

North Carolina Supplemental Retirement Plans

**STATEMENT OF INVESTMENT POLICY
FOR THE NC 401(k) AND NC 457 PLANS**

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I. PURPOSE

A. PURPOSE OF THE PLANS

The State of North Carolina has established the North Carolina Supplemental Retirement Plans with the primary purpose of providing state government and local government employers (the “Employer”) with savings plans for employees to help them financially prepare for retirement. This Statement of Investment Policy covers the North Carolina Deferred Compensation Plan (NC 457 Plan) and the North Carolina Supplemental Retirement Income Plan (NC 401(k) Plan). Throughout this document, the NC 457 Plan and the NC 401(k) Plan will be referred to as the “Plans.” The Plans are designed to provide participants with a range of investment options that may be offered for investment under the Plans. The Plans are structured such that an investment option may be provided through the use of (1) mutual funds, collective trusts, or other commingled funds (“Commingled Funds”); and/or (2) separate accounts that utilize one or more outside investment advisors to manage the assets directed to that option (“Separate Accounts”).

The Plans are governed and overseen by the Department of State Treasurer (the “Department”) and the North Carolina Supplemental Retirement Board of Trustees (the “Board”). The overriding objective of the Plans is to provide suitable retirement vehicles for the current and former employees of the Employer. The Board recognizes the diverse nature of employees’ savings requirements, return objectives, and risk tolerances, and therefore intends to provide a range of investment options in the Plans which will meet the needs of employees in various life stages and with different retirement savings requirements.

The Plans are managed with the intent that they (1) meet the applicable requirements of the Internal Revenue Code of 1986, as amended (“Code”); and (2) qualify as a participant-directed account under the fiduciary safe harbor in Section 404(c) of the Employee Retirement Income and Security Act of 1974, as amended (“ERISA”), as if the Plans are governed by that provision. Under Section 404(c) of ERISA, plan sponsors and other fiduciaries are relieved of fiduciary responsibility for investment decisions made by participants and beneficiaries if the plan offers individual accounts that permit participants and beneficiaries to exercise control over assets. In general, to qualify for Section 404(c) relief, the plan must offer at least three diversified investment options with at least quarterly liquidity.

B. PURPOSE OF THE STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy is intended to assist the Board in effectively structuring an appropriate investment menu, including establishing a prudent process for selecting, monitoring and, as necessary, replacing investment options. The purpose of this Statement of Investment Policy is to document the investment objectives and guidelines of the Plans.

These objectives and guidelines have been formulated in response to:

- The need to provide a set of policies and guidelines for each investment option to ensure that the Plans’ assets are managed in a competent and professional manner;
- The need to satisfy the fiduciary obligations of the Board and the Department; and
- The need to provide a set of standards for performance evaluation of each investment option.

I. PURPOSE

This Statement of Investment Policy shall be reviewed at least annually by the Department's Investment Management Division ("IMD") and the investment consultant, with any recommended modifications made to the Board's Investment Subcommittee (if applicable) and to the full Board. The Board may amend this policy to reflect changes in the capital markets, participants' objectives or demographics, legislative or regulatory changes, or other factors relevant to the Plans.

II. RESPONSIBILITIES OF PARTICIPANTS

The Plans are voluntary and participant-directed. As such, participants bear responsibility for (1) deciding the amount of current compensation to defer into the Plan(s); (2) developing a strategy for the investment of deferrals and Employer contributions, if applicable, in the investment options offered in the Plans; and (3) directing the investment of all funds in their accounts. The appropriate asset mix for a participant is a function of multiple factors, including age, income, length of time before funds are needed, tolerance for volatility risk, accumulation objectives, retirement income replacement objectives, and other assets owned. The participant is best positioned to make the individual decision on how to allocate assets among the investment options available.

The specific responsibilities of the Plans' participants include the following:

- Determining an amount to contribute to the Plan(s) within the limitations of plan documents, the Internal Revenue Code, and U.S. Treasury Regulations;
- Allocating existing account balances, rollover contributions and future contributions (including contributions made on behalf of the participant by the Employer) to the available investment options based on individual circumstances, goals and objectives and risk tolerances;
- Rebalancing account balances to the desired allocation, when necessary, due to market movements and/or account activity or selecting a Fund Allocation Model with automatic rebalancing; and
- Reallocating account balances and directing future contributions as personal circumstances, goals and objectives change.

It is the responsibility of the Plans' participants to determine the combination of contribution level and asset allocation that will meet their individual retirement needs. Participants are responsible for seeking advice from personal advisors, as each participant deems necessary.

Participants may elect the GoalMaker asset allocation service through Empower as recordkeeper at no additional cost. GoalMaker provides a model portfolio and asset allocation utilizing the investment options available in the Plans based on a participant's years to retirement and risk tolerance.

III. RESPONSIBLE PARTIES

The fiduciaries of the Plans will act in the sole interest of the Plans' participants and beneficiaries and for the exclusive purpose of providing benefits to participants and beneficiaries and defraying the reasonable expenses of administering the Plans. Those fiduciaries exercising investment authority will act as prudent investors as defined by the North Carolina Uniform Prudent Investor Act. Fiduciaries must comply with the provisions of this Statement of Investment Policy.

The specific responsibilities of the parties are detailed below.

A. BOARD OF TRUSTEES

The Board has the final responsibility for approving this Statement of Investment Policy and monitoring the execution of the procedures, standards, goals and guidelines set forth in this policy. Specific responsibilities of the Board include:

1. Planning

- Approve the types of investment options offered within the Plans so as to provide a broad range of options along the risk/return spectrum;
- Approve the appropriate investment structure for each option, taking into consideration the performance, risk and cost of each potential structure;
- Approve the appointment and removal of investment managers, including any delegated glidepath providers;
- Approve the appointment and removal of an investment consultant(s), as necessary or appropriate, (1) to render advice on the investment program, the selection of investment funds and managers, the evaluation of investment performance, funds and managers; and (2) to perform other duties, as appropriate;
- Approve investment performance objectives for each investment option and manager;
- Monitor, or cause to be monitored, the investment performance of the Plans' investment options and managers; and
- Approve glidepath(s) for the Tier I investment option, considering participant demographics, objectives, and risk tolerance.

2. Operations

- Approve the appointment and removal of the recordkeeper, custodian, investment consultant, or other major service providers;
- Delegate responsibilities to the Department of State Treasurer, as appropriate;
- Delegate administrative duties, as appropriate, to the recordkeeper, custodian or other service providers; and
- Approve and monitor participant communications plans and strategies, e.g., the general investment characteristics of each investment option to participants, including risk considerations. The Department and the recordkeeper will supply information regarding the investment options and basic principles of investing to participants to help address the factors affecting asset allocation. However, the dissemination of information and the

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provision of investment options by the Plans do not constitute investment advice to participants.

3. Control

- Review and evaluate results of the investment options against established performance and risk standards;
- Review and evaluate the results of individual investment managers against established performance standards or other established guidelines;
- Take whatever corrective action is deemed prudent and appropriate when an investment option or investment manager fails to perform against established policy objectives, guidelines and standards. The Board will also monitor qualitative issues that may impact the soundness of the investment managers which are retained by the Plans and their investment processes and will take corrective action, if necessary; and
- Monitor Plan costs and the effectiveness of operations.

B. INVESTMENT SUBCOMMITTEE

The Board does not currently have an Investment Subcommittee. As provided in the Board's charter, the duties of the investment subcommittee, as described in this policy, are consolidated with the functions of the full Board. However, the Board may create an investment subcommittee, on a temporary or ad hoc basis, as necessary to address specific investment-related issues, including the performance of the Investment Subcommittee's functions, as described in this policy. References to the Investment Subcommittee in this Policy apply only if an Investment Subcommittee has been established by the Board and assigned the function assigned to the Investment Subcommittee in such reference.

With respect to management of the investments of the Plans, the oversight responsibility of the Board may be delegated to an Investment Subcommittee of the Board. The Investment Subcommittee does not have final discretion to approve relevant items. The Investment Subcommittee is expected to make recommendations for the Board's approval. Following final approval, the Investment Subcommittee may be given the authority to implement all matters relevant to the Board's decision. The Investment Subcommittee must be comprised of Board of Trustees members nominated by the Board Chair and ratified by the Board. The responsibilities of the Investment Subcommittee may include the following:

- Make recommendations regarding the selection of qualified investment managers which fulfill the criteria of the identified asset class;
- Monitor investment results of each investment option and manager in the Plans by means of regular review and analyses to determine whether those responsible for investment results are meeting guidelines and criteria;
- Recommend appropriate action to the Board if objectives are not being met or if policies and guidelines are not being followed;
- Review this Statement of Investment Policy and recommend modifications to it, as needed;

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- Recommend a rebalancing policy to the Board for approval; and
- Recommend a glidepath for the Tier I investment option, considering participant demographics, objectives, and risk tolerance.

C. INVESTMENT MANAGER

The Board will hire, or cause to be hired, individual investment managers (or sub-advisors) to execute the various investment mandates described in this document. The investment managers have responsibility for implementing and monitoring the procedures, standards, goals, and guidelines prescribed to them by the Board through this document and the agreement between the investor and investment manager, commonly referred to as the investment management agreement (IMA). Specific responsibilities of the investment managers include:

- Accept investment discretion for the Plans' assets as directed by the Board or its designee, and invest according to the stated investment philosophy and strategy as dictated in: A) the Commingled Fund's prospectus or other guidelines; or B) the investment guidelines agreed upon with each manager of individual assets;
- Issue prospectuses, quarterly and annual reports and other pertinent information regarding the Plans' assets under their management on a timely basis to the Board and/or their designees;
- Meet as required with the Board and/or their designees to review portfolio and investment results;
- Notify the Board and/or their designees in advance of potential material changes in fund, strategy and firm operation under consideration or about to be implemented. This includes organizational, personnel or strategy changes that may impact asset management;
- Provide the Board and/or their designees with a monthly or quarterly accounting of assets as requested by the Board or designee;
- Monitor compliance with laws, regulations, and contractual terms, including investment guidelines, and promptly report any violations thereof and proposed resolution plans to designated representatives of the Department and investment consultant; and
- Issue detailed quarterly reporting to the Board and/or their designees (including the investment consultant), which includes the following information:
 - The market value of account assets as of the last business day of each quarter;
 - Time-weighted rates of return measured net of investment management fees and all expenses or gross of fees (as appropriate) for the current quarter, year-to-date and historical time periods, including returns since inception, compared to appropriate benchmarks;
 - Average account characteristics and number of holdings as of the last business day of each quarter;
 - Current investment strategy;
 - Changes implemented over the prior quarter;

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- Personnel changes and other material organizational events; and
- Other items that may be requested from time-to-time by the Board and/or their designees.

D. RECORDKEEPER

The recordkeeper has been delegated by the Board the responsibility for maintaining participant accounts and facilitating participant actions. In addition, the recordkeeper has the following responsibilities:

- Enroll participants;
- Execute the Plans' participant communication activities;
- Allocate and transfer the Plans' assets among permitted investment options as directed by the Board or the participants of the underlying Plans through the Plans' custodian;
- Make payments from the Plans to such participants or beneficiaries of the Plans as directed and as permitted by the Plans' documents;
- Provide a written accounting of all investments and all receipts, disbursements, income, expenses, and other transactions of the Plans at month end; and
- Reconcile account balances with custodian.

E. CUSTODIAN

The duties of the custodian include the following:

- Provide custody and safekeeping of the Plans' assets;
- Allocate and transfer the Plans' assets among permitted investment options as directed by the Board, Departmental staff or the participants of the underlying Plans;
- Allocate and transfer assets among investment managers within the Plans' investment options as directed by the Board or its designee;
- Provide a monthly report detailing the allocation of all of the Plans' assets among the investment options and investment managers;
- Provide a written accounting of all investments and all receipts, disbursements, income, expenses, and other transactions of the Plans at month end;
- Reconcile asset account balances with the recordkeeper;
- Reconcile asset account positions with investment managers;
- Produce manager compliance reports for Departmental staff;
- Provide calculation of an accurate and timely daily NAV; and
- Provide calculation and timely provision of accurate performance data.

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F. INVESTMENT MANAGEMENT DIVISION STAFF

The duties of the Investment Management Division (“IMD”) staff, working with the assistance of an investment consultant, include:

- Regularly monitor the adherence of investment options and investment managers to stated investment policies, objectives and guidelines; identify any material deviations from stated investment policies, objectives and/or guidelines; coordinate the resolution of compliance issues with investment managers and the Investment Consultant, if necessary;
- Provide recommendations to the Board, or the Investment Subcommittee as appropriate, on hiring, terminating, or placing on watch an investment manager, either as requested by the Board or on their own initiative;
- Review the rebalancing of investment managers within fund options as needed;
- Provide recommendations to the Board on the structure or number of investment options;
- Review investment managers’ guidelines and recommend changes as necessary;
- Meet periodically with the Board and/or their designees to review performance of the investment options within the context of this Statement of Investment Policy;
- Review at least annually this Statement of Investment Policy and recommend modifications to the Board and/or their designees as appropriate;
- Notify the Board and/or their designees of any qualitative issues that may impact the soundness of the investment funds or investment managers which are retained by the Plans. These issues may include ownership changes (e.g., key people “cash out”), departure of key investment professionals, changes in decision-making process, changes in investment philosophy, and/or involvement in material litigation or fraud;
- Keep the Board and/or their designees informed about current investment trends and issues;
- Perform due diligence on investment managers and contribute to the negotiation of investment management agreements;
- Provide backup management and oversight of the custodian;
- Recommend a glidepath to the Board and review the glidepath in conjunction with the investment consultant;
- Oversee rebalancing as necessary;
- Review the derivatives holdings in each Separate Account on a quarterly basis and, as needed, provide a written report to the Board, the Investment Subcommittee, and/or their designees regarding the derivatives holdings and their potential impact on the Plans given a worst case scenario; and
- Oversee and manage the investment consultant relationship in order to ensure the duties assigned through this Statement of Investment Policy are performed cost-effectively and consistent with industry standards.

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G. INVESTMENT CONSULTANT

The duties of the investment consultant include:

- Provide recommendations to the Board, or the Investment Subcommittee as appropriate, on hiring, terminating, or placing on watch an investment manager, either as requested by the Board or on its own initiative;
- Provide recommendations to the Board on the structure and number of investment options;
- Review investment managers' guidelines and recommend changes as necessary;
- Perform due diligence on investment managers;
- Review the allocations to the investment managers within the white label fund options;
- Recommend a glidepath to the Board and review the glidepath in conjunction with IMD staff, as requested by the Board or the Department;
- Review the NC Stable Value Fund, as requested by the Board or the Department;
- Notify the Board and/or their designees of any qualitative issues that may impact the soundness of the investment funds or investment managers which are retained by the Plans. These issues may include ownership changes (e.g. key people "cash out"), departure of key investment professionals, changes in decision-making process, changes in investment philosophy, and/or involvement in material litigation or fraud;
- Keep the Board and/or their designees informed about current investment trends and issues; and
- Issue a quarterly report to the Board, the Investment Subcommittee, and/or their designees that includes the following information:
 - The market value of the Plans' assets as of the last business day of the most recent calendar quarter;
 - The portion of Plans' assets allocated to each investment option as of the last business day of the most recent calendar quarter;
 - Time-weighted rates of return and risk for all options measured net of investment management fees and all expenses or gross (as appropriate) relative to a peer group universe and a market benchmark for the most recent calendar quarter, year-to-date and historical time periods since inception;
 - Portfolio characteristics (such as sector allocation, market capitalization, valuation ratios, credit quality) as appropriate for each investment option and investment manager relative to the appropriate benchmark as of the last business day of the most recent calendar quarter; and
 - A summary of the economic and market environment;

H. RETIREMENT SYSTEMS DIVISION STAFF

The duties of the Department's Retirement Systems Division staff include:

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- Coordinate presentations of IMD staff and the investment consultant to the Board and Investment Subcommittee;
- Coordinate activities of IMD staff in the fulfillment of duties as assigned by the Board;
- Contribute to the drafting and review of contracts and investment management agreements;
- Execute contracts at the Board's direction or according to the Board's policies;
- Oversee the day-to-day activities of the recordkeeper and custodian;
- Liaise with the Department's Financial Operations Division for purposes of financial reporting and audits; and
- Facilitate the presentation of information to the Board.

IV. INVESTMENT OPTION OBJECTIVES

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 US Aggregate Bond Index
	Fixed Income Fund	Moderate income production and principal growth with low risk of principal loss through investment in a diversified portfolio of bonds
Inflation Sensitive	Inflation Responsive Fund	Provide participants of the Plan with a diversified real assets option focused on providing exposure to asset classes that are positively correlated with inflation, including, but not limited to, TIPS, commodities, and REITs
	TIPS Fund	Track the performance of the Bloomberg 1 -10 Year U.S. Government Inflation-linked Bond Index
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 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 IMI Index
	International Fund	Long-term capital appreciation of small, mid and large cap securities located outside the United States while pursuing both value and growth investment styles

Additionally, the Plans offer three model allocations that reasonably span the risk/return spectrum and adjust the asset allocation as the participant's time horizon changes. These model allocations are more fully described in Section VII and are provided for participants that desire a professionally constructed asset/fund allocation. The Board will periodically review the

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investment needs of the participants of the Plan(s) to determine if these options should be modified, some options eliminated, or additional options added to the Plans.

Default Investment Option

The Plans provide for a default investment option when a plan participant has not made an affirmative investment election. The Board has chosen the GoalMaker Moderate Allocation Model with an assumed target retirement age of 65 as the default investment option. The Board shall monitor the default investment option in accordance with the investment guidelines and criteria section of this policy.

Investment Manager Selection

The Board will approve investment managers for the Plans' assets consistent with the requirements of the mandate for the applicable option described in Section V. The Board will take into consideration:

- Firm Stability
- Investment Team and Process
- Realized and Prospective Performance and Risk
- Fees and Expenses

Investment options may be implemented through either a single investment manager or through multiple investment managers. This arrangement permits the creation of an investment program that provides diversification across multiple best-in-class investment managers where appropriate.

Each investment option will have a target allocation to each underlying investment manager within that option and an allowable range around that target allocation. These targets and ranges are specified for each option in Appendix B to this document. The allocation of assets between multiple investment managers in each option will be monitored by the custodian. Periodic cash flows into or out of an option may be utilized to move the allocation between investment managers back toward the target for that option. On a quarterly basis the allocation between investment managers will be reviewed and rebalanced if necessary.

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Stable Value Fund

The Stable Value Fund is intended to be the lowest risk investment option offered in the Plans. It will be invested primarily in investment contracts with insurance companies and other financial institutions that are backed by fixed income securities. These investment contracts will credit investor's principal accounts with a stable rate of interest.

Investment Objective

The primary objective of the Stable Value Fund is the preservation of principal. In addition, the stable value fund seeks to provide a credited rate of interest while providing book value liquidity for participant directed transactions.

Investment Management

The option's assets will be invested primarily in fixed income securities wrapped by investment contracts to provide book value liquidity.

Performance Objectives

The performance of the portfolio is expected to outperform the 3-Year Constant Maturity Treasury (CMT) yield over a full interest/market cycle on a net of fee basis. Performance will be further evaluated against the 91-Day Treasury Bill Index plus 1.50% on a net of fee basis over an interest rate cycle. Performance should be competitive with the median of a universe of stable value funds over three-year periods and outperform over five-year periods.

Fixed Income Fund

The Fixed Income Fund was established to provide participants of the Plans with an actively managed fixed income option that is intended to provide exposure to the broad domestic fixed income market.

Investment Objective

The primary investment objective of the Fixed Income Fund is to provide investment growth through interest income with the potential for low to moderate capital appreciation and low volatility. The option will be actively managed to enhance returns.

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 investment managers for this option, their target allocations and the allocation range for each manager is shown in Appendix B.

Performance Objectives

The fund seeks to:

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- Provide a rate of return that exceeds the Bloomberg US Aggregate Index over rolling five-year periods. The option's returns should remain competitive with the Bloomberg US Aggregate Index returns over rolling three-year periods.
- Provide a rate of return that places above the median manager in a universe of U.S. core bond or core plus (as appropriate) fixed income managers over rolling five-year periods. The option's returns should remain competitive with the universe over shorter, 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 Bloomberg US Aggregate Index over rolling five-year periods.

Fixed Income Index Fund

The Fixed Income Index Fund is intended to provide passive exposure to the broad domestic fixed income market.

Investment Objective

The primary investment objective of the Fixed Income Index Fund is to provide a low-cost, passive bond investment option that will provide exposure to the income and capital appreciation of the US bond 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 US Aggregate Bond Index. The tracking error to this objective should be less than 0.15% annually gross of fees.

Inflation Responsive Fund

The Inflation Responsive Fund was established to provide participants of the Plan with a diversified real assets option focused on providing exposure to various asset classes which show a correlation or sensitivity to inflation over various market environments.

Investment Objective

This fund seeks to provide participants with protection from rising inflation by investing in several asset classes that are expected to be positively correlated to the Consumer Price Index ("CPI"), especially during periods when the CPI is increasing. Since the Consumer Price Index is not an investible index the strategy will not keep up with inflation in all markets and may expose investors to negative returns. The asset classes in which the fund will invest may include, but are not limited to, TIPS, commodities, and REITs.

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Investment Management

One manager has been selected for the management of this fund. The manager selected is responsible for the asset allocation of the fund across multiple asset classes. A table of the current investment manager for this option, their target allocations and the allocation range for each manager is shown in Appendix B. This strategy may utilize sophisticated investment techniques, including the use of derivatives and forward settling security transactions, to adjust the portfolio's positioning.

Performance Objectives

The fund seeks to provide a return that closely tracks that of the custom index, described in Appendix A. The tracking error to this objective should be less than 0.40% annually gross of fees.

Large Cap Core Fund

The Large Cap Core Fund was established to provide participants with a primarily active managed equity option targeted at the large cap sector of the U.S. equity market managed in both value and growth styles.

Investment Objective

The primary investment objective of the Large Cap Core Fund is long-term capital appreciation while pursuing both value and growth investment styles. The value portion of the fund will invest in equity securities of large cap companies that are selling at discounts to their long-term intrinsic values. The growth portion of the fund will invest in large cap companies that offer the potential for above average earnings growth.

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 managers for this option, their target allocations and the allocation range for each manager is shown in Appendix B.

Performance Objectives

The fund seeks to:

- Provide a rate of return that exceeds that generated by the Russell 1000 Index over rolling five-year periods. The portfolio's returns should remain competitive with the Russell 1000 Index returns over rolling three-year periods.
- Provide a rate of return that places above the median manager in a universe of U.S. Large Cap Core Equity manager over rolling five-year periods. The portfolio's returns should remain competitive with the universe over shorter, rolling three-year periods.

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- Maintain a risk level, as measured by the standard deviation of quarterly returns, which does not exceed 125% of the risk of the Russell 1000 Index over rolling five year periods.

Large Cap Index Fund

The objective of the Large Cap Index Fund is to provide an equity option that will match the return of U.S. large cap stocks. The option will be invested in large cap stocks contained in the S&P 500 Index. This option's goal is long term capital growth through a combination of reinvested dividend income and capital appreciation.

Investment Management

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

Performance Standards

The option should provide a rate of return that equals (gross of fees) the S&P 500 Index over rolling one, three and five-year periods. The tracking error of the option should be less than 0.15% annually gross of fees.

Small/Mid Cap Fund

The Small / Mid Cap Fund was established to provide participants with a primarily active managed equity option targeted at the Small / Mid Cap sector of the U.S. equity market managed in both value and growth styles.

Investment Objective

The primary investment objective of the Small / Mid Cap Core Fund is long-term capital appreciation while pursuing both value and growth investment styles. The value portion of the fund will invest in equity securities of small / mid cap companies that are selling at discounts to their long-term intrinsic values. The growth portion of the fund will invest in small / mid cap companies that offer the potential for above average earnings growth.

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 managers for this option, their target allocations and the allocation range for each manager is shown in Appendix B.

Performance Objectives

The fund seeks to:

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- Provide a rate of return that exceeds that generated by the Russell 2500 Index over rolling five-year periods. The portfolio's returns should remain competitive with the Russell 2500 Index returns over rolling three-year periods.
- Provide a rate of return that places above the median manager in a universe of U.S. Small / Mid Cap Core Equity managers over rolling five-year periods. The portfolio's returns should remain competitive with the universe over shorter, 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 Russell 2500 Index over rolling five-year periods.

Small/Mid Cap Index Fund

The objective of the Small / Mid Cap Index Fund is to provide an equity option that will match the return of the small and middle capitalization portions of the U.S. stock market. The option will be invested in mid- and small-cap stocks contained in the Russell 2500 Index. This option's goal is long-term capital growth through a combination of dividend income and capital appreciation.

Investment Management

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

Performance Standards

The ~~Option~~ option should provide a rate of return that equals (gross of fees) the Russell 2500 Index over rolling one, three and five-year periods. The tracking error of the option should be less than 0.20% annually gross of fees.

International Fund

The International Fund was established to provide participants of the Plans with an actively managed equity option that will invest in non-U.S. equity markets.

Investment Objective

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, including large, mid and small cap securities.

Permissible Non-Equity Investments

The option's investment managers may utilize hedging instruments, such as forward currency contracts or options, to reduce the exposure of their non-U.S. investments to fluctuations in the currency markets.

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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 managers 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 (ACWI) ex U.S. IMI 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 non-U.S. 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 ACWI ex U.S. IMI over rolling five-year periods.

International Index Fund

The objective of the International Index Fund is to provide an equity option that will match the return of the international stock market. The option will be invested in the stocks contained in the MSCI All Country World (ACWI) ex U.S. IMI Index. This option's goal is long-term capital growth through a combination of dividend income and capital appreciation.

Investment Management

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

Performance Standards

The option should provide a rate of return that equals (gross of fees) the MSCI ACWI ex U.S. IMI Index over rolling one, three and five-year periods. The tracking error of the option should be less than 0.75% annually gross of fees.

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 intermediate duration securities in the Treasury Inflation Protected Securities (TIPS) market.

Investment Management

V. PLAN STRUCTURE

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 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.

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

A. Introduction

Multiple investment managers are utilized to manage portions of the Plans' assets. Each investment manager is retained with a specific mandate for the assets under its management. This section of the Statement of Investment Policy outlines the investment objectives and associated guidelines and criteria that are applicable to all investment managers employed by the Board.

B. Overall Objectives and Structure

All assets will be managed for the sole benefit of the participants and their beneficiaries and for the exclusive purpose of providing benefits to participants and beneficiaries and defraying the reasonable expenses of administering the Plans.

C. Objectives and Guidelines for All Plan Investment Managers

- 1) Investment Objective. Specific investment objectives and guidelines are outlined in each investment manager's legal contract. Each investment manager has been retained to manage a portfolio with a specific investment mandate. Therefore, it is imperative that each investment manager restricts its investment activities to its assigned mandate. Investment managers are expected to remain fully invested consistent with their assigned mandates at all times.
- 2) Liquidity. Investment managers are expected to maintain liquid investment profiles. The Board or its designee may have need from time to time to draw on a portion of any investment manager's portfolio assets to meet participants' disbursement requests. When such situations arise, the investment manager will be notified, prior to the withdrawal of funds from the portfolio, of the amount and timing of the withdrawal.
- 3) General Account Diversification. All investment accounts managed for the Plans must maintain sufficient diversification among security issuers and market sectors such that the performance of one security or sector will not have an excessive impact on the manager's portfolio.
- 4) Performance Guidelines. The performance of each portfolio will be reviewed quarterly by the Board. Each mandate will be assigned specific target benchmarks and/or peer group universes against which the performance of individual portfolios will be measured. The following are the general performance objectives that each portfolio should meet:
 - (a) *Outperformance of Assigned Benchmark*: Investment managers will be assigned a specific benchmark by mandate against which the performance of their portfolio(s) will be measured. Performance will be compared to the assigned benchmark over rolling three- and five-year periods. Outperformance, after deduction of investment management fees, of the assigned benchmark over a full market cycle is expected.
 - (b) *Peer Group Universe Comparison*: Investment managers will be informed of the peer group universe against which their performance will be compared.

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

Investment managers are expected to place above the median of their assigned peer group over rolling three- and five-year periods.

- (c) In assessing an investment manager's performance relative to the assigned benchmark and peer group universe, the Board will consider risk adjusted performance as well as absolute and relative returns to evaluate value add.

5) Asset Restrictions/Exclusions

The Board requires that all investment managers of Separate Accounts comply with the following limitations and restrictions on their investment activities and holdings, unless specifically negotiated otherwise. Departmental staff will review the guidelines of Commingled Funds; however, the guidelines for Commingled Funds will control over the provisions of this section.

- (a) Securities issued by, or obligations of, the investment manager or any affiliate shall not be held in the account of any investment manager.
- (b) Leverage, short sales, and margin purchases are prohibited except where specifically permitted in this Statement of Investment Policy or by the Board.
- (c) Derivative securities are prohibited except where specifically permitted in each mandate. Specific mandates may be permitted to make use of derivatives consistent with the overall investment guidelines and objectives of that mandate. Where derivative securities are permitted, they may not be used for speculation or to establish a leveraged account without explicit permission from the Board.
- (d) Investments in commercial paper or other similar securities intended as cash equivalents shall be made only if such paper is rated at least A1/P1 by Standard and Poor's, Moody's or Fitch, respectively, and has a maturity of less than one year or a commingled money market fund offered by the custodian bank is used which meets these standards. Commercial paper rated below A1/P1 by any of the three rating agencies is not permitted.
- (e) Investment managers may utilize exchange traded funds ("ETFs") representing their primary assigned benchmark in lieu of cash. Any ETF holdings will be considered part of the manager's allocation to cash and be subject to the cash allocation limits.

D. Trade Execution

Investment managers shall effect all purchases and sales of securities for the trust account(s) managed for the Plans in a manner consistent with the principles of best execution, taking into account net price (including commissions), execution capability and other services which the broker or dealer may provide. In this regard, the investment manager may effect transactions which cause the account to pay a commission or price in excess of a commission or price which another broker or dealer would have charged, provided, however, that the investment manager shall have first determined that such commission or cost is reasonable in relation to the value of the brokerage, research, performance measurement service and other services performed by that broker for the account(s).

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

Investment managers are prohibited from purchasing securities from affiliates of the investment manager in an initial offering, unless granted permission by the Board and/or its designee.

E. Proxy Voting

The Department shall vote the proxies for the Plans' securities in accordance with the proxy policy approved by the Board.

F. Reporting

- 1) Each investment manager is required to submit a written report to the Board and/or its designees of any material personnel changes that might impact the management of the Plans' assets. This report shall be submitted as soon as the change is known or could be expected.
- 2) Each investment manager is directed to perform monthly reconciliations of their account holdings and values with the Plans' custodian. The investment manager is directed to provide a written report to the Board and/or their designees of any significant unresolved discrepancies.
- 3) Each investment manager is required to submit to the Board and/or its designees quarterly a written report detailing any soft dollar activity in which the manager engages. This report shall be submitted within 30 days of the end of each calendar quarter. The report should list the types of services the firm buys, from whom the services are purchased, total soft dollars generated by the firm, and the percentage of the firm's total soft dollars that are generated by the Plans' portfolio.
- 4) Each investment manager shall reconcile the performance of its portfolio with the calculations of the custodian on a monthly basis. Any material discrepancies shall be reported to the Board or its designee.
- 5) Each investment manager shall promptly (a) report any breach of these account guidelines to the Board and/or its designee; (b) work in conjunction with the Board and/or designee to assess and develop a risk mitigation plan to address the breach in a timely manner; and (c) then report to the Board and/or its designee the final resolution of the breach.

G. Reviews

The investment performance results of each investment manager will be reviewed quarterly by the Board and the Investment Subcommittee. The Board or the Investment Subcommittee may, at its discretion, require the appearance of the investment manager at its meeting. Review by the Board and the Investment Subcommittee will focus on the following:

- 1) Adherence to the guidelines stated in this Statement of Investment Policy;
 - 2) Adherence to the investment manager's stated investment style and philosophy;
- and

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

- 3) Comparison of performance results to the benchmarks and peer groups outlined in this Statement of Investment Policy, as well as risk and other characteristics of the investment manager's performance;

The quarterly review may also focus on any aspect of the quarter's performance or on any occurrences during the quarter. The Board and the Investment Subcommittee may also review any required reporting that was submitted during the quarter.

H. Securities Lending

The Board has adopted a policy that it will not engage directly in securities lending in its Separate Accounts where securities are custodied with the Plans' custodian. The Board will seek to avoid securities lending in its fund investments. The Board has determined that investments in Commingled Funds that engage in securities lending may be permitted in certain circumstances, but each such instance will be evaluated individually, balancing the benefits of the fund (*e.g.*, fees, flexibility) with the additional risks of securities lending. In cases where the Plans invest in Commingled Funds that engage in securities lending, the collateral investment policies of these funds will be evaluated by the investment consultant and IMD staff to gauge their level of investment risk. Significant collateral investment risk will not be permitted in any of the Plans' investments.

I. Investment Manager Monitoring, Watch List and Termination Guidelines

The Board or the Investment Subcommittee may approve placing an investment manager on a watch list or terminating an investment manager for any reason, including but not limited to the following:

- 1) Organizational stability/Change in ownership of the firm.
- 2) Changes to the investment team, portfolio management personnel or senior executives of the investment manager.
- 3) Performance and risk inconsistent with expectations for the strategy.
- 4) A change in investment process or style drift;
- 5) A violation of the rules or regulations of a governmental entity or self-regulatory organization;
- 6) Failure to meet the performance standards, investment restrictions, or other provisions of this Statement of Investment Policy;
- 7) Any other circumstance regarding the investment manager that the Board determines is in conflict with this Statement of Investment Policy or the best interests of the Plans;
- 8) A violation of the terms of a contract; and/or
- 9) The restructuring of an investment option.

In addition, the Board may consider other factors such as general economic and financial market conditions and trends or the structure of investment options in evaluating a particular portfolio's viability within the Plans.

VI. GENERAL INVESTMENT MANAGER GUIDELINES AND CRITERIA

Should an investment manager fail to satisfy its performance criteria, or should the Board have some other concern about the investment manager or portfolio, the Board may approve any or all of the following actions:

- 1) Establish a probationary period during which any area of concern will be assessed and, if necessary, corrected;
- 2) Replace the investment manager with another investment manager for the mandate;
- 3) Terminate the investment manager;

The Board recognizes that investment manager retention and termination decisions have the potential to be very costly for the Plans and their participants. Retaining unskilled managers for too long, terminating skilled managers prematurely or engaging in unnecessary transitions are all detrimental to performance. Additionally, the variability of most managers' returns complicates straightforward evaluations of skill. For this reason, the Board will favor longer-term performance over short-term performance and will consider the level of risk undertaken by the manager as a means to evaluate skill.

An investment manager may be removed from the watch list only by vote of the Board.

J. Commingled Funds

The Board may choose to use a Commingled Fund as the sole vehicle for an investment option or as part of an investment option. The qualitative guidelines presented for each investment option are intended to represent the general characteristics of the portfolio. In general, deviations from these guidelines should be considered on a case-by-case basis within the framework of the overall portfolio. The Board recognizes that the guidelines presented here are superseded by the Commingled Fund's prospectus or other guidelines. Nevertheless, if a Commingled Fund violates these standards in this Statement of Investment Policy to a degree deemed significant by the Board, consideration should be given to the fund's continued suitability to the investment option's objective.

VII. FUND ALLOCATION MODELS

Asset allocation is the most important determinant of long-term investment results. In order to assist participants in making effective asset allocation decisions, the Board has elected to offer participants a set of predetermined fund allocations that have been created by investment experts, which utilize the options offered in the Plans. Participants can elect to have their entire plan balance allocated in accordance with one of the models offered.

Model Allocation Determination

The Board has authorized a set of asset allocation models to be offered. These models were designed to be sensitive to the two primary drivers of optimal asset allocation: Risk Tolerance and Investment Horizon. Accordingly, the models are arrayed on these two dimensions.

Risk Tolerance

Participants are able to select their risk tolerance from one of three levels, Conservative, Moderate and Aggressive. Each model is designed to provide the highest expected long term return possible at that risk tolerance level.

Participant Investment Horizon

A participant's investment horizon is also a determinant of the level of risk that may be appropriate. Participants with longer investment horizons have more time to recover from short term losses and thus are able to accept more variability in their interim account values and potentially earn a higher long-term return. For each of the three levels of general risk tolerance, nine investment horizon models have been selected. These investment horizon models become more conservative, with higher allocations to bonds and stable value investments, as the horizon becomes shorter. These models were designed to be consistent with the participants' retirement date.

Model Allocation Investments

The model allocations are able to utilize all of the investment options offered by the Plans. However, the models are not required to make use of all of the options if it is determined that a particular option is not appropriate for a given risk tolerance and investment time horizon.

Model Allocation Implementation

These asset allocation models will be implemented by the Plans' recordkeeper. The recordkeeper will automatically allocate any contributions and distributions across the investment options in the model, in order to maintain the targeted model allocation. The recordkeeper will generally rebalance the allocation across the investment options back to the target allocation on a quarterly basis.

Model Revisions

The Board will review these target allocations periodically. If any new investment options are added to the Plans, the model allocations will be reviewed to ascertain whether the new options should be included and in what allocation.

VII. FUND ALLOCATION MODELS

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		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 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%					
Conservative		2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070
NC Inflation Responsive Fund		2.0%	2.0%	2.0%	3.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%	8.0%	8.0%	8.0%	8.0%
NC Treasury Inflation Protected Securities Fund		24.0%	24.0%	19.0%	15.0%	10.0%	6.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NC Fixed Income Fund		29.0%	29.0%	33.0%	36.0%	41.0%	42.0%	41.0%	37.0%	31.0%	21.0%	21.0%	21.0%	21.0%	21.0%
NC International Fund		8.0%	8.0%	9.0%	9.0%	12.0%	16.0%	18.0%	25.0%	28.0%	32.0%	32.0%	32.0%	32.0%	32.0%
NC Large Cap Index Fund		9.0%	9.0%	10.0%	11.0%	13.0%	14.0%	17.0%	20.0%	24.0%	27.0%	27.0%	27.0%	27.0%	27.0%
NC Small/Mid Cap Core Fund		2.0%	2.0%	2.0%	4.0%	4.0%	6.0%	8.0%	8.0%	10.0%	12.0%	12.0%	12.0%	12.0%	12.0%
NC Stable Value Fund		26.0%	26.0%	25.0%	22.0%	17.0%	12.0%	8.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Moderate

—The objective of the Moderate Model Allocation is moderate growth of principal with limited downside risk over a market cycle.

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 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%					
Moderate		2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070
NC Inflation Responsive Fund		3.0%	3.0%	4.0%	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
NC Treasury Inflation Protected Securities Fund		22.0%	22.0%	16.0%	9.0%	5.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NC Fixed Income Fund		23.0%	23.0%	27.0%	34.0%	36.0%	33.0%	28.0%	21.0%	13.0%	6.0%	6.0%	6.0%	6.0%	6.0%
NC International Fund		12.0%	12.0%	14.0%	15.0%	19.0%	24.0%	28.0%	32.0%	36.0%	38.0%	38.0%	38.0%	38.0%	38.0%
NC Large Cap Index Fund		14.0%	14.0%	16.0%	18.0%	19.0%	21.0%	24.0%	27.0%	30.0%	33.0%	33.0%	33.0%	33.0%	33.0%
NC Small/Mid Cap Core Fund		4.0%	4.0%	4.0%	6.0%	6.0%	8.0%	10.0%	12.0%	12.0%	14.0%	14.0%	14.0%	14.0%	14.0%
NC Stable Value Fund		22.0%	22.0%	19.0%	14.0%	10.0%	6.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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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.

VII. FUND ALLOCATION MODELS

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Aggressive	2005	2010	2015	2020	2025	2030	2035	2040	2045
NC Inflation Responsive Fund	3.0%	3.0%	3.0%	4.0%	6.0%	7.0%	8.0%	10.0%	10.0%
NC Treasury Inflation Protected Securities Fund	17.0%	17.0%	14.0%	8.0%	3.0%	1.0%	0.0%	0.0%	0.0%
NC Fixed Income Fund	19.0%	19.0%	19.0%	26.0%	27.0%	21.0%	13.0%	7.0%	2.0%
NC International Fund	17.0%	17.0%	20.0%	21.0%	24.0%	32.0%	36.0%	38.0%	40.0%
NC Large Cap Index Fund	21.0%	21.0%	24.0%	25.0%	27.0%	28.0%	30.0%	32.0%	34.0%
NC Small/Mid Cap Core Fund	6.0%	6.0%	6.0%	8.0%	10.0%	10.0%	12.0%	14.0%	14.0%
NC Stable Value Fund	17.0%	17.0%	14.0%	8.0%	3.0%	1.0%	0.0%	0.0%	0.0%

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 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%

VIII. REVIEW PROCEDURES

To fulfill its ongoing fiduciary responsibility, the Board will, on a periodic basis and not less than annually, review the actual results achieved by the investment options to verify that each option is being managed in compliance with the investment guidelines and to evaluate the investment return produced in comparison to the performance objectives stated herein. The investment consultant will assist the Board in the review and evaluation.

Adopted by the Board Chair:

Dale R. Folwell, CPA
Treasurer of the State of the North Carolina

Date: _____

Definitions

Investment option (or option): A specific investment fund offered to a participant. May be composed of one or more Commingled Funds and/or Separate Accounts.

Mandate: A set of objectives and guidelines that describe a type of portfolio. Mandates are assigned to individual portfolio managers.

APPENDIX A**INVESTMENT FUND MANAGER MANDATES AND BENCHMARKS****APPENDIX A**

Asset Class	Investment Manager	Benchmark	Universe
Stable Value	Galliard	3-Year Constant Maturity Yield	Stable Value
Fixed Income	Total Fund	Bloomberg US Aggregate	Core Plus Bond
	PGIM Fixed Income	Bloomberg US Aggregate	Core Plus Bond
	TCW	Bloomberg US Aggregate	Core Plus Bond
Fixed Income Index	BlackRock	Bloomberg US Aggregate	Core Bond
Inflation Sensitive Fund	BlackRock	Custom ¹	Real Assets
Large Cap Index	BlackRock	S & P 500	Large Cap Core
Large Cap Core	Total Fund	Russell 1000	Large Cap Broad
	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
Small / Mid Cap Index	BlackRock	Russell 2500	SMID Cap Core
Small / Mid Cap	Total Fund	Russell 2500	SMID Broad
	Earnest Partners	Russell 2500	SMID Cap Core Equity

¹ The Inflation Sensitive Index is calculated using blended returns of three indices: the Bloomberg US TIPS Index, FTSE EPRA NAREIT Developed Index, and the Bloomberg Roll Select Commodity Total Return Index. These indices are proportionally weighted to reflect the respective weightings of the Fund's asset classes.

APPENDIX A

INVESTMENT FUND MANAGER MANDATES AND BENCHMARKS

	AllianceBernstein ²	Russell 2500 Value	SMID Cap Value Equity
	Brown Advisory	Russell 2500 Growth	SMID Cap Growth Equity
	BlackRock	Russell 2500	SMID Cap Core
International Equity Index	BlackRock	MSCI ACWI ex US IMI	Non-US Equity
International Equity	Total Fund	MSCI ACWI ex US IMI	Non-US Equity
	Baillie Gifford	MSCI ACWI ex US	Non-US Equity
	Mondrian	MSCI ACWI ex US	
	Acadian	MSCI ACWI ex US Small Cap	Non-US Small Cap Equity
	WCM	MSCI ACWI ex US Small Cap	Non-US Small Cap Equity
TIPS	BlackRock	Bloomberg 1-10 Year U.S. Government Inflation-linked Bond	TIPS

² ~~Approved by the Board on November 30, 2023. Pending transition.~~

APPENDIX B

INVESTMENT FUND MANAGER MANDATES AND BENCHMARKS

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 Fund

Investment Manager	Target Allocation	Allocation Range
Earnest Partners	30.0%	+/- 3%
AllianceBernstein ³	30.0%	+/- 3%
Brown Advisory	30.0%	+/- 3%
BlackRock Russell 2500 Index	10.0%	+/- 3%

International Equity Index Fund

Investment Manager	Target Allocation
BlackRock	100.0%

International Equity Fund

Investment Manager	Target Allocation	Allocation Range
Baillie Gifford	43.0%	+/- 3%
Mondrian	43.0%	+/- 3%

³ *Approved by the Board on November 30, 2023. Pending transition.*

APPENDIX B

INVESTMENT FUND MANAGER MANDATES AND BENCHMARKS

Acadian	7%	+/-2%
WCM	7%	+/-2%

TIPS Fund

Investment Manager	Target Allocation
BlackRock	100.0%

Inflation Sensitive Fund

Investment Manager	Target Allocation
BlackRock	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%

APPENDIX C

INVESTMENT FUND MANAGER ALLOCATION TARGETS

Appendix C Service Providers

Effective on or about March 22, 2019

Recordkeeper:	Empower
Custodian:	Bank of New York Mellon
Investment Consultant:	Callan
Stable Value Investment Advisor:	Galliard Capital Management

Appendix D Investment Array

Tier I: Asset Allocation	Tier II: Passive Core Options	Tier II: Active Core Options	Tier III: Specialty Options
Custom Retirement Allocations Empower Goal Maker		Capital Preservation Galliard Stable Value	
	Fixed Income Passive BlackRock Debt Index	Fixed Income Fund TCW Core Plus Bond PGIM Fixed Income Core Plus Bond	
	Inflation Sensitive Passive BlackRock TIPS Index BlackRock Strategic Completion		
	Large Cap Core Equity Passive BlackRock Equity Index	Large Cap Core Equity 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 Equity Fund Earnest Partners SMID Cap Core AllianceBernstein SMID Cap Value Brown Advisory SMID Cap Growth BlackRock Russell 2500 Index	
	International Equity Passive BlackRock MSCI ACWI ex US Index	International Equity Fund Baillie Gifford ACWI ex US Growth Mondrian ACWI ex US Value Acadian MSCI ACWI Ex-U.S. Small Cap WCM Small Cap International Growth	

⁴ ~~Approved by the Board on November 30, 2023. Pending transition.~~

GUIDELINE EXCEPTIONS GRANTED BY THE BOARD

Manager	Date	Guideline	Explanation
PIMCO – Inflation Strategy	Sept 2013 through Oct 2018	Prohibition against leverage	PIMCO utilized forward settling bond purchases in order to adjust their yield curve positioning. PIMCO will remain with the overall duration guidelines of the fund.

IPS Revision History

Version	Approved	Summary of Changes
1.4	Dec 2011	<ul style="list-style-type: none"> Change Stable Value guidelines to refer to “manager” generically and not Galliard specifically
1.5	June 2012	<ul style="list-style-type: none"> Change consultant reporting to quarterly Change global equity from “Opportunistic” to just Global Equity Fund, updated guidelines to traditional long equity Add Max 10% security limit to all equity funds Add new managers and update fund target allocations: Neuberger, Robeco, Wedge, Arrowstreet
1.6	June 2013	<ul style="list-style-type: none"> Move Global Equity country max limit to 60% from 50% (Approved Nov 2012) Add Inflation Fund Add revision history
1.7	September 2013	<ul style="list-style-type: none"> Clarify language around use of leverage in general; leverage prohibited except where permission granted by the Board. Add prohibition against purchasing initial offerings from affiliated entities of the investment manager Add Exceptions Granted table Modify global equity fund guidelines to allow smaller cap companies and frontier market countries
1.8	December 2013	<ul style="list-style-type: none"> Prohibited from purchasing securities from affiliates of the Manager in an initial offering, unless granted permission by the Board
2.0	December 2015	<ul style="list-style-type: none"> Removed detailed investment guidelines for each of the funds
2.1	May 2016	<ul style="list-style-type: none"> Separate and revise duties of investment consultant and IMD Revise duties of RSD Add delegated glidepath provider to definition of investment manager
3.0	September 2017	<ul style="list-style-type: none"> Eliminate Large Cap Growth, Large Cap Value, Small/Mid Cap Growth, and Small/Mid Cap Value Funds Add Large Cap Core and Small/Mid Cap Core Funds

		<ul style="list-style-type: none"> ▪ Separate and revise duties of investment consultant and IMD ▪ Add glidepath review, recommendation, and approval ▪ Make other revisions and clarification
3.1	March 12, 2018	<ul style="list-style-type: none"> ▪ Change default retirement age for asset allocation model ▪ Correct the weighting of the JPM Emerging Local Market ELMI Plus Index in the Inflation Sensitive Index in the footnote of Appendix A
3.2	June 21, 2018	<ul style="list-style-type: none"> ▪ Remove the Global Equity Fund ▪ Add the TIPS Fund ▪ Change the Small/Mid Cap Core Fund to the Small/Mid Cap Fund
3.3	March 21, 2019	<ul style="list-style-type: none"> ▪ Change manager for Inflation Responsive Fund
4.0	June 20, 2019	<ul style="list-style-type: none"> ▪ Conform policy to consolidation of Investment Subcommittee's duties with the Board's, as reflected in the Board's charter
5.0	December 12, 2019	<ul style="list-style-type: none"> ▪ Revise watch list guidelines ▪ Revise tracking errors ▪ Add total fund benchmarks and universes for actively managed options ▪ Make other revisions and clarifications
5.1	February 27, 2020	<ul style="list-style-type: none"> ▪ Remove Hotchkis & Wiley from the NC Small/Mid Cap Fund and reallocate assets to WEDGE and Earnest Partners
5.2	December 3, 2020	<ul style="list-style-type: none"> ▪ Clarify objective of NC Inflation Sensitive Fund ▪ Make other minor revisions
5.3	March 11, 2021	<ul style="list-style-type: none"> ▪ Revise the investment objective and manager allocations for the NC Small/Mid Cap Fund
5.4	October 1, 2021	<ul style="list-style-type: none"> ▪ Revise the benchmarks for the NC International Equity Index Fund and the NC International Equity Fund. ▪ Revise the manager allocations for the NC International Equity Fund, including adding two International Small Cap managers
5.5	December 2, 2021	<ul style="list-style-type: none"> ▪ Remove references to Barclays in benchmarks
5.6	December 1, 2022	<ul style="list-style-type: none"> ▪ Add income production to objective of NC Fixed Income Fund ▪ Add glidepath and NC Stable Value Fund reviews to investment consultant's responsibilities ▪ Clarify that removal from watch list requires

		Board vote
5.7	December 7, 2023	<ul style="list-style-type: none"> ▪ Make other updates and clarifications ▪ Clarify responsibilities of Investment Staff and Investment Consultant monitoring qualitative issues of investment managers ▪ Make other minor revisions
<u>5.8</u>	<u>December 6, 2024</u>	▪ <u>Make minor revisions</u>