

North Carolina Supplemental Retirement Plans

401(k) and 457 Plans

Investment Holding Guideline Compliance Summary

As of September 30, 2013

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
Individual securities	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%	---	✓	✓	---	✓	✓	---	---	---
	Large cap value equity	ADR/Foreign Max: 20%	---	✓	---	---	---	---	---	---	---
	Large cap growth equity, Mid/Small cap equity	ADR/Foreign Max: 10%	---	---	✓	---	✓	✓	---	---	---
	Passive international equity	Max: greater of 5% or index weight	---	---	---	---	---	---	✓	---	---
	Active international equity	Max: 7.5%	---	---	---	---	---	---	---	✓	✓
	Active equity	Futures, options, swaps RESTRICTED	---	✓	✓	---	✓	✓	---	✓	✓
	Equity	144A Max: 15%	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Equity	Manager's own security RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Equity	Restricted securities RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓
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	---	✓	✓	---	✓	✓	---	✓	✓
Style	Value Equity	P/B, P/E < Broad market	---	✓	---	---	✓	---	---	---	---
	Growth equity	P/B, P/E > Broad market	---	---	✓	---	---	✓	---	---	---
Positioning	Equity	Short positions RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Equity	Leverage RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓
Currency hedging	Domestic equity	RESTRICTED	✓	✓	✓	✓	✓	✓	---	---	---
Cash reserves	Equity	Must be fully invested	✓	✓	✓	✓	✓	✓	✓	✓	✓

Manager self-report

Galliard to monitor

Prudential to monitor

✓

In compliance with IPS.

✗

Not in compliance with IPS.

○

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

EQUITY PORTFOLIOS - MANAGER LEVEL

Category	Applicable asset class	Guideline	LARGE CAP PASSIVE	LARGE CAP VALUE			LARGE CAP GROWTH			MID/SMALL CAP PASSIVE	MID/SMALL CAP VALUE			MID/SMALL CAP GROWTH		INTL PASSIVE	INTL EQUITY		GLOBAL EQUITY	
			BlackRock	Hotchkis & Wiley	Wellington	Robeco BP	Sands Capital	Wellington	Neuberger	BlackRock	Hotchkis & Wiley	EARNEST	WEDGE	Times Square	Brown Advisory	BlackRock	Baillie Gifford	Mondrian Investment Partners	Wellington	Arrowstreet
Individual securities	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%	---	✓	✓	✓	🟡	✓	✓	---	✓	✓	✓	✓	✓	---	---	---	---	---
	Large cap value equity	ADR/Foreign Max: 20%	---	✓	✓	✓	---	---	---	---	---	---	---	---	---	---	---	---	---	---
	Large cap growth equity, Mid/Small cap equity	ADR/Foreign Max: 10%	---	---	---	---	✓	✓	✓	---	🟡	✓	✓	✓	✓	---	---	---	---	---
	Passive international equity	Max: greater of 5% or index weight	---	---	---	---	---	---	---	---	---	---	---	---	---	✓	---	---	---	---
	Active international equity	Max: 7.5%	---	---	---	---	---	---	---	---	---	---	---	---	---	---	✓	✓	✓	✓
	Active equity	Futures, options, swaps RESTRICTED	---	✓	✓	✓	✓	✓	✓	---	✓	✓	✓	✓	✓	---	✓	✓	✓	✓
	Equity	144A Max: 15%	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Equity	Manager's own security RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Equity	Restricted securities RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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	---	✓	✓	✓	✓	✓	✓	---	✓	✓	✓	✓	✓	---	✓	✓	✓	✓
Style	Value equity	P/B, P/E < Broad market	---	✓	✓	✓	---	---	---	---	✓	✓	✓	---	---	---	---	---	---	---
	Growth equity	P/B, P/E > Broad market	---	---	---	---	✓	✓	✓	---	---	---	---	✓	✓	---	---	---	---	---
Positioning	Equity	Short positions RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Equity	Leverage RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Currency hedging	Domestic equity	RESTRICTED	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	---	---	---	---	---
Cash reserves	Equity	Must be fully invested	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Manager self-report

Galliard to monitor

Prudential to monitor

✓

In compliance with IPS.

✗

Not in compliance with IPS.

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

FIXED INCOME PORTFOLIOS

Category	Applicable asset class	Guideline	FIXED INCOME PASSIVE	FIXED INCOME	FIXED INCOME		STABLE VALUE
			BlackRock	FUND	JPMorgan	PIMCO	Galliard
Individual securities	Fixed income	Max: 5%	✓	NA	NA	✓	--
	Fixed income	144A Max: 15%	✓	✓	✓	✓	--
	Fixed income	Restricted securities RESTRICTED	✓	✓	✓	✓	--
Sector diversification	Fixed income	Corporate sector allocations similar to benchmark	✓	✗	✓	○	--
Quality	Fixed income	Min average quality: A-; Max HY: 20%; Max non-US: 20%; Max Corporate: 20%	--	✓	NA	✓	--
	Passive fixed income	HY and non-USD-denominated RESTRICTED	✓	--	--	--	--
	Cash	Min average quality: A1/P1	--	--	--	--	NA
Duration	Fixed income	Max: +/- 25% of benchmark	--	✓	NA	✓	--
	Passive fixed income	Must match index	✓	--	--	--	--
Maturity	Cash	Max: 1 year	--	--	--	--	NA
Currency hedging	Fixed income	RESTRICTED at manager level	✓	--	✓	○	--
Cash reserves	Fixed income	Must be fully invested	✓	✓	✓	✓	--

Manager self-report

Galliard to monitor

Prudential to monitor

✓

In compliance with IPS.

✗

Not in compliance with IPS.

○

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

INFLATION SENSITIVE PORTFOLIO

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

Manager self-report

Galliard to monitor

Prudential to monitor

✓

In compliance with IPS.

✗

Not in compliance with IPS.

○

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

EQUITY PORTFOLIOS - MANAGER LEVEL

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: 7.3%; Portfolio largest excess weight over BM: 6.1%

Manager's contractual guideline: **IN COMPLIANCE.** Max percentage size of largest position: 15%

HOTCHKIS & WILEY - MID/SMALL CAP VALUE

Guideline: Max ADR/Foreign: 10%

Foreign: 12.2%; ADR: 1.3%; Total: 13.5%

Manager's contractual guideline: **IN COMPLIANCE.** Max ADR/Foreign: 15%

ARROWSTREET- GLOBAL EQUITY

Guideline: Max individual country weight: 2x Index weight, but must be less than 50%; if Index weight <5%, then must be less than 10%

Portfolio allocation to Japan: 16.9%; BM allocation: 8.1%

Manager's contractual guideline: **IN COMPLIANCE.** Individual country weight must be within 11% of BM weight in that country

FIXED INCOME PORTFOLIOS - FUND LEVEL

FIXED INCOME FUND

Individual security weight guideline - Mercer does not have PIMCO's holdings, and cannot calculate aggregate fund exposure to individual securities

FIXED INCOME FUND

Guideline: Individual corporate sector weight must be within +/- 5% of Index weight to that corporate sector

Fund allocation to Industrials: 5.7%; BM allocation: 12.4%

Largely due to PIMCO's significant underweight

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding corporate sector weight

FIXED INCOME PORTFOLIOS - MANAGER LEVEL

JPMORGAN - FIXED INCOME

Galliard did not have information available at the time of report production

PIMCO - FIXED INCOME

Guideline: Individual corporate sector weight must be within +/- 5% of Index weight to that corporate sector

Portfolio allocation to Financials: 12.7%; BM allocation: 7.1%

Portfolio allocation to Industrials: 2.6%; BM allocation: 12.4%

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding corporate sector weight

PIMCO - FIXED INCOME

Guideline: Currency hedging RESTRICTED

PIMCO employs currency hedging to hedge out non-USD security FX exposure or to take minor positions in FX as a complement to non-US positions

Manager's contractual guideline: **IN COMPLIANCE.** No stipulation regarding currency hedging

STABLE VALUE

GALLIARD - STABLE VALUE

Galliard did not have information available at the time of report production