■	■	4.7%	4.7%	■	■	■	-0.5%	-0.2%	■	■	■
Multi-Mgr - North Carolina Fixed Income Fui	0.35%	0.45%	■	■	■	5.2%	5.3%	■	■	■	-0.8%	-0.6%	■	■	■	5.2%	5.1%	■	■	■	0.3%	0.6%	■	■	■
BlackRock - North Carolina Fixed Income Pas	0.18%	0.13%	■	■	■	5.9%	5.9%	■	■	■	-0.1%	0.0%	■	■	■	5.1%	4.4%	■	■	■	0.3%	-0.1%	■	■	■
Galliard - North Carolina Stable Value Fund	0.44%	0.37%	■	■	■	1.8%	1.6%	■	■	■	0.8%	0.9%	■	■	■	2.6%	2.4%	■	■	■	1.9%	0.7%	■	■	■
PIMCO - North Carolina Inflation Responsive	0.97%	0.72%	■	■	■	1.0%	-1.0%	■	■	■	-0.9%	-0.3%	■	■	■	n/a	-0.4%	■	■	■	n/a	-1.6%	■	■	■

1. In the "Rank" charts above, bottom 10% is Low, next 15% is below average, middle 50% is Average, next 15% is above average, top 10% is High.

Investment option monitoring - additional details (example)

From page 34 of full report

	Your	Rank vs. peers					Rank vs. universe					Peers					U.S. universe				
Investment Option	plan	%ile	Low	Avg	High		%ile	Low	Avg	High	10th	25th	Med	75th	90th	10th	25th	Med	75th	90th	
Multi-Mgr - North Carolina Large Cap Value Fund												Stock U.S. Broad or Large Cap Active									
2014 Cost	0.55%	50%	<div><div></div><div></div><div></div><div></div><div></div></div>				54%	<div><div></div><div></div><div></div><div></div><div></div></div>			0.35%	0.42%	0.55%	0.69%	0.81%	0.32%	0.41%	0.52%	0.69%	0.82%	
2014 Total Return	12.70%	79%	<div><div></div><div></div><div></div><div></div><div></div></div>				74%	<div><div></div><div></div><div></div><div></div><div></div></div>			9.0%	9.6%	10.9%	12.6%	14.0%	8.7%	9.6%	11.1%	12.9%	14.6%	
2014 Net Value Added	-0.75%	76%	<div><div></div><div></div><div></div><div></div><div></div></div>				71%	<div><div></div><div></div><div></div><div></div><div></div></div>			-4.1%	-3.7%	-2.5%	-0.8%	0.6%	-4.2%	-3.7%	-2.2%	-0.4%	1.9%	
5-yr Total Return	14.95%	41%	<div><div></div><div></div><div></div><div></div><div></div></div>				48%	<div><div></div><div></div><div></div><div></div><div></div></div>			13.1%	14.8%	15.1%	15.9%	16.2%	12.6%	14.1%	15.0%	15.9%	17.4%	
5-yr Net Value Added	-0.48%	41%	<div><div></div><div></div><div></div><div></div><div></div></div>				50%	<div><div></div><div></div><div></div><div></div><div></div></div>			-2.4%	-0.7%	-0.3%	0.4%	0.7%	-2.7%	-1.4%	-0.5%	0.3%	1.8%	
Multi-Mgr - North Carolina Large Cap Growth Fund												Stock U.S. Broad or Large Cap Active									
2014 Cost	0.60%	62%	<div><div></div><div></div><div></div><div></div><div></div></div>				63%	<div><div></div><div></div><div></div><div></div><div></div></div>			0.35%	0.42%	0.55%	0.69%	0.81%	0.32%	0.41%	0.52%	0.69%	0.82%	
2014 Total Return	9.00%	12%	<div><div></div><div></div><div></div><div></div><div></div></div>				15%	<div><div></div><div></div><div></div><div></div><div></div></div>			9.0%	9.6%	10.9%	12.6%	14.0%	8.7%	9.6%	11.1%	12.9%	14.6%	
2014 Net Value Added	-4.05%	18%	<div><div></div><div></div><div></div><div></div><div></div></div>				18%	<div><div></div><div></div><div></div><div></div><div></div></div>			-4.1%	-3.7%	-2.5%	-0.8%	0.6%	-4.2%	-3.7%	-2.2%	-0.4%	1.9%	
5-yr Total Return	16.25%	94%	<div><div></div><div></div><div></div><div></div><div></div></div>				82%	<div><div></div><div></div><div></div><div></div><div></div></div>			13.1%	14.8%	15.1%	15.9%	16.2%	12.6%	14.1%	15.0%	15.9%	17.4%	
5-yr Net Value Added	0.43%	76%	<div><div></div><div></div><div></div><div></div><div></div></div>				78%	<div><div></div><div></div><div></div><div></div><div></div></div>			-2.4%	-0.7%	-0.3%	0.4%	0.7%	-2.7%	-1.4%	-0.5%	0.3%	1.8%	
BlackRock - North Carolina Large Cap Passive Fund												Stock U.S. Broad or Large Cap Indexed									
2014 Cost	0.17%	71%	<div><div></div><div></div><div></div><div></div><div></div></div>				87%	<div><div></div><div></div><div></div><div></div><div></div></div>			0.07%	0.09%	0.12%	0.17%	0.22%	0.03%	0.05%	0.09%	0.12%	0.19%	
2014 Total Return	13.50%	47%	<div><div></div><div></div><div></div><div></div><div></div></div>				39%	<div><div></div><div></div><div></div><div></div><div></div></div>			12.6%	13.0%	13.5%	13.6%	13.7%	12.5%	13.1%	13.6%	13.7%	13.7%	
2014 Net Value Added	-0.19%	18%	<div><div></div><div></div><div></div><div></div><div></div></div>				12%	<div><div></div><div></div><div></div><div></div><div></div></div>			-0.3%	-0.2%	-0.1%	0.0%	0.0%	-0.3%	-0.1%	-0.1%	0.0%	0.0%	
5-yr Total Return	15.35%	25%	<div><div></div><div></div><div></div><div></div><div></div></div>				30%	<div><div></div><div></div><div></div><div></div><div></div></div>			15.2%	15.4%	15.4%	15.6%	15.7%	15.0%	15.3%	15.4%	15.5%	15.8%	
5-yr Net Value Added	-0.10%	25%	<div><div></div><div></div><div></div><div></div><div></div></div>				34%	<div><div></div><div></div><div></div><div></div><div></div></div>			-0.1%	-0.1%	-0.1%	0.0%	0.0%	-0.3%	-0.1%	-0.1%	0.0%	0.0%	
BlackRock - North Carolina SMID Cap Passive Fund												Stock U.S. Mid Cap Indexed									
2014 Cost	0.17%	83%	<div><div></div><div></div><div></div><div></div><div></div></div>				83%	<div><div></div><div></div><div></div><div></div><div></div></div>			0.11%	0.13%	0.14%	0.16%	0.18%	0.08%	0.10%	0.12%	0.15%	0.29%	
2014 Total Return	7.10%	17%	<div><div></div><div></div><div></div><div></div><div></div></div>				4%	<div><div></div><div></div><div></div><div></div><div></div></div>			7.1%	8.4%	9.7%	13.7%	13.8%	7.4%	7.6%	9.6%	13.0%	13.8%	
2014 Net Value Added	0.46%	100%	<div><div></div><div></div><div></div><div></div><div></div></div>				96%	<div><div></div><div></div><div></div><div></div><div></div></div>			-0.1%	-0.1%	-0.1%	0.0%	0.2%	-0.4%	-0.1%	0.0%	0.0%	0.1%	
5-yr Total Return	16.30%	0%	<div><div></div><div></div><div></div><div></div><div></div></div>				5%	<div><div></div><div></div><div></div><div></div><div></div></div>			16.3%	16.4%	16.4%	16.6%	16.9%	16.4%	16.4%	16.5%	16.8%	17.0%	
5-yr Net Value Added	0.04%	100%	<div><div></div><div></div><div></div><div></div><div></div></div>				81%	<div><div></div><div></div><div></div><div></div><div></div></div>			-0.1%	-0.1%	-0.1%	0.0%	0.0%	-0.2%	-0.2%	-0.1%	0.0%	0.1%	

Plan investment options

Too many investment options can increase plan costs, increase participant confusion and decrease participation rates.

Type and number of investment options

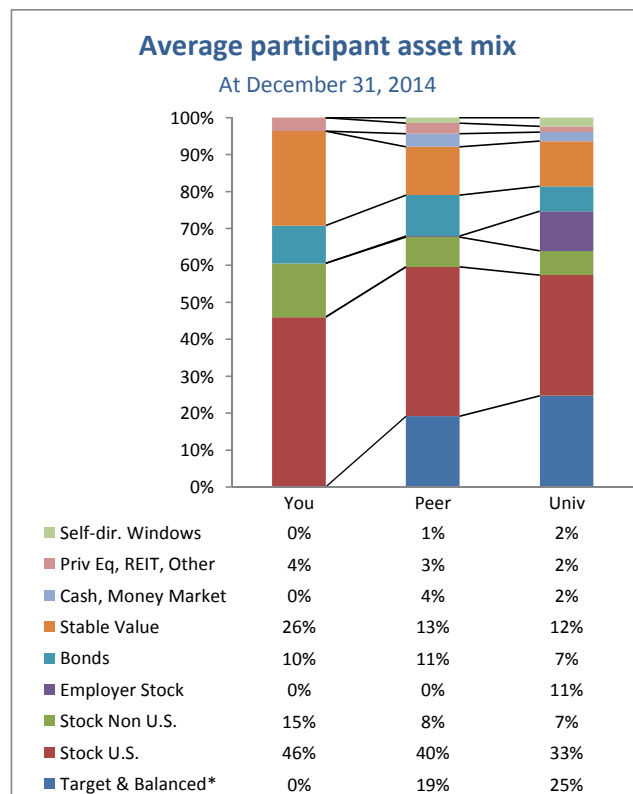
Type of Investment Option	Your plan*	Peer Average	Universe Average
Employer Stock		0.1	0.7
Stock U.S.	6	6.3	6.0
Stock Non U.S. & Global	3	2.6	2.4
Bonds	2	3.1	2.5
Stable Value	1	0.8	0.7
Cash, Money Market		0.8	0.6
Target Retirement Date		0.8	0.9
Balanced		1.0	1.0
Mutual Fund Window		0.1	0.1
Participant Brokerage Account		0.5	0.4
Priv Eq, REIT, Other	1	0.7	0.6
Total	13	16.8	15.9

Default option

Default Option Type	Your plan*	Peer Average	Universe Average
Balanced		0%	7%
Target retirement date	Yes	94%	86%
Managed accounts		0%	2%
Stable Value		0%	1%
Money Market		0%	1%
Other		6%	1%
No default option		0%	2%
Total		100%	100%

* North Carolina Supplemental Retirement Plans offer GoalMaker as an asset allocation service for no additional cost provided by Prudential; it helps members allocate funds to 13 investment portfolios that are best suited to their risk profile and time horizon. This service rebalances assets quarterly.

Diversification - Average participant asset mix



Monitoring asset mix is important because it is often the biggest reason for differences in the total returns of plan participants. You should review the allocation to the following options on a regular basis:

Employer stock - Employer stock can substantially increase the volatility of the average participant's returns (i.e., it increases risk). This is not an issue for your plan because it does not offer an employer stock option.

Stable value and cash - on average your plan participants had a combined 26% of their assets in stable value and/or cash options. This was above the peer average of 17%. Professionally managed defined benefit plans typically have less than 1% of their assets in these options.

* 40% of North Carolina Supplemental Retirement Plans DC Assets are in GoalMaker. GoalMaker is an asset allocation service for no additional cost provided by Prudential; it helps members allocate funds to 13 investment portfolios best suited to their risk profile and time horizon. This service rebalances assets quarterly.

Indexed options

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Indexed Options by Asset Class

Does your plan offer an indexed option for:	Your plan	Peer	Universe
Stock U.S. Broad or Large Cap	Yes	94% Yes	98% Yes
Stock U.S. Small Cap		44% Yes	51% Yes
Stock Non U.S. & Global	Yes	81% Yes	72% Yes
Bonds	Yes	81% Yes	74% Yes
Target & Balanced		63% Yes	61% Yes

Cost Savings from Indexed Options

Asset Class	Indexed	<u>Universe Average Cost¹</u>	
		Active	Savings
Stock U.S. Broad or Large Cap	0.10%	0.53%	0.42%
Stock U.S. Small Cap	0.13%	0.75%	0.62%
Stock Non U.S. & Global	0.16%	0.67%	0.51%
Bonds	0.12%	0.42%	0.30%
Target & Balanced	0.18%	0.51%	0.33%

Performance of Indexed vs. Active Options

Asset Class	<u>10y Net Value Added²</u>	
	<u>Universe Average</u>	
	Indexed	Active
Stock U.S. Broad or Large Cap	-0.10%	0.14%
Stock U.S. Small Cap	-0.05%	0.91%
Stock Non U.S. & Global	-0.14%	0.54%
Bonds	-0.31%	0.21%
Target & Balanced	-0.11%	0.14%

1. Indexed costs include management fees and administration, etc.

2. 10 years of data are shown to incorporate returns from the bear market, which began in October, 2007 and ended in March, 2009.

Participant success measures

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Participant Success Measures

	Your Plan	Peer Median	Rank vs. Peers			
			%ile	Low	Avg	High
% of eligible employees that participate	46%	84%	29%	<div></div>	<div></div>	<div></div>
% making voluntary contributions	74%	91%	25%	<div></div>	<div></div>	<div></div>
% receiving maximum employer match	n/a	84%	n/a	<div></div>	<div></div>	<div></div>
Average account balance per participant	\$31,618	\$64,004	17%	<div></div>	<div></div>	<div></div>
Employer contributions per active participant*	\$874	\$1,444	36%	<div></div>	<div></div>	<div></div>
Employee contributions per active participant	\$1,535	\$3,723	13%	<div></div>	<div></div>	<div></div>

* Law Enforcement Officers receive employer contributions of 5% by state statute. Other state employers provide a match or contribution between 1% and 5%.

Fiduciary structure, process and documentation

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	You	Peers	Universe
Who are the fiduciaries named in the plan document as having control over the plan's operation (If the employer sponsoring the plan is named, indicate who currently acts as the internal fiduciary on behalf of the employer):			
a. The Board of Directors of the plan sponsor?		31% yes	11% yes
b. A specified title or person such as the CEO or CFO?		6% yes	2% yes
c. A committee	Yes	50% yes	81% yes
d. Other		13% yes	6% yes
If a committee is the named fiduciary:			
a. Number of committee members?	9	6.8	5.8
b. Number of committee meetings in the past year?	10	6.1	5.1
c. Are the minutes of each meeting documented?	Yes	100% yes	100% yes
Are the 'named' fiduciaries:			
a. Provided formal training as to their role and responsibilities?	Yes	75% yes	80% yes
b. Required to sign an 'acknowledgement of responsibility' form?	Yes	50% yes	22% yes
Have third-parties been appointed as fiduciaries to serve as:			
a. Investment manager with full discretionary powers for selecting, monitoring and replacing the plan's investment options?*	Yes	25% yes	10% yes
b. Investment advisor to provide advice regarding the selection and retention of plan investment	Yes	75% yes	50% yes
c. Plan administrator responsible for regulatory filings, disclosures to participants and hiring plan service providers if no other fiduciary has that responsibility?	Yes	44% yes	32% yes
Is there documentation that identifies the process for:			
a. Selection and monitoring of third-party fiduciaries and other plan service providers	Yes	88% yes	82% yes
b. Investment policy	Yes	100% yes	92% yes
c. Oversight of internal employees involved in operating the plan (i.e., internal fiduciaries, HR staff enrolling employees in the plan, posting deferrals, etc)	Yes	87% yes	80% yes
d. Fulfilling administration responsibilities (regulatory filings, disclosures to participants)	Yes	86% yes	83% yes

* Only the stable value has been fully delegated.