# North Carolina Supplemental Retirement Plans

401(k) and 457 Plans

Investment Holding Guideline Compliance Summary

As of September 30, 2015

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
	Passive domestic equity	Must mirror index by full replication or sampling	✓			$\checkmark$					
	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%			~		~	~			
Individual	Passive international equity	Max: greater of 5% or index weight							$\checkmark$		
securities	Active international equity	Max: 7.5%			-	-		-	-	~	~
	Active equity	Futures, options, swaps RESTRICTED		~	~		~	✓		~	$\checkmark$
	Equity	144A Max: 15%	~	~	$\checkmark$	$\checkmark$	~	$\checkmark$	$\checkmark$	~	$\checkmark$
	Equity	Manager's own security RESTRICTED	~	~	~	~	~	~	~	✓	~
	Equity	Restricted securities RESTRICTED	~	~	~	~	~	~	~	~	~
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		$\checkmark$	$\checkmark$		$\checkmark$	$\checkmark$		~	$\checkmark$
Style	Value Equity	P/B, P/E < Broad market		~			~				
	Growth equity	P/B, P/E > Broad market			~			~			
Positioning	Equity	Short positions RESTRICTED	~	~	~	~	~	~	~	~	✓
	Equity	Leverage RESTRICTED	~	~	~	~	~	$\checkmark$	$\checkmark$	~	✓
Currency hedging	Domestic equity	RESTRICTED	~	~	~	~	~	~			
Cash reserves	Equity	Must be fully invested	✓	✓	~	~	~	✓	$\checkmark$	~	✓

Manager self-report

Drudential to monitor

In compliance with IPS.

 $\checkmark$ 

X Not in compliance with IPS.



## EQUITY PORTFOLIOS - MANAGER LEVEL

	Applicable asset	Guideline	LARGE CAP LARGE CAP VALUE		E	LARGE CAP GROWTH		MID/SMALL MID/SMALL CAP VALUE			ALUE	MID/SMALL CAP GROWTH INTL PAS					GLOBAL EQUITY			
Category	class		BlackRock	Hotchkis & Wiley	Delaware	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		~	$\checkmark$	$\checkmark$	✓	~					
	Large cap value equity	ADR/Foreign Max: 20%		~	~	✓														
	Large cap growth equity, Mid/Small cap equity	ADR/Foreign Max: 10%					•	~	•		•	✓	✓	✓	~					
Individual	Passive international equity	Max: greater of 5% or index weight														1				
securities	Active international equity	Max: 7.5%															✓	~	✓	✓
	Active equity	Futures, options, swaps RESTRICTED		✓	✓	~	✓	✓	$\checkmark$		✓	✓	✓	✓	✓		✓	~	√	✓
	Equity	144A Max: 15%	~	~	✓	$\checkmark$	✓	✓	$\checkmark$	~	✓	$\checkmark$	✓	✓	✓	~	✓	~	$\checkmark$	✓
	Equity	Manager's own security RESTRICTED	~	~	$\checkmark$	$\checkmark$	~	$\checkmark$	$\checkmark$	~	~	$\checkmark$	✓	✓	$\checkmark$	~	✓	✓	$\checkmark$	✓
	Equity	Restricted securities RESTRICTED	~	~	✓	$\checkmark$	✓	✓	$\checkmark$	~	~	$\checkmark$	✓	✓	✓	~	✓	~	$\checkmark$	✓
Sector diversification	Large cap equity	Individual sector weight Max: greater of 25% or 2x index weight		~	✓	~	~	~	~											
	Mid/Small cap equity	Diversification Min: 5 sectors									✓	$\checkmark$	$\checkmark$	✓	✓					
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%															~	~	0	~
Average market cap	Equity	Within benchmark market cap range		~	✓	~	~	~	~		~	~	√	✓	~		1	~	~	~
Stude	Value equity	P/B, P/E < Broad market		~	✓	✓					~	✓	~							
Style	Growth equity	P/B, P/E > Broad market					~	✓	✓					✓	~					
Positioning	Equity	Short positions RESTRICTED	~	~	✓	~	~	✓	~	~	~	✓	✓	~	✓	~	~	~	√	~
i ositioning	Equity	Leverage RESTRICTED	~	~	✓	~	~	✓	~	~	~	✓	✓	✓	~	~	~	~	$\checkmark$	✓
Currency hedging	Domestic equity	RESTRICTED	~	✓	✓	~	~	✓	~	~	~	✓	✓	✓	~					
Cash reserves	Equity	Must be fully invested	~	~	√	~	~	1	~	~	~	✓	√	~	~	~	1	~	~	✓
Manager self-repo		]								1		In compliance v	with manager of	uidelines but		-	•			
Galliard to monitor			✓	In compliance wi	th IPS.		<b>x</b> N	lot in compliance	with IPS.		•	not with fund gu		alaelines, Dul						

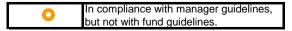
# FIXED INCOME PORTFOLIOS

Category	Applicable asset class	Guideline	FIXED INCOME PASSIVE	FIXED INCOME	FIXED I	STABLE VALUE	
			BlackRock	FUND	JPMorgan	Prudential	Galliard
	Fixed income	Max: 5%	$\checkmark$	NA	$\checkmark$	NA	
Individual securities	Fixed income	144A Max: 15%	$\checkmark$	×	$\checkmark$	0	
	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%;		~	~	~	
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		~	$\checkmark$	~	
Duration	Passive fixed income	Must match index	$\checkmark$				
Maturity	Cash	Max: 1 year					NA
Underwriter	Fixed income	Purchases of securities in which JPM is the underwriter from JPM investment bank prohibited			$\checkmark$		
Currency hedging	Fixed income	RESTRICTED at manager level	~		$\checkmark$	~	
Cash reserves	Fixed income	Must be fully invested	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	

Manager self-report Galliard to monitor

 $\checkmark$  In compliance with IPS.

X Not in compliance with IPS.



Prudential to monitor

# INFLATION SENSITIVE PORTFOLIO

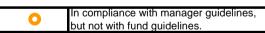
Category	Applicable asset class	Guideline	INFLATION Responsive PIMCO
	Fixed income	144A Max: 15%	✓
Individual securities	Fixed income	Manager's own security RESTRICTED	✓
	Fixed income	Restricted securities RESTRICTED	✓
	Commodities	Max: 40%	✓
Sector diversification	Equity and REITs	Max: 15%	~
	Gold	Max: 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

Prudential to monitor

✓ In compliance with IPS.

X Not in compliance with IPS.



EQUITY PORTFOLIOS - FUND LEVEL Guideline: Max position 5% Large Cap Growth Fund has positions that exceed 5%: Visa (5.1%) and Facebook(5.0%) All three underlying LCG managers have positions in both VISA and Facebook Manager's contractual guideline: While the fund is out of guideline, the benchmark position in both VISA and Facebook is substantial. The Fund is still in-line with the overall objectives

#### EQUITY PORTFOLIOS - FUND LEVEL

Guideline: Max US Position 60% Global Equity Fund exposure: 62.2% Largely due to Wellington (65.7%) Manager's contractual guideline: While the fund is out of guideline it is not significantly different than benchmark and still in-line with overall objectives of the fund.

#### EQUITY PORTFOLIOS - MANAGER LEVEL

Hotchkis - LARGE CAP VALUE Guideline: Max individual security weight: greater of 5% or Index weight + 2.5%, but must be less than 10% Portfolio largest position size: 5.12%; Portfolio largest excess weight over BM: 4.3% Manager's contractual guideline: IN COMPLIANCE. Market fluctuations caused position to exceed target, to limit excess trading costs manager not required to immediately sell securities

#### 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: 8.5%; Portfolio largest excess weight over BM: 7.1% 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: 6.3%; Portfolio largest excess weight over BM: 5.5% 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 11.6% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding ADR/Foreign Max

#### Loomis - LARGE CAP GROWTH

Guideline: ADR/Foreign Max 10% Portfolio ADR exposure 14.8% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding ADR/Foreign Max

#### Hotchkis & Wiley - Mid Cap Value

Guideline: ADR/Foreign Max 10% Portfolio Non-US exposure 16.4% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding ADR/Foreign Max

#### Wellington Global Opportunities

Guideline: Max US Position 60% Portfolio US exposure 65.7% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding US Exposure

### EQUITY PORTFOLIOS - FUND LEVEL

Guideline: 14A Max 15% Fixed Income Fund exposure 22.2% Fund out of Compliance largely due to Prudential 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

Prudential- FIXED INCOME Guideline: 14A Max 15% 14A Allocation 34.1% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding 14A allocation

#### Prudential- FIXED INCOME

Guideline: Corporates allocation to the benchmark Prudential Allocation 52.0, benchmark allocation 24.0 Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding corporate allocation

### STABLE VALUE

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