

NC Supplemental Retirement System Investment Policy Review Project

Investment Policy Statement

Overview

| Board Guidance | Plan Structure and Review | Performance Standards | Roles and Responsibilities |
|--|---|--|--|
| <ul style="list-style-type: none"> ▪ Purpose of policy and plans ▪ Role of Board and Sub-Committee ▪ Framework for policies ▪ Required review and approvals ▪ How often policy will be reviewed | <ul style="list-style-type: none"> ▪ Basis for choosing manager structure and plan options e.g.; use of active vs. passive and DC best practices ▪ Basis of selecting investment managers ▪ Monitoring criteria e.g.; change of personnel, organizational change | <ul style="list-style-type: none"> ▪ Benchmarks, performance targets and time periods ▪ Define risk specifications and time periods ▪ Frequency of performance reviews ▪ Watch List Criteria | <ul style="list-style-type: none"> ▪ Board ▪ Investment Sub-Committee ▪ Participants ▪ Investment managers ▪ Recordkeeper ▪ Consultant ▪ Investment Management Division |

Investment Policy Review

Project Overview

- Mercer and staff are conducting a review of the Investment Policy Statement (IPS)
 - Confirm the document is up to date
 - Review and confirm the guidelines for the funds
 - Review and confirm that additional guidelines, restrictions and expectations outlined in the document are consistent with best practices
- Mercer and staff will then review all of the manager guidelines
 - Currently there is little similarity between manager guidelines
 - The manager guidelines are not tied to the fund guidelines in the IPS
- The objective of this project will be to update the IPS and standardize the manager guidelines.

Investment Policy Review Process

- Review IPS and provide the committee with an updated statement for approval
- Review current manager guidelines compared to best practices and develop standard guidelines for each asset class
- Review and negotiate exceptions to standard guidelines with each of NC's investment managers
- New guidelines will be incorporated into new investment management agreements that will be negotiated next summer/fall (current manager contracts are with Prudential)
- Put a compliance monitoring process in place to monitor all of the investment manager activity vs. guidelines

Investment Policy Review Timeline

- November 2014 IC meeting: Present the new IPS for approval
- February 2015 IC meeting: Present the standard asset class guidelines
- May 2015 IC meeting: Present any manager exceptions that were agreed upon
- August 2015 meeting: Finalize the project



Services provided by Mercer Investment Consulting, Inc.