

North Carolina

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Performance Evaluation Report

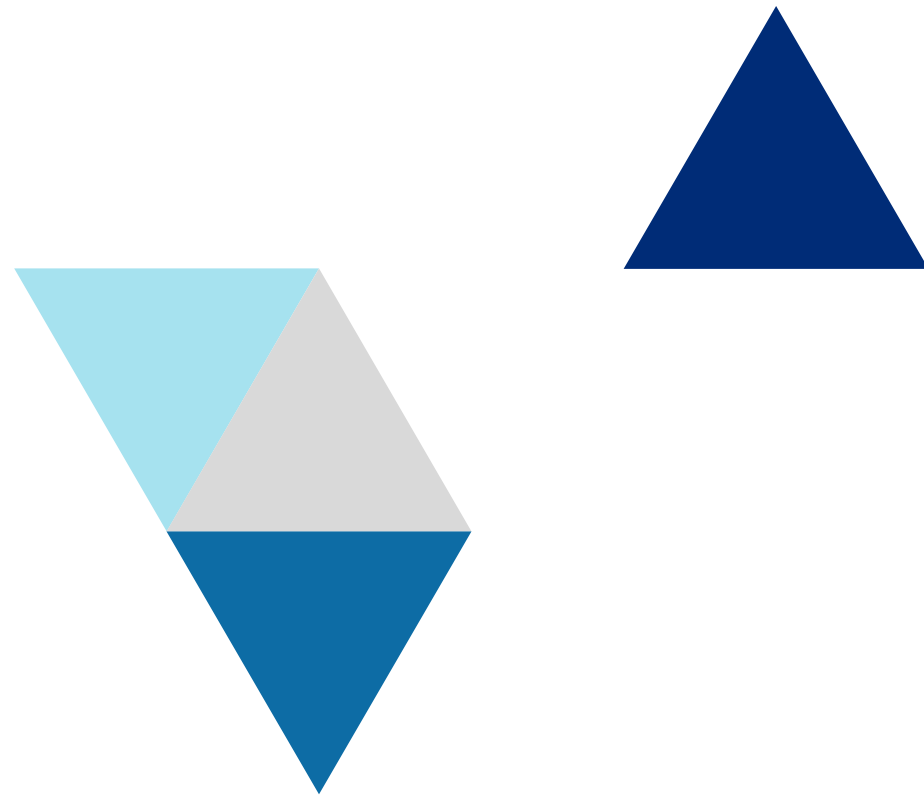
Fourth Quarter 2017



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Capital Markets Commentary

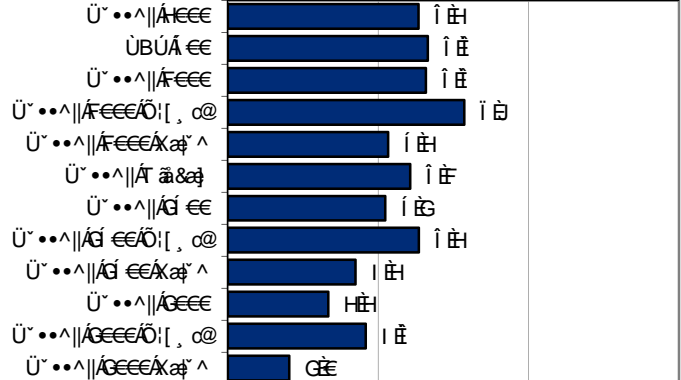


Performance Summary - Quarter in Review

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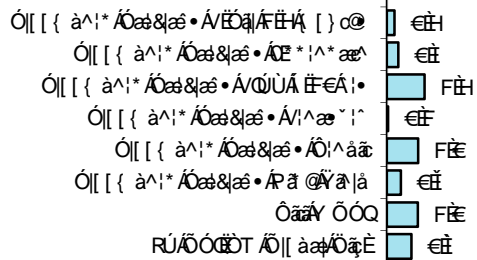
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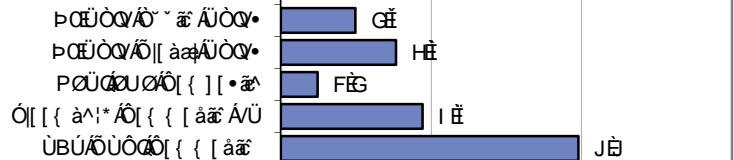
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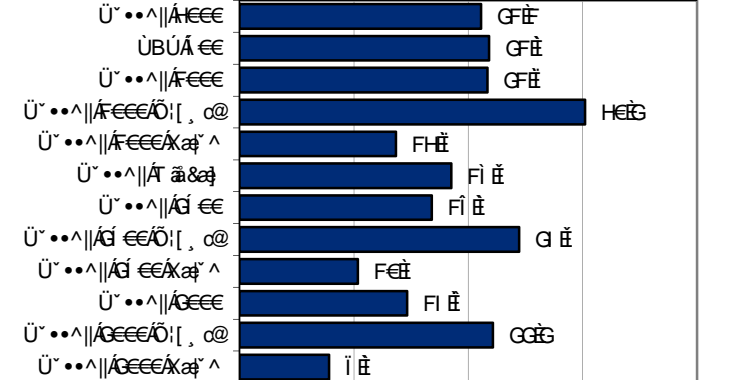


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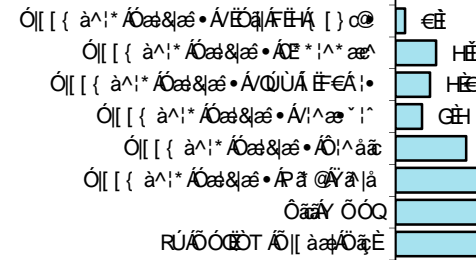
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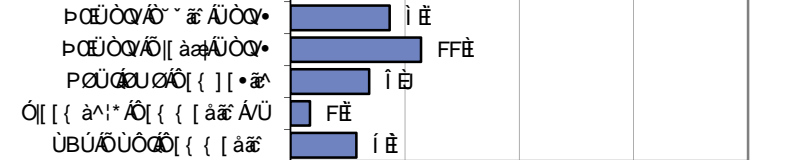
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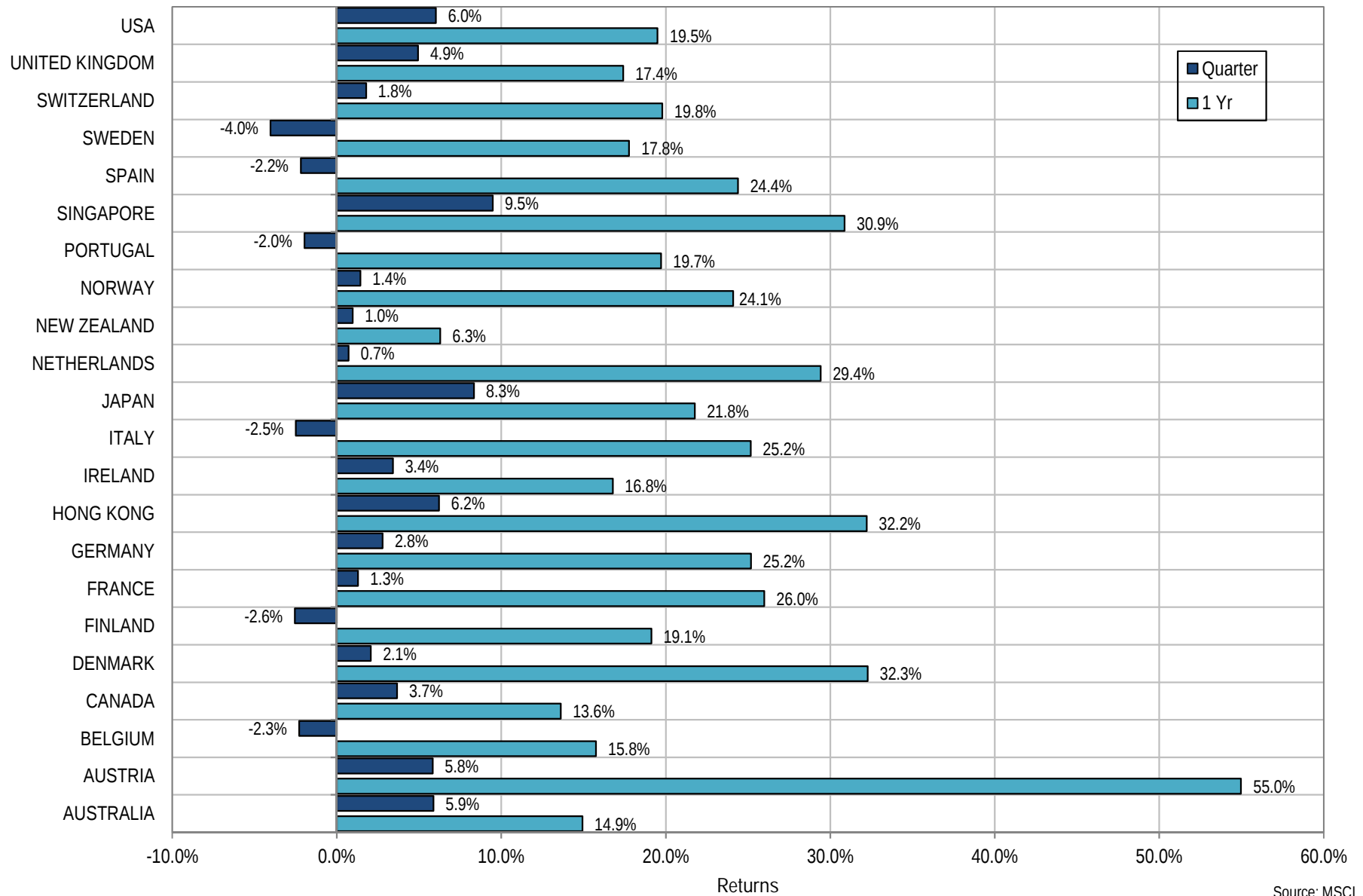


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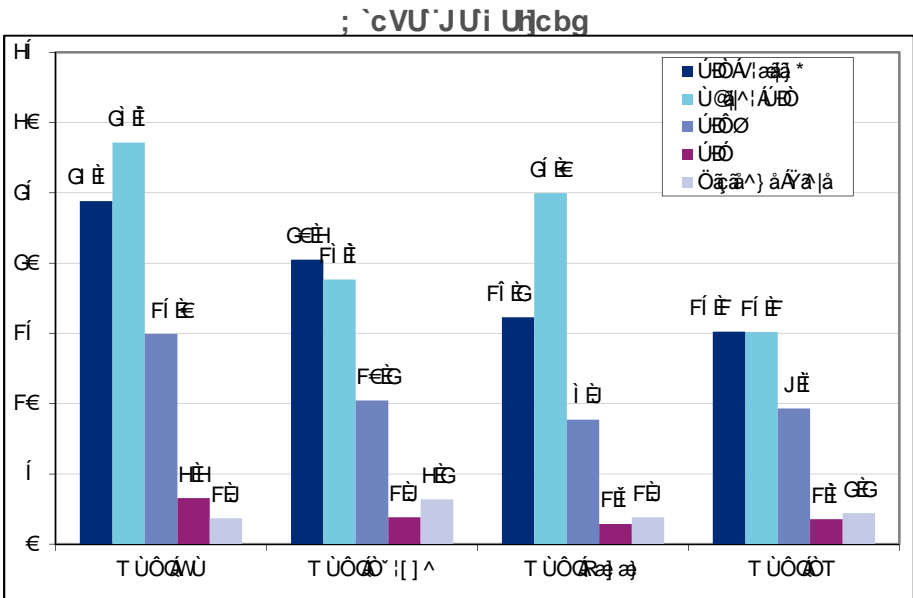


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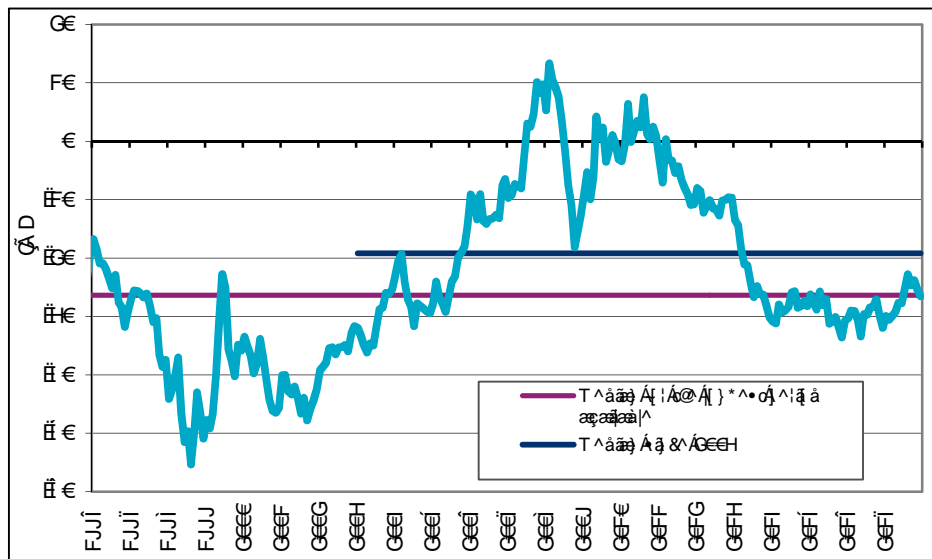


Asset Class: International Equities – Valuation Review



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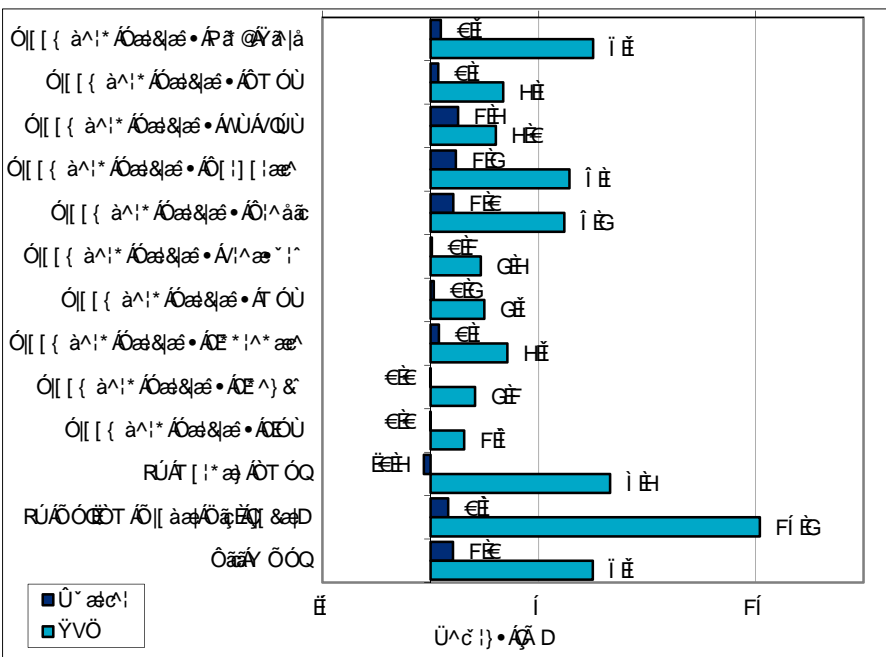
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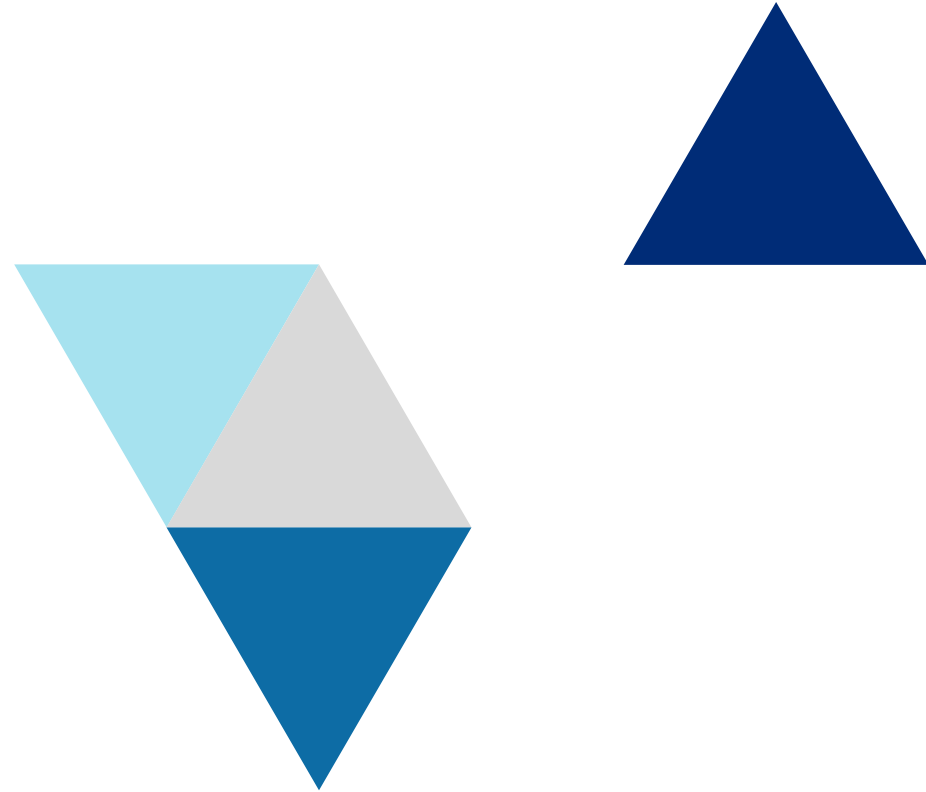
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Executive Summary



Executive Summary

Fund Changes/ Performance Updates

Global equity markets ended the year strong with better than expected economic and corporate earnings growth. US equities led the fourth quarter advance and ended the year up 21.1%, supported by the new tax bill, which will reduce corporate taxes from 35% to 21%. In terms of economic growth, third quarter US GDP was up over 3% for the second consecutive quarter making it the first two quarter stretch since 2014. Growth oriented equities continued to outperform their value counterparts across all market capitalizations during the quarter and significantly outperformed during 2017. This difference was most pronounced in domestic large cap equities, as growth oriented equities outpaced their value counterparts by 16.5%. The outperformance of growth oriented equities was driven by the information technology sector, which ended the year up 38.4%, more than double most other sectors. Small cap equities trailed large caps over the fourth quarter and throughout 2017, despite having higher effective tax rates. The US economic outlook appears strong for 2018, as consensus earnings growth is expected to exceed 12%.

International equities returned 5.0% during the quarter, slightly trailing domestic equities as the US dollar strengthened. International equities ended the year up 27.2%, which was the largest calendar year return since 2009. During the fourth quarter, performance was largely driven by Japan, which returned 8.0%. Japan has experienced seven consecutive quarters of economic growth, led by a weaker Yen and an improved economic outlook. Unlike domestic equities, international small cap equities outpaced their larger counterparts for the quarter and throughout 2017, ending the year up over 30%. Emerging market equities continued to be a top performing segment in the fourth quarter, returning 7.4%. China was one of the top performing countries, as their industrial producers posted stronger than expected profit margins along with stronger than expected domestic demand. Emerging market equities ended the year up 37.3%, which outpaced all other asset classes.

Fixed income securities ended the year with modest gains despite interest rate hikes in the US. The yield curve continued to flatten over the fourth quarter as short and intermediate yields increased while long-term yields fell by 12 basis points. US inflation remained low despite continued economic growth and extremely low unemployment. During the quarter, corporate credit spreads contracted and corporate bonds continued to outpace like-duration Treasury securities. Additionally, high yield bond spreads narrowed and remained well below their historic levels. Local currency emerging market debt slightly increased during the quarter and ended the year as the top performing fixed income segment, returning 15.2%.

The State of North Carolina Supplemental Retirement Plan had mixed fourth quarter results, as four of the seven active funds outperformed their respective benchmarks, while all posted positive absolute results. Active managers performed well over the year, as correlations between equities decreased and growth oriented securities came back in favor. At the beginning of the quarter, the Plan consolidated its style specific domestic equity options (Large Cap Value, Large Cap Growth, Small/Mid Cap Value and Small/Mid Cap Growth) to offer two core Funds, the Large Cap Equity Fund and the SMID Cap Equity Fund. The new Large Cap Equity Fund trailed its benchmark by 70 basis points during the quarter, driven by the underperformance of growth managers Loomis and Sands. Both managers held biopharmaceutical company, Regeneron, which sold off over the quarter after disappointing phase II clinical trials of a new combination therapy. All active Funds that were in place at the beginning of the year outperformed their respective benchmarks net of fees, led by the International Equity Fund, which returned 28.9%. The strong performance of the International Equity Fund was driven by growth oriented manager, Baillie Gifford, which outperformed the benchmark by 810 basis points and had a large overweight to the top performing information technology sector. Additionally, the Fixed Income Fund was able to outpace the Bloomberg Barclays Aggregate Index by 40 basis points and rank in the top quartile of the peer group universe, despite the rising rate environment. Prudential was the driver of the outperformance and benefited from an overweight to corporate credit as well as exposure to high yield and emerging market debt. Over 2017, the Fixed Income Fund returned 5.0%, which outpaced the benchmark by 150 basis points and ranked in the top quartile of the peer group universe.

Executive Summary

Additional Manager Analysis

Earnest SMID Value (Manager 4Q Return vs. Benchmark)

Earnest employs a disciplined investment philosophy underscored by the premise that stock price returns follow identifiable patterns. Earnest focuses on industry clusters in an attempt to identify the factors that drive each stock's return through their internal pattern recognition model. This model seeks to identify which factors will be predictive of return patterns moving forward. This model is used as an idea generation tool that triggers further in-depth fundamental research by Earnest's team. Earnest has typically displayed a larger capitalization bias relative to the index, which was beneficial during 2017, as larger capitalization securities outperformed their smaller counterparts. During the quarter, Earnest outperformed the benchmark by 190 basis points and ranked in the top quartile of the peer group universe. The strong fourth quarter capped an extremely strong year in which the strategy outperformed the Index by 13.1% and ranked in the top decile of the peer group universe. Earnest's sector positioning helped drive the outperformance over the trailing year, as they were largely overweight (13.9%) to the more growth oriented information technology sector. Information technology securities significantly outpaced the more traditional value oriented sectors in the market, which was a tailwind for Earnest. The strategy also maintained an underweight to the energy sector, which was one of the worst performers despite the increase in oil prices over the year. Earnest continues to play a diversifying role in the SMID Cap Fund and historically has protected well during downside moves.

Brown SMID Growth (Manager 4Q Return vs. Benchmark)

Brown seeks to achieve superior risk-adjusted returns through a concentrated portfolio of diversified, small-capitalization equity securities. With this in mind, Brown looks to invest in companies with durable growth, sound governance, and a scalable go-to-market strategy. It is managed in a growth at a reasonable price fashion and will consistently skew larger than its benchmark in terms of weighted average market cap, which was beneficial in 2017 as larger capitalization securities outperformed their smaller counterparts. Similarly, it has tended to perform better in up-market environments given its growth orientation and focus on the strength and durability of a business's long-term cash flow potential. During the quarter, Brown underperformed the benchmark by 460 basis points and ranked in the bottom decile of the peer group universe. This weak fourth quarter comes at the end of a relatively weak year in which the strategy underperformed the benchmark by 560 basis points and ranked in the bottom decile of the peer group universe, despite an absolute return of 18.9%. Stock selection within the consumer discretionary and healthcare sectors accounted for 238 and 138 basis points of the underperformance during the quarter, respectively. Brown has been consistently underweight the biotechnology segment of the healthcare sector and this was a key detractor throughout 2017, as it surged after a disappointing 2016. Brown was also hurt by several 3Q17 consumer discretionary earnings misses, particularly with Liberty Trip Advisors and Papa John's. Over the trailing three-year period, Brown outperformed the benchmark by 220 basis points and ranked in the top quartile of the peer group universe.

Executive Summary

Manager Updates

Mercer met with **Ballie Gifford** to review their ACWI ex US Equities strategy and for a regular update on the firm's business culture and business growth. Mercer maintained the "A" rating as a result of the meeting. Full meeting details can be found under separate cover.

Mercer met with **Hotchkis & Wiley** to review their Large Cap Fundamental Value strategy. We believe that this strategy has a disciplined focus on exploiting attractively-valued companies experiencing short-term mispricing but have prospects for improving business fundamentals and healthy economic returns. As a result of this update, Mercer maintained the "A (T)" rating. Full meeting details can be found under separate cover.

Mercer met with **Loomis** to review their Large Cap Growth strategy. We believe that this strategy has a disciplined, methodical and evidence-based investment process which focuses sequentially on quality, growth, and valuation. Mercer maintained the "B+ (T)" rating as a result of the meeting. Full meeting details can be found under separate cover.

A legal complaint was filed by a former portfolio manager against **Macquarie** on November 30, 2017. Mercer has maintained the "A" rating as a result of a subsequent conference call. Full meeting details can be found under separate cover.

Mercer met with **PIMCO** for a regular business update on their CEO's business plan. Full meeting details can be found under separate cover.

Sands promoted an analyst to co-portfolio manager of the Select Growth Equity strategy. We view the addition as beneficial and we maintained our "A (T)" rating. The full news item details can be found under separate cover.

On December 1, 2017, **TCW** informed us Nippon Life Insurance Company will soon become a minority equity partner in TCW, buying its stake from the Carlyle Group. Carlyle Group has elected to remain a substantial owner of the firm. However, TCW will now be the largest holder of its equity. This news will not directly impact our ratings and we maintain our "A" rating on the Core Plus Fixed Income strategy. The full news item details can be found under separate cover.

Mercer met with **Wellington** to review their Global Opportunities strategy. We continue to have a positive view on the strategy's portfolio manager and his broad, globally focused, investment experience. Mercer maintained the "B+" rating as a result of the meeting. Full meeting details can be found under separate cover.

NC CURRENT INVESTMENT STRUCTURE

Tier I Target Date Funds	Tier II - A Passive Core Options	Tier II - B Active Core Options	Tier III Specialty Options
Goal Maker		Stable Value Fund Galliard Stable Value	
	Fixed Income BlackRock Debt Index	Fixed Income Fund TCW Core Plus Prudential Core Plus	
		Inflation Responsive Fund PIMCO IRMAF	
	Large Cap Equity BlackRock Equity Index	Large Cap Core Fund Hotchkis & Wiley Large Cap Value Macquarie Large Cap Value Sands Capital Large Cap Growth Loomis Large Cap Growth	
	Small/Mid Cap Equity BlackRock Russell 2500 Index	Small/Mid Cap Core Fund Hotchkis & Wiley Mid Value Earnest Partners SMID Cap Value Wedge SMID Cap Value TimesSquare SMID Growth Brown Advisory SMID Growth	
		Global Equity Fund Wellington Global Opportunities Arrowstreet Global Equity ACWI	
	International Equity BlackRock ACWI ex US Index	International Equity Fund Baillie Gifford ACWI ex US Growth Mondrian ACWI ex US Value	

Fee Review

A	B	C	D	E	F	G	H	I	
					C+D+E	B*F		F-H	
Funds and Sub-Advisors	Assets	Inv. Mgmt. Fee	Custodial Expenses ¹	NC Budget ²	Total Estimated Expense (%)	Total Estimated Expense (\$) ³	Mercer Median Expense ⁴	Difference	
North Carolina Stable Value Fund⁵	\$2,512,861,844	0.327%	0.002%	0.025%	0.354%	\$8,885,479	0.42%	-0.06%	F-H C-H
Galliard	\$2,512,861,844	0.327%	0.000%			\$8,217,058	0.42%	-0.09%	
North Carolina Fixed Income Passive Fund	\$512,171,704	0.020%	0.014%	0.025%	0.059%	\$301,197	0.20%	-0.14%	
BlackRock	\$512,171,704	0.020%	0.000%			\$102,434	0.02%	0.00%	
North Carolina Fixed Income Fund	\$736,100,858	0.170%	0.014%	0.025%	0.209%	\$1,538,447	0.48%	-0.27%	
50% TCW	\$367,667,957	0.220%	0.000%			\$810,336	0.25%	-0.03%	
50% Prudential	\$368,432,901	0.120%	0.000%			\$442,119	0.25%	-0.13%	
North Carolina Inflation Sensitive Fund	\$487,337,039	0.690%	0.144%	0.025%	0.859%	\$4,186,225	0.84%	0.02%	
PIMCO	\$487,337,039	0.690%	0.000%			\$3,362,626	0.84%	-0.15%	
North Carolina Large Cap Passive Fund	\$1,640,874,994	0.005%	0.012%	0.025%	0.042%	\$684,245	0.20%	-0.16%	
BlackRock	\$1,640,874,994	0.005%	0.000%			\$82,044	0.01%	-0.01%	
North Carolina Large Cap Core Fund	\$2,166,468,770	0.280%	0.004%	0.025%	0.309%	\$6,699,452	0.65%	-0.34%	
25.00% BlackRock Russell 1000 Index	\$534,153,489	0.005%	0.000%			\$26,708	0.01%	-0.01%	
18.75% Hotchkis & Wiley	\$409,112,242	0.400%	0.000%			\$1,636,449	0.42%	-0.02%	
18.75% Macquarie	\$408,834,195	0.267%	0.000%			\$1,092,668	0.42%	-0.15%	
18.75% Sands Capital Management	\$409,993,111	0.450%	0.000%			\$1,844,969	0.44%	0.01%	
18.75% Loomis Sayles	\$404,375,733	0.372%	0.000%			\$1,503,127	0.45%	-0.07%	
North Carolina SMID Cap Passive Fund	\$291,813,251	0.005%	0.016%	0.025%	0.046%	\$133,942	0.27%	-0.22%	
BlackRock	\$291,813,251	0.005%	0.000%			\$14,591	0.02%	-0.02%	
North Carolina SMID Core Fund	\$1,038,148,262	0.524%	0.002%	0.025%	0.551%	\$5,716,835	0.95%	-0.40%	
5.00% BlackRock Russell 2500 Index	\$53,692,954	0.005%	0.000%			\$2,685	0.01%	-0.01%	
15.83% Hotchkis & Wiley	\$165,164,719	0.500%	0.000%			\$825,824	0.60%	-0.10%	
15.83% EARNEST Partners	\$162,242,585	0.470%	0.000%			\$762,540	0.72%	-0.25%	
15.83% WEDGE Capital Management	\$162,403,460	0.585%	0.000%			\$949,614	0.72%	-0.14%	
23.75% TimesSquare Capital Management	\$248,935,131	0.647%	0.000%			\$1,611,054	0.74%	-0.09%	
23.75% Brown Advisory	\$245,709,413	0.520%	0.000%			\$1,277,775	0.77%	-0.24%	
North Carolina International Passive Fund	\$72,748,431	0.025%	0.042%	0.025%	0.092%	\$66,710	0.35%	-0.26%	
BlackRock	\$72,748,431	0.025%	0.000%			\$17,969	0.06%	-0.04%	
North Carolina International Equity Fund	\$733,323,064	0.336%	0.027%	0.025%	0.388%	\$2,846,178	0.90%	-0.51%	
50% Baillie Gifford	\$367,793,877	0.283%	0.000%			\$1,042,531	0.56%	-0.28%	
50% Mondrian Investment Partners	\$365,529,187	0.389%	0.000%			\$1,421,126	0.56%	-0.17%	
North Carolina Global Equity Fund	\$1,054,777,893	0.542%	0.028%	0.025%	0.595%	\$6,274,337	0.90%	-0.31%	
50% Wellington Management Company	\$526,049,361	0.500%	0.000%			\$2,630,247	0.54%	-0.04%	
50% Arrowstreet	\$528,728,532	0.583%	0.000%			\$3,083,007	0.54%	0.04%	
Total	\$11,246,626,110	0.291%	0.016%	0.025%	0.332%	\$37,333,048	0.564%		

¹ Based on annualized monthly fee accruals

² 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.

³ Manager fee estimates reflect investment management fee only, does not include \$31 per participant record-keeping fee.

⁴ Total Fund median expenses are compared against their respective Mercer Mutual Fund Institutional Universe, while the individual managers are compared to peers with the same vehicle and strategy assets.

⁵ Mercer Stable Value Median for Funds with over \$500M in assets

Performance Scorecard

	Mercer Rating	Return								Risk ¹
		3 Years to 12/31/2017		3 Years to 09/30/2017		3 Years to 06/30/2017		3 Years to 03/31/2017		5 Years to 12/31/2017
		I	U	I	U	I	U	I	U	I
Large Cap Passive Fund (tracked within 20bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Equity Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
Large Cap Core Fund²		✓	✓	✓	✓	✓	✓	✗	✓	NA
Hotchkis & Wiley Large Cap Value	A (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Macquarie Large Cap Value ³	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sands Capital Large Cap Growth	A (T)	✗	✗	✗	✗	✗	✗	✗	✗	✓
Loomis Large Cap Growth	B+ (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓

¹ A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

² Represents the Large Cap Core Composite.

³ Represents the Macquarie Large Cap Growth Composite.

* A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

Performance Scorecard

	Mercer Rating	Return								Risk ¹
		3 Years to 12/31/2017		3 Years to 09/30/2017		3 Years to 06/30/2017		3 Years to 03/31/2017		5 Years to 12/31/2017
		I	U	I	U	I	U	I	U	I
Mid/Small Cap Passive Fund (tracked within 30 bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Russell 2500 Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
Mid/Small Cap Core Fund²		✓	✓	✓	✓	✓	✓	✓	✓	NA
Hotchkis & Wiley SMID Cap Value	B+ (T)	✗	✗	✗	✗	✗	✗	✗	✗	✓
EARNEST Partners SMID Cap Value	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓
WEDGE SMID Cap Value	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓
TimesSquare SMID Cap Growth	A	✗	✗	✗	✗	✗	✗	✗	✗	✓
Brown Advisory	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓

¹ A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

² Represents the gross of fee Mid/Small Cap Core Composite.

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Performance Scorecard

	Mercer Rating	Return								Risk ¹
		3 Years to 12/31/2017		3 Years to 09/30/2017		3 Years to 06/30/2017		3 Years to 03/31/2017		5 Years to 12/31/2017
		I	U	I	U	I	U	I	U	I
International Passive Fund (tracked within 60 bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock ACWI ex US Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
International Equity Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA
Baillie Gifford ACWI ex US Growth	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mondrian ACWI ex US Value	B+	✗	✗	✗	✗	✗	✗	✓	✗	✓
Global Equity Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA
Wellington Global Opportunities	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓
Arrowstreet Global Equity ACWI	A	✓	✓	✓	✓	✓	✓	✓	✓	✓

¹ A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

* A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

Mercer Investment Consulting, Inc.

Performance Scorecard

	Mercer Rating	Return								Risk ¹	
		3 Years to 12/31/2017		3 Years to 09/30/2017		3 Years to 06/30/2017		3 Years to 03/31/2017		5 Years to 12/31/2017	
		I	U	I	U	I	U	I	U	I	
Inflation Responsive Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA	
PIMCO Inflation Response-Multi Asset	B+	✓	✓	✓	✓	✓	✓	✓	✓	NA	
Fixed Income Passive Fund (tracked within 25 bps)		✓	NA	✓	NA	✓	NA	✓	NA	NA	
BlackRock Debt Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA	
Fixed Income Fund		✓	✓	✓	✓	✓	✓	✓	✓	NA	
TCW Core Plus ²	A	✓	✗	✓	✗	✓	✗	✓	✗	✓	
Prudential Core Plus	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Stable Value Fund	A	✓	✓	✓	✓	✓	✓	✓	✗	NA	

¹ A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

² Represents the TCW Core Plus Composite.

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Watch List Criteria

- 1) **DYfZfa UbW**: The underlying manager strategy has trailed the benchmark and peer group universe over four consecutive 3 year periods, as highlighted on the Performance Scorecard. A candidate can also be added to the watch list if performance is not explained by the managers style or investment philosophy
- 2) **D\]cgcd\ m7\ Ub[Y**: Underlying manager strategy has had a material change to the investment process or philosophy, from what was originally established
- 3) **Cf[Ub]nUhcbU`bgHUV`]hm** Organizational or team turnover that could materially affect the investment process

Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
TimesSquare SMID Growth	3Q16	A	Discuss Watch Status	<p>TSCM's investment process utilizes a fundamental growth equity approach. They place particular emphasis on management quality and how the management teams are aligned with shareholders, along with a detailed understanding of what constitutes a superior business model. The strategy's investable universe spans from \$300M to \$7 Billion. TSCM seeks companies that have experienced, properly motivated management teams with distinct sustainable competitive advantages. The team will focus on securities that have the potential to appreciate 25%-50% over the next 18-month period. The team is constantly reviewing security valuations and will re-examine securities when they near the target price set at purchase. The strategy will have close to 100 names so position sizes are relatively smaller. Mercer believes the key strength of the strategy is the quality of research and experienced portfolio managers, Grant Babyak and Tony Rosenthal.</p> <p>The strategy has struggled more recently, as it underperformed over the last four calendar years. Historically, the higher quality fundamental approach has been beneficial during falling markets and that is where the strategy had added a significant portion of its alpha. TSCM outperformed the benchmark during the last 12 down markets, but struggled at certain points in extreme growth markets. Since 2013, there have only been three negative quarters by the Russell 2500 Growth Index, which has been a bit of a headwind for TSCM. During the fourth quarter, the strategy outperformed the benchmark by 70 basis points and ranked near the top quartile of the peer group universe. TSCM's large overweight to (8.7%) and security selection within the information technology sector was beneficial. Growth oriented securities have continued to outperform in 2017, although within the growth space a majority of the outperformance came from companies with lower valuations and higher betas, which can be a slight headwind for TimesSquare, given their quality focus. Over 2017, TimesSquare trailed the index by 230 basis points and ranked in the bottom half of the peer group universe. TimesSquare continued to struggle with selection in the healthcare sector, as this was responsible for a majority of the strategy's underperformance. TimesSquare was hurt by its underweight to the more speculative biotechnology industry but the selection within health care services was the largest detractor. Security selection in the health care sector has detracted from performance each of the last four years and continues to be a headwind for the team. TSCM experienced analyst turnover in late 2015 and replaced the departures with two experienced analysts, one focusing on healthcare services while the other focused on biotechnology. The portfolio holdings have turned over significantly over the last two years but performance continues to trail the broad market. The health care sector represents 18.1% of the benchmark, therefore we think it is important that TSCM have a strong experienced team in place to analyze this area of the universe.</p>

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Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Sands Large Cap Growth	4Q16	A (T)	Maintain Watch Status	Sands constructs a concentrated, aggressive growth portfolio with low turnover and adheres to a strict buy and hold philosophy. Due to the funds loose constraints and concentrated nature, it can be common for the strategy to exhibit significant tracking error relative to the benchmark. The conviction-weighted, concentrated structure of this portfolio places a heavy emphasis on top holdings and these can have a significant impact on the strategy's performance. The top five holdings represented just over 30% of the portfolio at the end of the fourth quarter. Sands performance took a downturn in the fourth quarter, as the strategy underperformed the Russell 1000 Growth Index by 400 basis points and ranked in the bottom decile of the peer group universe. However, during 2017, Sands outperformed the benchmark by 580 basis points and ranked in the top decile of the peer group universe. For the quarter, stock selection, along with the high concentration, within the healthcare sector resulted in 160 basis points of underperformance, with 130 basis points coming from just three names (Incyte, Alexion, and Regeneron). Sands remains optimistic about there health care holdings as they have promising trial phases in the near future. The biopharmaceutical company, Regeneron, sold off over the quarter after disappointing phase II clinical trials of a new combination therapy. Sand's continued to hold Amazon and benefited from its larger overall weight in the portfolio. Amazon was up over 20% after posting strong quarterly results and this helped offset some of the underperformance in the information technology and health care sectors. Since inception, Sands has outperformed the benchmark by a comfortable margin, although there have been periods of extreme volatility. We uphold our conviction in the skilled and experienced research teams managing the strategy.

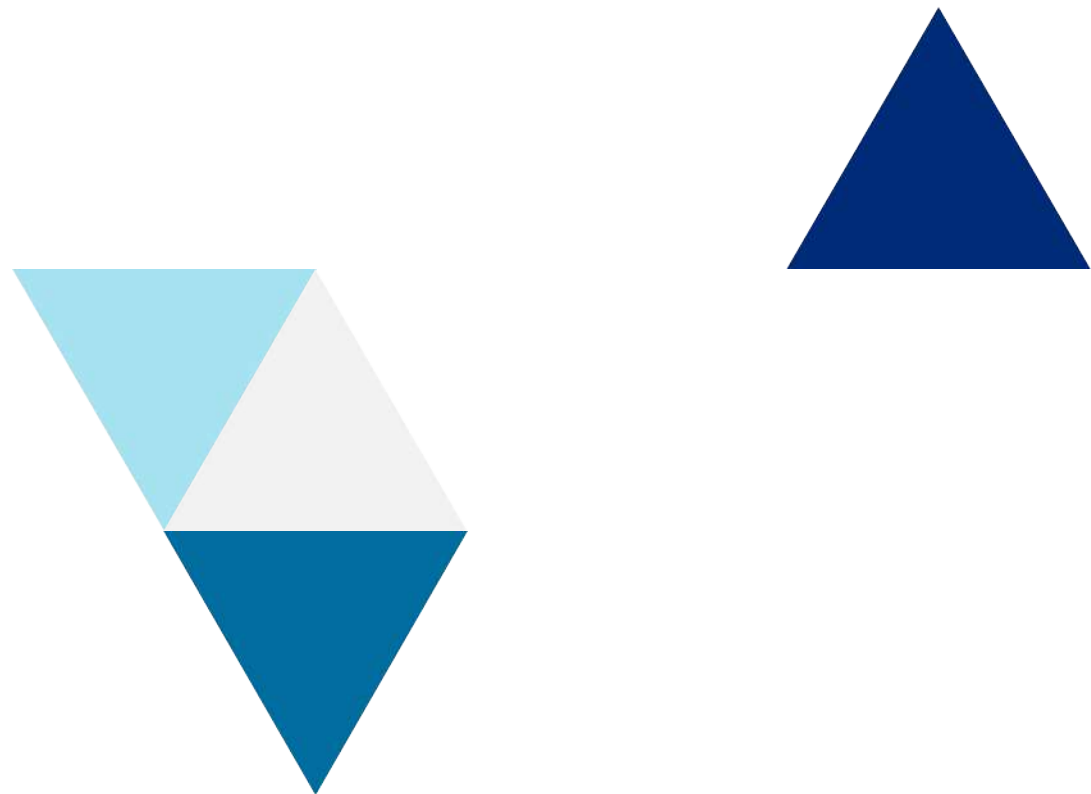
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Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Hotchkis and Wiley	1Q17	B+ (T)	Maintain Watch Status	<p>Hotchkis & Wiley utilizes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies where the intrinsic value of the companies future cash flows exceeds the market price. The team does not consider benchmark characteristics in portfolio construction, as they view permanent loss of capital the primary source of risk. Hotchkis believes that the low valuations and lower leverage provides them a margin of safety.</p> <p>Hotchkis was added to the Watch List in 2017, after a difficult period in 2016 when more defensive, higher dividend paying securities with higher valuations led the market. Hotchkis, like many other value managers, did not hold these names and this negatively impacted relative performance. During 2017, Hotchkis again trailed the benchmark by 140 basis points and ranked in the bottom quartile of the peer group universe. Growth continued to outperform value within mid cap equities during the fourth quarter and the spread was 12% year-to-date. Investors have preferred equities that have exhibited above average growth, mainly coming from the information technology and health care sectors. Hotchkis was largely overweight the consumer discretionary (11.2%) and the energy sector (12.2%) during the year and struggled with security selection in each area. Despite falling inventory levels and oil price increases, the energy sector trailed the broad market during the quarter and Hotchkis's holdings underperformed. Additionally, traditional retailers in the consumer discretionary sector were hurt by the move towards e-commerce. Hotchkis continues to look for value opportunities that are trading well below their book value and believe there are currently more opportunities within the energy, financials, and consumer discretionary sectors. We continue to have confidence in Hotchkis and Wiley's deeper value approach and expect them to outperform the benchmark over a full market cycle.</p>

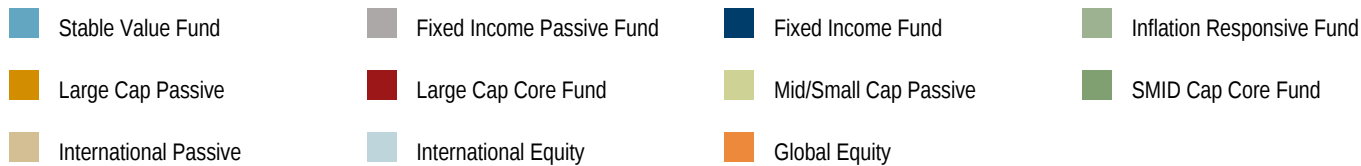
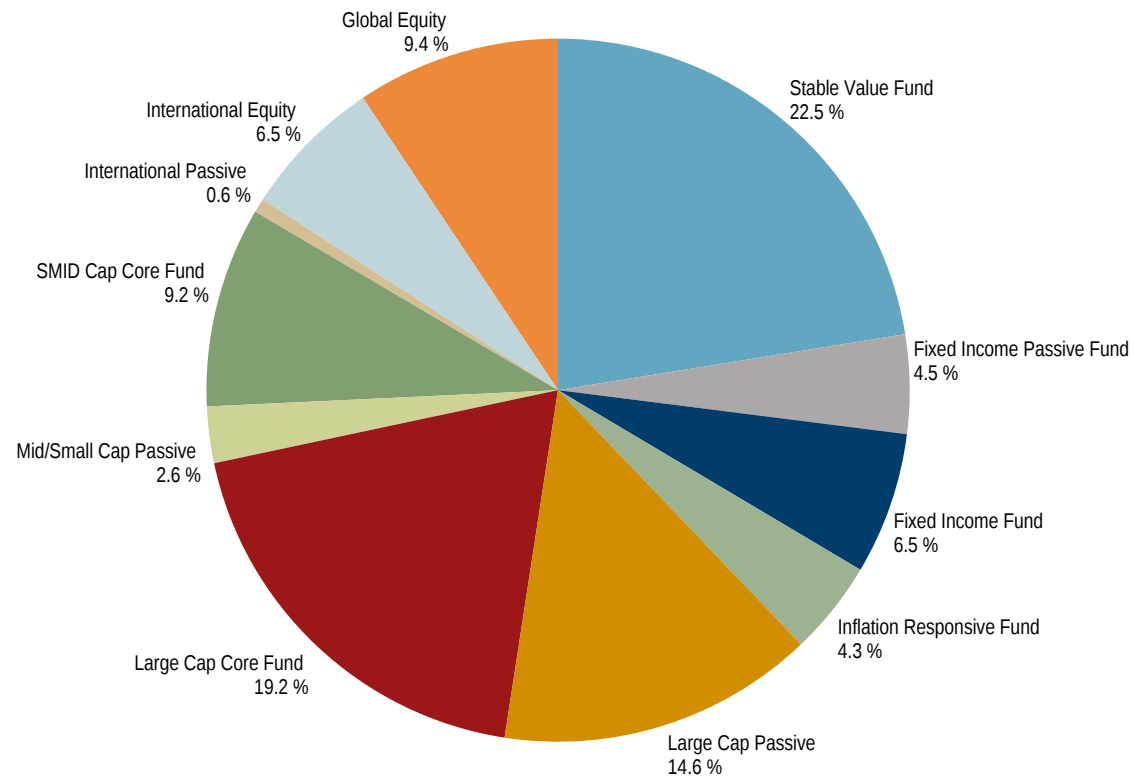
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Total Fund



Asset Allocation

As of December 31, 2017



Total Fund Performance Measurement

Run Date: February 2, 2018

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017						
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date
Large Cap Passive	1,640,874,994	10.1	17.2 (19)	15.6 (20)	11.3 (19)	21.8 (36)	21.8 (36)	6.6 (44)	Apr-09
S&P 500			17.3 (17)	15.8 (16)	11.4 (18)	21.8 (36)	21.8 (36)	6.6 (44)	
Mercer Mutual Fund US Equity Large Cap Core Median			15.9	14.5	10.2	20.7	20.7	6.5	
NCSRP BlackRock Equity Index	1,640,874,994	10.1	17.3 (55)	15.8 (50)	11.4 (39)	21.8 (43)	21.8 (43)	6.6 (51)	Apr-09
S&P 500			17.3 (62)	15.8 (45)	11.4 (48)	21.8 (43)	21.8 (43)	6.6 (46)	
Mercer Instl US Equity Large Cap Index Median			17.3	15.8	11.4	21.8	21.8	6.6	
Large Cap Core Fund	2,166,468,770	13.3	5.9 (66)	-	-	-	-	5.9 (66)	Oct-17
Russell 1000 Index			6.6 (43)	15.7 (27)	11.2 (30)	21.7 (48)	21.7 (48)	6.6 (43)	
Mercer Mutual Fund US Equity Large Cap Median			6.4	14.7	10.2	21.4	21.4	6.4	
NCSRP Russell 1000 Index	534,153,489	3.3	6.1 (68)	-	-	-	-	6.1 (68)	Oct-17
Russell 1000 Index			6.6 (55)	15.7 (49)	11.2 (43)	21.7 (53)	21.7 (53)	6.6 (55)	
Mercer Instl US Equity Large Cap Median			6.7	15.6	10.9	22.0	22.0	6.7	
NCSRP Macquarie Large Cap Value	408,834,195	2.5	9.4 (66)	-	-	14.2 (88)	14.2 (88)	5.5 (74)	Jun-15
Macquarie Large Cap Value Strategy			9.7 (61)	15.3 (34)	9.8 (47)	14.4 (85)	14.4 (85)	5.7 (70)	
Russell 1000 Value Index			9.5 (63)	14.0 (63)	8.7 (73)	13.7 (90)	13.7 (90)	5.3 (76)	
Mercer Instl US Equity Large Cap Value Median			10.2	14.6	9.7	17.1	17.1	6.4	
NCSRP Hotchkis & Wiley Large Cap Value	409,112,242	2.5	19.6 (2)	17.0 (5)	10.7 (28)	20.1 (21)	20.1 (21)	6.5 (48)	Apr-09
Russell 1000 Value Index			16.4 (58)	14.0 (63)	8.7 (73)	13.7 (90)	13.7 (90)	5.3 (76)	
Mercer Instl US Equity Large Cap Value Median			16.6	14.6	9.7	17.1	17.1	6.4	
NCSRP Loomis Large Cap Growth	404,375,733	2.5	17.7 (1)	-	17.0 (2)	34.2 (16)	34.2 (16)	6.4 (65)	Aug-14
Loomis Large Cap Growth Strategy			17.4 (2)	19.3 (6)	16.6 (4)	34.0 (18)	34.0 (18)	6.4 (64)	
Russell 1000 Growth Index			14.6 (24)	17.3 (29)	13.8 (23)	30.2 (42)	30.2 (42)	7.9 (22)	
Mercer Instl US Equity Large Cap Growth Median			13.3	16.5	12.1	28.8	28.8	7.0	

Total Fund Performance Measurement

Run Date: February 2, 2018

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017							
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date	
NCSRP Sands Capital Large Cap Growth	409,993,111	2.5	21.6 (1)	15.5 (69)	9.5 (92)	36.0 (9)	36.0 (9)	3.9 (96)	Apr-09	
Russell 1000 Growth Index			18.4 (26)	17.3 (29)	13.8 (23)	30.2 (42)	30.2 (42)	7.9 (22)		
Mercer Instl US Equity Large Cap Growth Median			17.5	16.5	12.1	28.8	28.8	7.0		
Mid/Small Cap Passive	291,813,251	1.8	18.1 (29)	14.3 (34)	10.1 (33)	16.6 (43)	16.6 (43)	5.2 (40)	Apr-09	
Russell 2500 Index			18.2 (28)	14.3 (33)	10.1 (33)	16.8 (42)	16.8 (42)	5.2 (38)		
Mercer Mutual Fund US Equity Small+Mid Median			17.0	13.5	9.1	15.0	15.0	4.6		
NCSRP BlackRock Russell 2500 Index Fund	291,813,251	1.8	18.3 (62)	14.4 (67)	10.1 (60)	16.6 (50)	16.6 (50)	5.2 (39)	Apr-09	
Russell 2500 Index			18.2 (63)	14.3 (69)	10.1 (61)	16.8 (48)	16.8 (48)	5.2 (39)		
Mercer Instl US Equity Small + Mid Cap Median			18.8	15.2	10.7	16.5	16.5	4.6		
SMID Cap Core Fund	1,038,148,262	6.4	4.6 (50)	-	-	-	-	4.6 (50)	Oct-17	
Russell 2500 Index			5.2 (38)	14.3 (33)	10.1 (33)	16.8 (42)	16.8 (42)	5.2 (38)		
Mercer Mutual Fund US Equity Small+Mid Median			4.6	13.5	9.1	15.0	15.0	4.6		
NCSRP Russell 2500 Index	53,692,954	0.3	4.0 (62)	-	-	-	-	4.0 (62)	Oct-17	
Russell 2500 Index			5.2 (39)	14.3 (69)	10.1 (61)	16.8 (48)	16.8 (48)	5.2 (39)		
Mercer Instl US Equity Small + Mid Cap Median			4.6	15.2	10.7	16.5	16.5	4.6		
NCSRP Hotchkis & Wiley	165,164,719	1.0	21.2 (2)	14.0 (60)	5.7 (93)	9.0 (83)	9.0 (83)	5.0 (50)	Apr-09	
Hotchkis Custom SMID Value Index			17.9 (51)	13.3 (76)	9.3 (58)	10.4 (79)	10.4 (79)	4.3 (64)		
Mercer Instl US Equity SMID Value Median			18.0	14.2	9.5	13.5	13.5	5.0		
NCSRP EARNEST Partners	162,242,585	1.0	18.7 (35)	16.0 (10)	12.8 (7)	23.5 (4)	23.5 (4)	6.2 (23)	Apr-09	
EARNEST Custom SMID Value Index			16.9 (73)	13.3 (76)	9.3 (58)	10.4 (79)	10.4 (79)	4.3 (64)		
Mercer Instl US Equity SMID Value Median			18.0	14.2	9.5	13.5	13.5	5.0		
NCSRP WEDGE SMID Cap Value	162,403,460	1.0	16.2 (9)	15.3 (19)	9.5 (44)	12.9 (57)	12.9 (57)	3.8 (81)	Jan-12	
Russell 2500 Value Index			14.2 (67)	13.3 (76)	9.3 (58)	10.4 (79)	10.4 (79)	4.3 (64)		
Mercer Instl US Equity SMID Value Median			14.8	14.2	9.5	13.5	13.5	5.0		

Total Fund Performance Measurement

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017							
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date	
NCSRP Brown Advisory	245,709,413	1.5	19.0 (43)	15.6 (50)	13.1 (19)	18.9 (90)	18.9 (90)	1.7 (97)	Apr-09	
Brown Custom SMID Growth Index			18.6 (55)	15.5 (53)	10.9 (61)	24.5 (60)	24.5 (60)	6.3 (40)		
Mercer Instl US Equity SMID Growth Median			18.8	15.6	11.4	26.3	26.3	6.1		
NCSRP TimesSquare SMID Growth	248,935,131	1.5	12.7 (46)	13.4 (82)	8.2 (91)	22.2 (67)	22.2 (67)	7.0 (28)	Jul-11	
TimesSquare Custom SMID Growth Index			12.3 (64)	15.5 (53)	10.9 (61)	24.5 (60)	24.5 (60)	6.3 (40)		
Mercer Instl US Equity SMID Growth Median			12.7	15.6	11.4	26.3	26.3	6.1		
International Passive	72,748,431	0.4	10.9 (50)	6.7 (77)	8.2 (38)	27.6 (28)	27.6 (28)	5.0 (26)	Apr-09	
MSCI AC World ex USA			11.4 (21)	7.3 (62)	8.3 (34)	27.8 (26)	27.8 (26)	5.1 (25)		
Mercer Mutual Fund World ex US/EAFE Equity Index Median			10.9	7.6	8.0	25.3	25.3	4.4		
NCSRP BlackRock ACWI ex US Fund	72,748,431	0.4	11.1 (100)	6.9 (96)	8.3 (24)	27.8 (10)	27.8 (10)	5.1 (11)	Apr-09	
MSCI AC World ex USA			11.4 (20)	7.3 (78)	8.3 (21)	27.8 (11)	27.8 (11)	5.1 (11)		
Mercer Instl World ex US/EAFE Equity Passive Median			11.2	7.9	8.2	25.5	25.5	4.3		
International Equity	733,323,063	4.5	11.8 (46)	8.1 (47)	9.4 (36)	28.9 (39)	28.9 (39)	5.4 (25)	Apr-09	
MSCI AC World ex USA			11.4 (53)	7.3 (66)	8.3 (57)	27.8 (48)	27.8 (48)	5.1 (28)		
Mercer Mutual Fund World ex US/EAFE Equity Median			11.5	7.9	8.6	27.6	27.6	4.2		
NCSRP Baillie Gifford ACWI ex US Growth	367,793,877	2.3	14.8 (10)	10.3 (25)	12.6 (8)	35.9 (10)	35.9 (10)	6.2 (13)	Apr-09	
MSCI AC World ex USA			11.4 (78)	7.3 (89)	8.3 (69)	27.8 (51)	27.8 (51)	5.1 (36)		
MSCI AC World ex USA Growth			11.8 (67)	8.4 (73)	9.7 (42)	32.5 (19)	32.5 (19)	5.8 (17)		
Mercer Instl World ex US/EAFE Equity Median			12.6	9.2	9.3	27.8	27.8	4.4		
NCSRP Mondrian ACWI ex US Value	365,529,187	2.2	10.4 (95)	7.4 (87)	7.4 (85)	23.3 (88)	23.3 (88)	4.8 (41)	Apr-09	
MSCI AC World ex USA			11.4 (78)	7.3 (89)	8.3 (69)	27.8 (51)	27.8 (51)	5.1 (36)		
MSCI AC World ex USA Value			10.9 (87)	6.2 (96)	6.9 (91)	23.3 (88)	23.3 (88)	4.3 (54)		
Mercer Instl World ex US/EAFE Equity Median			12.6	9.2	9.3	27.8	27.8	4.4		

Total Fund Performance Measurement

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017						
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date
Global Equity	1,054,777,893	6.5	14.4 (41)	13.1 (19)	10.0 (34)	25.4 (37)	25.4 (37)	5.7 (34)	Apr-09
MSCI AC World Index			14.2 (46)	11.4 (50)	9.9 (35)	24.6 (44)	24.6 (44)	5.8 (31)	
Mercer Mutual Fund Global Equity Median			13.9	11.3	9.1	24.0	24.0	5.3	
NCSRP Wellington Global Opportunities	526,049,361	3.2	13.2 (18)	13.9 (19)	10.3 (46)	25.4 (46)	25.4 (46)	5.4 (55)	Aug-10
MSCI AC World Index			10.9 (68)	11.4 (67)	9.9 (56)	24.6 (54)	24.6 (54)	5.8 (43)	
Mercer Instl Global Equity Median			11.7	12.3	10.1	24.9	24.9	5.6	
NCSRP Arrowstreet Global Equity ACWI	528,728,532	3.2	12.5 (24)	13.9 (18)	10.9 (31)	27.0 (34)	27.0 (34)	6.4 (27)	Apr-12
MSCI AC World Index			10.6 (66)	11.4 (67)	9.9 (56)	24.6 (54)	24.6 (54)	5.8 (43)	
Mercer Instl Global Equity Median			11.4	12.3	10.1	24.9	24.9	5.6	
Inflation Responsive Fund	487,337,039	3.0	2.4 (32)	-	3.8 (15)	8.6 (49)	8.6 (49)	3.0 (61)	Oct-13
PIMCO Inflation Response Index			0.3 (82)	-1.2 (92)	1.3 (69)	5.1 (77)	5.1 (77)	2.2 (80)	
Mercer Mutual Fund Diversified Inflation Hedge Median			1.6	0.9	2.7	8.5	8.5	3.2	
NCSRP PIMCO Inflation Response Multi-Asset	487,337,039	3.0	3.2 (8)	-	4.7 (8)	9.5 (41)	9.5 (41)	3.2 (55)	Oct-13
PIMCO Inflation Response Multi-Asset Strategy			2.5 (29)	0.6 (62)	3.8 (15)	8.6 (47)	8.6 (47)	3.0 (61)	
PIMCO Inflation Response Index			0.3 (82)	-1.2 (92)	1.3 (69)	5.1 (77)	5.1 (77)	2.2 (80)	
CPI - All Urban Consumers (Unadjusted)			1.2 (67)	1.4 (42)	1.6 (59)	2.1 (95)	2.1 (95)	-0.1 (100)	
Mercer Mutual Fund Diversified Inflation Hedge Median			1.6	0.9	2.7	8.5	8.5	3.2	
Fixed Income Passive Fund	512,171,704	3.1	2.8 (59)	2.0 (53)	2.2 (55)	3.5 (53)	3.5 (53)	0.4 (43)	Oct-10
Blmbg. Barc. U.S. Aggregate			2.9 (57)	2.1 (49)	2.2 (52)	3.5 (53)	3.5 (53)	0.4 (42)	
Mercer Mutual Fund US Fixed Core Median			3.1	2.1	2.3	3.7	3.7	0.3	
NCSRP BlackRock Debt Index Fund	512,171,704	3.1	3.0 (55)	2.2 (46)	2.3 (49)	3.6 (52)	3.6 (52)	0.4 (42)	Oct-10
Blmbg. Barc. U.S. Aggregate			2.9 (57)	2.1 (49)	2.2 (52)	3.5 (53)	3.5 (53)	0.4 (42)	
Mercer Mutual Fund US Fixed Core Median			3.1	2.1	2.3	3.7	3.7	0.3	

Total Fund Performance Measurement

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
Fixed Income Fund	736,100,858	4.5	4.9 (47)	2.7 (27)	3.2 (18)	5.0 (21)	5.0 (21)	0.8 (15)	Apr-09
Blmbg. Barc. U.S. Aggregate			4.0 (66)	2.1 (49)	2.2 (52)	3.5 (53)	3.5 (53)	0.4 (42)	
Mercer Mutual Fund US Fixed Core Median			4.7	2.1	2.3	3.7	3.7	0.3	
NCSRP TCW Core Plus	367,667,957	2.3	3.6 (89)	-	-	3.6 (89)	3.6 (89)	0.4 (78)	Jan-17
TCW Core Plus Bond Strategy			3.9 (77)	2.8 (44)	2.5 (80)	3.9 (77)	3.9 (77)	0.5 (66)	
Blmbg. Barc. U.S. Aggregate			3.5 (90)	2.1 (90)	2.2 (92)	3.5 (90)	3.5 (90)	0.4 (80)	
Mercer Instl US Fixed Core Median			4.3	2.7	2.9	4.3	4.3	0.6	
NCSRP Prudential Core Plus	368,432,901	2.3	4.4 (7)	-	4.4 (7)	6.8 (7)	6.8 (7)	1.2 (4)	Jan-15
Prudential Core Plus Strategy			4.3 (8)	4.0 (8)	4.3 (8)	7.1 (6)	7.1 (6)	1.2 (4)	
Blmbg. Barc. U.S. Aggregate			2.2 (92)	2.1 (90)	2.2 (92)	3.5 (90)	3.5 (90)	0.4 (80)	
Mercer Instl US Fixed Core Median			2.9	2.7	2.9	4.3	4.3	0.6	
Stable Value Fund	2,528,540,046	15.5	2.6 (24)	1.9 (29)	1.9 (37)	2.0 (31)	2.0 (31)	0.5 (27)	Jul-09
3-Year Constant Maturity Yield			0.9 (100)	1.0 (100)	1.2 (100)	1.6 (96)	1.6 (96)	0.5 (84)	
T-BILLS + 1.5%			1.7 (90)	1.7 (42)	1.9 (42)	2.4 (4)	2.4 (4)	0.7 (1)	
Mercer Instl Stable Value Median			2.0	1.7	1.8	1.9	1.9	0.5	
GoalMaker Funds	5,056,415,633	31.0							
Conservative 0-5 Yrs	494,540,504	3.0	6.2 (100)	4.7 (95)	4.2 (93)	7.6 (100)	7.6 (100)	1.7 (96)	Jul-09
C01 Benchmark			5.1 (100)	4.3 (98)	3.8 (95)	7.1 (100)	7.1 (100)	1.7 (96)	
Mercer Mutual Fund Target Date 2015 Median			9.0	7.1	5.7	11.5	11.5	2.7	
Conservative 6-10 Yrs	129,671,623	0.8	7.3 (93)	5.7 (81)	5.0 (82)	9.6 (90)	9.6 (90)	2.2 (86)	Jul-09
C02 Benchmark			6.2 (100)	5.3 (85)	4.7 (83)	9.1 (91)	9.1 (91)	2.3 (85)	
Mercer Mutual Fund Target Date 2020 Median			9.6	7.3	6.2	13.1	13.1	3.1	
Conservative 11-15 Yrs	89,325,384	0.5	9.0 (96)	7.6 (73)	6.4 (69)	13.2 (83)	13.2 (83)	3.1 (75)	Jul-09
C03 Benchmark			8.3 (100)	7.3 (79)	6.2 (72)	12.5 (87)	12.5 (87)	3.2 (74)	
Mercer Mutual Fund Target Date 2025 Median			10.4	8.3	6.8	15.2	15.2	3.5	

Total Fund Performance Measurement

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
Conservative 16+ Yrs	217,698,737	1.3	10.7 (62)	9.5 (41)	7.9 (31)	17.1 (53)	17.1 (53)	4.1 (52)	Jul-09
<i>C04 Benchmark</i>			10.3 (69)	9.3 (46)	7.7 (35)	16.4 (66)	16.4 (66)	4.2 (29)	
Mercer Mutual Fund Target Date 2030 Median			11.1	9.2	7.5	17.2	17.2	4.1	
Moderate 0-5 Yrs	639,228,091	3.9	7.8 (93)	6.3 (80)	5.5 (71)	10.7 (83)	10.7 (83)	2.5 (66)	Jul-09
<i>M01 Benchmark</i>			6.9 (97)	6.0 (84)	5.2 (76)	10.2 (87)	10.2 (87)	2.6 (65)	
Mercer Mutual Fund Target Date 2015 Median			9.0	7.1	5.7	11.5	11.5	2.7	
Moderate 6-10 Yrs	450,662,675	2.8	8.8 (70)	7.6 (44)	6.4 (30)	13.2 (50)	13.2 (50)	3.1 (47)	Jul-09
<i>M02 Benchmark</i>			8.3 (75)	7.3 (50)	6.2 (51)	12.5 (68)	12.5 (68)	3.2 (46)	
Mercer Mutual Fund Target Date 2020 Median			9.6	7.3	6.2	13.1	13.1	3.1	
Moderate 11-15 Yrs	405,788,125	2.5	10.3 (66)	9.0 (33)	7.5 (12)	16.2 (26)	16.2 (26)	3.8 (20)	Jul-09
<i>M03 Benchmark</i>			9.7 (80)	8.7 (40)	7.3 (24)	15.5 (43)	15.5 (43)	3.9 (14)	
Mercer Mutual Fund Target Date 2025 Median			10.4	8.3	6.8	15.2	15.2	3.5	
Moderate 16+ Yrs	832,301,566	5.1	12.0 (10)	10.9 (4)	9.0 (1)	20.4 (1)	20.4 (1)	4.8 (7)	Jul-09
<i>M04 Benchmark</i>			11.8 (18)	10.8 (5)	8.9 (2)	19.6 (2)	19.6 (2)	4.9 (6)	
Mercer Mutual Fund Target Date 2030 Median			11.1	9.2	7.5	17.2	17.2	4.1	
Aggressive 0-5 Yrs	282,596,991	1.7	9.4 (31)	7.9 (6)	6.7 (4)	13.8 (6)	13.8 (6)	3.3 (7)	Jul-09
<i>R01 Benchmark</i>			8.6 (77)	7.6 (15)	6.4 (17)	13.2 (20)	13.2 (20)	3.3 (3)	
Mercer Mutual Fund Target Date 2015 Median			9.0	7.1	5.7	11.5	11.5	2.7	
Aggressive 6-10 Yrs	312,799,975	1.9	10.4 (5)	9.0 (2)	7.5 (1)	16.2 (1)	16.2 (1)	3.8 (5)	Jul-09
<i>R02 Benchmark</i>			9.7 (37)	8.7 (5)	7.3 (4)	15.5 (6)	15.5 (6)	3.9 (5)	
Mercer Mutual Fund Target Date 2020 Median			9.6	7.3	6.2	13.1	13.1	3.1	
Aggressive 11-15 Yrs	326,179,824	2.0	11.6 (4)	10.5 (1)	8.6 (1)	19.2 (1)	19.2 (1)	4.5 (5)	Jul-09
<i>R03 Benchmark</i>			11.4 (9)	10.3 (1)	8.5 (1)	18.4 (1)	18.4 (1)	4.7 (4)	
Mercer Mutual Fund Target Date 2025 Median			10.4	8.3	6.8	15.2	15.2	3.5	

Total Fund Performance Measurement

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017						
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date
Aggressive 16+ Yrs	875,622,138	5.4	13.3 (1)	12.5 (1)	10.1 (1)	23.5 (1)	23.5 (1)	5.5 (1)	Jul-09
R04 Benchmark			13.4 (1)	12.4 (1)	10.0 (1)	22.7 (1)	22.7 (1)	5.7 (1)	
Mercer Mutual Fund Target Date 2030 Median			11.1	9.2	7.5	17.2	17.2	4.1	

Total Fund Performance Measurement - Net of Fees

Run Date: February 2, 2018

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
Large Cap Passive	1,640,874,994	10.1	17.2	15.6	11.3	21.8	21.8	6.6	Apr-09
S&P 500			17.3	15.8	11.4	21.8	21.8	6.6	
NCSRP BlackRock Equity Index	1,640,874,994	10.1	17.3	15.8	11.4	21.8	21.8	6.6	Apr-09
S&P 500			17.3	15.8	11.4	21.8	21.8	6.6	
Large Cap Core Fund	2,166,468,770	13.3	5.9	-	-	-	-	5.9	Oct-17
Russell 1000 Index			6.6	15.7	11.2	21.7	21.7	6.6	
NCSRP Russell 1000 Index	534,153,489	3.3	6.1	-	-	-	-	6.1	Oct-17
Russell 1000 Index			6.6	15.7	11.2	21.7	21.7	6.6	
NCSRP Macquarie Large Cap Value	408,834,195	2.5	9.1	-	-	13.9	13.9	5.4	Jun-15
Russell 1000 Value Index			9.5	14.0	8.7	13.7	13.7	5.3	
NCSRP Hotchkis & Wiley Large Cap Value	409,112,242	2.5	19.0	16.4	10.2	19.6	19.6	6.4	Apr-09
Russell 1000 Value Index			16.4	14.0	8.7	13.7	13.7	5.3	
NCSRP Loomis Large Cap Growth	404,375,733	2.5	17.3	-	16.5	33.7	33.7	6.3	Aug-14
Russell 1000 Growth Index			14.6	17.3	13.8	30.2	30.2	7.9	
NCSRP Sands Capital Large Cap Growth	409,993,111	2.5	21.0	15.0	9.0	35.3	35.3	3.8	Apr-09
Russell 1000 Growth Index			18.4	17.3	13.8	30.2	30.2	7.9	
Mid/Small Cap Passive	291,813,251	1.8	18.1	14.3	10.1	16.6	16.6	5.2	Apr-09
Russell 2500 Index			18.2	14.3	10.1	16.8	16.8	5.2	
NCSRP BlackRock Russell 2500 Index Fund	291,813,251	1.8	18.3	14.4	10.1	16.6	16.6	5.2	Apr-09
Russell 2500 Index			18.2	14.3	10.1	16.8	16.8	5.2	
SMID Cap Core Fund	1,038,148,262	6.4	4.6	-	-	-	-	4.6	Oct-17
Russell 2500 Index			5.2	14.3	10.1	16.8	16.8	5.2	

Total Fund Performance Measurement - Net of Fees

Run Date: February 2, 2018

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
NCSRP Russell 2500 Index <i>Russell 2500 Index</i>	53,692,954	0.3	4.0 5.2	- 14.3	- 10.1	- 16.8	- 16.8	4.0 5.2	Oct-17
NCSRP Hotchkis & Wiley <i>Hotchkis Custom SMID Value Index</i>	165,164,719	1.0	20.5 17.9	13.4 13.3	5.1 9.3	8.4 10.4	8.4 10.4	4.9 4.3	Apr-09
NCSRP EARNEST Partners <i>EARNEST Custom SMID Value Index</i>	162,242,585	1.0	18.1 16.9	15.4 13.3	12.2 9.3	22.9 10.4	22.9 10.4	6.1 4.3	Apr-09
NCSRP WEDGE SMID Cap Value <i>Russell 2500 Value Index</i>	162,403,460	1.0	15.4 14.2	14.5 13.3	8.8 9.3	12.2 10.4	12.2 10.4	3.6 4.3	Jan-12
NCSRP Brown Advisory <i>Brown Custom SMID Growth Index</i>	245,709,413	1.5	18.3 18.6	15.0 15.5	12.4 10.9	18.3 24.5	18.3 24.5	1.6 6.3	Apr-09
NCSRP TimesSquare SMID Growth <i>TimesSquare Custom SMID Growth Index</i>	248,935,131	1.5	11.8 12.3	12.5 15.5	7.4 10.9	21.3 24.5	21.3 24.5	6.8 6.3	Jul-11
International Passive <i>MSCI AC World ex USA</i>	72,748,431	0.4	10.9 11.4	6.7 7.3	8.2 8.3	27.6 27.8	27.6 27.8	5.0 5.1	Apr-09
NCSRP BlackRock ACWI ex US Fund <i>MSCI AC World ex USA</i>	72,748,431	0.4	11.0 11.4	6.8 7.3	8.3 8.3	27.7 27.8	27.7 27.8	5.1 5.1	Apr-09
International Equity <i>MSCI AC World ex USA</i>	733,323,063	4.5	11.8 11.4	8.1 7.3	9.4 8.3	28.9 27.8	28.9 27.8	5.4 5.1	Apr-09
NCSRP Baillie Gifford ACWI ex US Growth <i>MSCI AC World ex USA</i> <i>MSCI AC World ex USA Growth</i>	367,793,877	2.3	14.3 11.4 11.8	9.9 7.3 8.4	12.2 8.3 9.7	35.4 27.8 32.5	35.4 27.8 32.5	6.1 5.1 5.8	Apr-09
NCSRP Mondrian ACWI ex US Value <i>MSCI AC World ex USA</i> <i>MSCI AC World ex USA Value</i>	365,529,187	2.2	9.8 11.4 10.9	6.9 7.3 6.2	7.0 8.3 6.9	22.8 27.8 23.3	22.8 27.8 23.3	4.7 5.1 4.3	Apr-09

Total Fund Performance Measurement - Net of Fees

Run Date: February 2, 2018

As of December 31, 2017

	Market Value (\$)	%	Ending December 31, 2017						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
Global Equity	1,054,777,893	6.5	14.4	13.1	10.0	25.4	25.4	5.7	Apr-09
MSCI AC World Index			14.2	11.4	9.9	24.6	24.6	5.8	
NCSRP Wellington Global Opportunities	526,049,361	3.2	12.6	13.3	9.8	24.8	24.8	5.3	Aug-10
MSCI AC World Index			10.9	11.4	9.9	24.6	24.6	5.8	
NCSRP Arrowstreet Global Equity ACWI	528,728,532	3.2	11.8	13.3	10.3	26.2	26.2	6.2	Apr-12
MSCI AC World Index			10.6	11.4	9.9	24.6	24.6	5.8	
Inflation Responsive Fund	487,337,039	3.0	2.4	-	3.8	8.6	8.6	3.0	Oct-13
PIMCO Inflation Response Index			0.3	-1.2	1.3	5.1	5.1	2.2	
NCSRP PIMCO Inflation Response Multi-Asset	487,337,039	3.0	2.6	-	4.0	8.7	8.7	3.0	Oct-13
PIMCO Inflation Response Index			0.3	-1.2	1.3	5.1	5.1	2.2	
CPI - All Urban Consumers (Unadjusted)			1.2	1.4	1.6	2.1	2.1	-0.1	
Fixed Income Passive Fund	512,171,704	3.1	2.8	2.0	2.2	3.5	3.5	0.4	Oct-10
Blmbg. Barc. U.S. Aggregate			2.9	2.1	2.2	3.5	3.5	0.4	
NCSRP BlackRock Debt Index Fund	512,171,704	3.1	2.9	2.1	2.3	3.6	3.6	0.4	Oct-10
Blmbg. Barc. U.S. Aggregate			2.9	2.1	2.2	3.5	3.5	0.4	
Fixed Income Fund	736,100,858	4.5	4.9	2.7	3.2	5.0	5.0	0.8	Apr-09
Blmbg. Barc. U.S. Aggregate			4.0	2.1	2.2	3.5	3.5	0.4	
NCSRP TCW Core Plus	367,667,957	2.3	3.4	-	-	3.4	3.4	0.4	Jan-17
Blmbg. Barc. U.S. Aggregate			3.5	2.1	2.2	3.5	3.5	0.4	
NCSRP Prudential Core Plus	368,432,901	2.3	4.1	-	4.1	6.5	6.5	1.2	Jan-15
Blmbg. Barc. U.S. Aggregate			2.2	2.1	2.2	3.5	3.5	0.4	
Stable Value Fund	2,528,540,046	15.5	2.6	1.9	1.9	2.0	2.0	0.5	Jul-09
3-Year Constant Maturity Yield			0.9	1.0	1.2	1.6	1.6	0.5	
T-BILLS + 1.5%			1.7	1.7	1.9	2.4	2.4	0.7	

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Macquarie Large Cap Value Focus	A	The core philosophy underlying the strategy is that the market can inefficiently price securities and that these inefficiencies can be exploited. The team utilizes a concentrated, bottom-up, fundamental approach to manage the strategy, seeking companies that are trading at a discount to their estimated intrinsic values (in the form of earnings power and net assets) with the belief that mean reversion and lower volatility can lead these companies back to fair value.	The team utilizes the S&P 500 Index for portfolio construction purposes, so while the strategy is concentrated, it tends to be diversified across all sectors. The strategy should outperform its peers and the benchmark when investors focus on company fundamentals and lag in speculative markets that favor lower quality names. In addition, it is suitable for assignments requiring a best-ideas approach and a traditional to relative value orientation.
Earnest SMID Cap Value	B+	Earnest employs a disciplined investment philosophy that is rooted in the premise that stock price returns follow identifiable patterns. Its approach seeks to identify what factors drive each stock's returns by focusing on industry clusters. Given the typical characteristics of the firm's portfolios, such as lower P/E's than the market, EARNEST Partners is typically categorized as a value manager. It is important to point out that the firm does not subscribe to a deep value dogma, but rather ends up with a value based portfolio as an outgrowth of the process.	The strategy will tend to fall between value and core over time (relative value). The portfolio is likely to benefit when growth investing is in favor compared to a value oriented benchmark. Given that the process seeks companies with relatively strong profitability measures and higher quality characteristics, the strategy may lag in market environments that reward lower quality companies.
Galliard Stable Value	A	Galliard seeks income generation with the goal of actively managing risk while emphasizing downside risk protection and low tracking error. Galliard believes the role of fixed income is to control risk and deliver a competitive total return over a longer time horizon. Value added is primarily derived from sector emphasis and individual security selection utilizing a fundamental valuation process. Galliard focuses on an above average yield, not positioning the portfolio based on anticipated interest rate movements. Galliard also avoids sector rotation, leverage, non-dollar positions, derivatives, convexity risk and excessive credit risks. Galliard avoids both market timing and being the prognosticator of interest rate direction because of the inherent risk; as such, the firm will make only modest variations from the benchmark in duration segments across the curve. The investment philosophy seeks to add value through strategic diversification of spread sectors, bottom-up value driven fundamental research, broad issuer/issue diversification and client customization to meet unique liquidity needs.	
Hotchkis and Wiley Large Cap Fundamental Value	A (T)	HWCM takes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies. The firm focuses on stocks where its estimate of the intrinsic value of future cash flows exceeds the market price.	The Large Cap Fundamental Value strategy has a deep value bias and should be expected to trail relative and traditional value managers when markets pull back or in "risk off" environments when investors are particularly risk averse. In addition, because of this bias, returns may not track the relevant index closely and may exhibit stretches of volatility.

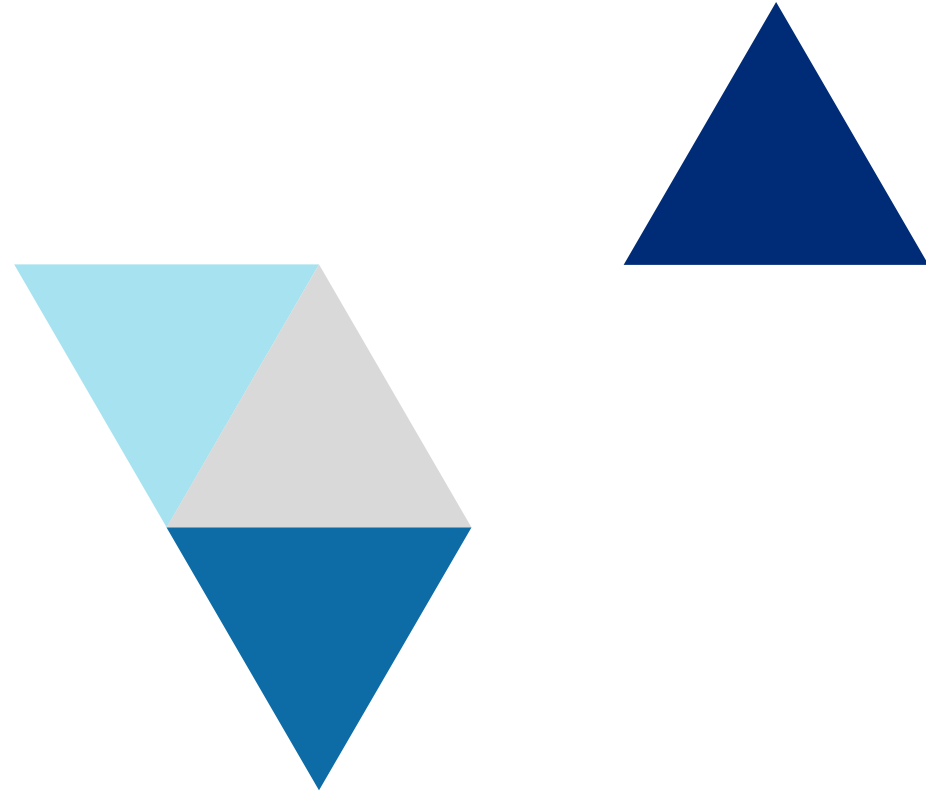
Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Hotchkis and Wiley Mid-Cap Value	B+ (T)	HWCM takes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies. The firm focuses on stocks where its estimate of the intrinsic value of future cash flows exceeds the market price.	HWCM's strategies have a deeper value bias and should be expected to trail more traditional value managers when markets pull back or when investors are particularly risk averse. In addition, because of this bias, returns may not track the relevant index closely and may exhibit stretches of volatility.
TCW Core Plus Fixed Income	A	TCW employs a value-oriented approach to fixed income management. Through its bottom-up process, the fixed income team identifies inefficiently priced securities. Yield curve management, with an emphasis on evaluating relative risk/reward relationships along the yield curve, is another important element of the firm's approach.	The firm fuses macro themes, bottom-up fundamental research, and robust quantitative analysis into a single well-integrated investment process. TCW has consistently improved its proprietary risk management systems and trading analytic tools to meet the demands of the market.
Loomis Large Cap Growth	B+ (T)	The Large Cap Growth team believes successful growth investing is the result of identifying a limited number of high quality companies capable of sustaining above average, long-term cash flow growth and purchasing them at discounted prices to their intrinsic value. The result is a concentrated, low-turnover portfolio of the team's highest conviction ideas.	Due to the strategy's loose portfolio construction guidelines, name concentration, and long-term investment horizon, clients should expect short-term performance fluctuations in both absolute terms and relative to the Russell 1000 Growth Index. Given the team's focus on financially strong companies and emphasis on valuation and downside risk, the strategy usually performs better in flat to down markets, and may lag when investor appetite for risk is high. Although the inception date of the strategy under Hamzaogullari's team and process at Loomis is July 1, 2010, he was able to take with him the composite track record which dates back to mid-2006 from Evergreen. However, the track record for the mutual fund (the Natixis Loomis Sayles Growth Fund) includes performance of a different team and process prior to July 1, 2010.

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Mondrian Focused All Countries World Ex-US Equity	B+	Mondrian is a long-term, value-oriented manager. Mondrian aims to add value through both top-down country allocation and bottom-up stock selection decisions. Over the long term, the manager expects stock selection to account for most of the excess return relative to the index. Mondrian favours countries, and securities within countries, offering the most attractive forecast real returns. These estimates are based on long-term forecasts of dividend payments discounted to present value (i.e. a dividend discount model approach).	The strategy is expected to display persistent factor bias to value and low volatility. A bias towards high dividend yielding stocks is expected to be a persistent feature of this strategy. The strategy will tend to outperform during periods of falling markets, although performance during rising markets is generally mixed. Absolute volatility is expected to be lower than that of the market.
PIMCO Inflation Response Multi-Asset	B+	IRMAF is designed to hedge global inflation risks while targeting enhanced return opportunities that inflation dynamics may present. The fund provides diversified exposure to a broad opportunity set of inflation factors or assets that will likely respond to different types of inflation including Treasury Inflation-Protected Securities (TIPS), commodities, emerging market (EM) currencies, real estate investment trusts (REITs), gold and tactical use of floating rate securities. Tail-risk hedging strategies are also utilized to limit the impact of periodic market stresses that may affect inflation-related assets.	While the strategy seeks a return in excess of inflation, investors should be aware that CPI is not an investable benchmark and PIMCO does not seek to track it. As such, the shorter-term performance of the strategy will likely be driven by factors other than realized inflation or changes in market inflation expectations. Still, the objective of the strategy is to formulate macroeconomic views regarding potential inflation and then seek exposure to asset classes and investments that should benefit from/protect against inflation and that perform relatively well during periods of rising inflation. While the portfolio is diversified, volatility and downside risk could be higher than expected as many of the underlying asset classes have exposure to common risk factors.
Prudential Core Plus Fixed Income	A	Prudential's Core Plus fixed income strategy is designed to generate excess return from fairly equal increments of both sector allocation and subsector/security selection, and from duration and yield curve on a secondary basis. The active philosophy blends top down and bottom up research to drive sector allocation and issue selection. Duration and yield curve positioning is generally de-emphasized but will be considered when market opportunities dictate. The Core Plus strategy will allocate to non-benchmark sectors, including non-agency mortgage, high yield, and emerging markets.	
Sands Select Growth Equity	A (T)	Sands is a bottom-up, quality growth manager. The firm builds concentrated portfolios of leading companies, which are broadly diversified across a number of business lines. Sands follows a buy and hold philosophy with low turnover. The long-term investment horizon allows the companies in the portfolio to realize long-term business opportunities that lead to shareholder wealth creation.	The strategy is expected to have a persistent factor bias to size. Given the strategy's loose constraints and concentrated nature, tracking error can be high at times. Short-term deviations relative to the benchmark can be quite significant and clients invested with Sands should be willing to take a long-term perspective. The strategy is best classified as aggressive growth.

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
TimesSquare SMID Cap Growth	A	TSCM believes that their detailed approach and proprietary fundamental growth equity research skills, which place a particular emphasis on the assessment of management quality (and alignment with shareholders) and a comprehensive understanding of superior business models, enable their team to build a diversified portfolio that will generate superior risk adjusted returns over the long run.	TSCM Mid Cap Growth and SMID Cap Growth each display a persistent bias to profitability relative to a core benchmark and are thus best classified as traditional growth sub-style exposures. Although the portfolios are sufficiently diversified on a holdings-count basis, relative sector exposures at times can be meaningful (however, not meaningful enough to warrant tracking error designations as there are upper relative limits for the strategies versus the larger index sector weights). Given the team's traditional growth sub-style and their valuation discipline, strategy performance may lag in more speculative, momentum driven markets.
WEDGE Small/Mid Cap Value	B+	The firm's philosophy is based on the premise that value investing produces superior investment returns over time and that quantitative analysis can increase the probability of investment success. Through fundamental and quantitative processes, the team seeks stocks that meet its value and quality criteria.	Given the strategy's focus on higher quality companies and tendency to overweight lower beta names; it may struggle in market environments that reward lower quality and higher beta stocks. Nonetheless, WEDGE has experienced few periods of significant underperformance and generally helps protect capital in difficult market environments.
Wellington Global Opportunities (Choumenkovitch)	B+	Wellington believes mispriced returns on capital drive stock prices either because the market underestimates improvements in returns or underestimates the sustainability of returns. To that end, the team applies a bottom-up, fundamental process to find companies where opportunities to improve returns are misunderstood by the market place. The strategy does not have a consistent style bias and holdings typically include growth and value ideas; hence, the strategy is most appropriately classified a core approach. The strategy is broadly diversified and benchmark sensitive. The strategy typically exhibits an active share of 80% or higher.	Over the long term, the portfolio should be close to neutral relative to the benchmark in terms of country allocation, industry and capitalization range. The approach performs best in broadly-trending markets, but suffers at market extremes such as a flight-to-quality or strong momentum markets. It will also underperform when mega cap stocks are leading the markets.

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Arrowstreet Global Equity - ACWI	A	Arrowstreet applies a quantitative process to exploit both behavioral and informational opportunities. Behavioral opportunities are created by the mistakes made by investors, including the tendency for investors to overreact, to herd, and to avoid regret. Informational opportunities stem from investors not fully exploiting information that is relevant to prices on a timely basis. Arrowstreet views this process as a core approach. We note that Arrowstreet's process often displays value characteristics although its performance does not behave in line with the value cycle.	This benchmark-sensitive, quantitative approach typically exhibits a value tilt. It is not labeled "value" since returns do not behave in line with value indices. The strategy is expected to do well in trending markets (including growth markets) but to have greater difficulty managing through rapid inflection points. Several of the firm's strategies are available as Dublin-based pooled funds. The strategy does not follow a model portfolio, which may lead to some dispersion between similar client mandates.
Baillie Gifford	A	The investment approach is bottom-up, based on fundamental research, with a focus on identifying quality, growth stocks that have an identifiable competitive advantage. Portfolios will consist of stocks that can sustain above average growth in earnings and cash flow. The time horizon is genuinely long-term with low turnover.	The strategy is expected to display persistent factor bias to profitability. The bias towards growth and quality stocks may make it more difficult for this strategy to outperform during periods when these market characteristics are out of favour.
BlackRock Indices	A	Through its predecessor firm BGI, BlackRock utilizes a three-pronged philosophy across all of its index strategies. The investment philosophy of passive products at BlackRock is to replicate the index returns while minimizing transaction costs and tracking error of the product.	
Brown Small-Cap Growth Equity	B+	Brown seeks to achieve superior risk-adjusted returns through a concentrated portfolio of diversified, small-capitalization equity securities. With this in mind, Brown looks to invest in companies with durable growth, sound governance, and a scalable go-to-market strategy.	The strategy is not expected to display a persistent factor bias relative to a core benchmark. It is managed in a GARP fashion and will consistently skew larger than its Russell 2000 Growth benchmark in terms of weighted average market cap; as such, it may underperform when the smallest cap stocks are in favor. Similarly, it has tended to perform better in up-market environments owing to its growth orientation and focus on the strength and durability of a business's long-term cash flow potential. An important attribute toward the strategy's long-term relative success has been its stock selection decisions within the Technology sector.

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