

North Carolina Supplemental Retirement Plans First Quarter Performance Review

May 2012

Agenda

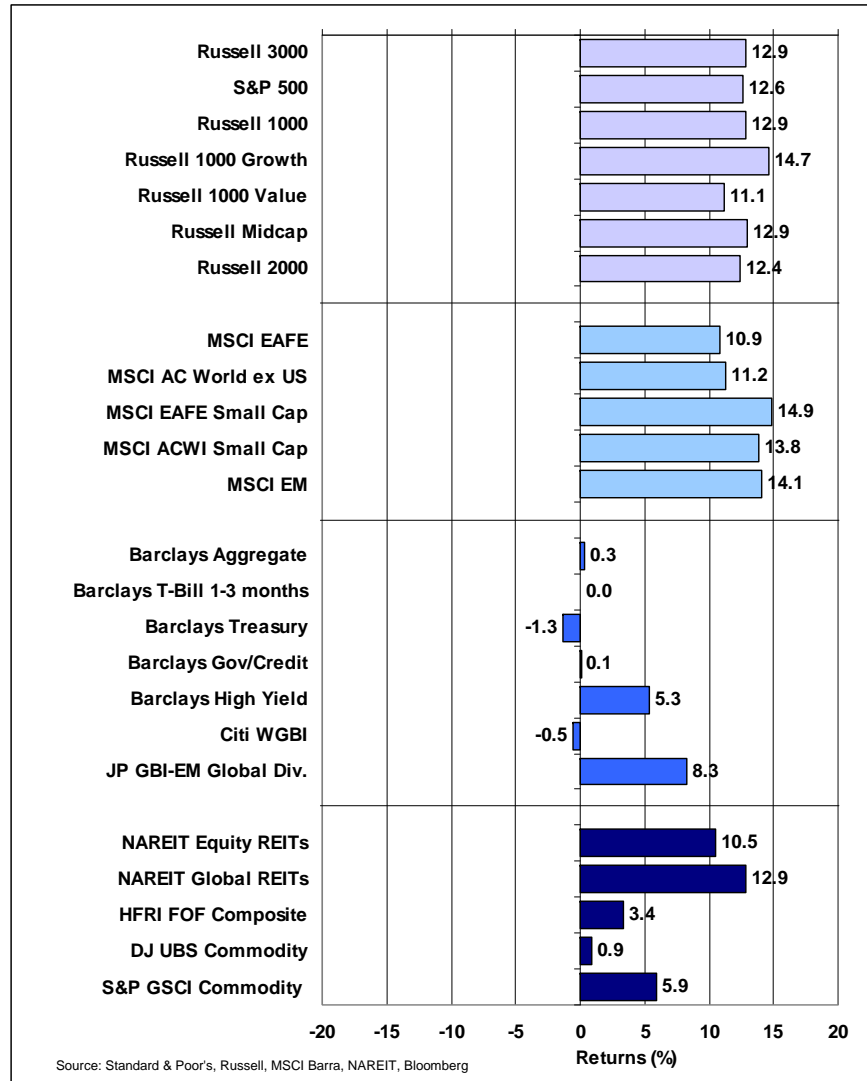
- Capital Markets Review
- 1st Quarter Performance
- Disclaimer

Capital Markets Review

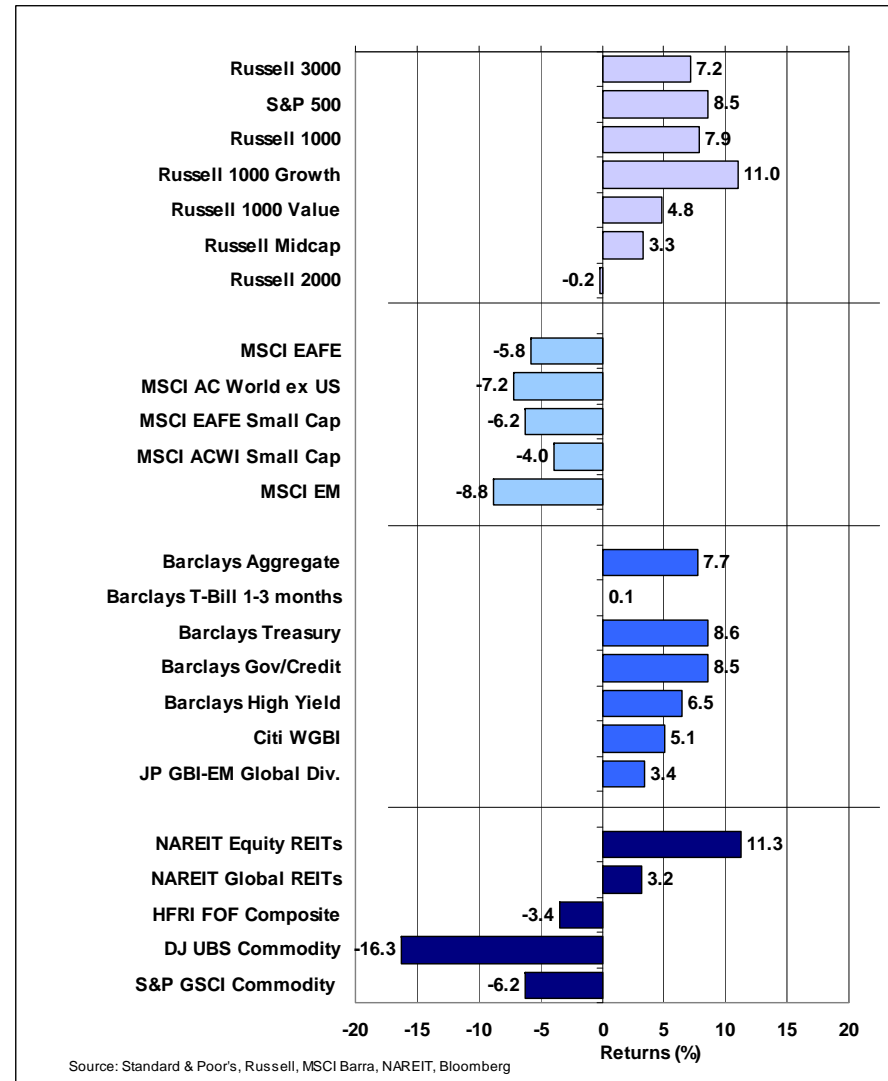
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Performance Summary: Quarter in Review

Market Performance
First Quarter 2012



Market Performance
1 Year



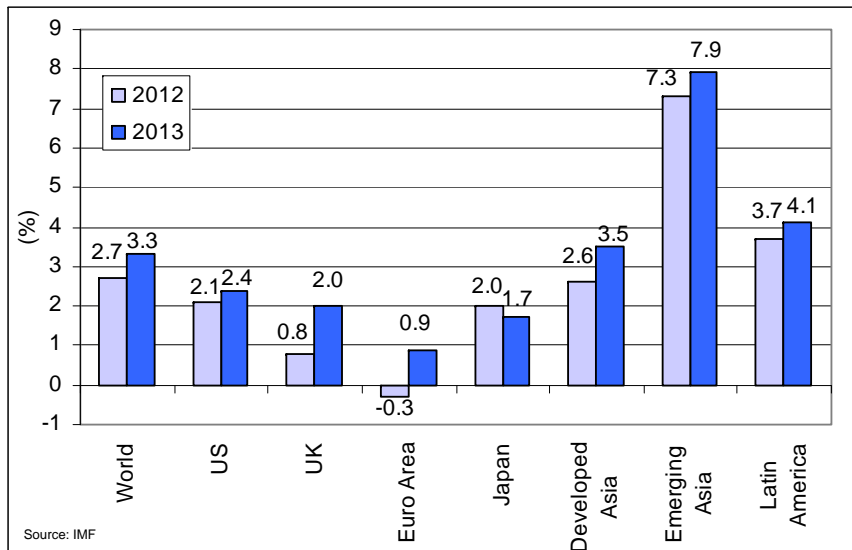
Macro Environment: Economic Review

US GDP Growth

	Q1 2012 Growth (%)	Contribution to Q1 2012 Growth (%)
Personal Consumption Expenditures	2.9	2.0
Residential Fixed Investment	19.1	0.4
Non-Residential Fixed Investment	(2.1)	(0.2)
Government Consumption	(3.0)	(0.6)
Change in Inventories	-	0.6
Trade Balance	-	(0.0)
GDP		2.2

Source: Bureau of Economic Analysis

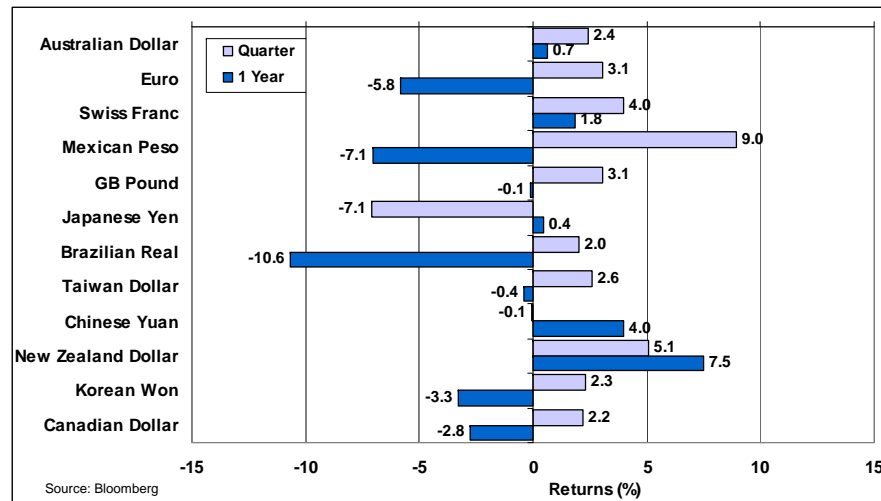
World Economic Growth (Projections as of April 2012)



- The US economy expanded at an annualized rate of 2.2% in the first quarter. While US growth is enviable relative to much of the developed world, it is modest and below trend and is likely insufficient to trigger a significant improvement in the unemployment rate. Global macroeconomic uncertainty, fiscal policy and household deleveraging are likely to continue to act as constraints on growth.
- Job growth picked up during the first quarter as the economy added an average of 212,000 jobs per month compared to the 164,000 average in the fourth quarter of last year. Additionally, the unemployment rate declined from 8.5% to 8.2%. However, at the current pace of job creation, it will likely take years to restore the economy to full employment.
- The risk of a recession in 2012 is probably low. The probability of a recession is likely higher in 2013 due to the potential fiscal drags of higher taxes and spending cuts.
- The Eurozone debt crisis stabilized further during the quarter as the ECB's LTRO program reduced financial strains and contributed to a drop in sovereign bond yields. However, these measures did not solve the underlying challenges. The Eurozone crisis will probably continue to be the dominant macro risk in 2012.
- Growth in China is likely to slow to 8.2% this year from 9.2% in 2011. It seems likely that policymakers will be able to prevent a hard landing over the short-term, resulting in an orderly slowdown in growth. However, the lack of transparency makes it hard to assess the true extent of the problems.

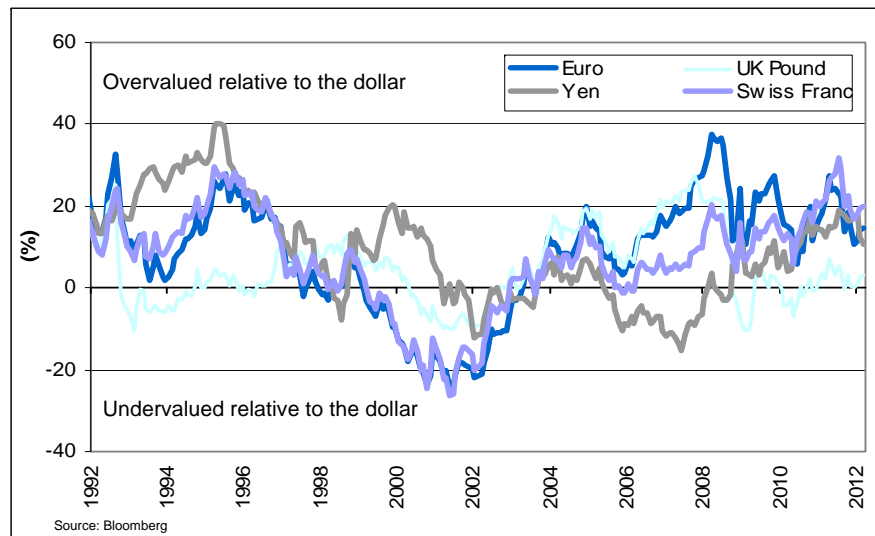
Macro Environment: Currencies

Performance of Foreign Currencies versus the US Dollar



- The dollar rally that took place in the second half of 2011 came to a halt in the first quarter. Major developed currencies fared well against the dollar, with Japanese yen being the exception. Aside from the Chinese yuan, which was relatively flat, emerging currencies generally appreciated.

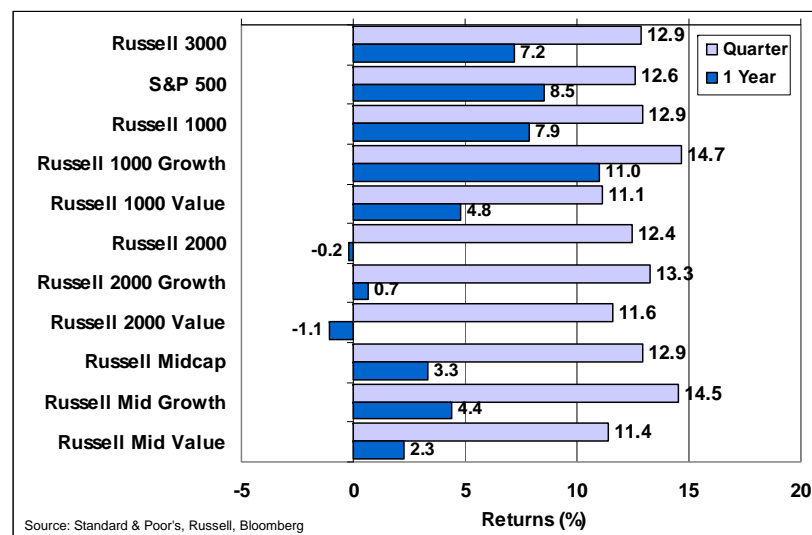
Currency Valuation versus US Dollar (Based on Relative PPP)



- The outlook for the dollar against developed currencies is difficult to predict. The Fed has expressed its intent to keep its target rate at zero through 2014, which should limit foreign inflows seeking yield. However, the ongoing European debt crisis will give the dollar a safe haven appeal.
- The outlook for emerging market currencies is positive over the intermediate-term, as they are experiencing faster economic growth and have lower levels of debt; however, they tend to be correlated to other risky assets and could suffer in the event of a renewed downturn.

Asset Class: US Equities – Style, Sector, Cap Performance

Style and Capitalization Market Performance



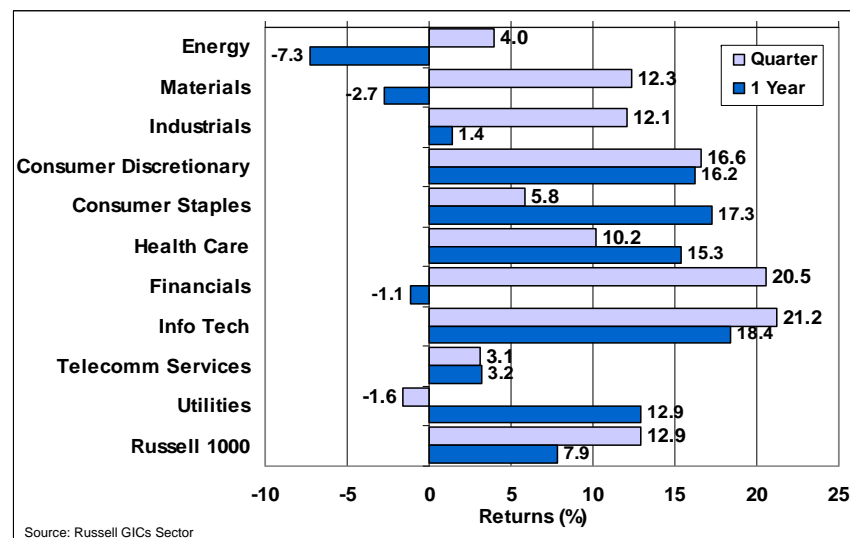
Broad Market

- Domestic equity markets rose sharply during the first quarter with the Russell 3000 index gaining 12.9%. For the 12-month period ended March 2012, the Russell 3000 returned 7.2%.

Market Cap

- Large Caps:** The S&P 500 gained 12.6% during the first quarter. Large caps marginally outperformed small caps and slightly trailed mid caps. Over the last 12 months, large caps outperformed small caps by 870 basis points.
- Mid Caps:** The Russell Midcap index rose 12.9% for the quarter.
- Small Caps:** The Russell 2000 index returned 12.4% during the quarter, but declined 0.2% over the last 12 months.

Sector Performance



Style

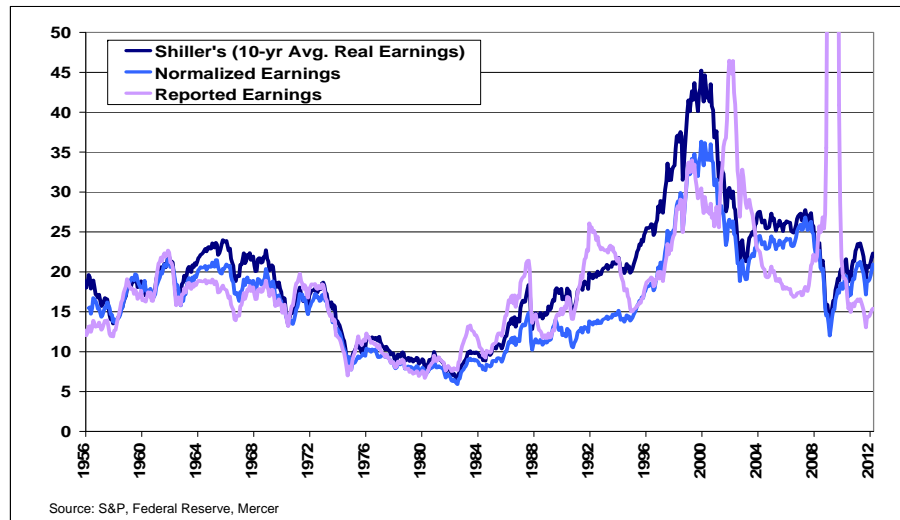
- Value vs. Growth:** Growth stocks outperformed value stocks across all capitalization segments in the first quarter. Although financial stocks posted strong gains, energy stocks and utility stocks lagged, weighing on value indexes.

Sector

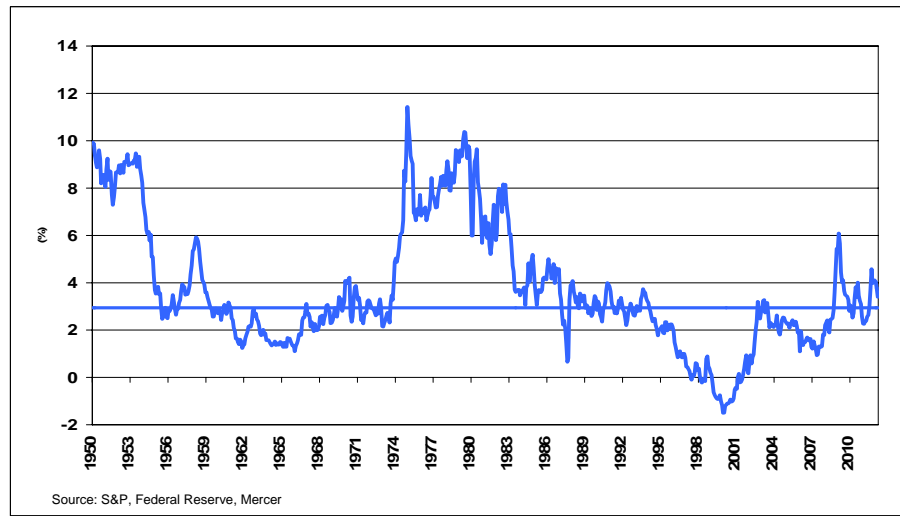
- Technology, financial and the consumer discretionary sectors led markets in the first quarter, while the utilities, telecommunication services, energy, and consumer staples sectors lagged.
- Over the last 12 months, energy, financial and material stocks declined, while the technology, consumer staples, consumer discretionary and health care sectors posted strong gains.

Asset Class: US Equities – Valuation Review

S&P500 – P/E Ratio



S&P500 – Estimated Equity Risk Premium¹
Versus Long-Term Treasuries



- Based on current earnings measures, the S&P 500 looked fairly attractive at quarter-end. It traded at 15x trailing twelve-month earnings and just 13x forward operating earnings.
- Cheap borrowing costs, low tax rates and high productivity have pushed profitability to near record highs. At quarter-end, profit margins on the S&P 500 stood at 8.8% vs. a historical average of 5.8%.
- While high unemployment is likely to keep a lid on labor costs in the near-term, boosting profitability, profit margins are unlikely to stay at an elevated level over a full economic cycle.
- Based on normalized earnings¹, which assume profit margins decline, the P/E ratio on the S&P 500 stood at 21 at the end of March, which is above the historical median of 16 (since 1956). Using Shiller's¹ methodology, it finished the quarter at a P/E of 22, an 18% premium relative to its median since 1956. Based on these normalized measures, the S&P 500 looks slightly expensive.
- While domestic equities were not particularly attractive in absolute terms, with real interest rates at ultra-low levels, equities offered a compelling prospective risk premium relative to Treasuries.

¹) Definitions:

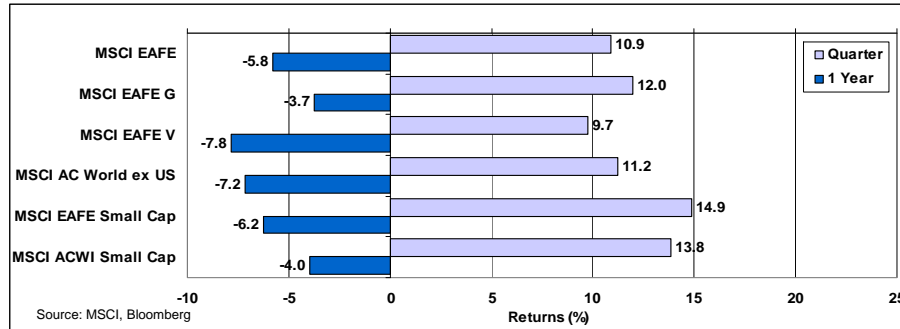
Shiller's P/E= Current S&P 500 price/average 10-year real earnings

Normalized P/E= Current S&P 500 price/(current trailing twelve month sales * 6.6% profit margin

Equity Risk Premium= Earnings yield (1/PE) minus the real yield on long-term Treasuries

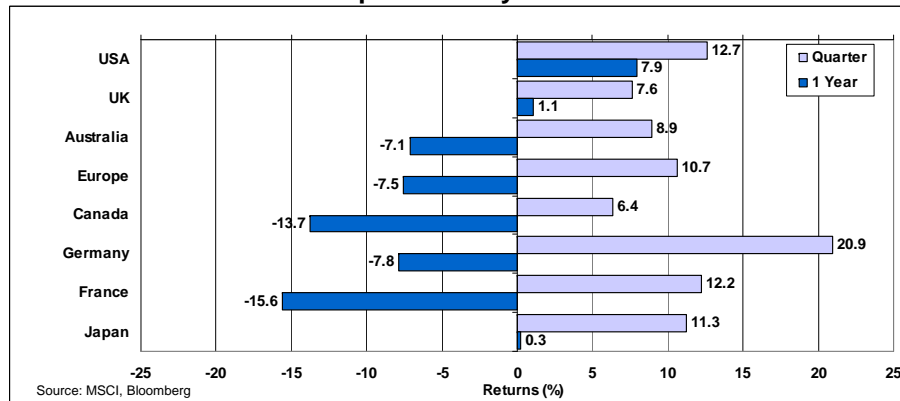
Asset Class: International Equities – Performance Review

International Equity Performance



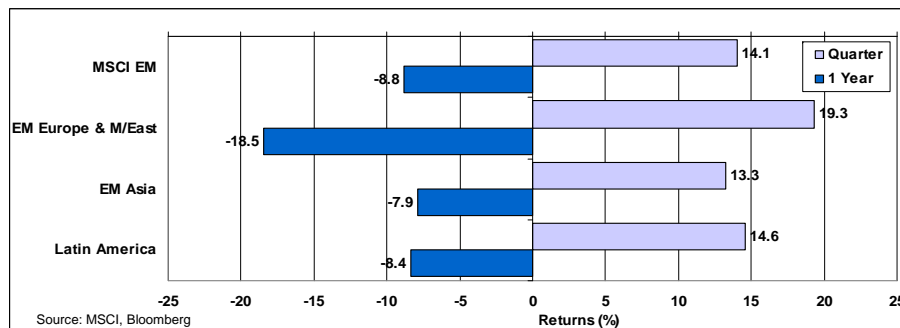
- **International** equities rallied during the quarter. The MSCI ACWI-ex US index gained 11.2% in the first quarter, but declined 7.2% over the last year.
- **International small cap** stocks outperformed international large cap stocks during the first quarter, but trailed over the last 12 months.

Developed Country Performance



- **International developed** markets posted strong gains for the quarter, but still trailed domestic stocks. The MSCI EAFE index returned 10.9%, trailing the S&P 500 by 180 basis points. European stocks rose 10.7% and Japanese stocks jumped 11.3%.

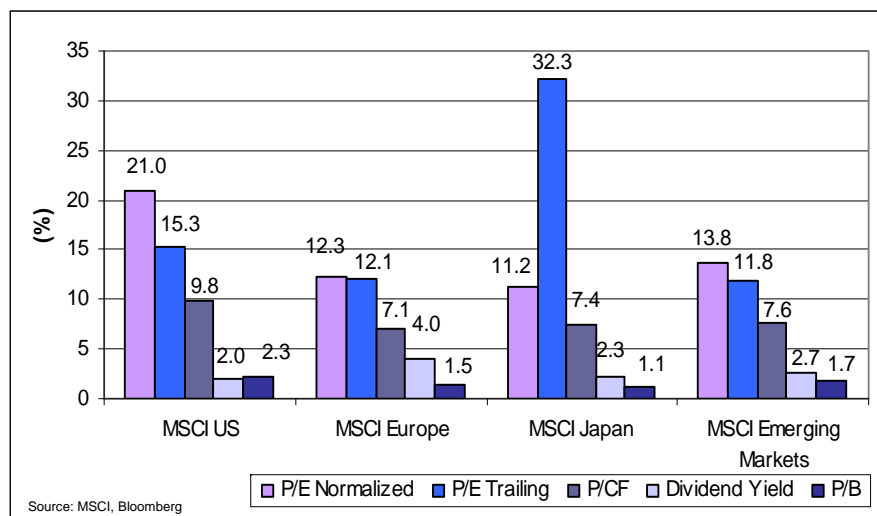
Emerging Market Performance



- **Emerging market (EM)** stocks outperformed developed stocks as markets rallied. EM stocks returned 14.1% for the quarter, but declined 8.8% over the last year.

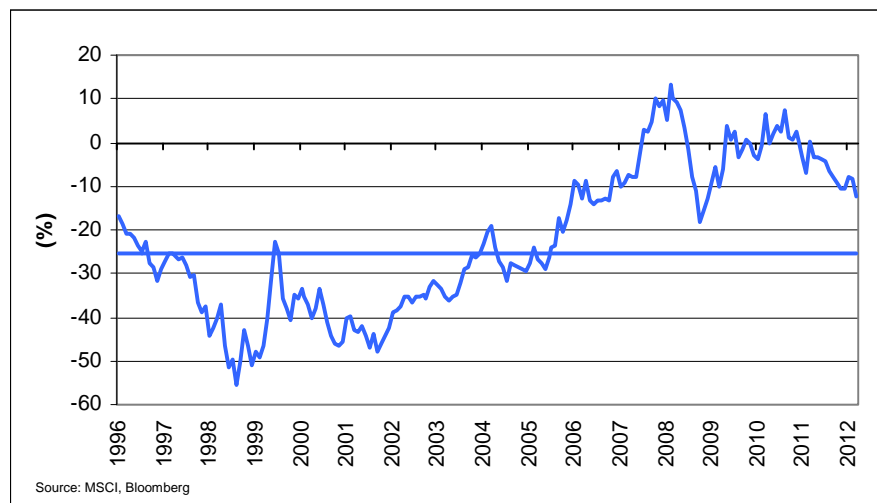
Asset Class: International Equities – Valuation Review

Global Valuations



Valuation of MSCI Emerging Markets to MSCI World

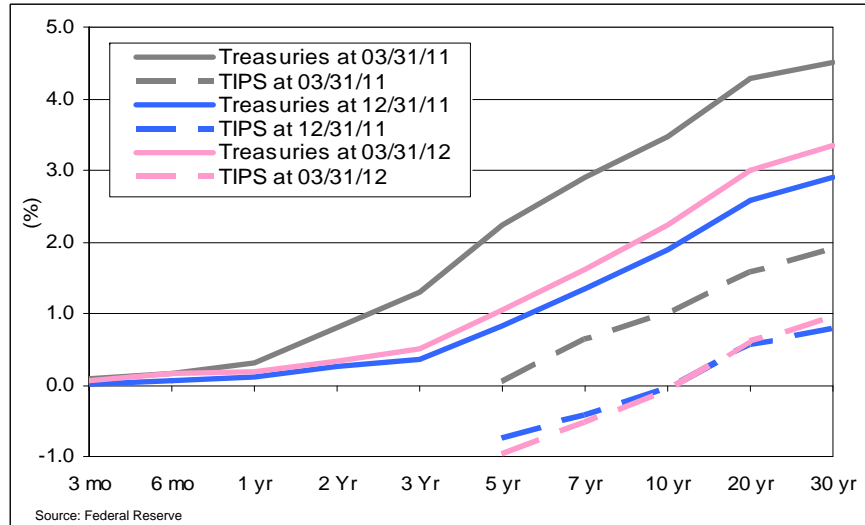
(Based on Average of P/E, P/B and P/CF)



- International equities traded at fairly attractive valuations in absolute terms and relative to the US at quarter-end, but macro risk remained elevated overseas as the European debt crisis remains unresolved.
- European stocks traded at a normalized P/E of just 12. While the ECB programs reduced short-term left-tail risks by providing the financial system with unlimited liquidity, the problems of excess debt and uncompetitive economies in the periphery will not be resolved quickly. The debt crisis is likely to continue to be the key driver of performance in Europe. Additionally, the Eurozone is likely to experience a recession in 2012, which will weigh on profits. However, cheaper valuations in Europe seemed to compensate investors for these higher risks.
- Last March's natural disaster sent Japanese earnings spiraling downward, causing the trailing P/E to spike to 32. Assuming profitability can return to pre-crisis levels, Japan looks reasonably attractive at a normalized P/E of 11. While a massive debt burden and poor demographics are structural headwinds, Japanese stocks trade at just 1.1x book value.
- Valuations on emerging markets looked attractive in both absolute and relative terms even though they outperformed during the quarter. They traded at a normalized P/E of 14 at the end of March and remained at a sizable discount to the developed world on most measures. Additionally, the structural case for EM outperformance (growth potential, attractive demographics, and better financial management) remains strong.

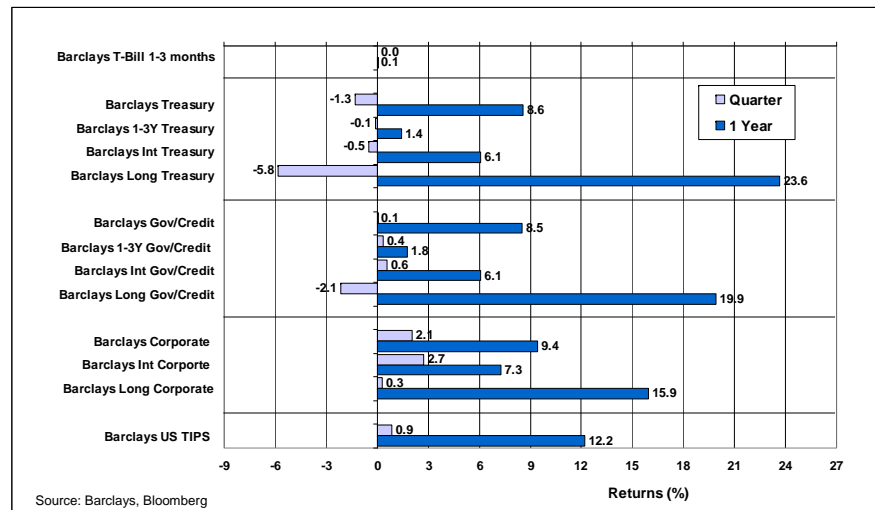
Asset Class: Fixed Income – Interest Rates and Yield Curve

Treasury Yield Curve



- Interest rates rose in the first quarter as the yield on the 10-year Treasury rose from 1.9% to 2.2%. The increase was driven by larger inflation breakeven rates as real yields declined slightly. The inflation breakeven rate on 10-year Treasuries rose from 2.0% to 2.3%. The real yield on 10-year TIPS fell from -0.07% to -0.09%. The 30-year Treasury yield rose by 46 basis points to 3.35%.

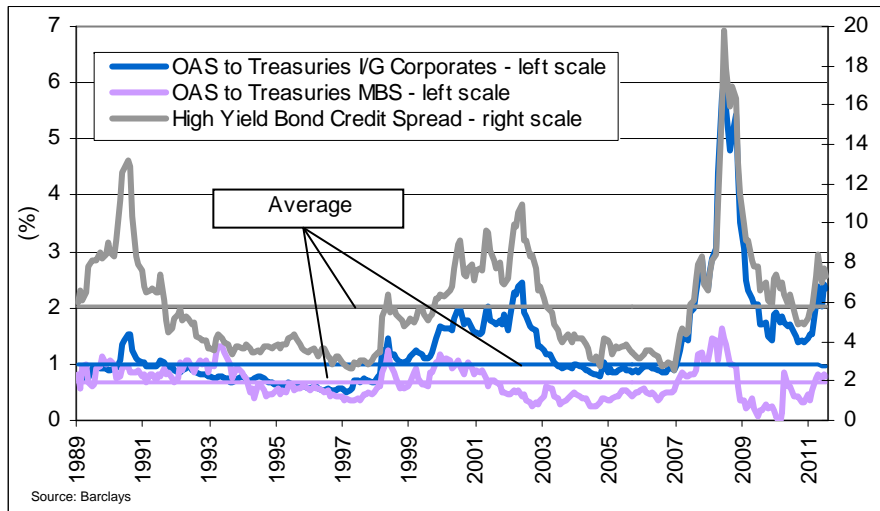
Bond Performance by Duration



- Treasuries declined during the quarter as bond yields rose, with long-duration bonds experiencing the largest losses.
- The **Barclays Long Treasury** index fell 5.8% in the quarter, but rose 23.6% over the last 12 months. The **Barclays Long Corporate** index returned 0.3% for the quarter as credit spreads narrowed.
- The **Barclays Intermediate Treasury** index declined 0.5% in the first quarter, but is up 6.1% over the last year.
- Short-Duration Treasuries** (Barclays 1-3 Year Treasury index) declined slightly during the quarter.
- TIPS** managed to post a gain during the quarter as real yields declined and inflation breakeven rates rose. The Barclays TIPS index gained 0.9%, outperforming nominal Treasuries by 220 basis points.

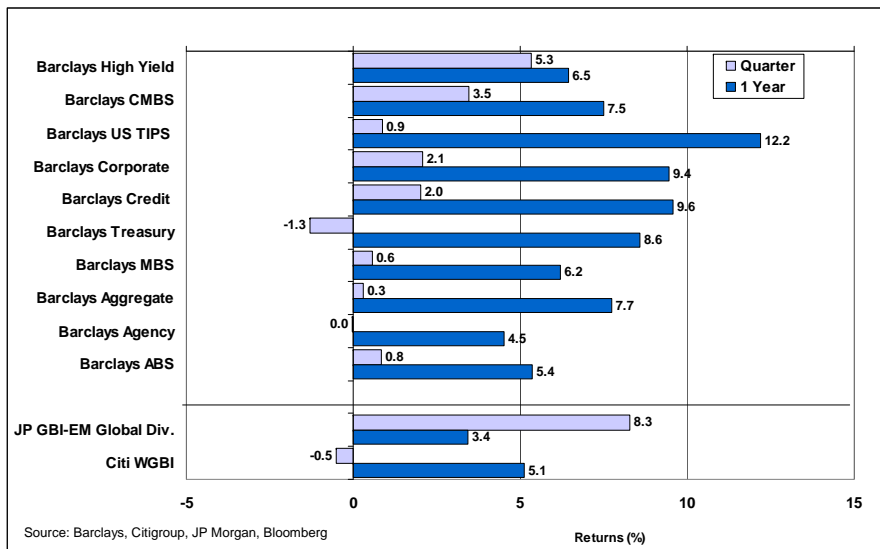
Asset Class: Fixed Income – Credit and Non-US Bonds

Credit Spreads



- Credit spreads narrowed during the quarter. The credit spread on high yield bonds fell by 130 basis points to 6.0%.
- For the quarter, credit outperformed Treasuries as spreads tightened.

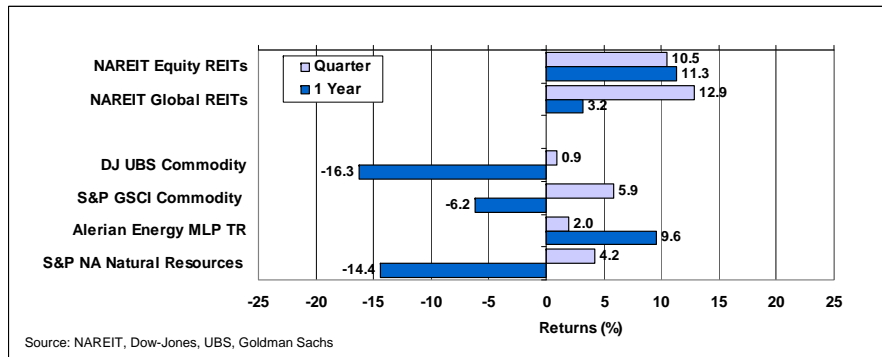
Sector, Credit, and Global Bond Performance



- **US High Yield:** HY bonds returned 5.3% for the quarter as the yield on junk bonds fell from 8.7% to 7.7%.
- **US CMBS and MBS:** The Barclays CMBS and MBS indexes rose 3.5% and 0.6%, respectively, in the first quarter. The MBS index gained 6.2% over the last 12 months.
- **US TIPS and Treasuries:** The Barclays Treasury index declined 1.3% for the quarter, while TIPS rose 0.9%.
- **U.S. Credit:** The Barclays Corporate index gained 2.1% during the first quarter. The option-adjusted spread on financial bonds remained above historical averages, while the spread on non-financial debt narrowed to historical averages.
- **Global Bonds:** The Citigroup World Government Bond index declined by 0.5% for the quarter, but rose 5.1% over the last 12 months.
- **Local Currency EMD:** Local currency EMD rose 8.3% during the first quarter as EM currencies appreciated against the dollar.

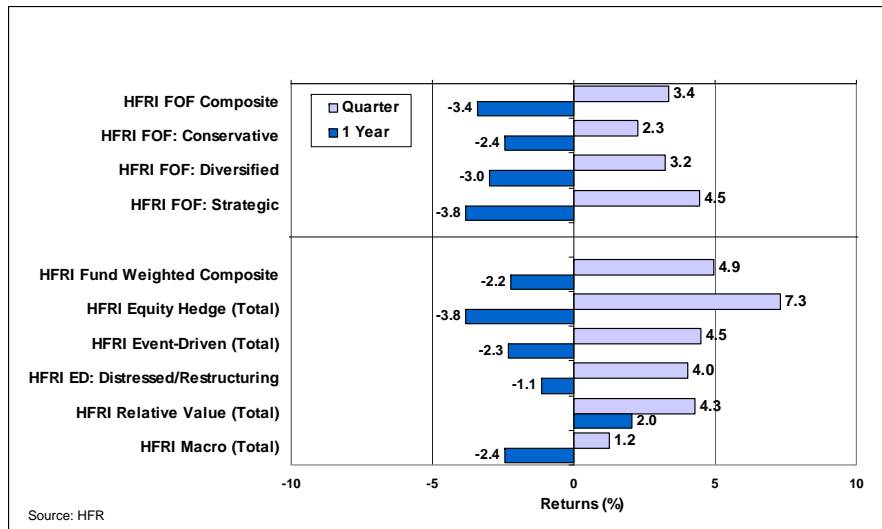
Asset Class: Alternatives – Performance Review

Real Asset Performance



- **REITs** posted strong gains during the first quarter. US REITs rose 10.5%, while global REITs posted a 12.9% gain.
- **Commodities:** Energy prices rose sharply during the quarter, pushing the S&P GSCI to a 5.9% gain. The DJ-UBS Commodity index, which has a lower weighting to energy, rose a more muted 0.9%. Natural resource stocks returned 4.2%.

Hedge Fund Performance



- **Hedge funds** lagged equities, but outperformed bonds in the first quarter. The HFRI Fund of Funds Composite index returned 3.4%, while the S&P 500 increased 12.6% and the Barclays Aggregate index rose 0.3%. Over the last 12 months, hedge funds have trailed both the S&P 500 and the Barclays Aggregate.

1st Quarter Performance

The background of the slide is composed of three distinct horizontal bands of color. The top band is a dark navy blue. The middle band is a medium teal color, which is slightly wider than the top band. The bottom band is a light sky blue, which is the widest of the three. The boundaries between the bands are slightly wavy, giving the background a layered, organic feel.

Updates

Plan / Fund Structure:

- Arrowstreet was added to the Global Equity Fund during the first quarter of 2012

Investment Managers:

- Robeco: There have been rumors in the press regarding a possible sale of Robeco by its parent Rabobank.
 - Mercer confirmed that Rabobank, the owner of Robeco (which in turn owns RIM), is planning to divest itself of Robeco. He said that the sale was necessitated by an increasingly onerous regulatory environment for European banks, and in particular for banks with investment management subsidiaries. Rabobank is a mutual cooperative bank (i.e., comprising many local banks) so its ability to access capital markets is limited. The sale of Robeco will give Rabobank funds to shore up its capital position.
 - Given the uncertainty surrounding the potential sale of Robeco by Rabobank, Mercer's researchers have proposed the addition of a Watch designation.
 - At this stage, Mercer does not believe the risks are sufficiently high to warrant assigning a Provisional status to any Robeco strategies. Robeco has told us that they will inform us promptly when they are allowed to disclose more information on this issue. We will revisit our view once more detail on a possible sale has been made available to us.

Fund Review

Fund Performance as of March 31, 2012

Name	Market Value (\$m)	(%)	Inception									Comments
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	Return	Rank	Since	
Large Cap Passive S&P 500	\$1,006.3	15.1%	12.6%	--	8.5%	--	23.3%	--	23.3%	--	Mar-09	Reasonably tracked its index over all time periods.
			12.6%	--	8.5%	--	23.4%	--	23.4%	--	Mar-09	
Large Cap Value Russell 1000 Value	\$692.3	10.4%	13.4%	20	5.2%	34	20.1%	66	20.1%	66	Mar-09	Longer term underperformance was addressed by the addition of Robeco.
			11.1%	71	4.8%	39	22.8%	16	22.8%	16	Mar-09	
Large Cap Growth Russell 1000 Growth	\$706.5	10.6%	19.9%	11	10.4%	31	30.4%	4	30.4%	4	Mar-09	Wellington has detracted value over longer time periods.
			14.7%	77	11.0%	24	25.3%	17	25.3%	17	Mar-09	
Mid/Small Cap Passive Russell 2500	\$329.6	4.9%	13.1%	--	1.4%	--	28.3%	--	28.3%	--	Mar-09	Closely tracked its index over time periods measured.
			13.0%	--	1.3%	--	28.4%	--	28.4%	--	Mar-09	
Mid/Small Cap Value Russell 2500 Value	\$217.0	3.3%	16.3%	8	4.4%	9	32.9%	14	32.9%	14	Mar-09	The new manager, WEDGE, had a strong initial quarter.
			11.5%	62	0.1%	51	27.1%	55	27.1%	55	Mar-09	
Mid/Small Cap Growth Russell 2500 Growth	\$130.0	2.0%	12.8%	74	4.5%	23	26.4%	66	26.4%	66	Mar-09	The larger cap bias has hurt recent performance.
			14.6%	45	2.7%	37	29.9%	22	29.9%	22	Mar-09	
International Passive MSCI ACWI ex USA Gross	\$256.4	3.8%	11.2%	--	-4.7%	--	20.1%	--	20.1%	--	Mar-09	Tracking error over the one-year period has been slightly high.
			11.3%	--	-6.7%	--	19.6%	--	19.6%	--	Mar-09	
International Equity MSCI ACWI ex USA Gross	\$409.1	6.1%	10.8%	77	-1.8%	17	19.3%	39	19.3%	39	Mar-09	Mondrian has underperformed a bit more than Baillie Gifford has outperformed.
			11.3%	68	-6.7%	60	19.6%	36	19.6%	36	Mar-09	
Global Equity MSCI ACWI Gross	\$147.4	2.2%	13.5%	40	0.3%	38	18.9%	72	18.9%	72	Mar-09	New manager, Arrowstreet was added during the first quarter.
			12.0%	56	-0.2%	44	21.4%	43	21.4%	43	Mar-09	
Fixed Income Passive Fund Barclays Capital Aggregate	\$210.0	3.2%	0.3%	--	7.5%	--	--	--	4.3%	--	Sep-10	Tracked the performance of the benchmark.
			0.3%	--	7.7%	--	6.8%	--	4.5%	--	Sep-10	
Fixed Income Fund Barclays Capital Aggregate	\$454.3	6.8%	2.0%	33	6.5%	48	7.9%	57	7.9%	57	Mar-09	One-year performance of the fund is held back by PIMCO's weak third quarter returns.
			0.3%	--	7.7%	--	6.8%	--	7.1%	--	Mar-09	
Stable Value Fund T-BILLS + 1%	\$2,106.3	31.6%	0.7%	21	3.0%	35	--	--	3.6%	33	Jun-09	Galliard added additional diversification to both the management and wraps of the fund.
			0.3%	99	1.0%	99	1.1%	99	1.1%	99	Jun-09	

Fund Review

Manager Performance as of March 31, 2012

											Inception			Comments
Name	Market Value (\$m)	(%)	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Rank	Since	
NCSRP BlackRock Equity Index	\$1,006.3	15.1%	12.6%	--	8.6%	--	23.6%	--	--	--	23.6%	--	Mar-09	Reasonably tracked its index over all time periods.
BlackRock Equity Index Strategy			12.6%	--	8.6%	--	23.6%	--	2.1%	--	23.6%	--	Mar-09	
S&P 500			12.6%	--	8.5%	--	23.4%	--	2.0%	--	23.4%	--	Mar-09	
NCSRP Hotchkis & Wiley Large Cap Value	\$232.4	3.5%	15.0%	7	5.9%	43	28.1%	4	--	--	28.1%	4	Mar-09	Hotchkis's overweight allocation to financials led to its outperformance.
Hotchkis & Wiley Large Cap Value Strategy			14.8%	8	5.6%	45	28.1%	4	-2.4%	96	28.1%	4	Mar-09	
Russell 1000 Value			11.1%	69	4.8%	57	22.8%	40	-0.8%	85	22.8%	40	Mar-09	
NCSRP Wellington Value Composite	\$226.6	3.4%	10.7%	72	4.2%	64	12.3%	99	--	--	12.3%	99	Mar-09	Only slightly behind the index in a challanging environment for manager.
NCSRP Wellington Quality Value			10.7%	72	4.2%	64	--	--	--	--	--	--	Jul-10	
Wellington Quality Value Strategy			10.7%	72	4.7%	59	22.2%	53	3.8%	11	22.2%	53	Mar-09	
Russell 1000 Value			11.1%	69	4.8%	57	22.8%	40	-0.8%	85	22.8%	40	Mar-09	
NCSRP Robeco BP Large Cap Value	\$233.3	3.5%	14.9%	8	--	--	--	--	--	--	16.6%	5	Nov-11	Had a strong initial quarter.
Robeco BP Large Cap Value Strategy			14.7%	9	8.3%	20	24.0%	23	3.2%	15	16.4%	6	Nov-11	
Russell 1000 Value			11.1%	69	4.8%	57	22.8%	40	-0.8%	85	13.4%	49	Nov-11	
NCSRP Sands Capital Large Cap Growth	\$247.8	3.7%	24.6%	1	22.6%	1	39.0%	1	--	--	39.0%	1	Mar-09	Sands continues to post very strong results.
Sands Capital Large Cap Growth Strategy			24.5%	1	22.6%	1	38.8%	1	11.1%	1	38.8%	1	Mar-09	
Russell 1000 Growth			14.7%	71	11.0%	27	25.3%	29	5.1%	39	25.3%	29	Mar-09	
NCSRP Wellington Opportunistic Growth	\$229.6	3.4%	19.7%	8	1.6%	93	24.4%	40	--	--	24.4%	40	Mar-09	Smaller cap biased has hurt for the trailing year.
Wellington Opportunistic Growth Strategy			19.6%	8	1.5%	94	24.3%	41	5.0%	44	24.3%	41	Mar-09	
Russell 1000 Growth			14.7%	71	11.0%	27	25.3%	29	5.1%	39	25.3%	29	Mar-09	
Russell 3000 Growth			14.6%	72	10.1%	36	25.5%	27	5.0%	42	25.5%	27	Mar-09	
NCSRP Neuberger Large Cap Growth	\$229.1	3.4%	15.7%	54	--	--	--	--	--	--	14.4%	60	Oct-11	Strong initial quarter
Neuberger Large Cap Growth Strategy			15.8%	52	4.7%	81	20.1%	88	5.8%	27	13.4%	75	Oct-11	
Russell 1000 Growth			14.7%	71	11.0%	27	25.3%	29	5.1%	39	14.3%	61	Oct-11	
NCSRP BlackRock Russell 2500 Index Fund	\$329.6	4.9%	13.1%	--	1.5%	--	28.6%	--	--	--	28.6%	--	Mar-09	Closely tracked its index over time periods measured.
BlackRock Russell 2500 Index Fund Strategy			13.1%	--	1.5%	--	28.6%	--	--	--	28.6%	--	Mar-09	
Russell 2500			13.0%	--	1.3%	--	28.4%	--	3.0%	--	28.4%	--	Mar-09	
NCSRP Hotchkis & Wiley	\$76.5	1.1%	23.0%	1	6.3%	5	37.5%	7	--	--	37.5%	7	Mar-09	Financial overweight drove recent outperformance.
Hotchkis & Wiley Value Strategy			23.1%	1	5.9%	6	37.9%	6	2.9%	62	37.9%	6	Mar-09	
Hotchkis Custom SMID Value Index			11.5%	52	0.9%	54	28.6%	43	1.0%	94	28.6%	43	Mar-09	
NCSRP Earnest Partners	\$70.3	1.1%	13.2%	37	2.3%	31	26.6%	70	--	--	26.6%	70	Mar-09	A bias to larger cap names added to recent outperformance.
Earnest Partners Value Strategy			9.0%	81	1.9%	37	26.6%	70	3.1%	58	26.6%	70	Mar-09	
Earnest Custom SMID Value Index			11.5%	52	-1.1%	72	25.3%	74	0.0%	96	25.3%	74	Mar-09	
NCSRP WEDGE SMID Cap Value	\$70.2	1.1%	13.2%	36	--	--	--	--	--	--	13.2%	33	Dec-11	Strong initial quarter
WEDGE SMID Cap Value Strategy			13.4%	34	2.7%	26	30.0%	31	3.8%	44	13.4%	30	Dec-11	
Russell 2500 Value			11.5%	52	0.1%	58	27.1%	65	1.0%	94	11.5%	50	Dec-11	

Fund Review

Manager Performance as of March 31, 2012

Inception												Comments		
Market Value														
Name	(\$m)	(%)	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Rank	Since	
NCSRP TimesSquare	\$63.7	1.0%	13.5%	77	8.2%	18	26.0%	82	--	--	26.0%	82	Mar-09	Quality bias hurt recent performance
TimesSquare SMID Growth			13.5%	77	--	--	--	--	--	--	--	--	Jul-11	
TimesSquare Growth Strategy			13.7%	73	7.6%	23	30.4%	39	9.4%	22	30.4%	39	Mar-09	
TimesSquare Custom SMID Growth Index			14.6%	51	4.0%	42	29.0%	56	4.3%	73	29.0%	56	Mar-09	
NCSRP Brown Advisory	\$66.3	1.0%	12.6%	88	3.2%	49	29.1%	56	--	--	29.1%	56	Mar-09	Quality bias hurt recent performance
Brown Advisory Growth Strategy			12.7%	88	2.7%	53	28.9%	56	7.3%	46	28.9%	56	Mar-09	
Brown Custom SMID Growth Index			14.6%	51	1.7%	56	28.8%	57	4.4%	73	28.8%	57	Mar-09	
NCSRP BlackRock ACWI ex US Fund	\$256.4	3.8%	11.3%	--	-6.0%	--	19.8%	--	--	--	19.8%	--	Mar-09	Tracking error over the one-year period has been slightly high.
BlackRock ACWI ex US Fund Strategy			11.3%	--	-6.0%	--	19.8%	--	-1.1%	--	19.8%	--	Mar-09	
MSCI ACWI ex USA Gross			11.3%	--	-6.7%	--	19.6%	--	-1.1%	--	19.6%	--	Mar-09	
NCSRP Baillie Gifford ACWI ex US Growth	\$213.3	3.2%	13.7%	24	-1.2%	17	24.1%	11	--	--	24.1%	11	Mar-09	Performed strongly over all time periods measured.
Baillie Gifford ACWI ex US Growth Strategy			13.6%	25	-1.0%	14	24.3%	11	3.4%	6	24.3%	11	Mar-09	
MSCI ACWI ex USA Gross			11.3%	68	-6.7%	60	19.6%	36	-1.1%	31	19.6%	36	Mar-09	
MSCI AC Wld ex US Growth Gross			11.8%	57	-5.9%	66	19.2%	54	-0.5%	36	19.2%	54	Mar-09	
NCSRP Mondrian ACWI ex US Value	\$195.8	2.9%	8.3%	96	-0.2%	11	17.0%	81	--	--	17.0%	81	Mar-09	Quality and value bias hurt returns.
Mondrian ACWI ex US Value Strategy			8.4%	96	-0.6%	12	17.2%	78	-1.4%	49	17.2%	78	Mar-09	
MSCI ACWI ex USA Gross			11.3%	68	-6.7%	60	19.6%	36	-1.1%	31	19.6%	36	Mar-09	
MSCI AC Wld Ex US Value Gross			10.8%	76	-7.5%	79	20.1%	44	-1.8%	58	20.1%	44	Mar-09	
NCSRP Wellington Global Composite	\$73.8	1.1%	13.8%	32	1.2%	39	19.6%	62	--	--	19.6%	62	Mar-09	Has performed well over recent periods though three-year performance was not as strong.
NCSRP Wellington Global Opportunities			13.8%	32	1.2%	39	--	--	--	--	--	--	Jun-10	
Wellington Global Opportunities Strategy			13.9%	31	1.0%	43	23.0%	28	3.8%	12	23.0%	28	Mar-09	
MSCI ACWI Gross			12.0%	57	-0.2%	52	21.4%	42	0.3%	55	21.4%	42	Mar-09	
NCSRP Arrowstreet Global Equity ACWI	\$73.5	1.1%	--	--	--	--	--	--	--	--	--	--	Mar-12	Manager was added to the plan during the quarter
Arrowstreet Global Equity ACWI			13.2%	40	1.2%	39	25.2%	14	2.5%	24	--	--	Mar-12	
MSCI ACWI Gross			12.0%	57	-0.2%	52	21.4%	42	0.3%	55	--	--	Mar-12	
NCSRP BlackRock Debt Index Fund	\$210.0	3.2%	0.3%	--	7.7%	--	--	--	--	--	4.5%	--	Sep-10	Tracked the performance of the benchmark.
BlackRock Debt Index Fund Strategy			0.3%	--	7.7%	--	6.9%	--	6.3%	--	4.3%	--	Sep-10	
Barclays Capital Aggregate			0.3%	--	7.7%	--	6.8%	--	6.2%	--	4.3%	--	Sep-10	
NCSRP JP Morgan Core Bond	\$231.1	3.5%	1.1%	63	8.6%	22	8.1%	73	--	--	8.1%	73	Mar-09	Performed strongly over longer periods measured.
JP Morgan Core Bond Strategy			1.0%	67	8.1%	45	8.4%	66	7.5%	26	8.4%	66	Mar-09	
Barclays Capital Aggregate			0.3%	91	7.7%	65	6.8%	93	6.2%	81	7.4%	93	Mar-09	
NCSRP PIMCO Total Return Full Authority	\$223.2	3.3%	2.9%	10	6.0%	98	9.4%	45	--	--	9.4%	45	Mar-09	One year results hurt by third quarter 2011 underperformance
PIMCO Total Return Full Authority Strategy			2.8%	11	6.4%	96	10.0%	36	8.5%	8	10.0%	36	Mar-09	
Barclays Capital Aggregate			0.3%	91	7.7%	65	6.8%	93	6.2%	81	7.4%	93	Mar-09	

GoalMaker Funds

Performance as of March 31, 2012

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Conservative 0-5 Yrs	3.8%	89	4.4%	39	--	--	--	--
Conservative 0-5 Yrs Benchmark	3.1%	91	3.6%	65	8.4%	93	3.6%	20
Conservative 6-10 Yrs	5.0%	90	4.3%	37	--	--	--	--
Conservative 6-10 Yrs Benchmark	4.3%	96	3.3%	58	10.3%	98	3.4%	9
Conservative 11-15 Yrs	7.1%	97	4.3%	27	--	--	--	--
Conservative 11-15 Yrs Benchmark	6.3%	99	3.4%	56	14.2%	99	3.3%	7
Conservative 16+ Yrs	9.4%	63	3.8%	27	--	--	--	--
Conservative +16 Yrs Benchmark	8.6%	78	2.7%	54	17.8%	94	2.7%	9

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Moderate 0-5 Yrs	5.6%	78	4.2%	48	--	--	--	--
Moderate 0-5 Yrs Benchmark	5.0%	85	3.2%	67	11.6%	91	3.3%	30
Moderate 6-10 Yrs	7.1%	65	4.3%	37	--	--	--	--
Moderate 6-10 Yrs Benchmark	6.3%	81	3.4%	57	14.2%	93	3.3%	10
Moderate 11-15 Yrs	8.8%	68	3.8%	44	--	--	--	--
Moderate 11-15 Yrs Benchmark	8.0%	88	2.9%	67	16.8%	99	2.9%	18
Moderate 16+ Yrs	11.2%	11	3.0%	51	--	--	--	--
Moderate +16 Yrs Benchmark	10.5%	32	1.8%	71	20.6%	26	2.0%	38

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Aggressive 0-5 Yrs	7.5%	33	4.2%	47	--	--	--	--
Aggressive 0-5 Yrs Benchmark	6.7%	59	3.4%	65	14.7%	75	3.3%	31
Aggressive 6-10 Yrs	8.8%	25	3.8%	54	--	--	--	--
Aggressive 6-10 Yrs Benchmark	8.0%	45	2.9%	73	16.8%	64	2.9%	24
Aggressive 11-15 Yrs	10.7%	6	3.3%	57	--	--	--	--
Aggressive 11-15 Yrs Benchmark	9.9%	25	2.1%	73	19.8%	30	2.3%	41
Aggressive 16+ Yrs	13.1%	1	2.3%	67	--	--	--	--
Aggressive +16 Yrs Benchmark	12.3%	1	0.9%	89	23.6%	1	1.3%	52

- The Target Date options outperformed their benchmarks across all funds for all time periods evaluated ended March 31, 2012.

Fee Review

Funds and Sub-Advisors	Assets	Inv. Mgt Fee	Other Inv. Exp*	R/K Fee	NC Budget**	Total Estimated Expense	Mercer Median Exp	Difference
North Carolina Stable Value Fund	\$2,106,327,097	0.320%	0.000%	0.105%	0.025%	0.450%		
Galliard	\$2,106,327,097	0.320%						
North Carolina Fixed Income Passive Fund	\$209,990,605	0.070%	0.055%	0.105%	0.025%	0.255%	0.20%	0.06%
BlackRock	\$209,990,605	0.070%	0.055%				0.05%	0.02%
North Carolina Fixed Income Fund	\$454,302,486	0.220%	0.064%	0.105%	0.025%	0.414%	0.55%	-0.14%
50% JP Morgan	\$231,148,706	0.190%	0.055%				0.23%	-0.04%
50% PIMCO	\$223,153,780	0.250%	0.073%				0.23%	0.02%
North Carolina Large Cap Passive Fund	\$1,006,343,894	0.025%	0.055%	0.105%	0.025%	0.210%	0.20%	0.01%
BlackRock	\$1,006,343,894	0.025%	0.055%				0.04%	-0.01%
North Carolina Large Cap Value Fund	\$692,316,024	0.383%	0.072%	0.105%	0.025%	0.586%	0.77%	-0.18%
33.3% Hotchkis & Wiley	\$232,432,013	0.500%	0.072%				0.44%	0.06%
33.3% Wellington Management Company	\$226,590,597	0.290%	0.073%				0.44%	-0.15%
33.3% Robeco BP	\$233,293,415	0.360%	0.072%				0.44%	-0.08%
North Carolina Large Cap Growth Fund	\$706,526,096	0.378%	0.073%	0.105%	0.025%	0.580%	0.89%	-0.30%
33.3% Sands Capital Management	\$247,829,698	0.508%	0.072%				0.46%	0.05%
33.3% Wellington Management Company	\$229,561,194	0.350%	0.073%				0.47%	-0.12%
33.3% Neuberger Berman	\$229,135,205	0.275%	0.073%				0.47%	-0.20%
North Carolina SMID Cap Passive Fund	\$329,598,870	0.050%	0.055%	0.105%	0.025%	0.235%	0.30%	-0.07%
BlackRock	\$329,598,870	0.050%	0.055%				0.05%	0.00%
North Carolina SMID Value Fund	\$217,024,517	0.649%	0.072%	0.105%	0.025%	0.851%	0.99%	-0.14%
33.3% Hotchkis & Wiley	\$76,474,744	0.613%	0.072%				0.82%	-0.20%
33.3% Earnest Partners	\$70,336,562	0.532%	0.072%				0.82%	-0.29%
33.3% WEDGE	\$70,213,211	0.800%	0.072%				0.85%	-0.05%
North Carolina SMID Growth Fund	\$129,974,114	0.755%	0.072%	0.105%	0.025%	0.957%	1.06%	-0.10%
50% TimesSquare Capital Management	\$63,709,183	0.937%	0.072%				0.83%	0.11%
50% Brown Advisory	\$66,264,931	0.573%	0.072%				0.83%	-0.25%
North Carolina International Passive Fund	\$256,438,335	0.140%	0.055%	0.105%	0.025%	0.325%	0.50%	-0.18%
BlackRock	\$256,438,335	0.140%	0.055%				0.10%	0.04%
North Carolina International Fund	\$409,058,803	0.487%	0.122%	0.105%	0.025%	0.739%	1.05%	-0.31%
50% Baillie Gifford	\$213,250,802	0.466%	0.123%				0.59%	-0.13%
50% Mondrian Investment Partners	\$195,808,001	0.509%	0.121%				0.57%	-0.06%
North Carolina Global Equity Fund	\$147,371,835	0.626%	0.093%	0.105%	0.025%	0.849%	1.07%	-0.22%
50% Wellington Management Company	\$73,839,519	0.500%	0.093%				0.63%	-0.13%
50% Arrowstreet	\$73,532,316	0.752%	0.093%				0.63%	0.12%
Total	\$6,665,272,676	0.289%	0.048%	0.105%	0.025%	0.467%	0.618%	

*This includes the ongoing administration, legal, accounting, auditing, custody, NAV calculation, reporting, compliance, and other miscellaneous fund expenses associated with the separate account.

**The cost of the budget associated with the management of the Supplemental Retirement Plans will be converted and calibrated into basis points and borne by each investment option in proportion to the pro rate share of the applicable assets in that fund.

Fee Review

401(k) Plan Stable Value Fund

Benefit Responsive Wrap Fees

Great West Life	0.15%
Prudential	0.17%
MetLife	0.20%
United of Omaha	<u>0.25%</u>
Weighted Average Wrap Fee	0.16%

Investment Management Fees

Payden & Rygel	0.15%
Prudential	0.06%
Great West Life	0.05%
PIMCO	<u>0.22%</u>
Weighted Average Management Fee	0.08%

Galliard Oversight & Management 0.07%

Total Management & Wrap 0.32%

Admin Fee 0.13%

Total Fees 0.45%

457 Plan Stable Value Fund

Benefit Responsive Wrap Fees

Great West Life	0.15%
Prudential	0.17%
MetLife	0.20%
United of Omaha	<u>0.25%</u>
Weighted Average Wrap Fee	0.16%

Investment Management Fees

Payden & Rygel	0.15%
Prudential	0.06%
Great West Life	0.05%
PIMCO	<u>0.22%</u>
Weighted Average Management Fee	0.08%

Galliard Oversight & Management 0.07%

Total Management & Wrap 0.32%

Admin Fee 0.13%

Total Fees 0.45%

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