# North Carolina Supplemental Retirement Plans

401(k) and 457 Plans

Investment Holding Guideline Compliance Summary

As of March 31, 2015

Mercer Investments

# EQUITY PORTFOLIOS - FUND LEVEL

Category	Applicable asset class	Guideline	LARGE CAP PASSIVE	LARGE CAP VALUE	LARGE CAP GROWTH	MID/SMALL PASSIVE	MID/SMALL VALUE	MID/SMALL GROWTH	INTL PASSIVE	INTL EQUITY	GLOBAL EQUITY
	Passive domestic equity	Must mirror index by full replication or sampling	✓			$\checkmark$					
	Active domestic equity	Max: greater of 5% or index weight + 2.5%, but must be less than 10%		~	~	-	~	~	-		
	Large cap value equity	ADR/Foreign Max: 20%		$\checkmark$							
Individual securities	Large cap growth equity, Mid/Small cap equity	ADR/Foreign Max: 10%			×		~	~			
	Passive international equity	Max: greater of 5% or index weight							$\checkmark$		
	Active international equity	Max: 7.5%		-		-			-	~	$\checkmark$
	Active equity	Futures, options, swaps RESTRICTED		$\checkmark$	$\checkmark$	-	$\checkmark$	✓	-	✓	$\checkmark$
	Equity	144A Max: 15%	~	~	~	~	~	~	~	✓	✓
	Equity	Manager's own security RESTRICTED	~	~	~	~	~	~	~	✓	~
	Equity	Restricted securities RESTRICTED	~	~	~	~	~	~	$\checkmark$	✓	~
Sector diversification	Large cap equity	Individual sector weight Max: greater of 25% or 2x index weight		~	~						
	Mid/Small cap equity	Diversification Min: 5 sectors					~	~			
Country diversification	International equity	Max: 2x index weight but must be less than 50%; if index weight < 5%, then must be less than 10%; for global equity, max US weight: 60%							-	~	~
Average market cap	Equity	Within benchmark market cap range		$\checkmark$	$\checkmark$		$\checkmark$	$\checkmark$		✓	$\checkmark$
	Value Equity	P/B, P/E < Broad market		~			~				
Style	Growth equity	P/B, P/E > Broad market			~			~			
	Equity	Short positions RESTRICTED	~	~	~	~	~	~	~	~	$\checkmark$
Positioning	Equity	Leverage RESTRICTED	~	~	~	~	~	~	~	~	~
Currency hedging	Domestic equity	RESTRICTED	~	~	~	~	~	~	-		
Cash reserves	Equity	Must be fully invested	~	✓	~	✓	~	~	~	~	$\checkmark$

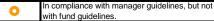
Manager self-report

Developedial to acception

In compliance with IPS.

 $\checkmark$ 

X Not in compliance with IPS.



#### EQUITY PORTFOLIOS - MANAGER LEVEL

	Applicable asset	sset	LARGE CAP PASSIVE	LARGE CAP VALUE		LARGE CAP GROWTH		MID/SMALL CAP PASSIVE	MID/SMALL CAP VALUE		MID/SMALL CA	AP GROWTH	INTL PASSIVE	E INTL EQUITY		GLOBAL EQUITY	LEQUITY			
Category	class	Guideline	BlackRock	Hotchkis & Wiley	Wellington	Robeco BP	Sands Capital	Wellington	Loomis	BlackRock	Hotchkis & Wiley	EARNEST	WEDGE	Times Square	Brown Advisory	BlackRock	Baillie Gifford	Mondrian Investment Partners	Wellington	Arrowstreet
	Passive domestic equity	Must mirror index by full replication or sampling	✓							~										
	Active domestic equity	Max: greater of 5% or index weight + 2.5%, but must be less than 10%		•	$\checkmark$	$\checkmark$	•	✓	0		~	$\checkmark$	✓	✓	$\checkmark$					
	Large cap value equity	ADR/Foreign Max: 20%		~	$\checkmark$	$\checkmark$														
	Large cap growth equity, Mid/Small cap equity	ADR/Foreign Max: 10%					•	$\checkmark$	0		•	$\checkmark$	$\checkmark$	✓	$\checkmark$					
Individual	Passive international equity	Max: greater of 5% or index weight														~				
securities	Active international equity	Max: 7.5%															✓	✓	$\checkmark$	✓
	Active equity	Futures, options, swaps RESTRICTED		✓	$\checkmark$	$\checkmark$	~	√	✓		~	$\checkmark$	✓	✓	$\checkmark$		✓	✓	✓	✓
E	Equity	144A Max: 15%	$\checkmark$	✓	✓	$\checkmark$	✓	$\checkmark$	✓	~	~	$\checkmark$	✓	✓	$\checkmark$	✓	✓	✓	$\checkmark$	✓
	Equity	Manager's own security RESTRICTED	✓	~	✓	~	~	~	✓	1	~	✓	1	✓	✓	~	~	1	✓	✓
	Equity	Restricted securities RESTRICTED	✓	✓	✓	~	1	~	✓	~	~	✓	~	✓	✓	~	~	✓	$\checkmark$	$\checkmark$
Sector	Large cap equity	Individual sector weight Max: greater of 25% or 2x index weight		~	✓	~	~	~	~											
diversification	Mid/Small cap equity	Diversification Min: 5 sectors									~	$\checkmark$	$\checkmark$	~	✓					
Country diversification	International equity	Max: 2x index weight but must be less than 50%; if index weight < 5%, then must be less than 10%; for global equity, max US weight: 60%															~	~	0	~
Average market cap	Equity	Within benchmark market cap range		~	✓	~	~	1	✓		~	√	1	1	✓		~	~	✓	1
Otale	Value equity	P/B, P/E < Broad market		✓	✓	~					~	✓	1							
Style	Growth equity	P/B, P/E > Broad market					✓	✓	~					✓	$\checkmark$					
	Equity	Short positions RESTRICTED	~	~	✓	~	~	✓	1	~	~	✓	1	✓	✓	~	~	~	✓	1
Positioning	Equity	Leverage RESTRICTED	✓	~	✓	~	~	~	✓	~	~	✓	~	✓	~	~	~	1	✓	✓
Currency hedging	Domestic equity	RESTRICTED	~	~	✓	1	~	1	✓	1	~	✓	1	1	~					
Cash reserves	Equity	Must be fully invested	~	✓	✓	~	✓	~	~	~	~	✓	~	~	✓	~	✓	✓	✓	✓

Prudential to monitor

X Not in compliance with IPS.

In compliance with IPS.

 $\checkmark$ 

 In compliance with manager guidelines, but not with fund guidelines.

# FIXED INCOME PORTFOLIOS

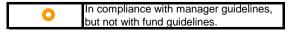
Category	Applicable asset class	Guideline	FIXED INCOME PASSIVE	FIXED INCOME	FIXED I	STABLE VALUE	
			BlackRock	FUND	JPMorgan	Prudential	Galliard
	Fixed income	Max: 5%	$\checkmark$	NA	~	NA	
Individual securities	Fixed income	144A Max: 15%	$\checkmark$	0	~	0	
	Fixed income	Restricted securities RESTRICTED	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	
Sector diversification	Fixed income	Corporate sector allocations similar to benchmark	$\checkmark$	$\checkmark$	~	~	
	Fixed income	Min average quality: A-; Max HY: 20%; Max non- US Government & Corporates: 20%;		$\checkmark$	~	$\checkmark$	
Quality	Passive fixed income	HY and non-USD- denominated RESTRICTED	$\checkmark$				
	Cash	Min average quality: A1/P1					NA
Duration	Fixed income	Max: +/- 25% of benchmark		$\checkmark$	~	$\checkmark$	
Duration	Passive fixed income	Must match index	$\checkmark$				
Maturity	Cash	Max: 1 year					NA
Underwriter	Fixed income	Purchases of securities in which JPM is the underwriter from JPM investment bank prohibited			~		
Currency hedging	Fixed income	RESTRICTED at manager level	$\checkmark$		~	$\checkmark$	
Cash reserves	Fixed income	Must be fully invested	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	

Manager self-report Galliard to monitor

Prudential to monitor

$\checkmark$	In compliance with IPS.
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X Not in compliance with IPS.



# INFLATION SENSITIVE PORTFOLIO

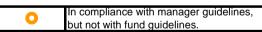
Category	Applicable asset class	Guideline	INFLATION SENSITIVE PIMCO
	Fixed income	144A Max: 15%	$\checkmark$
Individual securities	Fixed income	Manager's own security RESTRICTED	$\checkmark$
	Fixed income	Restricted securities RESTRICTED	$\checkmark$
	Commodities	Max: 40%	$\checkmark$
Sector diversification	Equity and REITs	Max: 15%	$\checkmark$
	Gold	Max: 25%	~
Quality	Fixed income	Min average quality: A-	
Quality	Cash	Min average quality: A1/P1	
Maturity	Cash	Max: 1 year	
Cash reserves	Fixed income	Must be fully invested	$\checkmark$

# Manager self-report Galliard to monitor

Prudential to monitor

✓ In compliance with IPS.

X Not in compliance with IPS.



## **EQUITY PORTFOLIOS - FUND LEVEL**

Guideline: ADR/Foreign Max 10% Large Cap Growth Fund ADR exposure: 12.0% Largely due to Loomis and Sands use of ADR's Manager's contractual guideline: While the fund is out of guideline it is still in-line with the overall objectives of the fund.

#### **EQUITY PORTFOLIOS - MANAGER LEVEL**

#### Hotchkis - LARGE CAP VALUE

Guideline: Max individual security weight: greater of 5% or Index weight + 2.5%, but must be less than 10% Portfolio largest position size: 5.1%; Portfolio largest excess weight over BM: 4.3% Manager's contractual guideline:

# SANDS - LARGE CAP GROWTH

Guideline: Max individual security weight: greater of 5% or Index weight + 2.5%, but must be less than 10% Portfolio largest position size: 7.4%; Portfolio largest excess weight over BM: 6.2% Manager's contractual guideline: IN COMPLIANCE. Max percentage size of largest position: 15%

#### Loomis - LARGE CAP GROWTH

Guideline: Max individual security weight: greater of 5% or Index weight + 2.5%, but must be less than 10% Portfolio largest position size: 5.7%; Portfolio largest excess weight over BM: 5.4% Manager's contractual guideline: IN COMPLIANCE. Max percentage size of largest position: 8%

#### SANDS - LARGE CAP GROWTH

Guideline: ADR/Foreign Max 10% Portfolio ADR exposure 14.0% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding ADR/Foreign Max

## Loomis - LARGE CAP GROWTH

Guideline: ADR/Foreign Max 10% Portfolio ADR exposure 15.0% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding ADR/Foreign Max

#### Hotchkis & Wiley - Mid Cap Value

Guideline: ADR/Foreign Max 10% Portfolio Non-US exposure 19.9% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding ADR/Foreign Max

# Wellington Global Opportunities

Guideline: Max US Position 60% Portfolio US exposure 60.4% Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding US Exposure

## **EQUITY PORTFOLIOS - FUND LEVEL**

Guideline: 14A Max 15% Fixed Income Fund exposure 18.1% Fund out of Compliance largely due to Prudential Manager's contractual guideline: While the fund is out of guideline it is still in-line with the overall objectives of the fund.

#### **FIXED INCOME PORTFOLIOS - MANAGER LEVEL**

 Prudential- FIXED INCOME

 Guideline: 14A Max 15%

 14A Allocation 27.8%

 Manager's contractual guideline: IN COMPLIANCE. No stipulation regarding 14A allocation

## STABLE VALUE

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