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North Carolina Supplemental Retirement Plans
Fourth Quarter Performance Review

March 2013

MARSH & McLENNAN COMPANIES

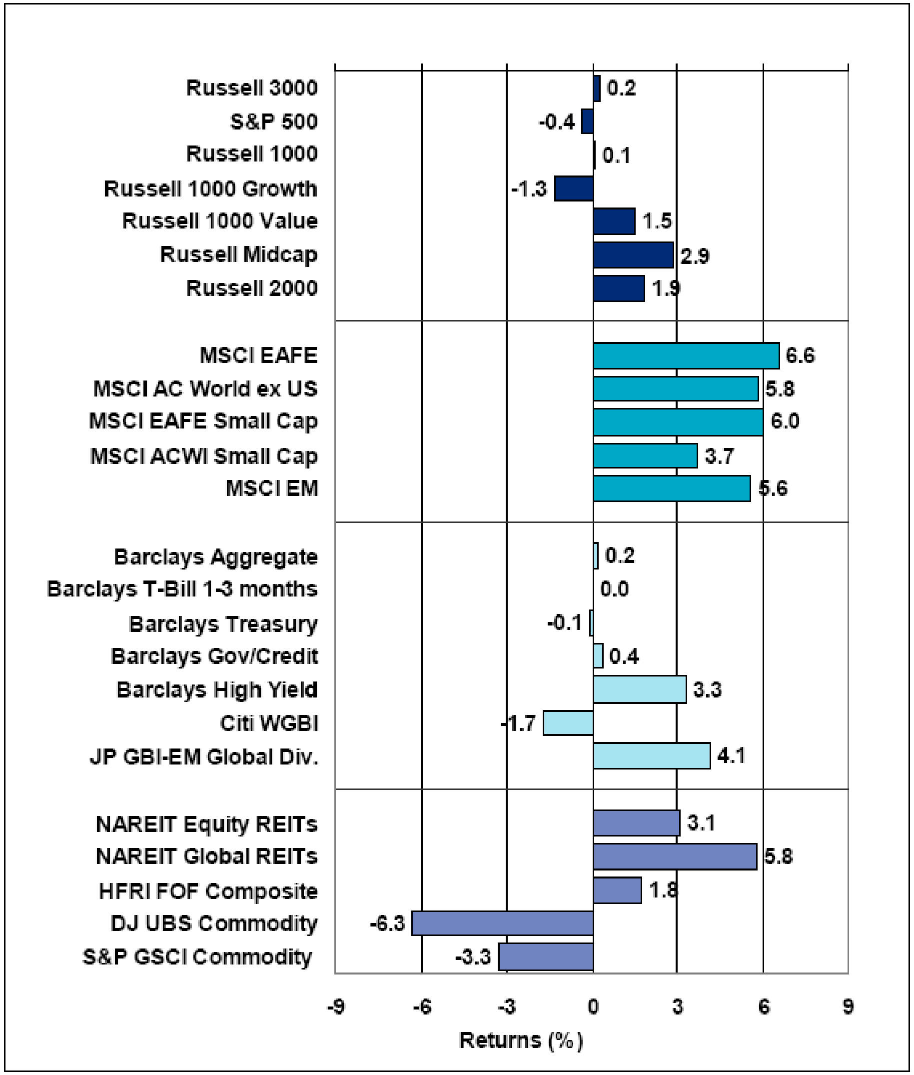
Agenda

- Capital Markets Review
- Fourth Quarter Performance
- Disclaimer

Capital Markets Review

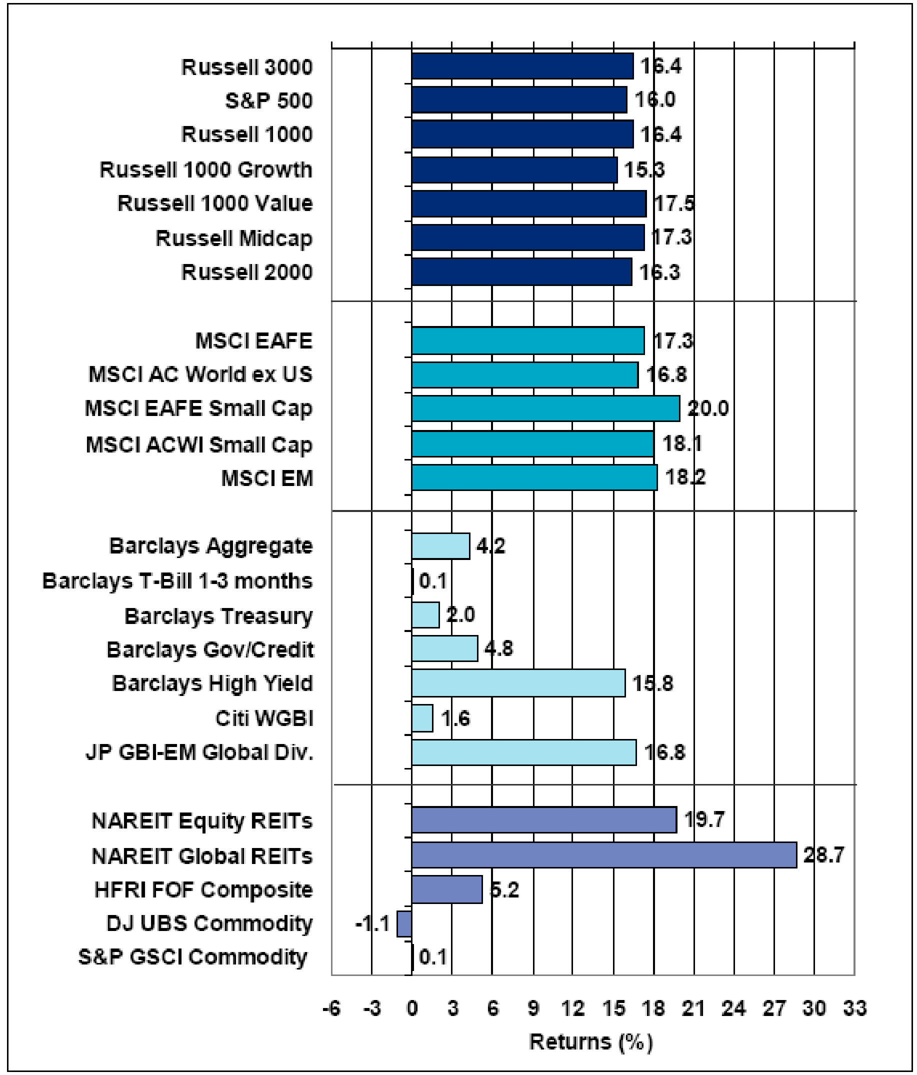
Performance Summary: Quarter in Review

Market Performance
Fourth Quarter 2012



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

Market Performance
Year-to-Date



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

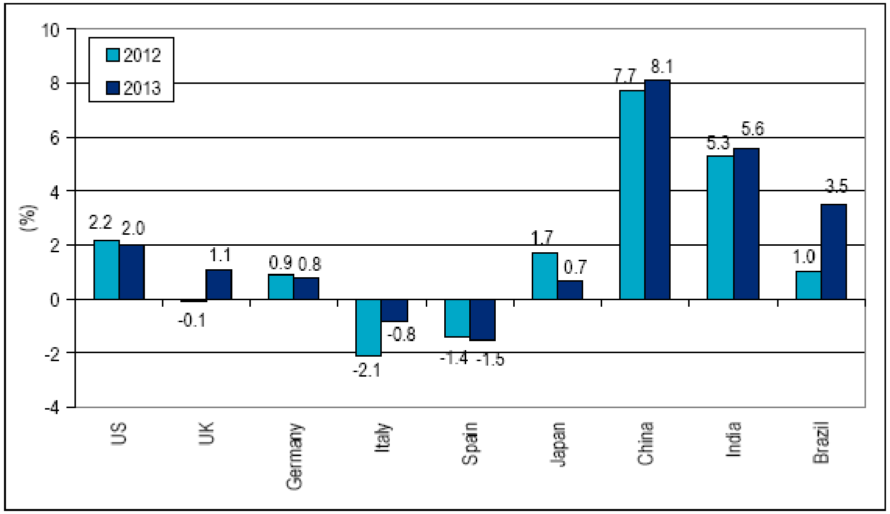
Macro Environment: Economic Review

US GDP Growth

	4Q Growth (%)	Contribution to 4Q Growth (%)	2012 Growth (%)	Contribution to 2012 Growth (%)
Personal Consumption Expenditures	2.2	1.5	1.9	1.3
Residential Fixed Investment	15.3	0.4	11.9	0.3
Non-Residential Fixed Investment	9.4	0.8	7.7	0.8
Government Consumption	(6.6)	(1.3)	(1.7)	(0.3)
Change in Inventories	-	(1.3)	-	0.2
Trade Balance	-	(0.3)	-	0.0
GDP		(0.1)		2.2

Source: Bureau of Economic Analysis

World Economic Growth
(Projections as of December 2012)

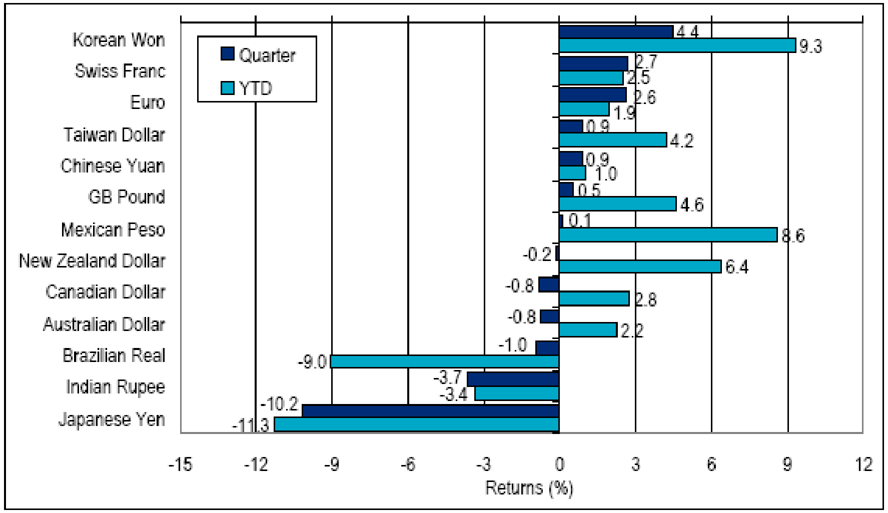


Source: Bloomberg

- The economy unexpectedly shrank at an annualized rate of 0.1% in the fourth quarter. A sharp drop in defense spending, exports, and inventories contributed to the decline in GDP. However, these are the most volatile components of the economy. On the positive side, the housing market continued to recover and business investment grew at its fastest rate since Q4 2011 despite uncertainty surrounding the fiscal cliff. Looking forward, employment and economic growth are likely to remain modest in 2013.
- The economy added an average of only 149k jobs per month in the fourth quarter, a similar pace as in the first three quarters of the year. The unemployment rate improved from 8.5% to 7.8% in 2012, but a decline in the labor force accounted for a significant portion of the improvement.
- The economy will avoid the full brunt of the feared fiscal cliff. However, higher taxes will result in a fiscal drag of about 1% of GDP in 2013, largely as the result of the expiration of the payroll tax cut. The consensus forecast for 2013 growth is just 2.0%.
- The willingness of the ECB to act as a lender of last resort helped to ease financial stress in the Eurozone, reducing the risk of an eminent break-up. Two-year Spanish bond yields fell from 6.6% in July to 2.7% at year-end, and the credit spread on banks declined. However, the structural issues are largely unresolved and the region remains in a shallow recession. The ECB's actions have reduced near-term risk and bought policy makers time, but the crisis is likely to remain a source of uncertainty and the recent calm could lead to complacency.
- Fear of a hard landing in China was another source of worry in 2012. The Chinese economy grew an estimated 7.7% in 2012, its slowest rate since 1998. However, the slowdown appears to be ending, reducing fears of a hard landing. While weak developed world growth will continue to weigh on the economy through trade links, economists project that the economy will expand 8.1% this year.

Macro Environment: Currencies

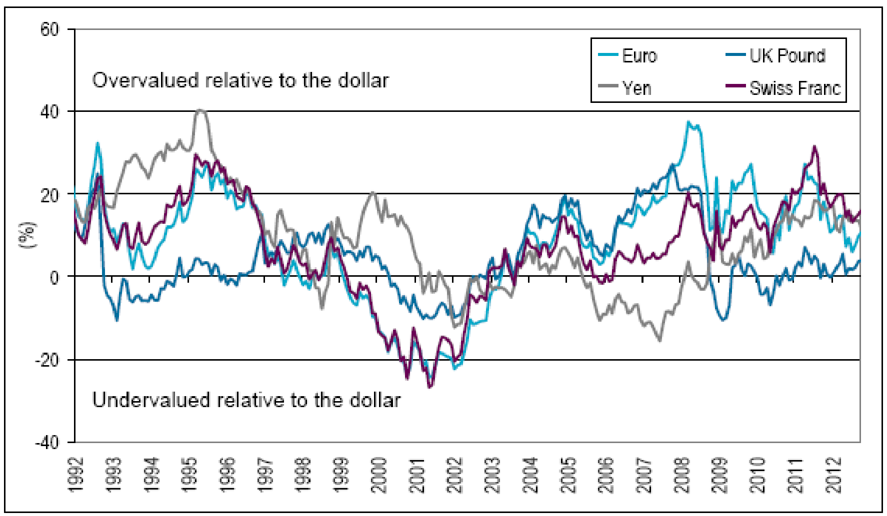
Performance of Foreign Currencies versus the US Dollar



Source: Bloomberg

- On a trade-weighted basis, the dollar declined 0.8% in the fourth quarter and finished the year down 2.0%. The euro appreciated by 2.6% against the dollar, reflecting the further easing of financial tensions. The most notable action was for the yen, which plunged 10.2% in Q4 as newly elected Prime Minister Shinzo Abe introduced fiscal stimulus and pressured the Bank of Japan to increase its inflation target. It was generally a good year for emerging market currencies, with the Indian rupee and Brazilian real being notable exceptions.

Currency Valuation versus US Dollar (Based on Relative PPP)

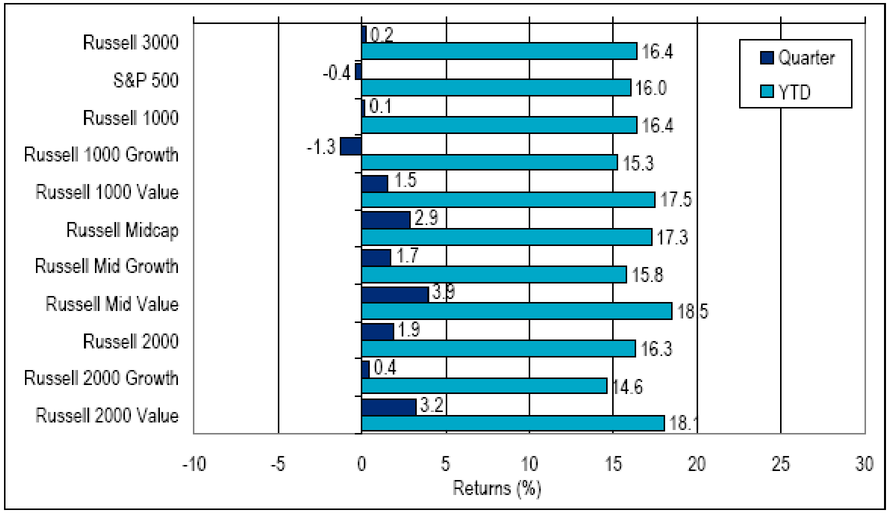


Source: Bloomberg

- Central bank policies are likely to continue to heavily influence currency markets in 2013. While the Fed pursued an aggressive QE program in 2012, the negative effect on the dollar was relatively muted as other major central banks also took part in easing. The outlook for the dollar relative to other developed currencies is mixed given global monetary policies and weak economic growth.
- While the short-term performance of emerging market currencies is likely to remain highly sensitive to macro sentiment, the long-term outlook is positive as they are experiencing faster economic growth and have lower levels of debt.

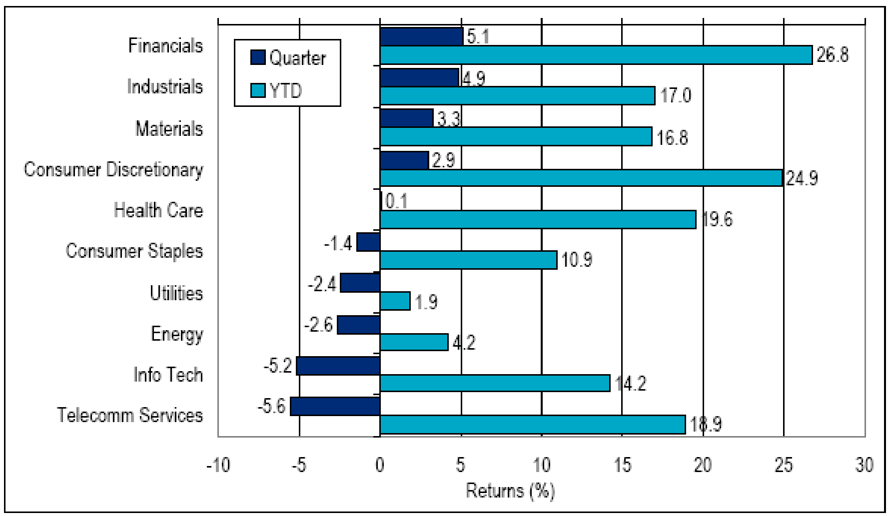
Asset Class: US Equities – Style, Sector, Cap Performance

Style and Capitalization Market Performance



Source: Standard & Poor's, Russell, Bloomberg

Sector Performance



Source: Russell 1000 GICs Sector

Broad Market

- US equity markets were flat for the quarter, but enjoyed strong performance for the year. The Russell 3000 index returned 0.2% during the fourth quarter and gained 16.4% in 2012.

Market Cap

- **Large Caps:** The S&P 500 declined 0.4% in Q4, but gained 16.0% for the year.
- **Mid Caps:** The Russell Midcap index rose 2.9% for the quarter. Mid caps outperformed small caps and large caps in 2012.
- **Small Caps:** The Russell 2000 index gained 1.9% in the fourth quarter. For the year small caps gained 16.3%.

Style

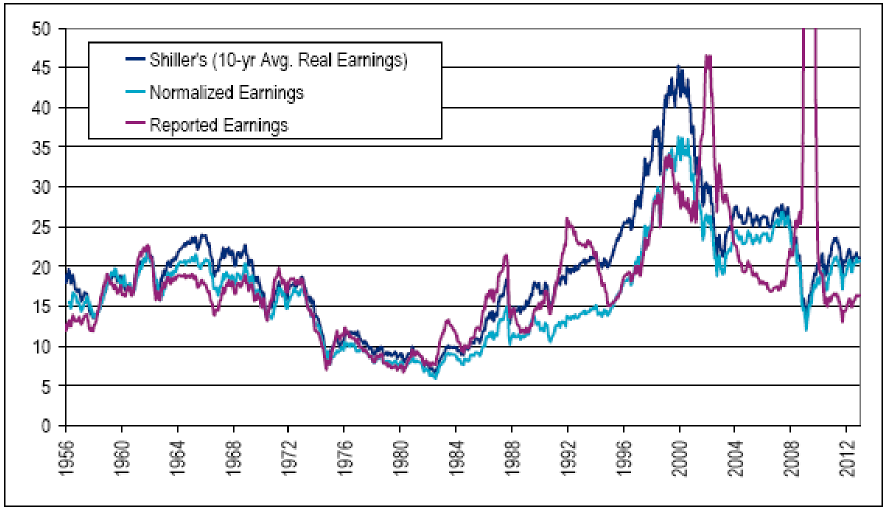
- **Value vs. Growth:** Value stocks outperformed growth stocks across all capitalization segments during the fourth quarter. Mid cap value was the best performing style for the quarter and the year, gaining 3.9% and 18.5%, respectively.

Sector

- In the fourth quarter, the financial, industrial, material and consumer discretionary sectors outpaced the Russell 1000, while the telecommunication services, information technology, energy and utilities sectors lagged. Financial stocks were the top performer for the year, returning 26.8%.

Asset Class: US Equities – Valuation Review

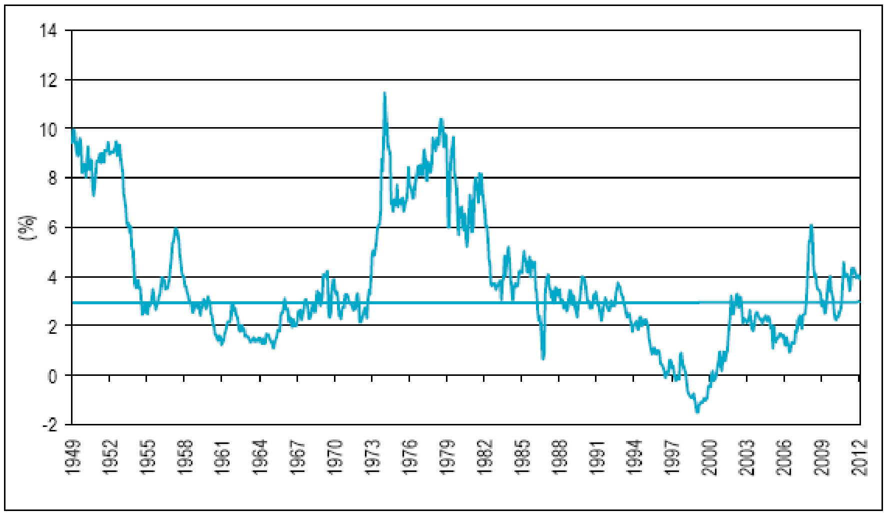
S&P500 – P/E Ratio



Source: S&P, Federal Reserve, Mercer

S&P500 – Estimated Equity Risk Premium[1]

Versus Long-Term Treasuries



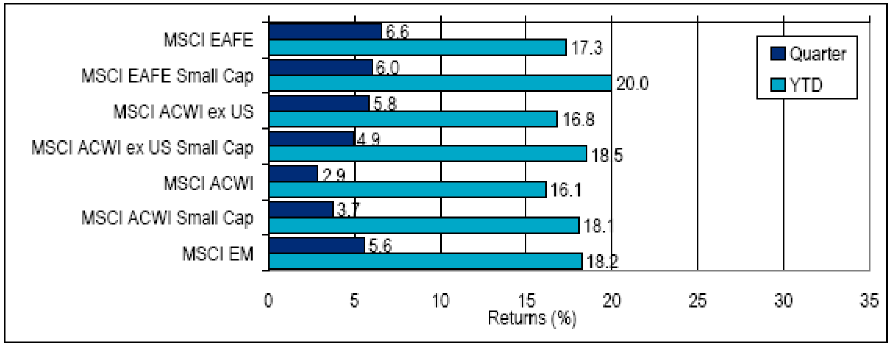
Source: S&P, Federal Reserve, Mercer

- Valuations remained relatively unchanged during the fourth quarter, but increased for 2012. The P/E ratio on trailing reported earnings finished the year at 16.4, which is close to historical averages. However, cyclically-adjusted earnings paint a less favorable picture. Based on normalized earnings, which assume profit margins decline, the P/E ratio on the index stood at 20.7, which is above the historical median of 16.5 (since 1956). Based on average 10-year real earnings (Shiller's methodology), the P/E finished the quarter at 21.1 compared to a median of 18.8 (since 1956).
- Profit margins are likely to decline from current levels; however, margins could stay above the long-term average in the near-term. Productivity gains have lost steam, signaling that companies have mostly exhausted cost cutting as a source of profit growth. Top-line growth has stagnated and future growth will need to come from investment and hiring, which will likely put downward pressure on margins. However, interest rates are at historical lows and should boost profitability as companies re-finance higher rate debt and slash interest costs. Companies also continue to buyback high levels of stock which can increase earnings per share growth without aggregate profit growth.
- The case for equities is aided when viewed in light of ultra low bond yields. Based on the normalized P/E ratio of 20.7, the S&P 500 is priced to provide a real return of 4.5% to 5%. This compares quite favorably to Treasury and corporate bonds. We estimate that the equity risk premium over long-term Treasuries stood at 3.9% at quarter-end, above the historical average.

[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

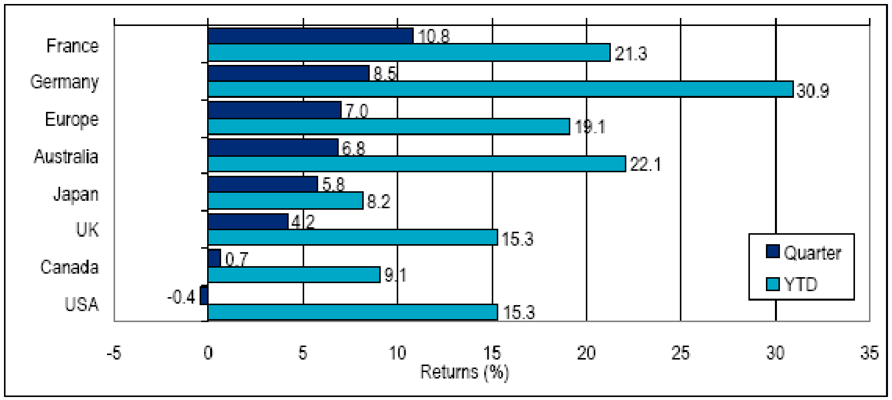
Asset Class: International Equities – Performance Review

International Equity Performance



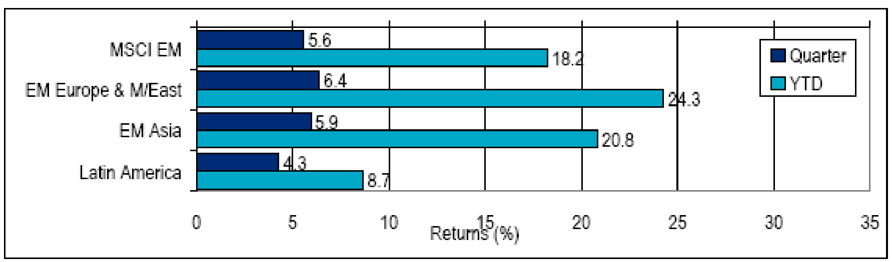
Source: MSCI, Bloomberg

Developed Country Performance



Source: MSCI, Bloomberg

Emerging Market Performance

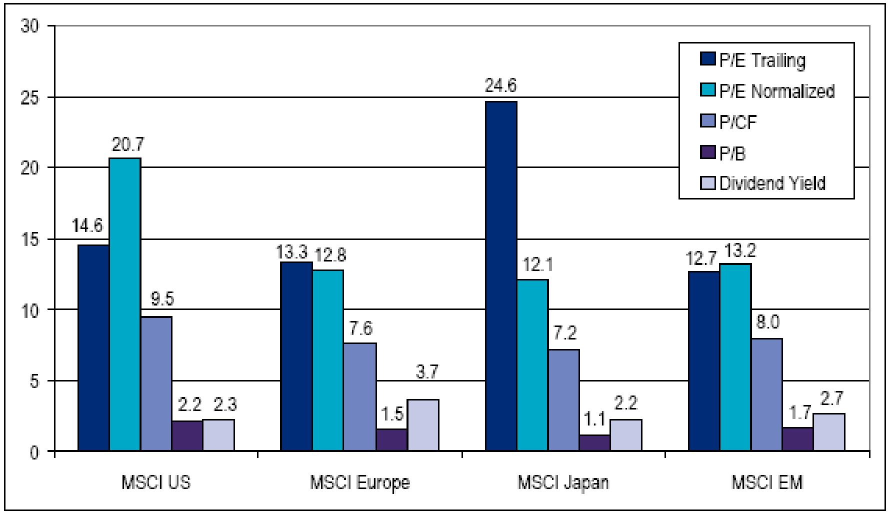


Source: MSCI, Bloomberg

- **International equities** outperformed domestic equities for the quarter and the year. The MSCI ACWI ex-US index rose 5.8% versus a 0.2% gain for the Russell 3000 in Q4. For the calendar year, US equities trailed international equities by 0.4%.
- **International developed small cap stocks** trailed international developed large cap stocks by 60 basis points in Q4. For 2012, international small caps returned 20.0%, besting large caps by 270 basis points.
- **International developed stocks** rose 6.6% in Q4, outperforming the S&P 500 by 700 basis points. For the year, the MSCI EAFE index outperformed US stocks by 130 basis points. European stocks surged as financial stress and left-tail risks in the region continued to recede. European equities jumped 7.0% during Q4. After a dismal 2011, European stocks gained 19.1% for the year, outperforming the S&P 500 by 310 basis points. Japanese stocks rallied as the yen declined sharply. Japan returned 17.6% in local currency terms in the fourth quarter, but gained only 5.8% in USD terms. For the year, Japan rose 21.6% in local terms, but lagged the rest of the world in USD terms with an 8.2% return.
- **Emerging markets** rebounded sharply in 2012, rising 18.2% and outperforming the S&P by 220 basis points. Performance across regions was mixed with Asian stocks rising a robust 20.8%, while Latin American equities returned just 8.7%.

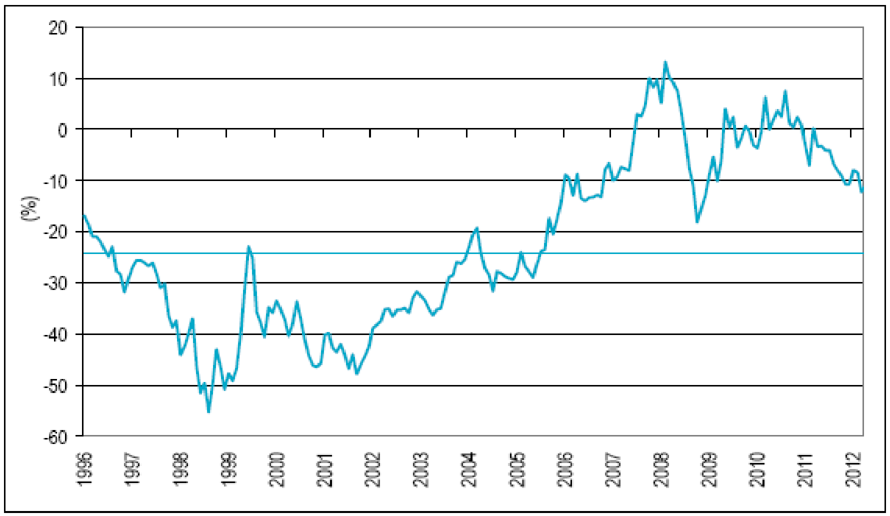
Asset Class: International Equities – Valuation Review

Global Valuations



Source: MSCI, Bloomberg

Valuation of MSCI Emerging Markets to MSCI World
(Based on Average of P/E, P/B and P/CF)

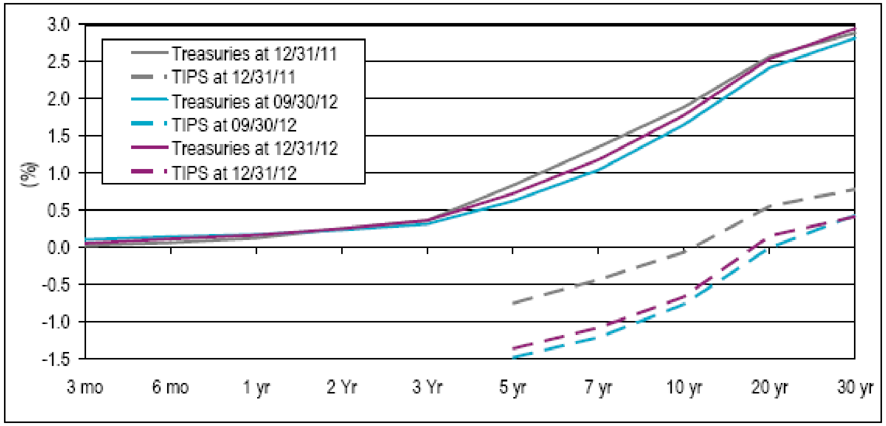


Source: MSCI, Bloomberg

- Earnings for European firms declined 6% in 2012. Europe is likely to remain in a recession for at least the first half of 2013, which will be an ongoing headwind. Nevertheless, it appears that the earnings trough may have been reached in this cycle, as EPS grew an estimated 2.7% during the fourth quarter as profit margins ticked up slightly. In contrast, earnings for US companies appear to be topping.
- Based on 10-year average real earnings, European stocks traded at a P/E of just 13, a 25% discount relative to their historical median and a 39% discount to US stocks.
- The local performance of Japanese stocks is negatively correlated to the yen as larger manufacturing exporters represent nearly half of the market. The government's new stimulus package as well as additional easing and potential inflation targeting from the Bank of Japan could serve to further weaken the yen and boost economic growth.
- Japanese stocks trade at just 1.1x book value and only 7.2x cash flows, significant discounts to the US market. Assuming profitability returns to pre-2008 levels, Japan is valued at a P/E of just 12.1. However, based on trailing 10-year average earnings, Japan appeared expensive in absolute terms, trading at a P/E of 19.
- The macro outlook for EM economies appears to be improving as the slowdown in China appears to have ended. EM stocks appear to be pricing in reasonable economic and profit assumptions. Based on P/B and P/CF, EM stocks are trading 7% below their historical median since 1996. Based on our measure of normalized earnings, EM equities traded at a P/E of just 13, a 40% discount to the US. Emerging market equities could underperform in a "risk-off" environment. However, the structural growth outlook for EM economies remains attractive as they are not exposed to same debt issues as the developed world.

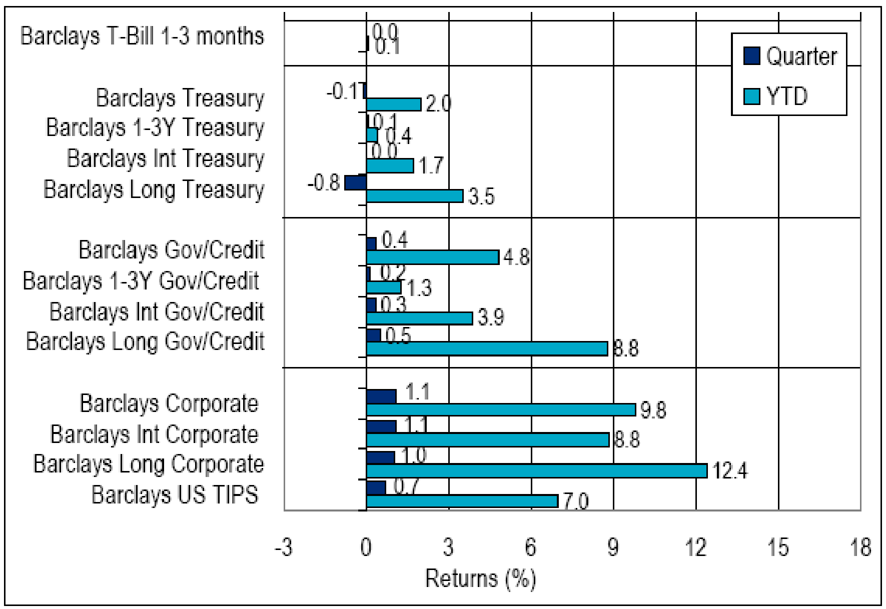
Asset Class: Fixed Income – Interest Rates and Yield Curve

Treasury Yield Curve



Source: Federal Reserve

Bond Performance by Duration



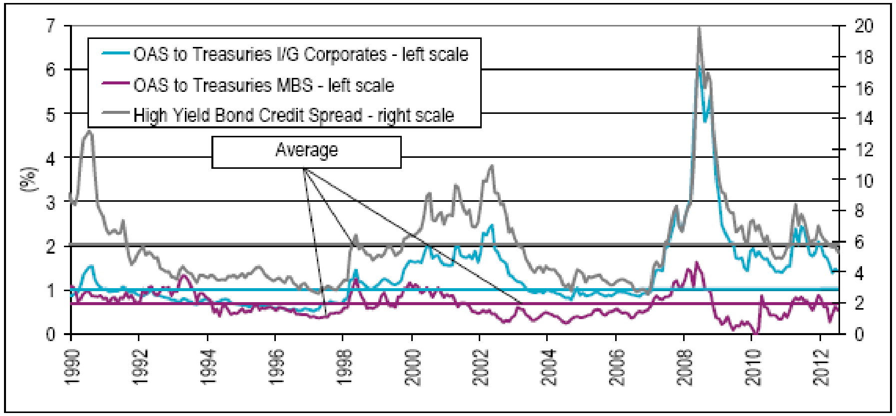
Source: Barclays, Bloomberg

- The Fed expanded QE3 at its December meeting to include $45B a month in longer-term Treasury purchases on top of its existing $40B monthly MBS purchases. This puts the Fed on a pace to expand its balance by more than a third in 2013, or $1 trillion. In addition, the Fed shifted its policy guidance from time-based to economic data-based.
- Despite the expansion of QE3, the yield on the 10-year Treasury increased slightly during the fourth quarter, rising from 1.65% to 1.78%. The real yield on 10-year TIPS rose from -0.77% to -0.67%, while inflation breakeven rates relatively unchanged.

- **US Bond** markets were mixed during the fourth quarter as long-term Treasuries declined, while corporate bonds rose as credit spreads declined.
- **Long-Duration Bonds** suffered as the yield on the 30-year Treasury rose from 2.82% to 2.95% in the fourth quarter. The Long Treasury index lost 0.8% for the quarter. The Long Government/Credit and Corporate indexes performed better as credit spreads continued to tighten, both returning 1.0% for the quarter.
- **Corporate bonds** outperformed **Treasuries** by 120 basis points for the quarter. Long corporate bonds were top performer in 2012, returning 12.4%.
- **TIPS** rose 0.7% in during the fourth quarter despite the increase in real yields. TIPS outperformed Treasuries for the year as inflation breakeven rates rose.

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

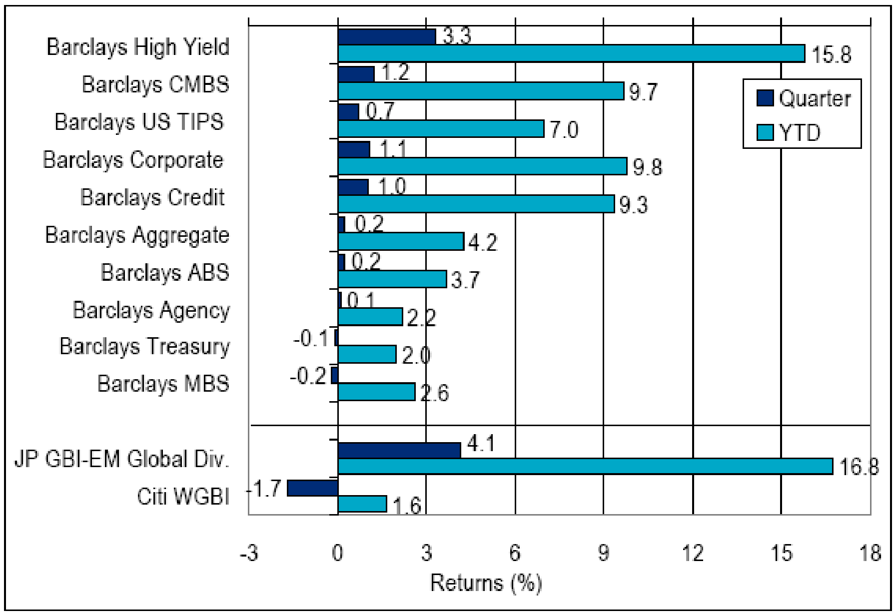
Credit Spreads



Source: Barclays

- Credit spreads narrowed significantly in 2012 as investors sought out yield. The yield on the Barclays Corporate index fell by 103 basis points to a near record low 2.8% in 2012, mostly driven by improvements in the financial sector. However, the option-adjusted spread to Treasuries of 1.4% remains above the 1% historical median. The yield on high yield bonds finished 2012 at a record low 6.1%, while the option-adjusted spread of 5.1% remained only 0.2% above historical averages.

Sector, Credit, and Global Bond Performance

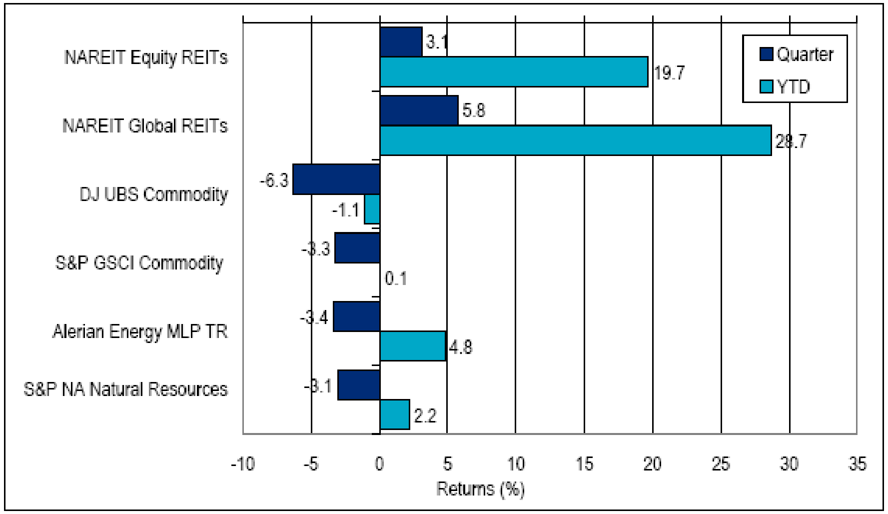


Source: Barclays, Citigroup, JP Morgan, Bloomberg

- **US CMBS, Corporate, Credit, ABS and Agency** indexes returned between 1.2% and 0.1% in the fourth quarter.
- **US Treasury and MBS** indexes posted negative returns of 0.1% and 0.2%, respectively, in the fourth quarter, but were still positive for the year.
- **High Yield Bonds** benefited from Fed policy and investor appetite for yield, gaining 3.3% during the fourth quarter and 15.8% for the year.
- The **Citigroup World Government Bond** index lost 1.7% for the quarter as the dollar rose sharply against the yen.
- **Local Currency Emerging Market Debt** gained 4.1% as EM currencies appreciated relative to the dollar. Local currency bonds gained 16.8% in 2012.

Asset Class: Alternatives – Performance Review

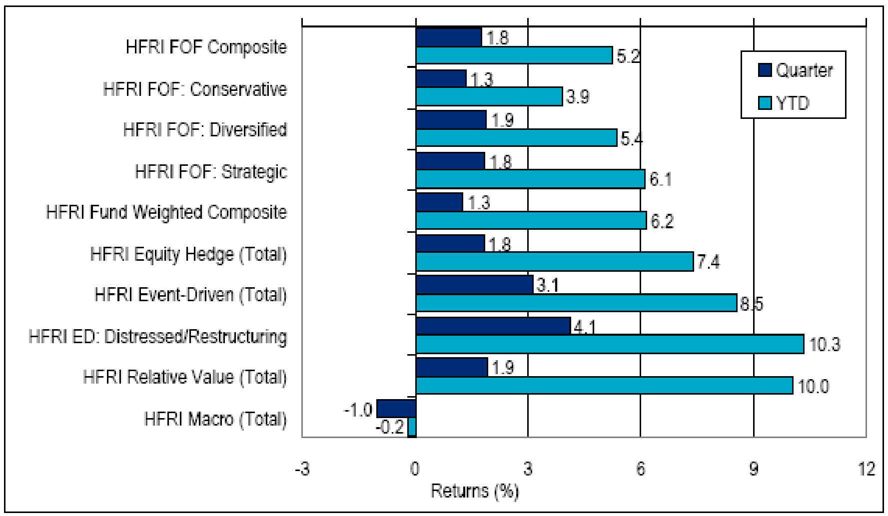
Real Asset Performance



Source: NAREIT, Dow-Jones, UBS, Goldman Sachs

- **US and Global REITs** posted gains of 3.1% and 5.8%, respectively, in the quarter, benefiting from their relative high yield. Global REITs performed strongly in 2012, soaring 28.7%.
- **Commodities:** Energy prices declined in the fourth quarter despite improved macro sentiment. The S&P GSCI shed 3.3% while the DJ-UBS Commodity index, which has a lower weighting to energy, pulled back 6.3%. For the year, the DJ UBS index fell 1.1%, while the S&P GSCI managed to posted a small gain of 0.1%. Natural resource stocks underperformed the broad market, contracting by 3.1% in Q4 and returning just 2.2% for the year.

Hedge Fund Performance



Source: HFR

- **Hedge funds** outperformed US stocks and bonds in the fourth quarter. The HFRI Fund of Funds Composite index returned 1.8%, while the Russell 3000 Index and the Barclays Aggregate index both gained 0.2%. For the year, hedge funds trailed the Russell 3000 but outperformed the Barclays Aggregate Index.
- Macro strategies were the worst performer for both the quarter and the year, while distressed managers were the best performer for both periods.

Fourth Quarter Performance

Updates

- **Sands**: Mercer recently met with Sands to discuss their Select Growth Equity strategy. Mercer continues to believe that the firm's skilled and experienced team, well-defined investment process, and thorough fundamental research are competitive advantages for the strategy. This concentrated best ideas portfolio does not focus on aggressive companies, instead seeking strong long-term earnings growth in attractive businesses. As a result of this meeting, Mercer reaffirmed the strategy's "A(T)" rating.

- **Baillie Gifford**: Mercer recently met with Baillie Gifford and reaffirmed the ACWI ex US Alpha strategy's "A" rating. In addition, Mercer was informed by Baillie Gifford that the firm will appoint three new Partners on May 1, 2013. This event does not affect the ACWI ex US Alpha strategy's recently reaffirmed "A" rating.

Fund Review
Fund Performance as of December 31, 2012

Name	Market Value ($m)	(%)	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	Inception Return	Inception Since	Comments
Large Cap Passive	**$1,028.9**	**14.7%**	**-0.3%**	**--**	**16.0%**	**--**	**10.8%**	**--**	**19.2%**	**Mar-09**	Closely tracked its benchmark over all time periods measured.
S&P 500			-0.4%	--	16.0%	--	10.9%	--	19.3%	Mar-09	
Large Cap Value	**$704.4**	**10.1%**	**1.7%**	**33**	**18.2%**	**16**	**9.9%**	**24**	**17.0%**	**Mar-09**	Hotchkis & Wiley's strong quarterly results drove performance.
Russell 1000 Value			1.5%	41	17.5%	24	10.9%	7	19.6%	Mar-09	
Large Cap Growth	**$688.7**	**9.8%**	**-0.1%**	**21**	**19.3%**	**12**	**12.9%**	**6**	**23.5%**	**Mar-09**	Strong performance over all periods measured.
Russell 1000 Growth			-1.3%	55	15.3%	48	11.4%	16	19.9%	Mar-09	
Mid/Small Cap Passive	**$353.9**	**5.1%**	**3.1%**	**--**	**18.0%**	**--**	**13.3%**	**--**	**23.5%**	**Mar-09**	Closely tracked its benchmark over all time periods measured.
Russell 2500			3.1%	--	17.9%	--	13.3%	--	23.5%	Mar-09	
Mid/Small Cap Value	**$229.3**	**3.3%**	**5.5%**	**15**	**23.3%**	**7**	**16.5%**	**4**	**27.5%**	**Mar-09**	Strong performance over all periods measured.
Russell 2500 Value			4.1%	35	19.2%	24	12.9%	20	23.3%	Mar-09	
Mid/Small Cap Growth	**$141.1**	**2.0%**	**3.1%**	**8**	**18.0%**	**11**	**13.3%**	**31**	**22.0%**	**Mar-09**	Strong quarterly results from both underlying managers contributed to top-decile ranking among peers.
Russell 2500 Growth			1.8%	20	16.1%	24	13.8%	27	23.7%	Mar-09	
International Passive	**$289.2**	**4.1%**	**6.6%**	**--**	**17.7%**	**--**	**5.0%**	**--**	**17.5%**	**Mar-09**	Tracking error largely due to fair value pricing issues.
MSCI ACWI ex USA Gross			5.9%	--	17.4%	--	4.3%	--	17.1%	Mar-09	
International Equity	**$436.3**	**6.2%**	**5.7%**	**66**	**17.3%**	**67**	**5.1%**	**44**	**17.0%**	**Mar-09**	Weak relative results from both managers hampered performance at the fund level.
MSCI ACWI ex USA Gross			5.9%	62	17.4%	66	4.3%	58	17.1%	Mar-09	
Global Equity	**$163.5**	**2.3%**	**4.1%**	**29**	**18.9%**	**27**	**7.0%**	**49**	**16.3%**	**Mar-09**	Wellington's strong quarterly results drove outperformance.
MSCI ACWI Gross			3.0%	56	16.8%	42	7.2%	47	18.1%	Mar-09	
Fixed Income Passive Fund	**$241.8**	**3.5%**	**0.1%**	**--**	**4.1%**	**--**	**--**	**--**	**4.6%**	**Sep-10**	Closely tracked its benchmark over all time periods measured.
Barclays Aggregate			0.2%	--	4.2%	--	6.2%	--	4.7%	Sep-10	
Fixed Income Fund	**$511.4**	**7.3%**	**0.7%**	**45**	**7.7%**	**34**	**6.8%**	**49**	**7.8%**	**Mar-09**	Strong results from both managers have driven fund results.
Barclays Aggregate			0.2%	82	4.2%	76	6.2%	59	6.5%	Mar-09	
Stable Value Fund	**$2,214.1**	**31.6%**	**0.7%**	**7**	**2.7%**	**14**	**3.3%**	**51**	**3.4%**	**Jun-09**	Added value.
T-BILLS + 1%			0.3%	99	1.1%	99	1.1%	99	1.1%	Jun-09	

Fund Review

Manager Performance as of December 31, 2012

Name	Market Value ($m)	(%)	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since	Comments
NCSRP BlackRock Equity Index	**$1,028.9**	**14.7%**	**-0.3%**	**--**	**16.0%**	**--**	**10.9%**	**--**	**--**	**--**	**19.4%**	**Mar-09**	Closely tracked its benchmark over all time periods measured.
BlackRock Equity Index Strategy			**-0.3%**	**--**	**16.0%**	**--**	**10.9%**	**--**	**1.8%**	**--**	**19.4%**	**Mar-09**	
S&P 500			-0.4%	--	16.0%	--	10.9%	--	1.7%	--	19.3%	Mar-09	
NCSRP Hotchkis & Wiley Large Cap Value	**$235.3**	**3.4%**	**3.4%**	**12**	**19.8%**	**14**	**12.0%**	**14**	**--**	**--**	**23.2%**	**Mar-09**	Select financial issues drove outperformance, being disproportionately attractive due to low valuations at the beginning of the year and balance sheets having been de-risked.
Hotchkis & Wiley Large Cap Value Strategy			**3.4%**	**12**	**19.7%**	**15**	**12.0%**	**13**	**0.8%**	**69**	**23.3%**	**Mar-09**	
Russell 1000 Value			1.5%	48	17.5%	32	10.9%	36	0.6%	71	19.6%	Mar-09	
NCSRP Wellington Value Composite	**$228.8**	**3.3%**	**0.5%**	**71**	**14.9%**	**67**	**8.1%**	**85**	**--**	**--**	**10.8%**	**Mar-09**	Risk-averse positioning and quality bias continued to hurt returns during the fourth quarter.
NCSRP Wellington Quality Value			**0.5%**	**71**	**14.9%**	**67**	**--**	**--**	**--**	**--**	**--**	**Jul-10**	
Wellington Quality Value Strategy			**0.4%**	**72**	**14.8%**	**69**	**9.9%**	**55**	**3.2%**	**21**	**18.5%**	**Mar-09**	
Russell 1000 Value			1.5%	48	17.5%	32	10.9%	36	0.6%	71	19.6%	Mar-09	
NCSRP Robeco BP Large Cap Value	**$240.3**	**3.4%**	**1.5%**	**47**	**21.5%**	**8**	**--**	**--**	**--**	**--**	**21.4%**	**Nov-11**	Underweight allocations to utilities and energy were a boon to quarterly performance.
Robeco BP Large Cap Value Strategy			**1.6%**	**47**	**21.3%**	**8**	**11.8%**	**16**	**3.5%**	**16**	**21.2%**	**Nov-11**	
Russell 1000 Value			1.5%	48	17.5%	32	10.9%	36	0.6%	71	18.2%	Nov-11	
NCSRP Sands Capital Large Cap Growth	**$243.0**	**3.5%**	**-0.7%**	**49**	**24.9%**	**3**	**17.9%**	**1**	**--**	**--**	**30.2%**	**Mar-09**	A key individual contributor was the 6.8% overweight to Visa Inc., which gained from its new digital wallet offering.
Sands Capital Large Cap Growth Strategy			**-0.8%**	**49**	**24.7%**	**3**	**17.8%**	**1**	**7.8%**	**1**	**30.0%**	**Mar-09**	
Russell 1000 Growth			-1.3%	68	15.3%	60	11.4%	31	3.1%	33	19.9%	Mar-09	
NCSRP Wellington Opportunistic Growth	**$228.4**	**3.3%**	**3.4%**	**3**	**21.9%**	**4**	**10.7%**	**44**	**--**	**--**	**19.6%**	**Mar-09**	Consumer holding Green Mountain Coffee Roasters gained 74.1% over the quarter.
Wellington Opportunistic Growth Strategy			**3.4%**	**3**	**21.6%**	**5**	**10.6%**	**48**	**2.5%**	**51**	**19.6%**	**Mar-09**	
Russell 1000 Growth			-1.3%	68	15.3%	60	11.4%	31	3.1%	33	19.9%	Mar-09	
Russell 3000 Growth			-1.2%	63	15.2%	60	11.5%	30	3.2%	33	20.1%	Mar-09	
NCSRP Neuberger Large Cap Growth	**$217.3**	**3.1%**	**-2.7%**	**94**	**12.2%**	**89**	**--**	**--**	**--**	**--**	**9.3%**	**Oct-11**	High quality growth has not kept up during speculative rallies nor fully protected during defensive downturns.
Neuberger Large Cap Growth Strategy			**-2.7%**	**93**	**12.2%**	**88**	**7.4%**	**95**	**1.3%**	**74**	**8.5%**	**Oct-11**	
Russell 1000 Growth			-1.3%	68	15.3%	60	11.4%	31	3.1%	33	12.6%	Oct-11	
NCSRP BlackRock Russell 2500 Index Fund	**$353.9**	**5.1%**	**3.1%**	**--**	**18.1%**	**--**	**13.5%**	**--**	**--**	**--**	**23.7%**	**Mar-09**	Closely tracked its benchmark over all time periods measured.
BlackRock Russell 2500 Index Fund Strategy			**3.1%**	**--**	**18.1%**	**--**	**13.5%**	**--**	**--**	**--**	**23.7%**	**Mar-09**	
Russell 2500			3.1%	--	17.9%	--	13.3%	--	4.3%	--	23.5%	Mar-09	
NCSRP Hotchkis & Wiley	**$81.4**	**1.2%**	**5.6%**	**19**	**32.0%**	**1**	**18.2%**	**2**	**--**	**--**	**31.4%**	**Mar-09**	Hotchkis's deep value bias had even better absolute results in the SMID cap segment.
Hotchkis & Wiley Value Strategy			**5.7%**	**19**	**32.4%**	**1**	**18.3%**	**2**	**8.6%**	**6**	**31.9%**	**Mar-09**	
Hotchkis Custom SMID Value Index			4.1%	46	19.2%	27	13.1%	34	3.6%	77	24.5%	Mar-09	
NCSRP EARNEST Partners	**$73.7**	**1.1%**	**6.2%**	**13**	**19.3%**	**24**	**13.2%**	**33**	**--**	**--**	**22.5%**	**Mar-09**	Select industrials (Cummins Inc.) and materials (Eastman Chemical Co.) holdings added significant value.
EARNEST Partners Value Strategy			**6.2%**	**13**	**19.4%**	**24**	**14.0%**	**21**	**4.6%**	**59**	**23.6%**	**Mar-09**	
EARNEST Custom SMID Value Index			4.1%	46	19.2%	27	11.9%	60	3.8%	74	22.0%	Mar-09	
NCSRP WEDGE SMID Cap Value	**$74.2**	**1.1%**	**5.1%**	**25**	**20.7%**	**18**	**--**	**--**	**--**	**--**	**--**	**Dec-11**	Significant overweight to top-performing industrials sector boosted fourth-quarter results.
WEDGE SMID Cap Value Strategy			**5.1%**	**24**	**20.8%**	**18**	**14.1%**	**18**	**5.7%**	**32**	**19.7%**	**Dec-11**	
Russell 2500 Value			4.1%	46	19.2%	27	12.9%	35	4.5%	59	19.3%	Dec-11	
NCSRP TimesSquare	**$70.7**	**1.0%**	**3.6%**	**6**	**22.3%**	**9**	**14.2%**	**40**	**--**	**--**	**22.7%**	**Mar-09**	Strong security selection in the information technology, health care, and financials sectors contributed to performance.
TimesSquare SMID Growth			**3.6%**	**6**	**22.3%**	**9**	**--**	**--**	**--**	**--**	**--**	**Jul-11**	
TimesSquare Growth Strategy			**3.6%**	**6**	**22.4%**	**7**	**16.4%**	**26**	**8.2%**	**8**	**26.1%**	**Mar-09**	
TimesSquare Custom SMID Growth Index			1.8%	26	16.1%	35	12.8%	53	3.2%	53	23.0%	Mar-09	

Fund Review
Manager Performance as of December 31, 2012

Name	Market Value ($m)	(%)	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since	Comments
NCSRP Brown Advisory	**$70.4**	**1.0%**	**3.1%**	**9**	**15.8%**	**38**	**14.4%**	**38**	**--**	**--**	**23.6%**	**Mar-09**	Brown rebounded over the fourth quarter with superior stock selection.
Brown Advisory Growth Strategy			**3.1%**	**9**	**16.0%**	**36**	**14.2%**	**39**	**5.3%**	**37**	**23.5%**	**Mar-09**	
Brown Custom SMID Growth Index			1.8%	26	16.1%	35	13.3%	49	3.7%	48	22.9%	Mar-09	
NCSRP BlackRock ACWI ex US Fund	**$289.2**	**4.1%**	**6.6%**	**--**	**17.9%**	**--**	**4.7%**	**--**	**--**	**--**	**17.3%**	**Mar-09**	Tracking error largely due to fair value pricing issues.
BlackRock ACWI ex US Fund Strategy			**6.6%**	**--**	**17.9%**	**--**	**4.7%**	**--**	**-2.3%**	**--**	**17.3%**	**Mar-09**	
MSCI ACWI ex USA Gross			5.9%	--	17.4%	--	4.3%	--	-2.4%	--	17.1%	Mar-09	
NCSRP Baillie Gifford ACWI ex US Growth	**$218.3**	**3.1%**	**5.4%**	**75**	**22.2%**	**22**	**8.1%**	**17**	**--**	**--**	**21.2%**	**Mar-09**	Select Japanese, Chinese and Canadian holdings detracted relative value over the quarter. Strong performance over longer time periods measured.
Baillie Gifford ACWI ex US Growth Strategy			**5.4%**	**74**	**21.9%**	**25**	**8.2%**	**17**	**0.6%**	**15**	**21.3%**	**Mar-09**	
MSCI ACWI ex USA GrossB			5.9%	64	17.4%	69	4.3%	76	-2.4%	61	17.1%	Mar-09	
MSCI AC Wld ex US Growth Gross			5.3%	75	17.1%	75	5.0%	66	-2.5%	64	16.5%	Mar-09	
NCSRP Mondrian ACWI ex US Value	**$218.0**	**3.1%**	**4.6%**	**84**	**12.4%**	**96**	**3.2%**	**89**	**--**	**--**	**14.5%**	**Mar-09**	Holdings in the developed markets and underweight exposure to strong financials detracted value.
Mondrian ACWI ex US Value Strategy			**4.5%**	**84**	**12.4%**	**96**	**3.4%**	**89**	**-2.4%**	**61**	**14.6%**	**Mar-09**	
MSCI ACWI ex USA Gross			5.9%	64	17.4%	69	4.3%	76	-2.4%	61	17.1%	Mar-09	
MSCI AC Wld Ex US Value Gross			6.5%	46	17.7%	68	3.7%	85	-2.4%	61	17.6%	Mar-09	
NCSRP Wellington Global Composite	**$83.5**	**1.2%**	**4.5%**	**24**	**21.6%**	**12**	**8.3%**	**37**	**--**	**--**	**17.5%**	**Mar-09**	Strong performance over all time periods measured.
NCSRP Wellington Global Opportunities			**4.5%**	**24**	**21.6%**	**12**	**--**	**--**	**--**	**--**	**--**	**Jun-10**	
Wellington Global Opportunities Strategy			**4.4%**	**27**	**21.5%**	**13**	**9.5%**	**21**	**1.0%**	**31**	**20.0%**	**Mar-09**	
MSCI ACWI Gross			3.0%	52	16.8%	54	7.2%	56	-0.6%	58	18.1%	Mar-09	
NCSRP Arrowstreet Global Equity ACWI	**$80.0**	**1.1%**	**3.1%**	**51**	**--**	**--**	**--**	**--**	**--**	**--**	**2.7%**	**Mar-12**	Competitive fourth-quarter results against both performance measures. The strategy has performed well over longer periods measured.
Arrowstreet Global Equity ACWI			**3.6%**	**39**	**17.7%**	**46**	**8.1%**	**42**	**2.3%**	**17**	**3.9%**	**Mar-12**	
MSCI ACWI Gross			3.0%	52	16.8%	54	7.2%	56	-0.6%	58	4.3%	Mar-12	
NCSRP BlackRock Debt Index Fund	**$241.8**	**3.5%**	**0.2%**	**--**	**4.2%**	**--**	**--**	**--**	**--**	**--**	**4.8%**	**Sep-10**	Closely tracked its benchmark over all time period measured.
BlackRock Debt Index Fund Strategy			**0.2%**	**--**	**4.2%**	**--**	**6.2%**	**--**	**6.0%**	**--**	**4.6%**	**Sep-10**	
Barclays Aggregate			0.2%	--	4.2%	--	6.2%	--	5.9%	--	4.6%	Sep-10	
NCSRP JP Morgan Core Bond	**$257.3**	**3.7%**	**0.5%**	**61**	**5.7%**	**73**	**7.6%**	**49**	**--**	**--**	**7.7%**	**Mar-09**	Has generally outperformed due to strong mortgage selection.
JP Morgan Core Bond Strategy			**0.5%**	**70**	**5.7%**	**72**	**7.3%**	**56**	**7.3%**	**37**	**8.0%**	**Mar-09**	
Barclays Aggregate			0.2%	93	4.2%	95	6.2%	93	5.9%	91	6.5%	Mar-09	
NCSRP PIMCO Total Return Full Authority	**$254.0**	**3.6%**	**1.2%**	**23**	**10.4%**	**10**	**7.8%**	**43**	**--**	**--**	**9.5%**	**Mar-09**	Has rebounded from weak performance in 2011 due to a large Treasury underweight.
PIMCO Total Return Full Authority Strategy			**1.2%**	**23**	**10.4%**	**10**	**8.0%**	**35**	**8.4%**	**9**	**10.0%**	**Mar-09**	
Barclays Aggregate			0.2%	93	4.2%	95	6.2%	93	5.9%	91	6.5%	Mar-09	

GoalMaker Funds
Performance as of December 31, 2012

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Conservative 0-5 Yrs	**1.2%**	**56**	**7.5%**	**91**	**6.6%**	**88**	**--**	**--**
Conservative 0-5 Yrs Benchmark	0.8%	73	5.9%	95	5.0%	95	3.2%	33
Conservative 6-10 Yrs	**1.5%**	**41**	**8.8%**	**96**	**7.3%**	**83**	**--**	**--**
Conservative 6-10 Yrs Benchmark	1.1%	70	7.4%	99	5.5%	99	3.0%	18
Conservative 11-15 Yrs	**1.8%**	**46**	**11.4%**	**89**	**8.1%**	**72**	**--**	**--**
Conservative 11-15 Yrs Benchmark	1.5%	67	10.0%	99	7.0%	98	3.0%	11
Conservative 16+ Yrs	**2.3%**	**26**	**14.0%**	**50**	**8.9%**	**38**	**--**	**--**
Conservative +16 Yrs Benchmark	1.9%	46	12.8%	85	7.9%	70	2.3%	14

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Moderate 0-5 Yrs	**1.6%**	**30**	**9.6%**	**76**	**7.4%**	**59**	**--**	**--**
Moderate 0-5 Yrs Benchmark	1.2%	55	8.3%	88	6.0%	90	2.9%	36
Moderate 6-10 Yrs	**1.8%**	**27**	**11.4%**	**64**	**7.9%**	**63**	**--**	**--**
Moderate 6-10 Yrs Benchmark	1.5%	44	10.0%	84	7.0%	91	3.0%	18
Moderate 11-15 Yrs	**2.2%**	**21**	**13.3%**	**48**	**8.7%**	**41**	**--**	**--**
Moderate 11-15 Yrs Benchmark	1.8%	46	12.1%	83	7.6%	89	2.5%	27
Moderate 16+ Yrs	**2.9%**	**10**	**16.1%**	**12**	**9.3%**	**14**	**--**	**--**
Moderate +16 Yrs Benchmark	2.4%	23	15.0%	23	8.5%	52	1.7%	51

Name	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Aggressive 0-5 Yrs	**1.9%**	**14**	**11.8%**	**26**	**8.3%**	**34**	**--**	**--**
Aggressive 0-5 Yrs Benchmark	1.5%	41	10.5%	66	7.2%	69	2.9%	37
Aggressive 6-10 Yrs	**2.2%**	**10**	**13.3%**	**22**	**8.8%**	**17**	**--**	**--**
Aggressive 6-10 Yrs Benchmark	1.8%	27	12.1%	45	7.6%	75	2.5%	48
Aggressive 11-15 Yrs	**2.7%**	**9**	**15.4%**	**8**	**9.1%**	**15**	**--**	**--**
Aggressive 11-15 Yrs Benchmark	2.3%	19	14.3%	24	8.4%	51	2.0%	55
Aggressive 16+ Yrs	**3.3%**	**1**	**18.1%**	**1**	**9.7%**	**6**	**--**	**--**
Aggressive +16 Yrs Benchmark	2.8%	10	17.1%	1	9.2%	16	1.0%	71

- The GoalMaker Portfolios had competitive performance versus their benchmarks over the time periods evaluated ended December 31, 2012.

Fee Review

Funds and Sub-Advisors	Assets	Inv. Mgmt. Fee	Other Inv. Exp.*	R/K Fee	NC Budget**	Total Estimated Expense	Mercer Median Expense	Difference
North Carolina Stable Value Fund	**$2,214,104,500**	**0.322%**	**0.000%**	**0.096%**	**0.025%**	**0.443%**	0.45%	-0.01%
Galliard	$2,214,104,500	0.322%	0.000%				0.45%	-0.13%
North Carolina Fixed Income Passive Fund	**$241,841,488**	**0.070%**	**0.055%**	**0.096%**	**0.025%**	**0.246%**	0.20%	0.05%
BlackRock	$241,841,488	0.070%	0.055%				0.03%***	0.04%
North Carolina Fixed Income Fund	**$511,374,404**	**0.219%**	**0.076%**	**0.096%**	**0.025%**	**0.416%**	0.53%	-0.11%
50% JP Morgan	$257,327,525	0.188%	0.071%				0.23%	-0.04%
50% PIMCO	$254,046,880	0.250%	0.081%				0.26%	-0.01%
North Carolina Large Cap Passive Fund	**$1,028,877,955**	**0.025%**	**0.055%**	**0.096%**	**0.025%**	**0.201%**	0.20%	0.00%
BlackRock	$1,028,877,955	0.025%	0.055%				0.01%***	0.02%
North Carolina Large Cap Value Fund	**$704,391,637**	**0.381%**	**0.067%**	**0.096%**	**0.025%**	**0.569%**	0.79%	-0.22%
33.3% Hotchkis & Wiley	$235,272,418	0.500%	0.071%				0.44%	0.06%
33.3% Wellington Management Company	$228,813,741	0.290%	0.072%				0.44%	-0.15%
33.3% Robeco BP	$240,305,478	0.352%	0.058%				0.44%	-0.09%
North Carolina Large Cap Growth Fund	**$688,681,864**	**0.392%**	**0.067%**	**0.096%**	**0.025%**	**0.580%**	0.88%	-0.30%
33.3% Sands Capital Management	$242,963,833	0.551%	0.071%				0.48%	0.07%
33.3% Wellington Management Company	$228,394,213	0.350%	0.072%				0.49%	-0.14%
33.3% Neuberger Berman	$217,323,818	0.275%	0.058%				0.49%	-0.22%
North Carolina SMID Cap Passive Fund	**$353,945,565**	**0.050%**	**0.055%**	**0.096%**	**0.025%**	**0.226%**	0.29%	-0.06%
BlackRock	$353,945,565	0.050%	0.055%				0.04%***	0.01%
North Carolina SMID Value Fund	**$229,295,326**	**0.725%**	**0.066%**	**0.096%**	**0.025%**	**0.912%**	1.00%	-0.09%
33.3% Hotchkis & Wiley	$81,446,848	0.671%	0.071%				0.68%	-0.01%
33.3% EARNEST Partners	$73,677,607	0.653%	0.071%				0.80%	-0.15%
33.3% WEDGE Capital Management	$74,170,872	0.850%	0.057%				0.80%	0.05%
North Carolina SMID Growth Fund	**$141,137,391**	**0.803%**	**0.071%**	**0.096%**	**0.025%**	**0.995%**	1.05%	-0.05%
50% TimesSquare Capital Management	$70,720,212	0.971%	0.071%				0.82%	0.15%
50% Brown Advisory	$70,417,180	0.636%	0.071%				0.88%	-0.24%
North Carolina International Passive Fund	**$289,192,400**	**0.140%**	**0.055%**	**0.096%**	**0.025%**	**0.316%**	0.40%	-0.08%
BlackRock	$289,192,400	0.140%	0.055%				0.06%***	0.08%
North Carolina International Equity Fund	**$436,251,135**	**0.463%**	**0.119%**	**0.096%**	**0.025%**	**0.703%**	1.04%	-0.34%
50% Baillie Gifford	$218,252,444	0.457%	0.119%				0.62%	-0.17%
50% Mondrian Investment Partners	$217,998,692	0.469%	0.119%				0.58%	-0.11%
North Carolina Global Equity Fund	**$163,483,895**	**0.622%**	**0.092%**	**0.096%**	**0.025%**	**0.835%**	1.10%	-0.26%
50% Wellington Management Company	$83,497,976	0.500%	0.091%				0.65%	-0.15%
50% Arrowstreet	$79,985,918	0.744%	0.093%				0.65%	0.09%
Total	**$7,002,577,560**	**0.292%**	**0.047%**	**0.096%**	**0.025%**	**0.460%**	**0.559%**	

*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, borne by each investment option in proportion to the pro-rate share of the applicable assets in that fund.

***Mercer conducted a blind survey of passive providers' proposal based on NCSRP account size.

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	0.25%
Weighted Average Wrap Fee	**0.17%**
Investment Management Fees	
Payden & Rygel	0.14%
Prudential	0.06%
Great West Life	0.05%
PIMCO	0.23%
Weighted Average Management Fee	**0.08%**
Galliard Oversight & Management	**0.07%**
Fund Admin / Audit	**0.00%**
Total Management & Wrap	**0.32%**
Admin Fee	**0.12%**
Total Fees	**0.44%**

457 Plan Stable Value Fund	
Benefit Responsive Wrap Fees	
Great West Life	0.15%
Prudential	0.17%
MetLife	0.20%
United of Omaha	0.25%
Weighted Average Wrap Fee	**0.17%**
Investment Management Fees	
Payden & Rygel	0.14%
Prudential	0.06%
Great West Life	0.05%
PIMCO	0.23%
Weighted Average Management Fee	**0.08%**
Galliard Oversight & Management	**0.07%**
Fund Admin / Audit	**0.00%**
Total Management & Wrap	**0.33%**
Admin Fee	**0.12%**
Total Fees	**0.45%**

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Returns for periods greater than one year are annualized. Returns are calculated net of investment management fees, unless noted as gross of fees.

Style analysis graph time periods may differ reflecting the length of performance history available.

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