



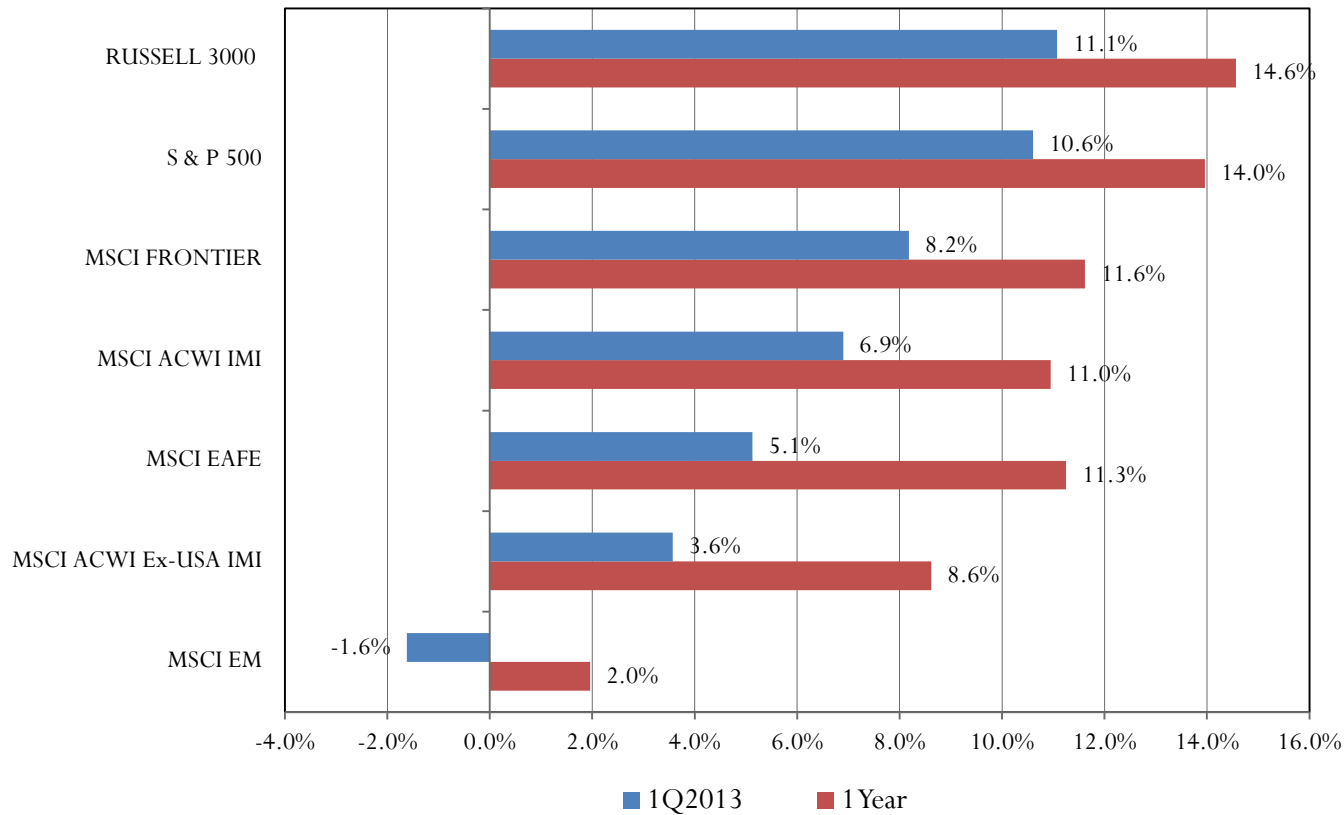
Public Equity Portfolio Overview

May 29, 2013

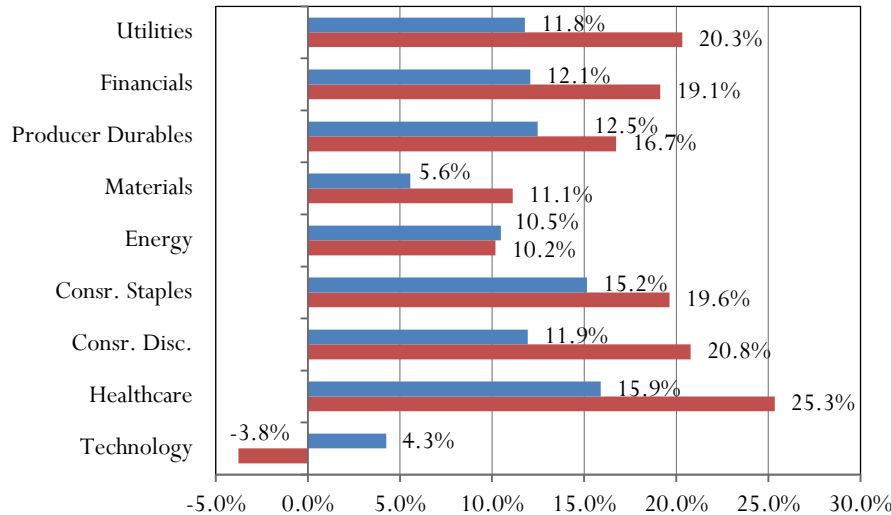
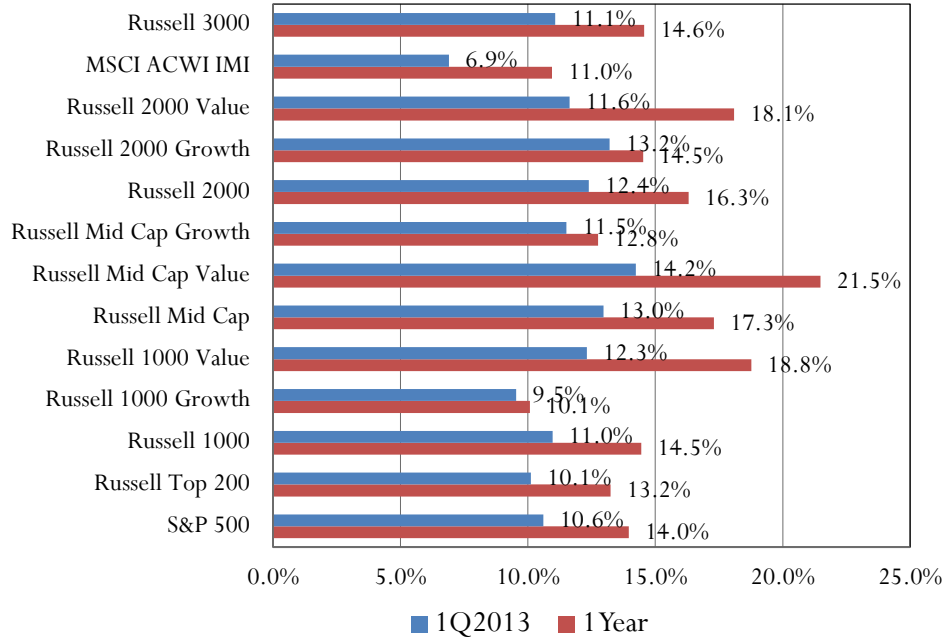
Agenda

- Equity Markets Overview
- Portfolio Profile
- Portfolio Structure
- Activities/Accomplishments
- Global Equity Initiatives
- Hedged Equity Portfolio

General Market Performance Review

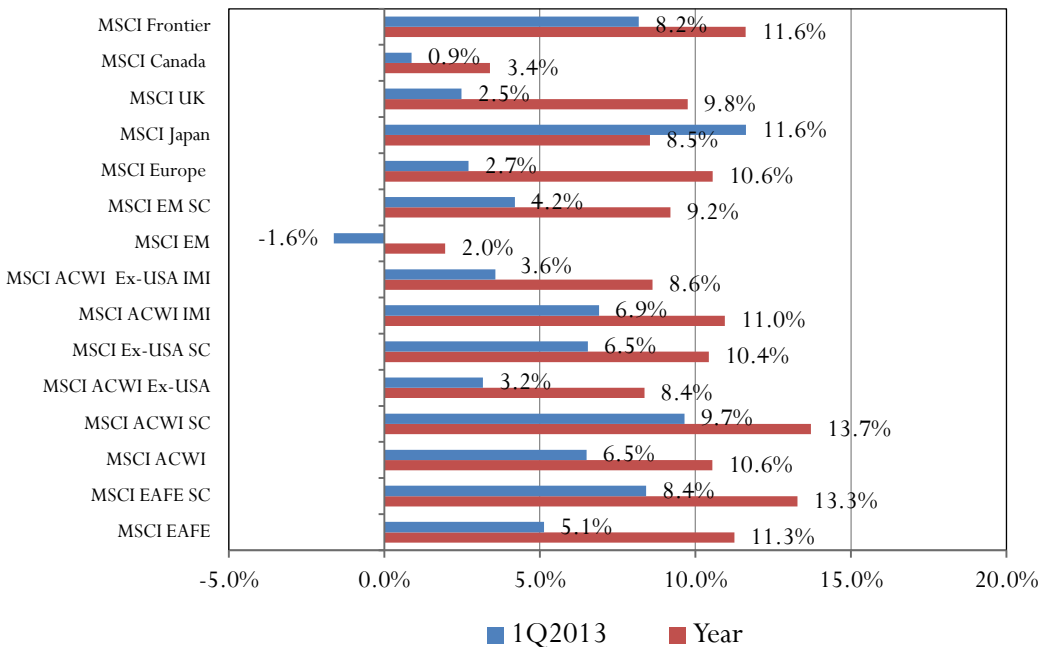


US Equity Market Performance Review

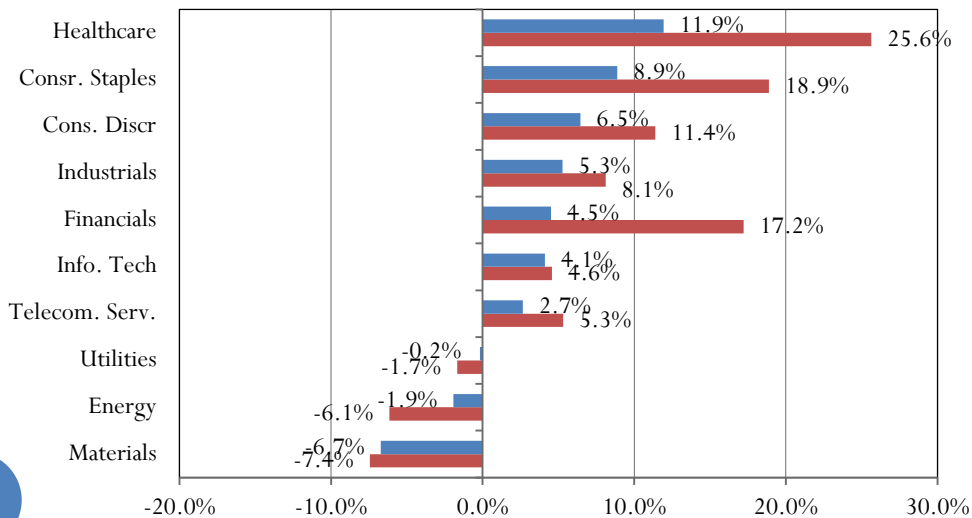


- US stocks shrugged off European debt worries and posted the best returns regionally for the quarter and 1 year.
- Markets reached new highs.
- Strong housing related rebound in retail sales, quantitative easing, and improved employment were contributors to market performance.
- Large cap stocks lagged small and mid cap stocks.
- Value stocks outperformed growth stocks.
- Defensive sectors such as health care, consumer staples, and utilities outperformed the broader market.
- Technology sector generated the weakest returns in part due to Apple's weakness and large benchmark weight.

International Equities Performance Review



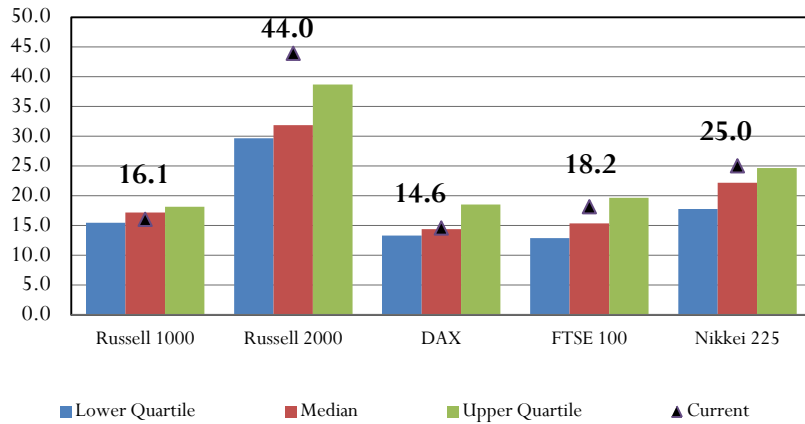
- Mixed returns amongst international markets.
- Cyprus banking crisis and poor economic data suppressed returns in the European regions.
- Emerging markets equities were the weakest due to slower growth rates in some regions, concerns of increased regulation in China, pressures of inflation in Brazil, and lower commodities prices.
- Japanese stocks' strong performance was driven by Bank of Japan policies to hit 2% inflation rate.
- International small cap stocks outperformed international developed large cap stocks.
- Health care, financials, and consumer staples performed strongly during the year. Energy, utilities, and materials sectors were the laggards.



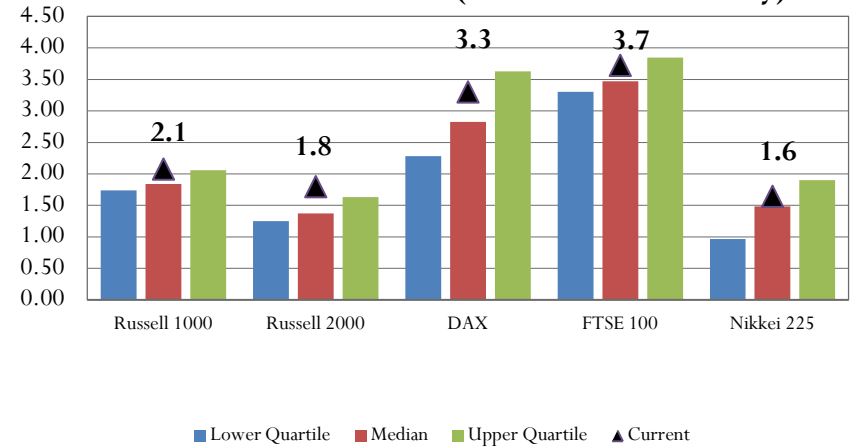
Source: MSCI ACWI Ex-USA IMI GICS Sector

Equity Markets Valuation Review

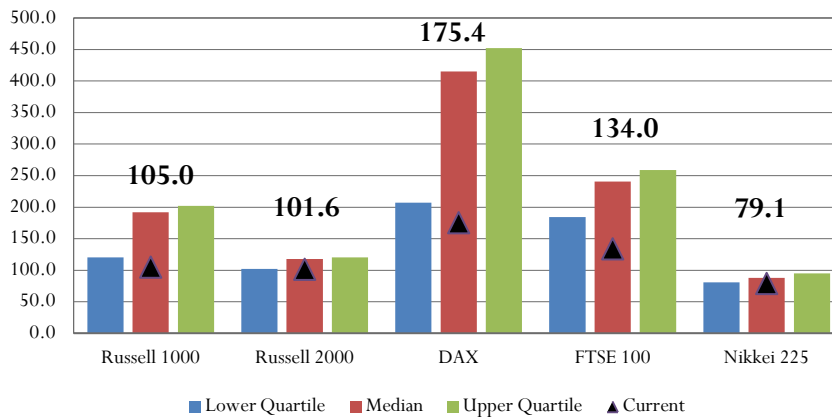
PE Ratio (Current vs. 10 Yr History)



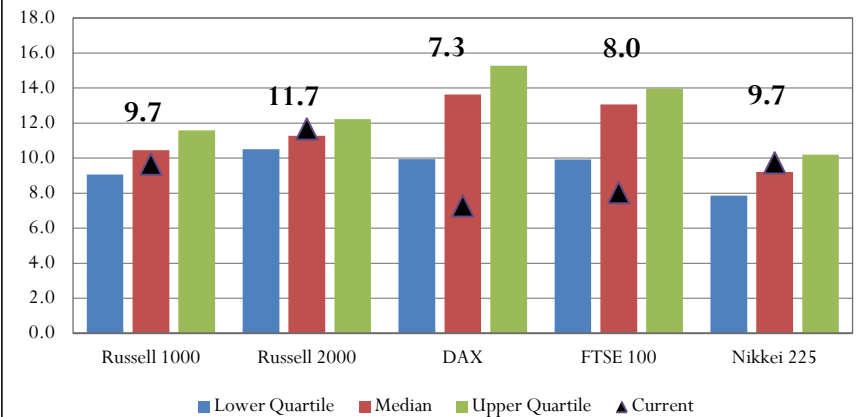
Dividend Yield (Current vs. 10 Yr History)



Debt / Equity (Current vs. 10 Yr History)

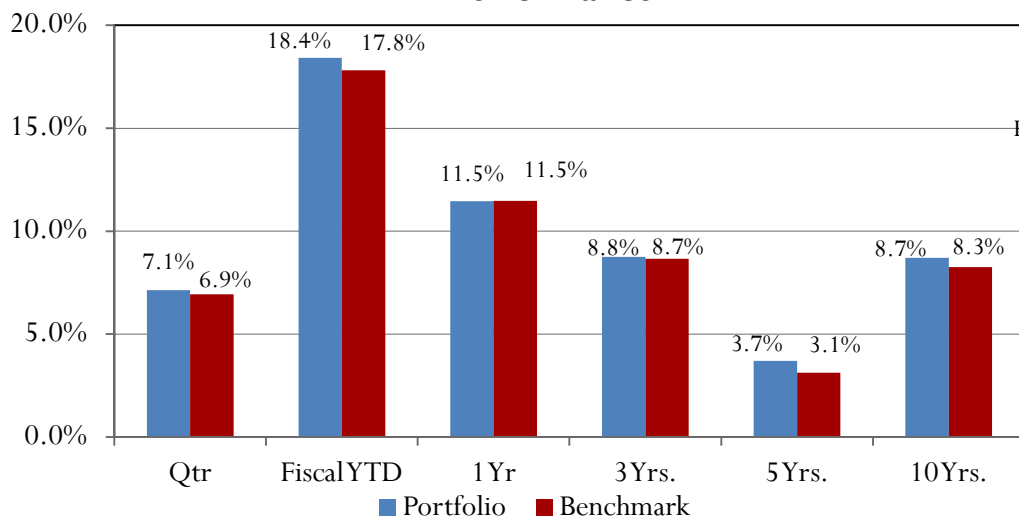


EV / EBITDA (Current vs. 10 Yr History)

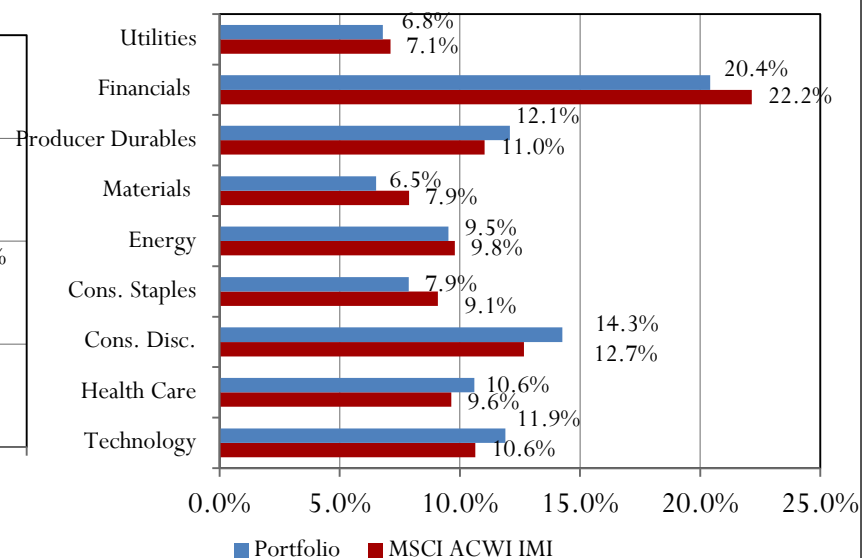


Total Equity Profile – March 31, 2013

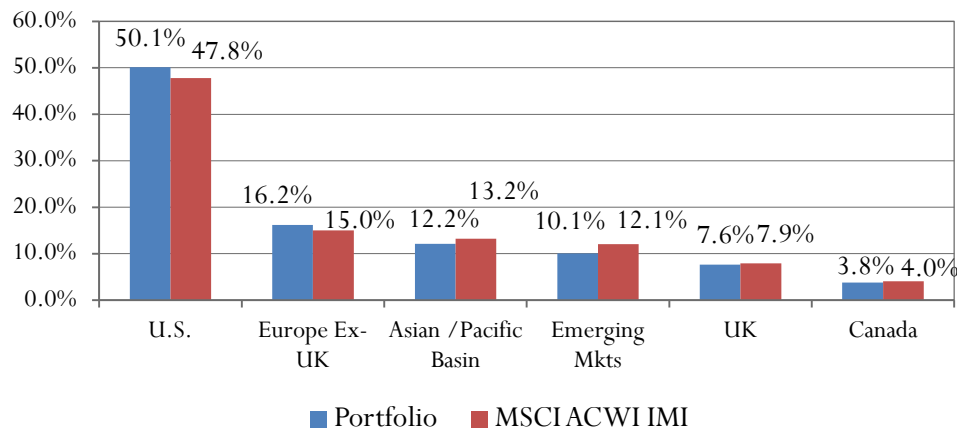
Performance



Sector Allocation



Regional Allocation

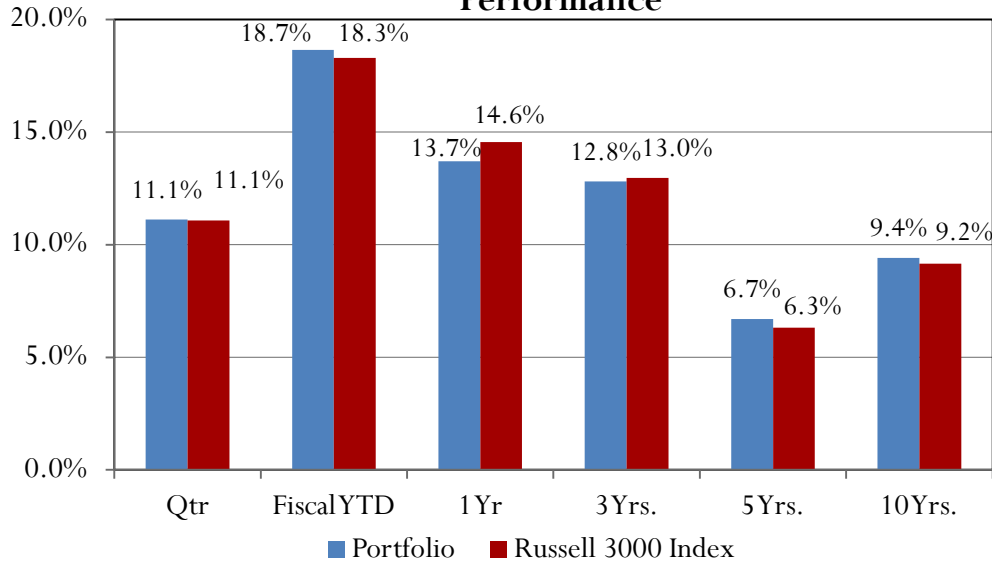


Portfolio Characteristics

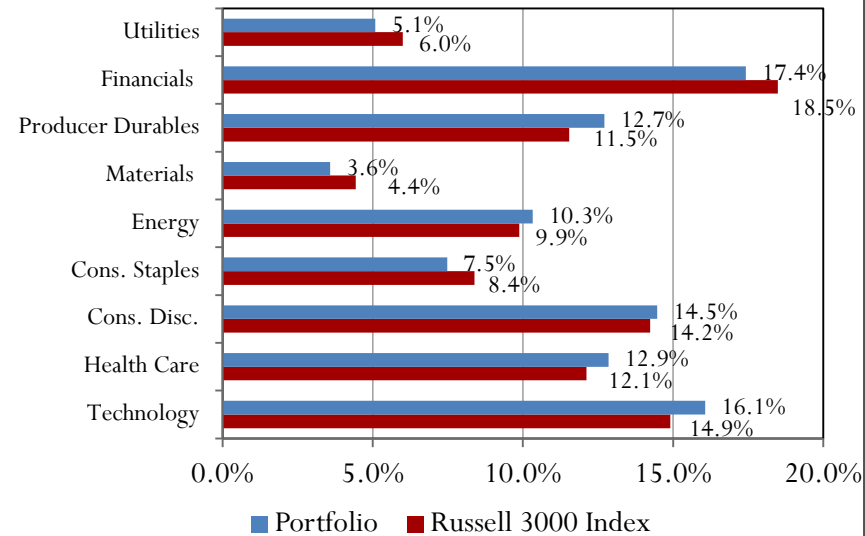
| | Portfolio | MSCI ACWI IMI |
|---------------------------------|-----------|---------------|
| Price/Earnings | 17.3 | 17.2 |
| Dividend Yield (%) | 2.41 | 2.56 |
| Price/Book | 1.88 | 1.87 |
| Debt/Equity | 0.82 | 0.86 |
| Market Cap (\$ Weighted Median) | 27,937 | 30,157 |
| Return on Equity – 1 Year | 15.4 | 15.7 |

U.S. Equity Portfolio Profile – March 31, 2013

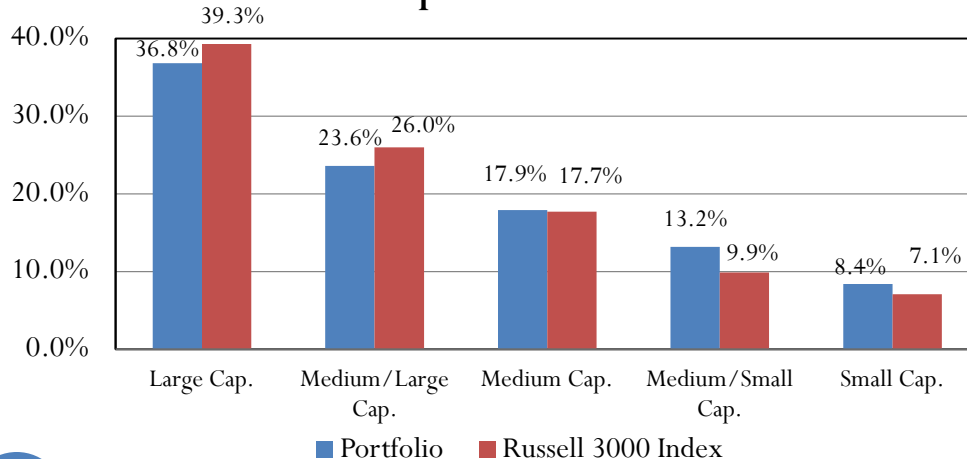
Performance



Sector Allocation



Market Capitalization Allocation



Portfolio Characteristics

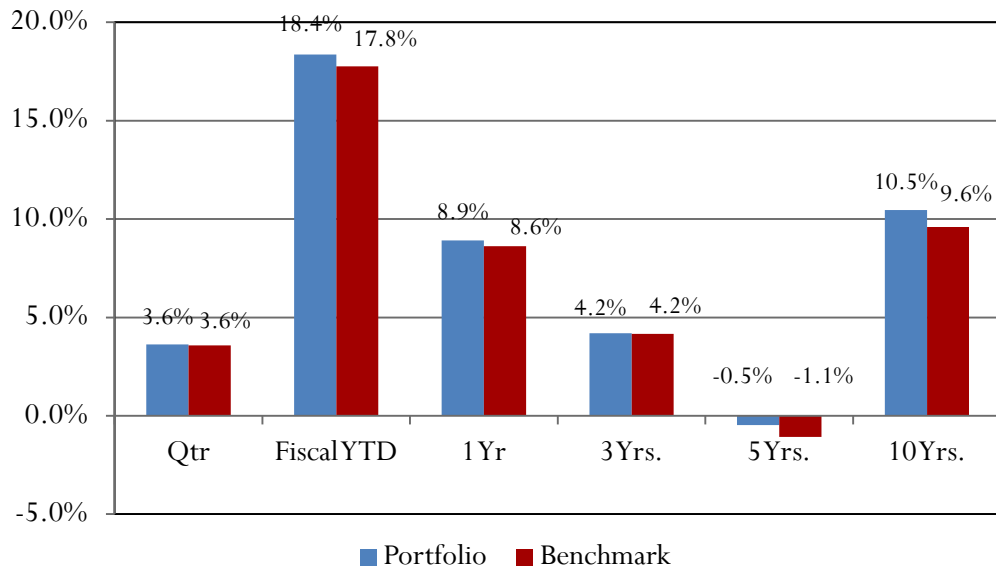
| | Portfolio | Russell 3000 Index |
|---------------------------------|-----------|--------------------|
| Price/Earnings | 18.1 | 18.0 |
| Dividend Yield (%) | 1.82 | 2.00 |
| Price/Book | 2.29 | 2.33 |
| Debt/Equity | 1.12 | 1.20 |
| Market Cap (\$ Weighted Median) | 34,254 | 40,378 |
| Return on Equity – 1 Year | 16.2 | 17.1 |

Source: BNY Mellon.

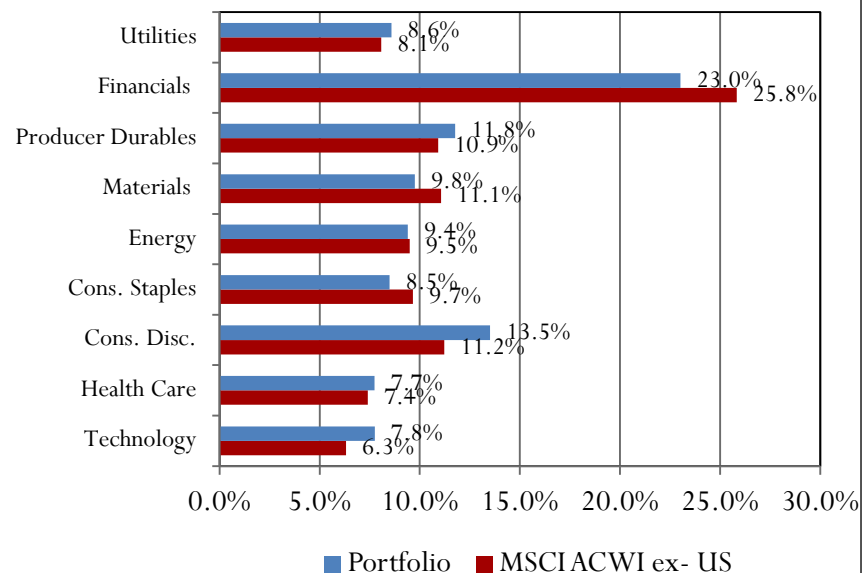
Note: Market Capitalization, sector allocation and portfolio characteristics are calculated on Equity Ex-Cash. Sector Allocation is based on Russell Global Sectors.

Non-U.S. Equity Profile – March 31, 2013

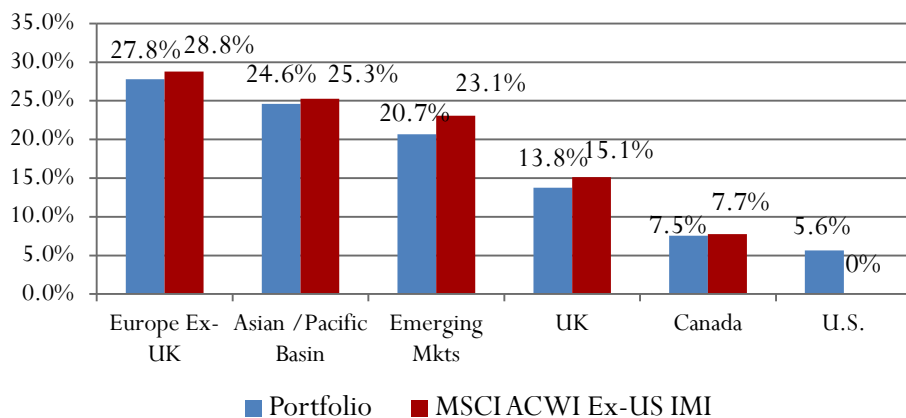
Performance



Sector Allocation



Regional Allocation

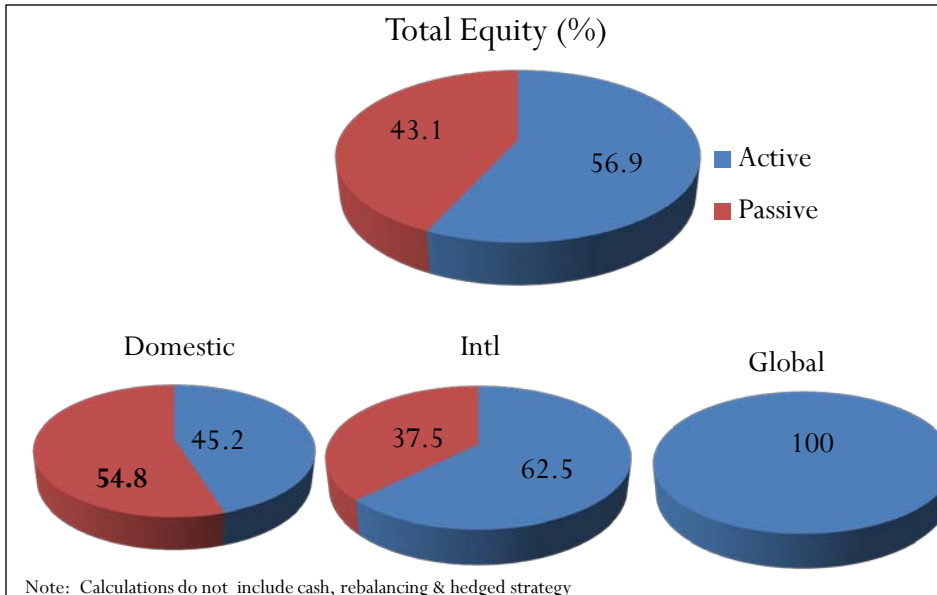


Portfolio Characteristics

| | Portfolio | MSCI ACWI Ex-US IMI |
|---------------------------------|-----------|---------------------|
| Price/Earnings | 16.80 | 16.50 |
| Dividend Yield (%) | 2.92 | 3.06 |
| Price/Book | 1.62 | 1.58 |
| Debt/Equity | 0.53 | 0.54 |
| Market Cap (\$ Weighted Median) | 22,952 | 24,065 |
| Return on Equity –1 Year | 14.7 | 17.1 |

Portfolio Structure

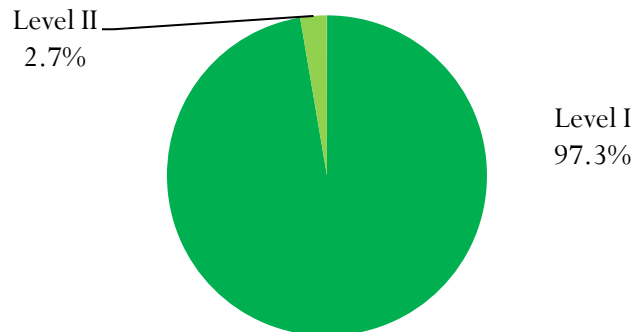
Active-Passive Allocation



of Managers in Segments

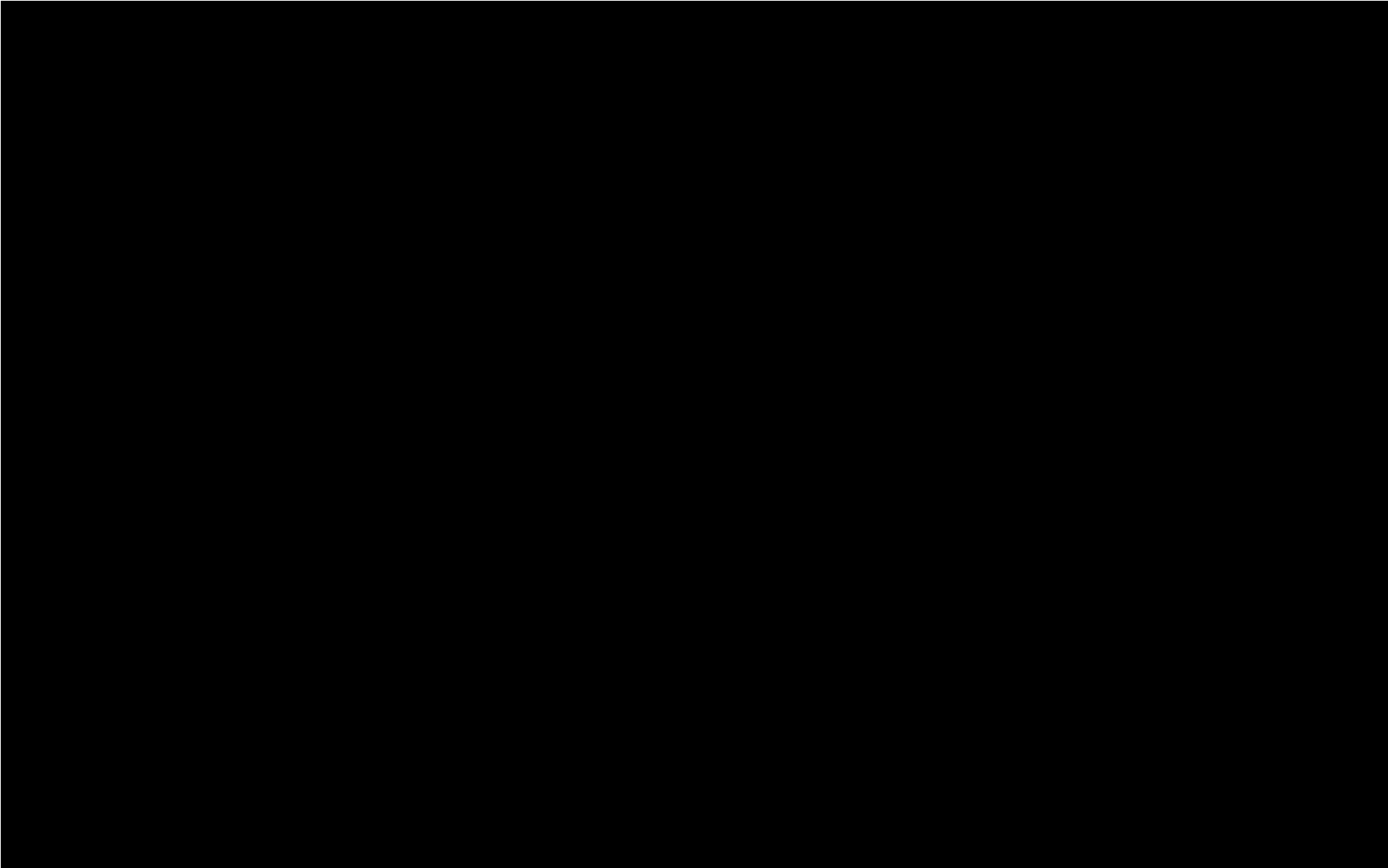
| | Domestic Equity | Foreign Equity | Global Equity |
|-------------------|-----------------|----------------|---------------|
| Passive | 3 | 1 | 0 |
| | | | |
| Active | | | |
| <i>Long</i> | 10 | 7 | 2 |
| <i>Long FoF's</i> | 1 (10) | 1 (8) | 0 |
| <i>Long-Short</i> | 1 (2) | 0 | 0 |

Liquidity of Assets



- 25 managers/46 strategies
 - 5 Historically Under-utilized Businesses (“HUB”)
 - 3 NC based firms

Portfolio Risk Profile



Portfolio Active Risk Evolution

Domestic Equity



| | September 2005 | September 2006 | September 2007 | May 2008 | July 2011 | September 2012 | February 2013* |
|-----------------------|----------------|----------------|----------------|----------|-----------|----------------|----------------|
| Selection risk | 0.59% | 0.75% | 1.13% | 1.28% | 1.54% | 1.35% | 1.40% |
| Misfit risk | 0.90% | 0.51% | 0.49% | 0.65% | 0.22% | 0.06% | 0.05% |
| Active risk | 1.08% | 0.91% | 1.23% | 1.43% | 1.56% | 1.35% | 1.40% |
| % from selection risk | 30% | 68% | 84% | 80% | 97% | 100% | 100% |

International Equity



| | September 2005 | September 2006 | September 2007 | May 2008 | July 2011 | September 2012 | February 2013* |
|-----------------------|----------------|----------------|----------------|----------|-----------|----------------|----------------|
| Selection risk | 1.87% | 1.51% | 1.07% | 0.91% | 1.52% | 1.30% | 1.40% |
| Misfit risk | 0.66% | 0.40% | 1.40% | 1.12% | 0.10% | 0.11% | 0.19% |
| Active risk | 1.98% | 1.56% | 1.76% | 1.45% | 1.52% | 1.30% | 1.38% |
| % from selection risk | 89% | 94% | 37% | 39% | 100% | 100% | 98% |

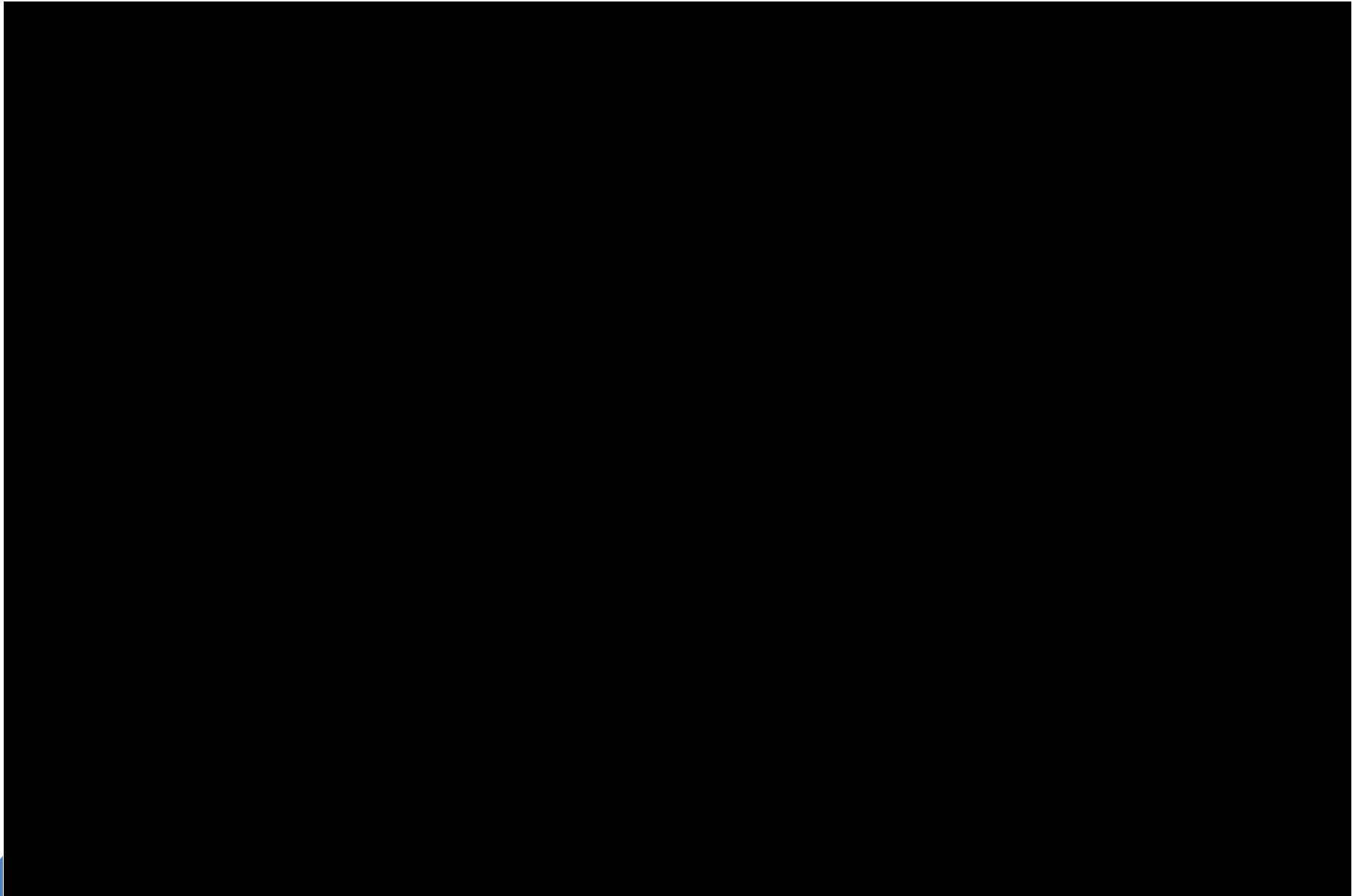
Review of FY2013 Activities

- Funded Emerging Manager Program
 - Leading Edge (Russell 1000 strategy) - \$150 million
 - FIS Group (MSCI ACWI ex-U.S. strategy) - \$150 million
- Rebalanced portfolio
 - \$1.0 billion increase in international exposure
 - \$1.8 billion benefits, Emerging Manager and passive funding
 - Included terminating an international portfolio
- SAS implementation
 - Finalized equity reports and performed user acceptance testing
- Continue to renegotiate fees with managers
- Searches: emerging markets, global and international
- Updated portfolio structure review with BlackRock
- Hedged equity discussions with fund of funds providers

Global Equity – FY2014 Work Plan and Initiatives

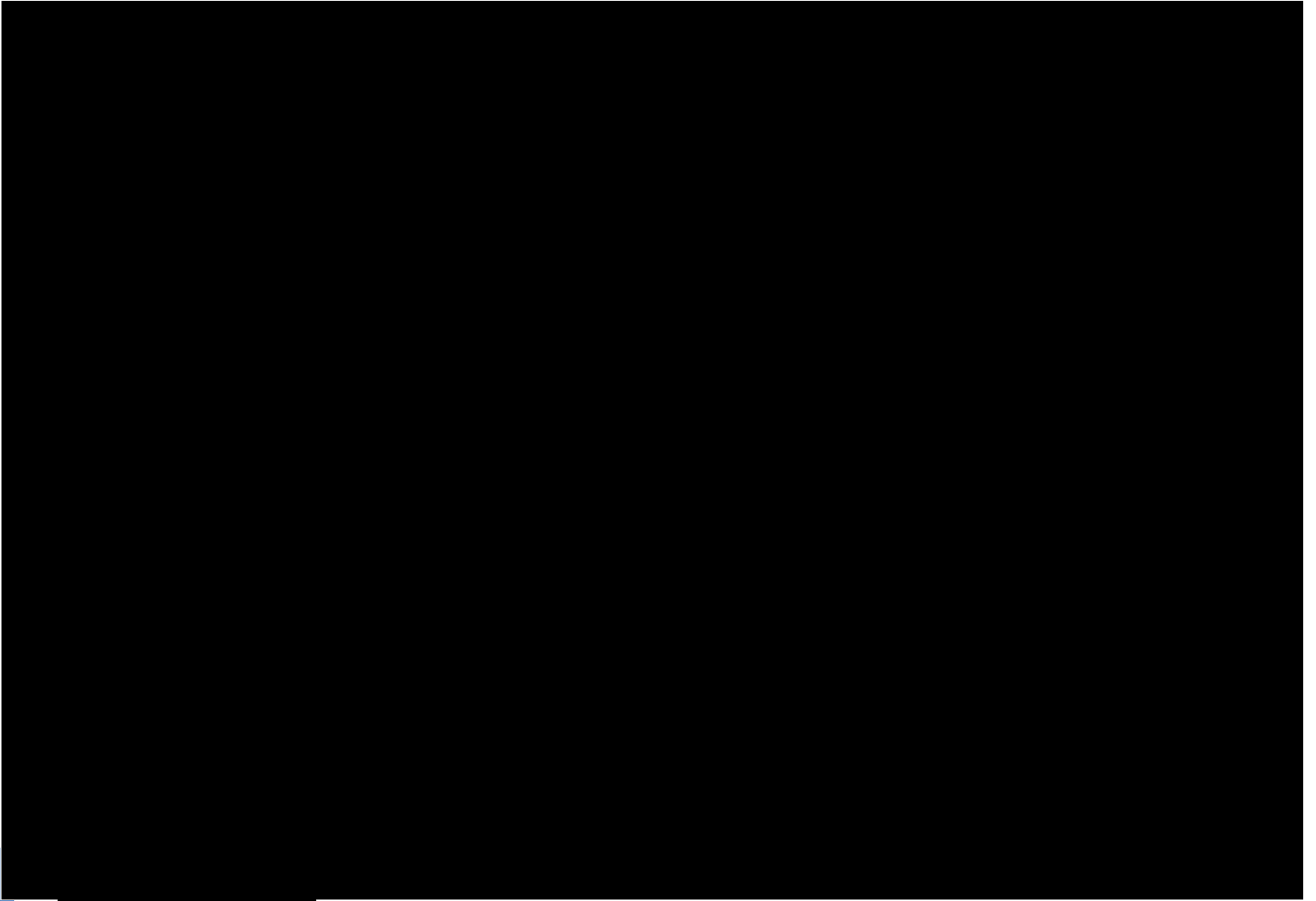
- Consolidate passive mandates
 - Leverage economies of scale
 - Mitigate operational risk and transition costs
 - Simplification
- Emphasize high conviction managers
 - Address potential over-diversification
 - Simplification
 - Evaluate Non-US, Global and Emerging Markets short lists currently under review
- Evaluate differentiated active strategies
 - Activists
 - Low volatility
 - Hedged equity

Historical Hedged Equity Risk/Return Profile



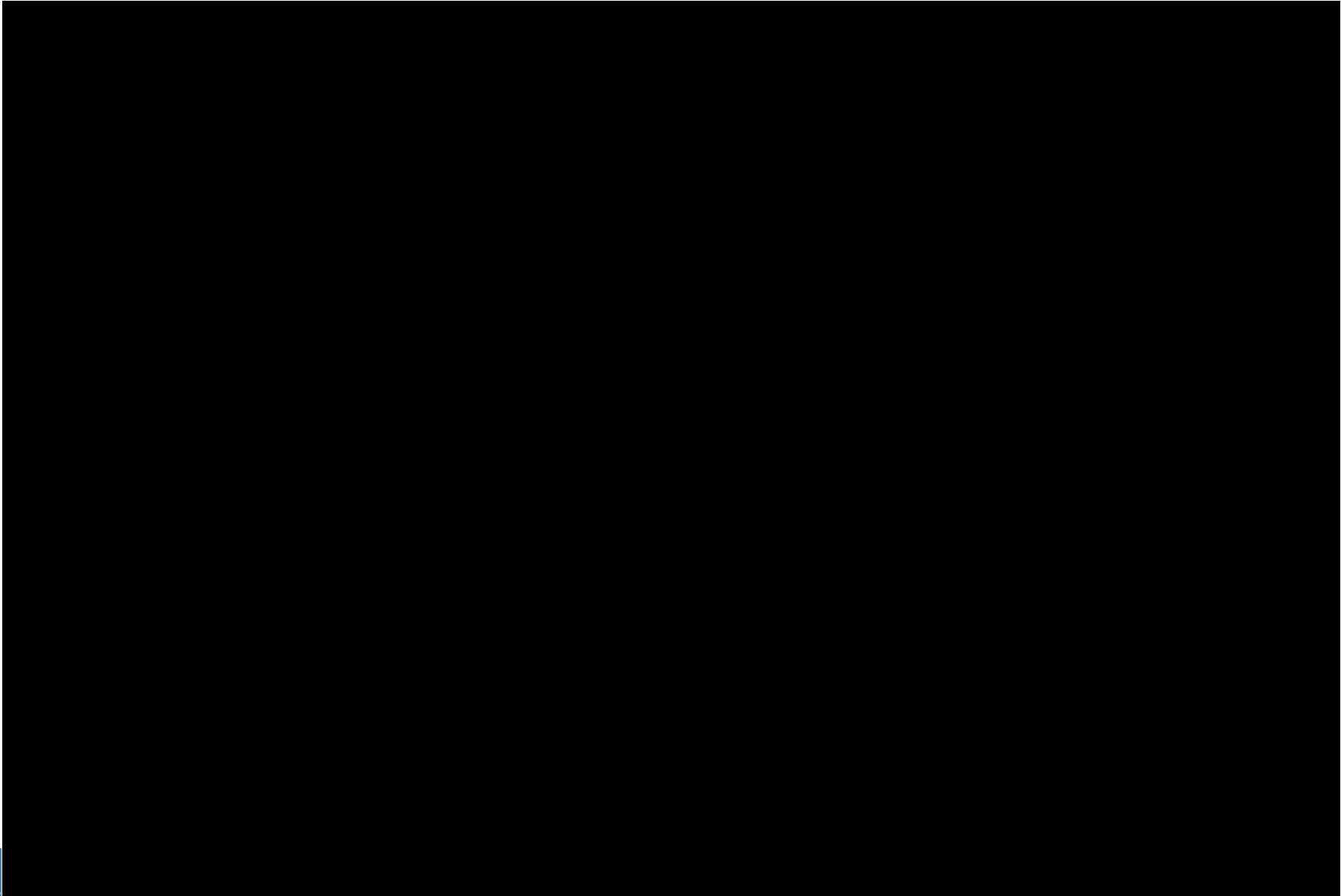
Strategic Hedged Equity Beta Target

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PROVIDED BY A VENDOR

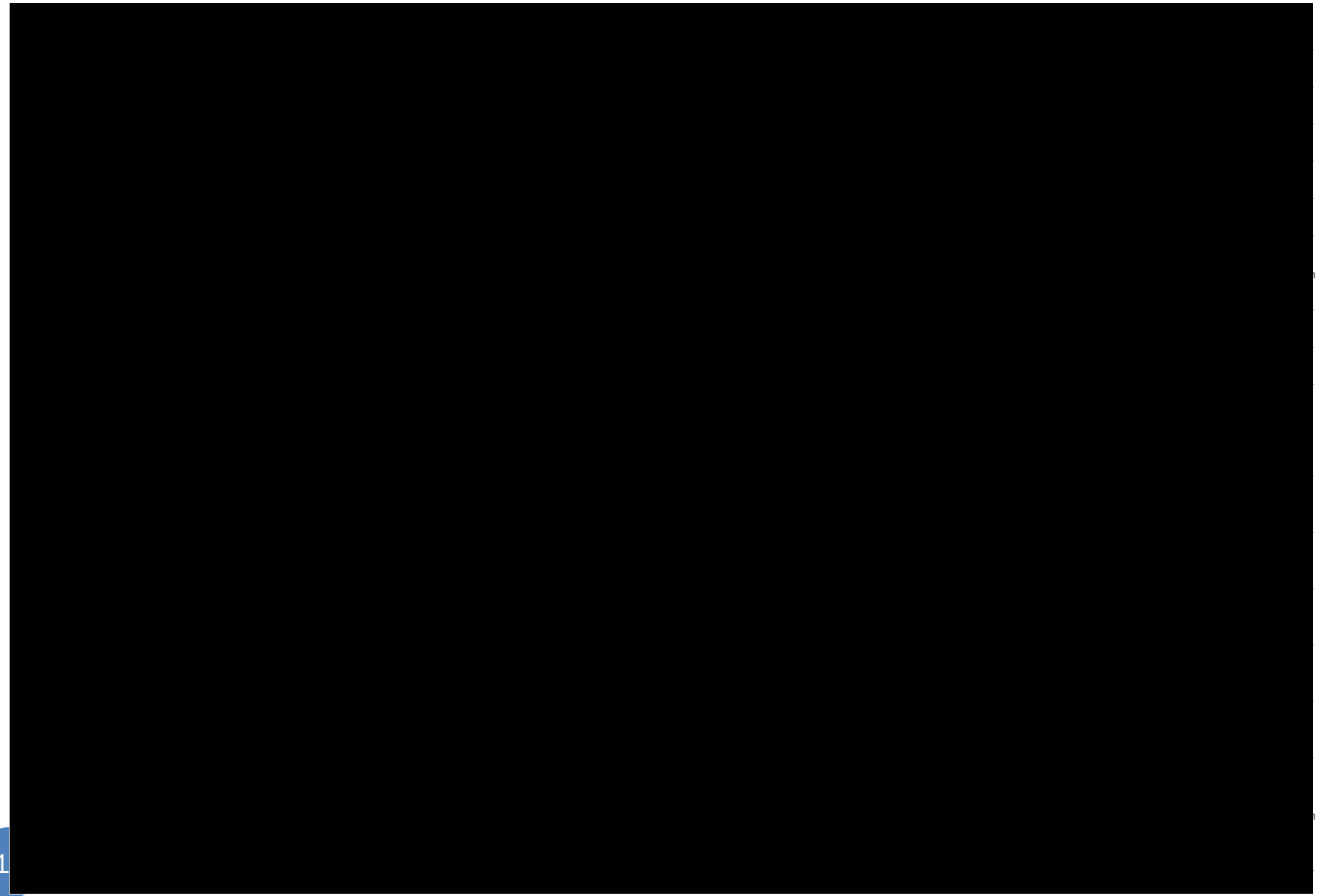


Historical Hedged Equity Risk

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Historical Hedged Equity Returns



Additional Hedged Equity Goals

- Maximize transparency
- Minimize absolute and relative correlations
- Evaluate monetizing longer investment horizon with lower fees
- Focus on creative fee structures that maximize alignment of interests
- Preference for managed account or fund of one structure

Hedge Fund Investment Structures

| | Fund of Funds | Commingled | Fund of One | Managed Account Infrastructure |
|---|---------------|------------|-------------|--------------------------------|
| Investment Considerations | | | | |
| Maximum manager universe | ✓ | ✓ | ✗ | ✗ |
| Minimum tracking error | ✓ | ✓ | ? | ✗ |
| Ability to exclude illiquid or undesired exposure | ? | ✗ | ✓ | ✓ |
| Maximum fee/term flexibility | ? | ✗ | ? | ✓ |
| Additional fees | +45-100bps | None | +20-40bps | +20-35bps |
| Risk Considerations | | | | |
| Treasurer controls assets | ✗ | ✗ | ✗ | ✓ |
| Reduces hedge fund operational risk | ? | ✗ | ✗ | ✓ |
| Not affected by actions of other LPs | ? | ✗ | ✓ | ✓ |
| Full transparency | ? | ? | ? | ✓ |
| Minimum investor operational burden | ✓ | ✓ | ✓ | ? |
| Maximum loss is invested capital | ✓ | ✓ | ✓ | ✗ |

| | |
|---|-----------|
| ✓ | Yes |
| ? | Uncertain |
| ✗ | No |

Forms of “Strategic Partnership”

| | Customized Fund of Funds | Hybrid (Class A and Class B) | Hybrid (Joint Investment Committee) | Advisory |
|------------------------------|--------------------------|------------------------------|-------------------------------------|----------|
| Fiduciary liability | Partner | Partner (A)/NCRS (B) | NCRS | NCRS |
| Discretionary portfolio | Yes | Yes (A), No (B) | No | No |
| Housed in legal entity | Yes | Yes | Yes | No |
| NCRS invests directly | No | No (A), Yes (B) | Yes | Yes |
| Benefit from partner’s scale | Yes | Yes | Yes | No |
| Source investments | Partner | Partner (A)/Both (B) | Both | Both |
| Portfolio management | Partner | Partner (A)/Both (B) | Both | NCRS |
| Manage liquidations | Partner | Partner | Partner | NCRS |
| Investment/ODD monitoring | ✓ | ✓ | ✓ | ✓ |
| Operational support | ✓ | ✓ | ✓ | ✓ |
| Legal support | ✓ | ✓ | ✓ | ✓ |
| Portfolio and risk analytics | ✓ | ✓ | ✓ | ✓ |
| Reporting | ✓ | ✓ | ✓ | ✓ |
| NCRS operational burden | Low | Low | Low | High |
| NCRS legal burden | Low | Low | Low | High |
| Portability | Low | Low | High | High |
| Cost | High | Medium | Medium | Medium |



Provided by Strategic Partner

“Strategic Partner” Considerations

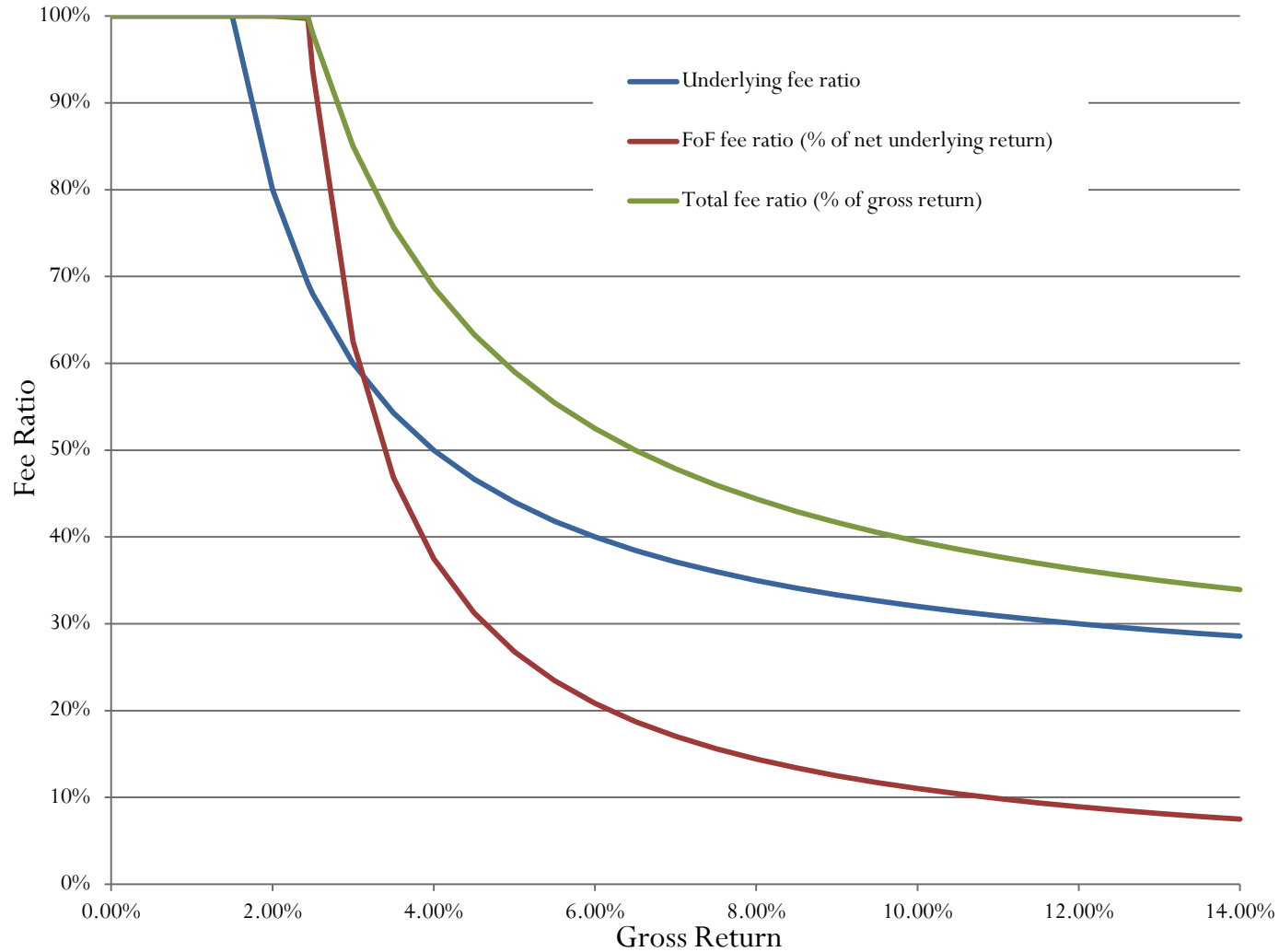
Strengths

- Potentially increased odds of selecting top quartile managers and avoiding underperforming managers
- Extension of staff resources
- Access to best practices in portfolio construction, manager selection, ongoing monitoring and operational due diligence
- Access to industry leading portfolio and risk analytics
- Experienced fiduciary
- Access to pre-negotiated fee discounts and advantageous terms for both discretionary and direct portfolios
- Strategic partner portfolio could be complementary to direct portfolio (e.g. emerging, esoteric)

Issues to Consider

- Double layer of fees
- Overlap in capabilities with Albourne
- Overlap between managers in discretionary and direct portfolios
- Importance of travel budget in achieving knowledge transfer
- Variability in expected vs. realized knowledge transfer
- Uncertain alignment of interests in customized vehicle
- Incremental burden of managing relationship on staff

Hedge Fund and Fund of Funds Fee Ratios



- Below 6% gross return, underlying fees absorb over 40% of returns and double layer fees absorb over half of returns.

Hedged Equity Discussion Topics

- Portfolio goals: Beta, risk, return, transparency, liquidity, etc.
- Pace of implementation: Managing equity market risk versus cost of implementation
- Implementation
 - Direct driven by staff and consultant
 - Strategic Partner versus Traditional Fund of Funds
 - Mix of larger/mature hedge funds versus emerging/smaller/niche managers
 - Preference for managed accounts and funds of one versus commingled