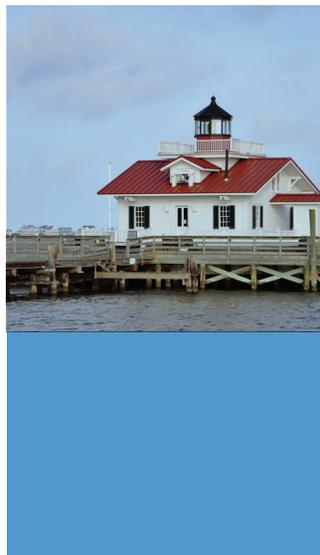
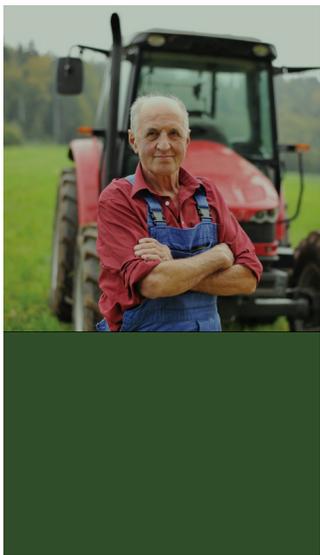
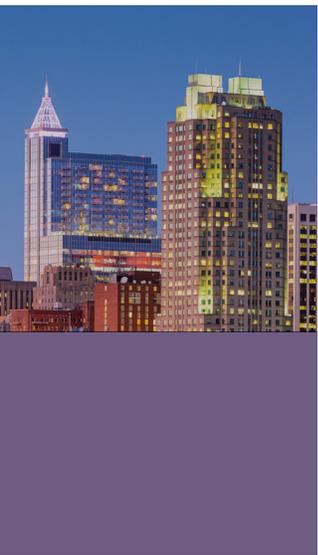




North Carolina Department of State Treasurer



THE STATE TREASURER'S
ANNUAL REPORT
TO THE PEOPLE OF NORTH CAROLINA

STATE TREASURER
JANET COWELL

FISCAL YEAR

2014-2015

DEAR FELLOW NORTH CAROLINIANS,



I take great pride in presenting the Department of State Treasurer's 2014-2015 Annual Report. This report highlights the Department divisions and their work on behalf of the people of North Carolina: Retirement Systems, State Health Plan, Unclaimed Property, State and Local Government Finance, Investment Management, and Financial Operations. It is never far from our minds that our work impacts peoples' lives.

The pension funds we manage are more than an enormous investment pool—these funds represent a secure retirement for teachers, firefighters, police officers and public employees. It's about providing a meaningful benefit to individuals who serve. This past year has demonstrated the importance of continuing to diversify our investments, and should serve us well in slow-growth or volatile environments. North Carolina's pension continues to be solid and that's good news for the families that depend on it.

North Carolina's 'AAA' bond rating signals that our state is committed to the highest standards of debt management. This is significant in keeping financing costs low as the state faces the challenge of infrastructure investment. North Carolina has maintained a conservative posture on debt and remains one of just nine states in the country with an 'AAA' bond rating from all three rating agencies.

The State Health Plan continues to pioneer new ways to improve members' health and the quality and affordability of the care they receive. A pilot program that involved a public-private partnership between the State Health Plan and four large primary care physicians is an example of new ways that may help us better achieve our goal.

Our vision is to create and maintain a healthy, prosperous, and financially sound North Carolina. Making this a reality requires transforming our vision into a series of key goals for the department. This year, the annual report brings a renewed focus to the manner in which our accomplishments fit among the goals of the strategic plan. These goals ensure that our organization remains relevant and responsive to the needs of the North Carolinians that we serve.

The external goals of that plan are: Providing Public Leadership in Finance, Fiscal and Health Policy; Enhancing Accountability of Department Services; and Innovating and Modernizing Operations. Each strategic goal is

accompanied by examples of how each division was active in the past fiscal year in achieving these goals. My staff and I continue to focus on how to innovate and modernize the functions of every aspect of what we do to better serve. We remain committed as ever to ensuring a fiscally sound and prosperous state for all who call North Carolina home.

Sincerely,
Janet Cowell
North Carolina Treasurer

A handwritten signature in black ink that reads "Janet Cowell".



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DEPARTMENT OVERVIEW



DEPARTMENT OVERVIEW

The Department of State Treasurer (Department) serves the people of North Carolina through a variety of functions related to the financial health of the state and its citizenry. State Treasurer Janet Cowell serves as the state's banker and chief investment officer, and, as such, she is responsible for more than \$100 billion in assets.

The Department administers the public employee retirement systems for more than 900,000 North Carolinians, as well as the 401(k), 457 and 403(b) plans for public employees. The Department provides fiscal assistance and expertise to local governmental units by assisting them in the sale of local government debt obligations and in maintaining good budgeting, accounting, reporting, and other fiscal procedures. The Department oversees the State Health Plan, which provides health care coverage to approximately 685,000 teachers, state employees, retirees, current and former lawmakers, state university and community college personnel, and their dependents. It also administers NC Cash, the unclaimed property database that holds approximately \$440 million. This report covers the fiscal year July 1, 2014 through June 30, 2015.

The Department of State Treasurer is made up of approximately 400 employees, and is composed of the following divisions:

Retirement Systems

State and Local Government Finance

Information Technology

State Health Plan

Financial Operations

Office of State Treasurer

Unclaimed Property

Investment Management

VISION, MISSION AND VALUES

The vision of the Department of State Treasurer is to create and maintain a fiscally sound and prosperous North Carolina. The Department works to achieve this goal by taking utmost care in overseeing the finances of the State. The Department's mission is to add value to and instill confidence in the state's citizens, customers and the financial community by providing exemplary oversight and customer service.

At the heart of the Department's work are its core values, which are implemented consistently at all levels and across all Divisions. These include:

Customer Orientation

Focus on our customers, the citizens of the state of North Carolina

Long-Term View

Maintain a big-picture perspective and strategic approach

Transparency

Structure and conduct all aspects of our work with an open and transparent policy, promoting both trust and accountability

Diversity

Recognize and value the benefits of diverse ideas, perspectives, and people

Performance-Driven

Operate with performance excellence to achieve optimum results

Integrity

Establish and maintain the highest level of integrity and ethics

DEPARTMENT OVERVIEW

STRATEGIC GOALS

The Strategic Plan provides the vision, mission, strategic goals, and performance measures for ensuring the desired results for the Department of State Treasurer. The plan is a result of the assessment, goal setting, and planning process of the Department, designed to influence future success and achieve departmental goals.

The Department has identified the following strategic goals for the Strategic plan:

Goal 1

Providing Public Leadership in Finance, Fiscal and Health Policy

Goal 2

Enhancing Accountability of Department Services

Goal 3

Innovating and Modernizing Operations

Goal 4

Maximizing Talent

This report will address Department highlights of the first three goals. The fourth goal, maximizing talent, was added to focus on staff recruiting, retention and growth, which will support the other strategic goals. This report will focus on the external-facing divisions of the Department and their work on behalf of the people of North Carolina: Retirement Systems, State Health Plan, Unclaimed Property, State and Local Government Finance, and Financial Operations.

PROVIDING PUBLIC LEADERSHIP IN FINANCE, FISCAL AND HEALTH POLICY

The Department of State Treasurer serves as a model for others so as to positively influence legislative, finance, health care and other government agencies in promoting finance, fiscal and health policies that create and maintain a financially sound and prosperous North Carolina.

Consistent with the Department's mission, government agencies have a responsibility of continuously improving the value of the services that citizens receive. The Department recognizes that in order to improve that value, it must continuously increase the standards by which it operates and collaborate and lead in both public and private initiatives that are serving the needs of North Carolinians.

PROTECTING THE PENSION PLANS

One of the primary responsibilities of the Department of State Treasurer is to provide a safe and secure retirement for North Carolina's 900,000 public employees, including teachers, police officers, firefighters and public servants. These individuals rely on the integrity, knowledge and judgment of the Department of State Treasurer.

The North Carolina pension plans are invested for the long term, and are conservatively managed to protect the full funding status. This keeps our state prepared to pay out obligatory pension benefits.

The combined plans returned 2.3 percent for the fiscal year ending June 30, 2015. Pension plans' assets were valued at \$89.575 billion as of that date. The pension plans returned 9.5 percent over the last 5 years; well in excess of the 7.25 percent long-term actuarial assumed rate of return. During a particularly volatile year, the North Carolina pension plans weathered the markets and ended in solid shape. The investments outside of stocks and bonds helped provide a strong buffer.

MAINTAINING THE STATE'S AAA BOND RATING

A triple-A bond rating indicates that North Carolina has followed well-defined financial management policies and demonstrated strong debt management practices. Standard and Poor's, Moody's Investors Service, and Fitch Ratings – three primary bond rating agencies – all reaffirmed the "AAA" rating for North Carolina in the 2014-15 fiscal year. While maintaining this strong rating is a good sign of the state's fiscal health, federal budget deficits may present a challenge to sustaining the triple-A rating. Bond ratings are largely dependent on the economic stability and diversity of revenues, conservative debt management, administrative capabilities, fiscal performance and financial condition, including funding of long-term benefit programs such as the retirement systems and health care. At June 30, 2015, the State had a "Triple-A" rating, the highest rating attainable, from all three national rating agencies. Only nine other states

DEPARTMENT OVERVIEW

enjoyed this distinction. These ratings have enabled the State to sell its bonds at interest rates considerably below the Bond Buyer's Index, thereby providing tremendous savings to North Carolina's taxpayers.

In addition, the Division staffs the State's Debt Affordability Committee and drafts an annual Debt Affordability Study, which provides the General Assembly with an overview of the State's debt load and borrowing capacity. The February 1, 2015, study determined that the State's annual General Fund debt capacity was approximately \$698 million in fiscal year 2015. The study also provided an estimate of the annual debt capacity for the transportation funds (the State Highway Fund and Highway Trust Fund) and projected that there is approximately \$226 million of new transportation debt capacity.

IMPROVING THE HEALTH OF PUBLIC EMPLOYEES

NC HealthSmart, the State Health Plan's healthy living initiative, provides members with tools and services to help them manage their weight, quit tobacco, exercise more, reduce stress, and take easy preventive steps to maintain their health. Resources include healthy lifestyle, maternity and behavioral health coaches, as well as disease and case managers. Many programs are offered to members at no extra cost.

NC HealthSmart resources include preventive services available to members:

- Covered services such as nutrition visits, flu shots and routine physicals
- Tobacco cessation services through QuitlineNC with the provision of certain tobacco cessation medications for free. During CY2014, 641 members utilized the QuitlineNC multiple-call program. 1,010 nicotine replacement therapies were sent to members which included patches, gum and combination therapy.
- Weight management services including covered medications and procedures as well as minimal cost for participation in the Eat Smart, Move More, Weigh Less program (ESMMWL). In CY2014, 59 online and 27 onsite ESMMWL classes were held for a total of 86 classes. Enrollment for online classes included 1,147 members with a completion rate of 59.4% and average weight loss of 8.1 pounds. Enrollment for onsite classes included 425 members with an average completion rate of 77.6% and average weight loss of 5.9 pounds.

- A 24-hour nurse line to provide quick advice about medical concerns. 2,252 members called the 24-hour nurse line during CY2014.

- An online Personal Health Portal which offers members:

- A convenient location to keep their health information, including medical and pharmacy claims

- A secure, online space that provides one-stop access to their health information, tools and other resources:

- Health Assessment and Health Action Plan to help members gain a full perspective of their current health status

- Online coaching consisting of self-paced modules to guide members through different health topics

- Instant messaging with a nurse for quick answers to health and wellness questions

- Expansive health information library, with text, audio, and video files for many conditions and health topics

- Email access to health coaches to encourage engagement

- Condition and activity trackers to help members monitor progress towards their health goals

- Healthy recipes, a nutritional food grading system and more

ESTABLISHING SAVINGS ACCOUNTS FOR DISABLED NORTH CAROLINIANS

The Department took the lead in helping enact the North Carolina Achieving a Better Life Experience (ABLE) Act, signed into law in summer 2015. The program means people with disabilities will have the ability to save money in a tax-deferred account for some of their expenses related to health and wellness, employment supports, education, housing, and other costs not covered by Medicaid. A total of \$14,000 a year can be contributed to this account from various sources such as friends, family and employment earnings.

DEPARTMENT OVERVIEW

The new program will be overseen by the Retirement Systems Division and allows people with disabilities and their family members to save up to \$100,000 in a 529(a) account for qualified disability expenses without affecting their governmental benefits.

PUSHING FOR IMPROVED CORPORATE GOVERNANCE

Treasurer Cowell believes that well-governed companies perform better, grow in value, and increase the returns for their shareholders. The Department encourages companies to adopt and maintain established, reliable governance practices through the work of the Department's Corporate Governance Committee. These practices help the Department make fully informed investment decisions and maximize returns over the long-term for pension plan members and beneficiaries.

The Corporate Governance Committee has a strategy to reaffirm the principles of long-term perspective, diversity, and transparency. The Department acted on each of these principles by asking a Houston-based company called EOG Resources to allow shareholder-nominated directors on the ballot, and the company amended its bylaws accordingly after a majority of shareholders approved this resolution in June 2015. Additionally, Symantec, a cybersecurity firm, streamlined the description of its corporate spending on political campaigns after a dialogue with the Department. Meanwhile, the Department underscored its priority on diverse perspectives in the boardroom by hosting a corporate forum in April 2015 and then petitioning the Securities and Exchange Commission for greater transparency about directors' skills and experience. Details about these and other related conversations are available in the Department's 2008-15 Corporate Governance Report, available online at nctreasurer.com/corporategovernance.

Looking forward, the Department will act on these principles by evaluating ways to institutionalize a longer-

SPOTLIGHT

Unclaimed Property Fund Helps Fund Student Scholarships:

Kiasia Sanderlin, a freshman at North Carolina Central University (NCCU), knows personally the benefit of the money the Escheat Fund provides for financial aid. Kiasia, a native of Windsor, N.C., in Bertie County, was excited to be accepted at NCCU. She plans to major in Accounting with a concentration in Finance. Kiasia was raised by her grandparents who ended their schooling in the second grade. She hopes to be the first in her family to graduate from college. Kiasia stated proudly that she was accepted to two other institutions but one of the reasons



She hopes to be the first in her family to graduate from college.

she chose NCCU was because the university awarded her the largest amount in grants and other financial assistance, making NCCU the most affordable for her. Reflecting on the need-based grant she received for NCCU, Kiasia stated, "I don't think I would be

able to attend college if I had not received financial assistance." Kiasia is one of more than 51,000 students that received need-based grants to attend UNC System schools in the 2014-2015 academic year.

term perspective in the marketplace, promoting Treasurer Cowell's ongoing diversity-related efforts to a wider group of potential partners, and raising the bar for corporate disclosures being transparent and easily usable by investors.

PROMOTING FINANCIAL EDUCATION

The Department of State Treasurer is committed to helping North Carolina families increase their personal understanding of finances and ability to grow personal wealth. Financial education helps provide citizens of all ages with the information and resources to manage their finances and make financial decisions.

This year was one of renovation, focused on rebuilding the Department's voice and position on specific financial education initiatives. Our financial education outreach touched 15 statewide issue areas through opportunities that were responsive to the Department's strategic goal. The year's highlights included promoting the federal earned

DEPARTMENT OVERVIEW

income tax credit and free tax preparation, a press conference to increase awareness around the NC 529 savings plan, and celebrating financial literacy month across the state with conversations with students about managing money wisely.

Future plans include integrating financial education into the Department's operations and member outreach, specifically with the State Health Plan and Retirement Services Division; beginning to plant seeds for future work with the ABLÉ program; and continuing financial education support for higher education and Department employees.

ENHANCING ACCOUNTABILITY OF DEPARTMENT SERVICES

The Department of State Treasurer strives to manage current operations efficiently and effectively, including providing solid customer service to the citizens of the State. The Department and all government agencies, have a fiduciary responsibility to the citizens we serve to see that their resources are used in accordance with the laws and regulations and to demonstrate that it serves the best interests of North Carolinians. This is necessary to ensure public confidence and maintain public support for needed government services.

IMPROVING CUSTOMER SERVICE

Since providing exceptional customer service is one of the primary missions, the Department was fortunate to realize many advantages with the 2015 move of all divisions into one central location at a state-of-the-art facility. In addition to saving taxpayers' money by consolidating four different rent payments into one, it also provided the Department with the opportunity to provide other improvements that benefit our staff and ultimately citizens, including:

- Significantly improved staff communication and collaboration by housing all Department of State Treasurer divisions on one campus for the first time in the Department's history.
- Free, convenient and ample parking, as well as a pleasant new reception area, for members who visit the Department for in-person retirement counseling sessions.
- 24/7 self-service with our new Interactive Voice Response technology that enables our members to get

the information they need via telephone without having to wait for a call center representative.

- Improved mail machines with new technology to help the division more quickly and effectively send out checks and other retirement-related communications.

PROMOTING WELLNESS TO HIGH-RISK POPULATIONS

Wellness Wins Pilot Initiative: Wellness Wins is a two-year pilot designed to create a replicable model for influencing member health through the engagement of primary care providers, worksite wellness programs, and community resources. The counties of Greene, Jones, and Lenoir were targeted for this pilot initiative based on high levels of type II diabetes, asthma, chronic obstructive pulmonary disease (COPD), coronary artery disease, congestive heart failure, and stroke. Pilot program planning began in the fall of 2014, and a kickoff event was held in Lenoir County in May 2015.

The objectives of Wellness Wins are to:

- Establish sustainable worksite wellness programs
- Increase member awareness of and engagement in their own health
- Increase member engagement with medical homes/ Primary Care Providers

The State Health Plan will contract with partners including the Division of Public Health through the Obesity, Diabetes, Heart Disease and Stroke Preventions grant received from the Centers for Disease Control and Prevention, Prevention Partners, and Community Care of North Carolina to create environments that support health where Plan members live, work, and receive care.

Wellness Champions Program: The Wellness Champions Program was designed to create a network of wellness advocates throughout the state to support the health of State Health Plan members through the implementation of worksite wellness programs. The Wellness Champions Program will provide wellness advocates with opportunities to earn worksite wellness incentives through the completion of wellness related activities.

The Wellness Champions Program launched on April 1, 2015. The fiscal year ended with a total of 117 Wellness Champions registered from state agencies, universities,

DEPARTMENT OVERVIEW

community colleges, and school systems covering 41 counties throughout the State.

GAINING NEW TOOLS TO RETURN UNCLAIMED PROPERTY

During the 2015 legislative session, the Department was successful in encouraging the General Assembly to enact legislation that clarifies the Unclaimed Property Division's audit authority. Legislation grants the Treasurer the authority to conduct an examination of an unclaimed property holder, and review the holder's records for compliance even if the holder believes it is not in possession of abandoned property.

The Department worked to pass legislation that will assist with identifying and reporting unclaimed property. In an effort to promote efficiency, public safety, and to ensure certain tangible property ends up in the proper hands, the new law allows the Treasurer to direct financial institutions to transfer certain tangible property, like firearms or illegal contraband, to the proper local, state or federal authority, rather than to the Unclaimed Property Division.

Additionally, the Department successfully advocated for new tools to help reunite citizens with lost life insurance benefits that their loved ones intended for them to have. The new law requires most insurance companies that write life insurance policies in North Carolina to determine semi-annually whether policies match the names of a federal database.

ASSISTING LOCAL GOVERNMENTS WITH FINANCES

The State and Local Government Finance Division monitors fiscal and accounting standards prescribed for local governmental units by State law. Each unit of local government is to have its accounts audited annually by a

SPOTLIGHT

Ensuring Accountability

Small Steps, Big Results – an NC HealthSmart Success Story: Felix, a State Health Plan member in Stanly County, was struggling to manage his weight and seeing a negative impact on his health. Felix received a letter from an NC HealthSmart health coach, inviting him to schedule an appointment and begin to put his health as a priority. After experiencing various health issues he decided to take advantage of this free resource to help him take charge of his health.



Weight loss was Felix's primary focus. But his health coach also spoke to him on how to manage his current health and reduce future health complications. His

He spoke regularly with his health coach... to make healthy behaviors part of his everyday lifestyle.

health coach helped him understand his current health and steps that he could take to improve it. Felix used this information to get his health back on track and create a long-term plan to support healthy behaviors.

Felix began speaking with a health coach in April 2014, weighing 274 pounds, with a Body Mass Index of 37.1. He spoke regularly with his health coach to set small, obtainable goals to make healthy behaviors part of his everyday lifestyle. Felix set

goals to walk a little each day, reduce his portion sizes, and reduce his intake of fried foods. After hard work and determination, Felix was able to reduce his body weight to 209 pounds, with a Body Mass Index of 29.1. In roughly a year Felix was able to lose 65 pounds!

By losing weight in a healthy way, with reachable and realistic goals, Felix incorporated healthier eating and physical activity into his day-to-day lifestyle. He is also utilizing his health benefits to keep his conditions on track and creating a healthy future.

NC HealthSmart health coaches are a free resource for all State Health Plan active members. Members can get started by calling 800-817-7044.

Certified Public Accountant or by an accountant certified by the Department's Local Government Commission. As a part of its role in assisting local units and monitoring their fiscal programs, the Division provides guidance in following generally accepted accounting principles. Each local government is required to file a copy of its annual audit report with the Division and submit all audit invoices to the Division for approval.

DEPARTMENT OVERVIEW

In fiscal year 2014-15, staff issued 18 public memoranda directed to local governments, auditors and the State's public finance community. Topics included the implementation of the new government accounting financial reporting standards, secondary market disclosure requirements, the effects of federal sequestration on certain local government debt instruments, an updated version of discussion of internal controls for small governments, and the annual statistical reports.

FOCUSING ON SMALL AND EMERGING INVESTMENT MANAGERS:

In June 2015, Treasurer Cowell introduced a new program that will focus on selecting small and emerging managers for the North Carolina pension plans' private equity investment portfolio. This new small and emerging managers program will primarily focus on minority and woman-owned firms, funds under \$750 million, and first- and second-time funds. "Investing is all about finding new potential and helping to realize that potential," Cowell said. "The first program focusing on public equity has been successful. Expanding the program to private equity allows us to capture higher returns that will benefit pensioners while tapping new talent."

North Carolina's small and emerging manager program will be managed by Neuberger Berman's NorthBound team led by Pat Miller Zollar. The team was chosen based on its proven track record of identifying small investment firms with the potential to achieve above-benchmark results. The capital allocated will target multiple strategies, including Buyout, Growth Capital, Venture Capital and Special Situations. This multi-faceted approach will be achieved through fund investments, co-investments and secondary investments.

In 2013, the Department began a \$300 million small and emerging manager program in public equity, which is performing in line with expectations although still in its early stages. Many public funds utilize small and emerging manager programs because of evidence indicating that small, emerging investment firms outperform their larger competitors. The Department of State Treasurer has also made advancing a culture of diversity a strategic objective. The Department is committed to working with historically under-utilized businesses (HUBs) to the extent possible without compromising superior risk-adjusted returns.

INNOVATING AND MODERNIZING OPERATIONS

The Department of State Treasurer works to find new ways to deliver services and value, including expanding or restructuring responsibilities. It is important to balance resource investments in ensuring a stable and reliable business infrastructure while also leveraging new public or private solutions that could have a meaningful impact on the services that are provided to the citizens of North Carolina. Creating and supporting a culture of innovation can also help attract the best talent to the Department.

INVESTING IN INNOVATION IN NORTH CAROLINA

In April 2015, Treasurer Cowell announced a second North Carolina Innovation Fund (NCIF), a \$250 million commitment to North Carolina-centered companies. Joined by former Bank of America Chair and Chief Executive Officer Hugh McColl, Cowell highlighted the first NC Innovation Fund's success and recommitted the North Carolina pension fund to achieving a strong rate of return while also investing in North Carolina's economy and jobs.

The first fund is \$232 million, of which \$185 million has been committed to eight private equity managers and 12 companies through co-investments alongside private equity managers. Despite the still early age of the Fund, the NCIF portfolio is exhibiting strong performance and a 20 percent internal rate of return (IRR), with three successful exits to date and multiple valuation increases since investment. It is managed by Grosvenor Capital Management's Charlotte office.

The second Innovation Fund of \$250 million will designate around two-thirds to co-investments in diverse industries including growth sectors in North Carolina. One-third of the fund will have a Multi-stage focus: venture, growth, buyout and mezzanine.

Continuing the North Carolina innovation theme, Treasurer Cowell proposed a new investment funding source to the legislature. The plan received strong bipartisan support and was enacted in the state budget. The fund would allow the Department to invest a small portion (10 percent, or around \$40 million-\$45 million) of the state unclaimed property (Escheat) fund with a new Venture Capital Multiplier Fund. The Department would focus on early-stage and smaller private-sector businesses. It frequently takes longer for these investments to generate returns, but those returns can be much larger when they come.

DEPARTMENT OVERVIEW

It is the goal of the Department that the annual amount utilized from the Escheat Fund for financial aid will be limited to, or in close proximity to, the annual amount of interest earned annually on the Escheat Fund and will not continue to involve substantial appropriations from the principal. While the Department holds these funds, additional investment authority granted through legislation will now allow the Venture Multiplier Fund to serve as seed money to create the opportunity to spur greater entrepreneurial activity within North Carolina with small, strategic investments.

STREAMLINING UNCLAIMED PROPERTY CLAIMS

In January 2015, the Department launched a new effort to improve customer service and modernize operations within the Unclaimed Property Division by implementing automated services. The NCCash.com website now provides an automated claims processing service which allows claims that meet certain criteria to be approved through a paperless process. Additionally, the website was

enhanced to provide an easy four-step process to allow citizens to claim their funds. A total of 35,664 claims were paid in the 2014-15 fiscal year, totaling \$49.8 million. The automated claims approval process allowed 11,545 (32 percent) of those claims to be submitted and approved online, reducing the amount of paper documents to be submitted to the Division and decreasing the turnaround time for payment of those claims to less than 10 business days. In addition to enhanced online services, the Division's outreach program, NC Cash, attended 26 events across the state and looked up more than 33,000 names, resulting in 3,578 matches for \$985.2 million.

ENCOURAGING ENGAGEMENT IN HEALTH CARE

The State Health Plan periodically conducts pilot programs and other initiatives to determine effectiveness. In 2015, the Plan began the Patient Centered Medical Homes (PCMH) Pilot Project. Patient Centered Medical Homes provide members with a comprehensive health care environment,

continued on next page...

SPOTLIGHT

Supplemental Plan Awards

The Supplemental Retirement Plans NC 403(b) Program was recognized in 2015 by two national organizations and granted two prestigious national awards.

The first was the "2015 Excellence in 403(b) Plans Award," presented by the National Association of Government Defined Contribution Administrators (NAGDCA), for which the development and implementation of the NC 403(b) Program was recognized as an outstanding achievement in defined contribution plan design.

The second award was granted by Pensions & Investments Magazine and the Defined Contribution Institutional Investment

Association. Treasurer Cowell was named a "2015 Innovator" for her efforts in providing a thoughtful, multi-layered and unique legislative solution that would help North Carolina's frontline educators and school staff to ultimately save more for retirement. In naming Treasurer Cowell as the recipient, the NC 403(b) Program was recognized for its "competitive pricing, institutional investment management and strong oversight by the North Carolina Supplemental Retirement Board of Trustees ... while helping NC educators reach retirement readiness."



In addition, the NC 401(k) Plan was recognized for its 2014 National Save for Retirement Week communications program by the National Association of Government Defined Contribution Administrators. The NAGDCA Leadership Recognition Award was

presented to members of the NC 401(k) Plan in the category of excellence and innovation in retirement plan design, administration and/or effective

These awards recognize the efforts being made in support of the Treasurer's mission...

communication methods. The basis for the award was its comprehensive and targeted outreach to Millennial and Generation X males and females that led to an enrollment boost in the plans of 4 percent.

All of these awards recognize the efforts being made in support of the Treasurer's mission to secure the retirement of North Carolina's public servants while also delivering personalized services in that effort.

DEPARTMENT OVERVIEW

and assurance that they are receiving optimal care that is both high quality and cost efficient. The State Health Plan, in conjunction with ActiveHealth Management, developed the PCMH pilot to engage physicians in the care of Plan members through alternate payment strategies as well as data driven, coordinated supports to achieve better health outcomes and to improve the member and provider experience in a complex health care environment.

The PCMH pilot looks to test:

- Alternate payment strategy
- Effective communication
- Evolving role of the population health management vendor
- Optimum utilization and sharing of data
- Defining and measuring quality of care
- Determining “total cost of care” in shared risks and savings

Through the PCMH pilot, the Plan will contract with provider groups and provide a per member per month payment to assist them in the management of Plan member health. Throughout the two-year pilot period, practices will work toward selected quality clinical metrics and targets to demonstrate patient care.

REBRANDING THE RETIREMENT SYSTEMS

In support of Treasurer Cowell’s efforts to renovate and modernize the Department of State Treasurer, the Retirement Systems Division launched a rebranding campaign to better reflect all of the ways it can help public sector employees prepare for retirement.

At its core, the name change and rebranding signified a philosophical shift that refocused the Department of State Treasurer’s mission of helping all public employees achieve a retirement income level that equals at least 80 percent of their pre-retirement income, and have it last them throughout retirement.

Even though the state pension plan provides a solid foundation for retirement income, for many people it won’t replace 100% of pre-retirement income. By contributing to a (tax-deferred) 401(k), 457b or 403(b) retirement plan, they can bridge the retirement income gap and get closer to retiring with 100% of their pre-retirement salary. Today, 64.01% of all North Carolina public servants are projected on track to replace 80% of their income by age 62.

The new visual identity for the North Carolina Total Retirement Plans was inspired by the stunning natural scenery of North Carolina and is symbolic of the Retirement Systems bringing together all of the resources employees need to plan and enjoy a successful retirement.

PROMOTING AWARENESS OF LOCAL FUNDING ISSUES

State and Local Government Finance staff members worked with the University of North Carolina School of Government to present the 14th annual State Treasurer’s Conference on Local Government Accounting, Auditing and Financial Management held in May 2015. The conference is intended for both local government auditors and officials. It was conducted at two sites and drew more than 231 participants. Topics covered included a current Governmental Accounting Standards Board (GASB) update, a “pay as you throw” financial model for solid waste disposal, funding resources for capital improvement projects, an update on unclaimed property filing requirements, and other topics of interest to local governments. In addition, staff members spoke at 11 continuing education courses and conferences sponsored by organizations such as the UNC School of Government, various North Carolina finance officers associations, the North Carolina Association of Certified Public Accountants and North Carolina State University.

A Continuing Professional Education class for governmental auditors was offered again in 2015 in collaboration with the UNC School of Government. Held at the UNC campus, the class covered information from the Department of Health and Human Services on compliance issues, how to present the results of the annual audit to an elected board, unclaimed property filing requirements, Local Government Commission approval of local government debt, and new GASB standards. It was well-received with 110 attendees.

RETIREMENT SYSTEMS DIVISION



RETIREMENT SYSTEMS DIVISION

The Retirement Systems Division (RSD) of the Department of State Treasurer administers the North Carolina Retirement Systems, death benefit plans, disability plans, and the NC Supplemental Retirement Plans (voluntary, defined contribution plans) created under North Carolina state law. These plans and programs cover the vast majority of active and retired public employees in the state.

The North Carolina Retirement Systems Division provides benefits to more than 900,000¹ members, including:

- Teachers
- State Government Employees
- Local Government Employees
- Firefighters
- Rescue Squad Workers
- Judges
- Law Enforcement Officers
- National Guard Members
- State Legislators
- Registers of Deeds
- Other public workers

The Retirement Systems Division administers seven retirement systems and several smaller systems and supplemental pension funds:

A key purpose of the retirement systems and benefit plans is to assist public employers in attracting and retaining high-quality employees by providing valuable post-employment benefits, including replacement income at retirement, as well as death, disability, and survivor benefits. RSD staff members continuously review features and options within the benefit plans to ensure that all promised benefits are attainable over time and are an efficient use of employees' and taxpayers' contributions.

The Division is also responsible for communicating the Treasurer's retirement readiness mission — that all public employees will be able to replace 80% of their pre-retirement income for each year of their retirement. The total assets of all state-administered pension funds were valued at \$89.6 billion as of June 30, 2015.

The total number of retirees receiving benefits for the year ending June 30, 2015, was 267,779. The total dollar amount of benefits paid for year ending June 30, 2015, was \$5.6 billion, up from \$5.3 billion in the previous fiscal year.

SYSTEM	NUMBER OF MEMBERS*	ASSETS AS OF 6/30/14
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM (TSERS)	644,434	\$64.7 Billion
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM (LGERS)	238,890	\$22.9 Billion
CONSOLIDATED JUDICIAL RETIREMENT SYSTEM (CJRS)	1,226	\$535.6 Million
LEGISLATIVE RETIREMENT SYSTEM (LRS)	563	\$28.2 Million
FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND (FRSWPF)	56,017	\$384.3 Million
NATIONAL GUARD PENSION FUND (NGPF)	15,399	\$109.5 Million
LEGISLATIVE FUND (LF) (Closed to new entrants)	7	\$0.0 Million
REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND (RDSPPF)	195	\$46.8 Million

*Member counts reflect 2014 calendar year values as of valuation date (12/31/2014).

¹ Actual member counts can be found in the actuarial valuations for each retirement system. All valuations are posted on the State Treasurer's website here: <https://www.nctreasurer.com/ret/Pages/Valuation-Reports.aspx>

RETIREMENT SYSTEMS DIVISION

The Division also offers a number of supplemental plans and benefit programs.

TYPES OF SUPPLEMENTAL PLANS/PROGRAMS	BENEFIT/SERVICE
Disability Benefits	Provides equitable replacement income for eligible members of TSERS who are temporarily or permanently disabled, as well as for LGERS members who are permanently disabled.
Social Security Benefits	Administers the state's responsibility under the Social Security Agreement of July 16, 1951, which is an agreement between the federal government and the state government allowing local governments and other instrumentalities of the state to participate in Social Security.
Employee Death Benefits	Provides group death benefits for members of TSERS, CJRS and LGERS. These benefits include: death benefits for active employees in TSERS, CJRS, LRS and LGERS; the Separate Insurance Benefits Plan for active and retired state and local governmental law enforcement officers; and the line of duty death benefit for certain civil service and emergency services workers.
Supplemental Retirement Income Plan – NC 401(k)	Provides members with voluntary retirement savings plan to supplement retirement income.
Public Employee Deferred Compensation Plan – NC 457	Provides members with voluntary retirement savings plan to supplement retirement income.
Teachers' and Professional Educators' Investment Plan – NC 403(b)	Provides teachers and school employees a voluntary retirement savings plan to supplement retirement income.
NC 401(k)/NC 457 Lifetime Income/Transfer Benefit	Enables members to receive an additional monthly benefit that they are eligible to receive under TSERS or LGERS by transferring all or a portion of the balance in their NC 401(k) and/or NC 457.
Contributory Death Benefit for Retired Members	Offers an optional benefit that gives retirees a one-time death benefit of up to \$10,000.
Supplemental Insurance	Provides retired members with optional supplemental insurance (i.e., dental, vision, accident or life).
Retiree Health Benefits	Acts as the Health Benefits Representative for retired members covered under the State Health Plan of North Carolina.

RETIREMENT SYSTEMS DIVISION

LEGISLATIVE HIGHLIGHTS

The 2015 Session of the North Carolina General Assembly enacted the following retirement-related legislation:

- Full funding for the Annual Required Contributions of the retirement systems.
- Extension of the Qualified Excess Benefit Arrangement (QEBA) sunset from Jan. 1, 2015, until August 1, 2016.
- Extension of the eligibility to participate in the NC 403(b) Program to teachers and faculty of the North Carolina Community College system.
- An increase of the monthly benefit for members of the National Guard Pension Fund.
- Approval of funds to improve ORBIT's self-service online retirement system.

SUPPLEMENTAL PLAN AWARDS

The Supplemental Retirement Plans NC 403(b) Program was recognized in 2015 by two national organizations and granted two prestigious national awards.

The first was the "2015 Excellence in 403(b) Plans Award," presented by the National Association of Government Defined Contribution Administrators (NAGDCA), for which the development and implementation of the NC 403(b) Program was recognized as an outstanding achievement in defined contribution plan design.

The second award was granted by Pensions & Investments Magazine and the Defined Contribution Institutional Investment Association. Treasurer Cowell was named a "2015 Innovator" for her efforts in providing a thoughtful, multi-layered and unique legislative solution that would help North Carolina's frontline educators and school staff to ultimately save more for retirement. In naming Treasurer Cowell as the recipient, the NC 403(b) Program

was recognized for its "competitive pricing, institutional investment management and strong oversight by the North Carolina Supplemental Retirement Board of Trustees...while helping NC educators reach retirement readiness." In addition, the NC 401(k) Plan was recognized for its 2014 National Save for Retirement Week communications program by the National Association of Government Defined Contribution Administrators. The NAGDCA Leadership Recognition Award was presented to members of the NC 401(k) Plan in the category of excellence and innovation in retirement plan design, administration and/or effective communication methods. The basis for the award was its comprehensive and targeted outreach to Millennial and Generation X males and females that led to an enrollment boost in the plans of 4 percent. All of these awards recognize the efforts being made in support of the Treasurer's mission to secure the retirement of North Carolina's public servants while also delivering personalized services in that effort.

PLAN BENCHMARKING STUDY

In support of the Department's overall mission to exercise fiduciary oversight and provide outstanding customer service that provides value to, and instills confidence by, the state's citizens, customers, and financial community, the Supplemental Retirement Board of Trustees approved a benchmarking study comparing the NC 401(k) and NC 457 Plans to a peer group of private and public sector plans. In 2015, CEM Benchmarking completed its study of 16 comparable defined contribution plans and found that the NC 401(k) and NC 457 Plans delivered a total net value added well above its peer group for the five-year period ending 2014. Total net value added measures to what extent the plans' investment options outperformed their benchmark indices after fees.

INVESTMENT MANAGEMENT



INVESTMENT MANAGEMENT DIVISION

The Investment Management Division (IMD) serves as the investment arm for the Department of State Treasurer. This Division employs over 30 investment professionals who provide the expertise for state government investing. IMD is responsible for the management of the Short Term Investment Fund, the Pension Fund Investment Program (Pension Fund), and the Ancillary Investment Programs. At the end of the fiscal year ending June 30, 2015, total assets of these programs were \$104.67 billion.

INVESTMENT PROGRAMS ¹		
Pension Fund Investment Program	Assets of the North Carolina Retirement Systems ² defined in N.C.G.S. 147-69.2(b) (8) (the Retirement Systems).	85.58%
Short-Term Investment Fund (STIF)	An internally managed portfolio of highly liquid fixed income securities. Investors include the State's General Fund, Highway Trust Fund, certain Retirement Systems funds, ³ and other investors.	12.38%
Ancillary Investment Program	Assets invested in programs other than the Short-Term Investment Fund for the Escheat Fund, Public Hospital Funds, Local Government Other Post-Employment Benefits Funds, and other non-Retirement Systems investors.	2.04%

The Treasurer is directed by statute to establish, maintain, administer, manage and operate investment programs for all funds on deposit, pursuant to the applicable statutes. In doing so, the Treasurer has full powers as a fiduciary and, with IMD staff, manages the investment programs so assets may be readily converted into cash when needed.

In establishing the comprehensive management program, the State Treasurer, utilizing a professional investment staff, has developed an investment strategy for each portfolio

that recognizes the guidelines of the governing General Statutes and provides appropriate diversification. In addition to the Treasurer and IMD staff managing these programs, the Investment Advisory Committee (IAC) provides opinion on policies and general strategy for achieving investment of the Pension Fund, including asset allocation, in consultation with IMD staff.

¹ See Statistical Tables, Table 2 (Summary of Investments by Participants) and its attached footnote for further details and an explanation of the differences in terminology between different reports.

² The Retirement Systems are the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, and the Retiree Health Benefit Fund.

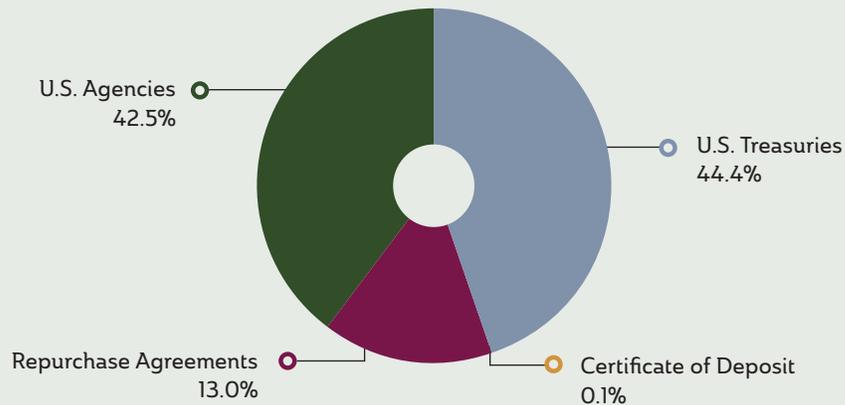
³ In this table and in Table 2 of the Statistical Tables, Retirement Systems assets in the STIF are listed within the "Short-Term Investment Fund" row only if held in the operating accounts used to meet cash needs for payment of items such as member benefits and administrative expenses. All other Retirement Systems assets in the STIF are listed under "Pension Fund Investment Program."

INVESTMENT MANAGEMENT DIVISION

SHORT -TERM INVESTMENT FUND

The objective of the Short-Term Investment Fund (STIF) is to maximize income consistent with the principles of preservation of capital and liquidity. The STIF is an internally managed portfolio of highly liquid fixed income securities. These securities are primarily money market instruments and short- to intermediate-term U.S. Treasuries and Agencies. All bank accounts of the State Treasurer are included in this portfolio, which serves as the main operating account for state agencies. Because the Treasurer's cash balances are ultimately subject to disbursement upon presentation of valid warrants, the primary consideration in making investments is safety and liquidity; the secondary consideration is income. For the fiscal year 2015, the STIF generated a cash return of 0.49 percent. The following graph provides the STIF's asset allocation as of June 30, 2015.

STIF ASSET ALLOCATION AS OF 6/30/15



* Definitions:

U.S. Treasuries – government debt issued by the United States Department of the Treasury

Certificates of Deposit – financial product commonly offered to consumers by banks, thrift institutions and credit unions

Repurchase Agreements – short-term collateralized loan

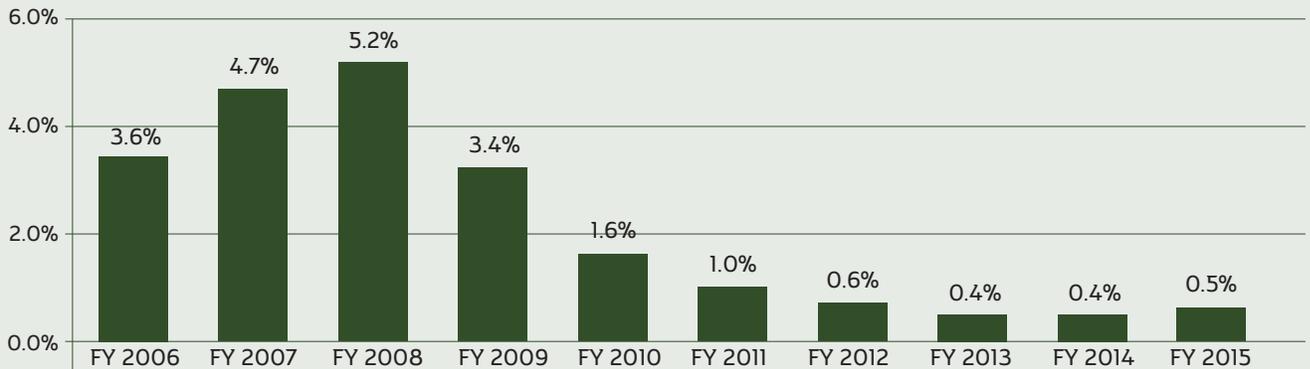
U.S. Agencies – debt from a federal government agency or government sponsored enterprise such as the Government National Mortgage Association (GNMA or Ginnie Mae), the Federal National Mortgage Association (FNMA or Fannie Mae), the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal Home Loan Banks and Federal Farm Credit Banks

1 This STIF asset allocation does not include cash in bank.

INVESTMENT MANAGEMENT DIVISION

The following chart provides historic returns for STIF as of June 30, 2015.

STIF FISCAL YEAR PERFORMANCE



STIF TOP TEN POSITIONS AS OF JUNE 30, 2015

Issuer	Coupon	Maturity Date	Par Value (\$)
SOUTH STREET REPO	0.250	7/1/2015	1,650,000,000
U S TREASURY NOTE	0.250	7/31/2015	600,000,000
U S TREASURY NOTE	0.375	8/31/2015	600,000,000
U S TREASURY NOTE	0.250	9/30/2015	600,000,000
U S TREASURY NOTE	0.250	10/31/2015	600,000,000
U S TREASURY NOTE	0.250	11/30/2015	600,000,000
U S TREASURY NOTE	0.375	1/31/2016	600,000,000
U S TREASURY NOTE	0.250	2/29/2016	600,000,000
U S TREASURY NOTE	0.375	3/31/2016	600,000,000
U S TREASURY NOTE	0.375	4/30/2016	600,000,000

INVESTMENT MANAGEMENT DIVISION

STIF Summary of Brokers Utilized During Fiscal Year 2014-15

Brokers are used to execute buy and sell orders on behalf of the fund. Below is a list of brokers used to facilitate trades of securities during the fiscal year ending June 30, 2015.

Bank of America	First Tennessee Bank	Morgan Stanley	US Bank
Barclays Capital	HSBC Securities	Raymond James	Wells Fargo Securities
BNP Paribas	Jefferies & Company	RBC Capital Markets	Williams Capital
CastleOak Securities	JPMorgan Chase	RBS Greenwich Capital	
Citigroup	KeyBanc Cap Mkts	South Street Securities	
Credit Suisse Securities	Loop Capital	Stifel Nicolaus	
Deutsche Bank Securities	Mizuho Securities	Suntrust Capital Markets	

PENSION FUND INVESTMENT PROGRAM REVIEW

The Investment Management Division's goal is to maintain the long-term strength of the Retirement Systems by providing a long-term rate of return that approximates the actuarial rate of return while simultaneously managing risk in the portfolio. The Division conducts its activities in accordance with the Investment Policy Statement for North Carolina Retirement Systems, which is approved by the Treasurer in consultation with the Investment Advisory Committee. This policy covers investment objectives, asset allocation ranges, rebalancing processes and other issues.

It is the policy of the Treasurer to invest consistent with the following objectives:

A. Provide investment returns sufficient for the Fund to make timely payment of statutory benefits to current and future members and keep contribution rates at a reasonable level over the long-term. To achieve this, long-term projected investment returns should be generally consistent with the actuarial assumed rate of return, unless otherwise determined by the Treasurer.⁴

B. Avoid excessive volatility in contribution rates over the intermediate-term by maintaining a moderate risk profile and diversifying with respect to economic and financial risk factors. It is acceptable to limit the use of return-seeking strategies in order to avoid excessive volatility.

C. Additionally:

1. Achieve cost-efficiency in the overall investment program
2. Exceed composite benchmark returns for the Fund and broad categories of investments within reasonable risk limits and over market cycles
3. Ensure sufficient liquidity to meet the Fund's obligations over all time periods
4. Comply with all governing statutes as consistent with fiduciary obligations

North Carolina's defined benefit plans are consistently ranked in the top ten of state retirement funding ratios.

⁴ The Retirement Systems' actuary advises each applicable Retirement System's Board of Trustees (or in the case of the Retiree Health Benefit Fund, the Committee on Actuarial Valuation of Retired Employees' Health Benefits) with respect to setting the actuarial assumed rate of return and annual required contributions. These boards and the committee have been granted the authority by the legislature to set the actuarial assumed rate of return for the Fund, which is currently 7.25% for the Retirement Systems other than the Retiree Health Benefit Fund and 4.25% for the Retiree Health Benefit Fund.

INVESTMENT MANAGEMENT DIVISION

Operating Policy

In all transactions executed for any investment program managed by the State Treasurer, the objective is to perform such business in the best interest of the beneficial owners of the trusts' assets, which for the Pension Fund are North Carolina's participating public employees, teachers, firefighters, police officers and other public workers.

In order to meet the investment objectives, a "Strategic Asset Allocation" is established through consideration of the Fund's projected actuarial liabilities, liquidity needs, risk tolerance, and the role that different asset categories and strategies are expected to play in the overall portfolio construction. The Strategic Asset Allocation will be reviewed no less than annually and a detailed asset-liability study will be conducted no less than triennially, assuming that benefit design and funding policy is unchanged. The current Strategic Asset Allocation, consisting of targets and authorized ranges, is detailed below.

Row Labels	Range		
	Target	Minimum	Maximum
Growth	58.0%	37.0%	71.0%
Global Public Equity	42.0%	37.0%	47.0%
Non Core Real Estate	3.0%	0.0%	8.0%
Opportunistic Fixed Income	7.0%	0.0%	7.5%
Private Equity	6.0%	0.0%	8.8%
Inflation Sensitive & Diversifiers	11.0%	4.0%	16.0%
Core Real Estate	5.0%	2.0%	10.0%
Inflation Sensitive	6.0%	2.0%	7.5%
Multi-Strategy	2.0%	0.0%	4.0%
Rates & Liquidity	29.0%	24.0%	42.0%
Cash	1.0%	0.0%	10.0%
Investment Grade Fixed Income	28.0%	24.0%	32.0%

More information on NCRS asset types is available in the "Investment Policy Statement for North Carolina Retirement Systems." The Investment Policy Statement may be found on the Department of State Treasurer's website at <https://www.nctreasurer.com/inv/Policies/InvestmentPolicyForNCRetirementSystems.pdf>. A website page at <https://www.nctreasurer.com/inside-the-department/OpenGovernment/Pages/Department-Policies.aspx> provides links to the Investment Policy Statement and other Investment Management Division policies.

INVESTMENT MANAGEMENT DIVISION

Pension Fund Strategy

The tradition of conservative fiscal management has served North Carolina's public workers and taxpayers well throughout the years. The Pension Fund continues that tradition with a significant allocation in fixed income assets (bonds) combined with reasonable exposure to more volatile growth-oriented assets and an increasingly diversified portfolio. The result of this strategy is a fund that is a top performer in turbulent economic and financial market environments, but obtains lower returns than the typical large public fund peer in bull markets. The below chart outlines the one-, three-, five- and 10-year average returns and exposure to risk within the different percentiles of public funds in comparison to the performance and exposure to risk of the North Carolina pension fund.

NATIONAL AVERAGE GROSS OF FEES RETURNS AND EXPOSURE TO RISK				
Returns	1 Year	3 Year	5 Year	10 Year
25th Percentile	4.00	11.61	11.48	7.12
Median	3.11	10.50	10.80	6.88
75th Percentile	2.43	9.45	9.95	6.30
NC Pension Fund	2.87%	9.67%	10.00%	6.60%
Risk*				
25th Percentile	5.61	5.77	8.13	10.28
Median	5.03	5.12	7.42	9.67
75th Percentile	4.10	4.56	6.73	8.94
NC Pension Fund	4.23	4.45	6.26	8.07

Source: BNY Mellon Total Funds – Public Funds \$1+ billion (Gross of Fees)

* Volatility of returns (Standard Deviation)

INVESTMENT MANAGEMENT DIVISION

Total Pension Fund Structure

As of June 30, 2015, the pension fund maintained a market value of \$89.6 billion. IMD is constantly monitoring the overall pension fund in an effort to manage risk. The following chart highlights the strategic asset allocation targets over the past seven years.

CURRENT AND HISTORICAL STRATEGIC TARGETS							
	June 2009	June 2010	June 2011	June 2012	June 2013	June 2014	June 2015
Growth							
Public Equity	50.0%	48.5%	40.5%	40.5%	40.5%	40.5%	42.0%
Non-Core Real Estate	3.6%	3.6%	4.8%	4.8%	4.8%	4.8%	3.0%
Opportunistic Fixed Income	0.0%	1.5%	4.5%	4.5%	4.5%	4.5%	7.0%
Private Equity	3.2%	3.2%	4.5%	4.5%	4.5%	4.5%	6.0%
Inflation Sensitive and Diversifiers							
Core Real Estate	2.4%	2.4%	3.2%	3.2%	3.2%	3.2%	5.0%
Inflation Sensitive	0.0%	1.5%	4.5%	4.5%	4.5%	4.5%	6.0%
Multi-Strategy	1.4%	1.4%	2.0%	2.0%	2.0%	2.0%	2.0%
Rates and Liquidity							
Investment Grade Fixed Income	39.5%	38.0%	36.0%	36.0%	36.0%	36.0%	28.0%
Cash Portfolio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%

IMD utilizes rebalancing to ensure the overall portfolio weights stay in line with the target ranges. Asset allocation and a disciplined approach to rebalancing are important tools to help control the level of risk that an investment portfolio experiences.

INVESTMENT MANAGEMENT DIVISION

PENSION FUND ASSET ALLOCATION AS OF JUNE 30, 2015					
	Market Value (\$000)	Portfolio Weight	Target	Range	
				Minimum	Maximum
Growth	\$53,057,390	59.24%	58.0%	37.0%	71.0%
Public Equity	39,792,298	44.43%	42.0%	37.0%	47.0%
Non-Core Real Estate	3,652,612	4.08%	3.0%	0.0%	8.0%
Opportunistic Fixed Income	5,438,220	6.07%	7.0%	0.0%	7.5%
Private Equity	4,174,260	4.66%	6.0%	0.0%	8.75%
Inflation Sensitive and Diversifiers	8,358,114	9.33%	11.0%	4.0%	16.0%
Core Real Estate	3,594,338	4.01%	5.0%	2.0%	10.0%
Inflation Sensitive	4,763,776	5.32%	6.0%	2.0%	7.5%
Multi-Strategy	1,686,815	1.88%	2.0%	0.0%	4.0%
Rates and Liquidity	26,473,433	29.55%	29.0%	24.0%	42.0%
Cash	1,060,871	1.18%	1.0%	0.0%	10.0%
Investment Grade Fixed Income	25,412,562	28.37%	28.0%	24.0%	32.0%
Grand Total	89,575,752	100.00%			

INVESTMENT MANAGEMENT DIVISION

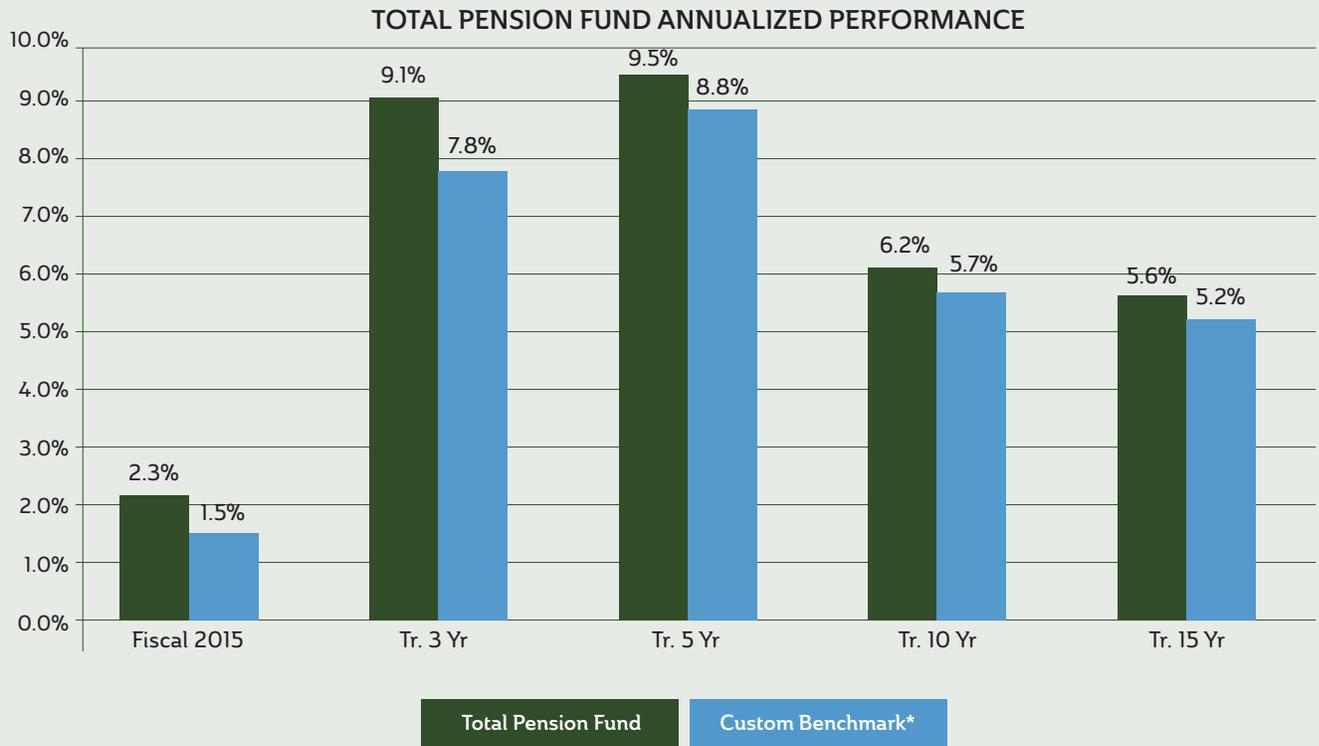
Total Fund Performance

The Pension Fund has outperformed its custom benchmark by 0.8% over the past fiscal year. The following chart provides fiscal year returns for each asset class within the total Pension Fund. Total

For the fiscal year 2015, the fund returned 2.25 percent, net of fees. The charts below provide a snapshot for the total Pension Fund's annualized performance and performance by asset class for one-, three-, five- and 10-year periods.

2015 FISCAL YEAR RETURNS

Growth	2.91%
Public Equity	1.14%
Private Equity	9.58%
Non-Core Real Estate	19.60%
Opportunistic Fixed Income	(0.52)%
Rates & Liquidity	2.07%
IG Fixed Income	2.09%
Cash	0.48%
Inflation Sensitive & Diversifiers	(1.98)%
Inflation Sensitive	(8.01)%
Core Real Estate	7.00%
Multi-Strategy	1.48%
Total Pension Plan	2.25%



**As of June 30, 2015 the Total Pension Implementation benchmark is a blend of the Asset Class Benchmarks at policy weights. It is currently weighted as follows: 58% Growth Benchmark, 29% Rates & Liquidity Benchmark, 11% Inflation Sensitive & Diversifiers Benchmark, and 2% Multi-Strategy Benchmark*

INVESTMENT MANAGEMENT DIVISION

The following chart details performance by asset class and also provides the benchmarks or target returns.

ANNUALIZED PERFORMANCE AS OF JUNE 30, 2015, NET OF FEES					
	1-Year	3-Year	5-Year	10-Year	15-Year
Growth Growth Benchmark ¹	2.9% 1.4%	13.8% 12.0%	12.8% 11.9%	6.2% 5.8%	- -
Global Equity Investment Portfolio Custom Global Equity Benchmark ²	1.1% 0.9%	14.5% 13.3%	13.0% 12.2%	6.3% 5.7%	4.3% 3.4%
Private Equity Investment Portfolio Custom Private Equity Benchmark ³	9.6% 6.3%	11.1% 11.7%	11.0% 12.4%	8.9% 11.3%	0.8% 8.2%
Non-Core Real Estate Investment Portfolio Custom Non-Core Real Estate Benchmark ⁴	19.6% 8.8%	15.0% 11.0%	14.6% 11.9%	5.2% 5.1%	- -
Opportunistic Fixed Income Investment Portfolio Custom Opportunistic Fixed Income Benchmark ⁵	-0.5% -2.9%	9.7% 2.8%	8.9% 3.1%	- -	- -
Rates & Liquidity Rates & Liquidity Benchmark ⁶	2.1% 2.2%	2.4% 2.1%	4.8% 4.6%	5.6% 5.2%	6.8% 6.5%
Fixed Income Portfolio Custom Fixed Income Benchmark ⁷	2.1% 2.3%	2.4% 2.2%	4.8% 4.7%	5.6% 5.3%	6.8% 6.5%
Cash Portfolio Custom Cash Benchmark ⁸	0.5% 0.0%	- -	- -	- -	- -
Inflation Sensitive and Diversifiers Inflation Sensitive and Diversifiers Benchmark ⁹	-2.0% -0.7%	3.4% 4.1%	2.2% 5.1%	2.6% 2.2%	- -
Inflation Sensitive Inflation Sensitive Custom Benchmark ¹⁰	-8.0% -9.4%	-1.1% -1.3%	-4.8% -2.0%	2.0% 4.3%	- -
Core Real Estate Investment Portfolio Custom Core Real Estate Benchmark ¹¹	7.0% 10.6%	10.3% 11.3%	11.9% 13.3%	5.6% 6.0%	- -
Multi-Strategy Investment Portfolio Custom Multi-Strategy Benchmark ¹²	1.5% 0.3%	11.8% 11.4%	10.3% 8.7%	6.3% 8.5%	- -
Total Pension Plan Implementation Benchmark ¹³ Long-Term Policy Benchmark ¹⁴	2.3% 1.5% 0.3%	9.1% 7.8% 7.4%	9.5% 8.8% 8.5%	6.2% 5.7% 6.0%	5.6% 5.2% 5.3%

- ¹ The Growth Benchmark is a blend of the Public Equity Benchmark, Private Equity Benchmark, Non-Core Real Estate Benchmark, & Opportunistic FI Benchmark at policy weights.
- ² The Public Equity Benchmark is the dynamically weighted combination of the MSCI ACWI IMI Net (Long-Only) and a beta adjusted MSCI ACWI IMI Net (Hedged Equity).
- ³ The Private Equity Benchmark is comprised of the following Burgiss Group Private iQ indices: 50% Buyout, 20% Venture Capital, and 30% Special Situations and Distressed Securities.
- ⁴ The Non-Core Real Estate Benchmark is comprised of the following Burgiss Group Private iQ indices: 80% U.S. Non-Core Real Estate (Opportunistic and Value-Added) and 20% Non-U.S. Non-Core Real Estate (Opportunistic and Value-Added).
- ⁵ The Opportunistic Fixed Income Benchmark is a comprised of 50% HFRX Distressed Securities Index, 20% HFRX Relative Value Index, 15% Credit Suisse Leveraged Loan Index, and 15% BOAML High Yield Index.
- ⁶ The Rates & Liquidity Benchmark is a blend of the IG Fixed Income Benchmark and the Cash Benchmark at policy weights.
- ⁷ The IG Fixed Income Benchmark is comprised 10% iMoneyNet First Tier Institutional Money Market Funds Net Index and 90% custom BOAML Core Investment Grade Index. The custom BOAML core index comprised of the following weightings: 30% BOAML 5+ Years Governments, 35% BOAML 5+ Years Investment Grade Corporates, and 35% BOAML Mortgage Master.
- ⁸ The Cash Benchmark is the iMoneyNet First Tier Institutional Money Market Funds Net Index.
- ⁹ The Inflation Sensitive & Diversifiers Benchmark is a blend of the Inflation Sensitive Benchmark and the Core Real Estate Benchmark at policy weights.
- ¹⁰ The Inflation Sensitive Benchmark is the dynamically weighted combination of the Bank of America Merrill Lynch 1-3 Years U.S. Inflation-Linked Treasury Index (TIPS), the Bloomberg Commodities Index (Commodities), and a combination of the benchmarks of investments classified within Private Natural Resources or Other Real Assets and Diversifiers.
- ¹¹ The Core Real Estate Benchmark is comprised of 80% NCREIF ODCE Net and 20% FTSE EPRA NAREIT Global Index.
- ¹² The Multi-Strategy Benchmark is comprised of a dynamically weighted combination of the HFRX ED: Multi-Strategy Index, net of fees, and the market value weighted benchmarks for any other total fund strategies within the Portfolio.
- ¹³ The Implementation Benchmark is a blend of the Asset Class Benchmarks at policy weights. It is currently weighted as follows: 58% Growth Benchmark, 29% Rates & Liquidity Benchmark, 11% Inflation Sensitive & Diversifiers Benchmark, and 2% Multi-Strategy Benchmark.
- ¹⁴ The Long-Term Policy Benchmark is comprised of 57% MSCI ACWI IMI Net, 33% BOAML 5+ Years U.S. Treasury Index, 6% Bloomberg Commodity Index, and 4% BOAML 1-3 Years U.S. Inflation-Linked Treasury Index.

INVESTMENT MANAGEMENT DIVISION

Cost

In order to best maximize returns with limited internal resources, the Investment Management Division utilizes external managers for a portion of the fund.

Over time, the Department, with the advice and counsel of the Investment Advisory Committee, has used a lower risk and lower cost approach to investing the North Carolina Retirement System trust funds. While costs have risen somewhat over time as more diverse external investment strategies were pursued, our all-in cost of investing the retirement trust fund remains modest and we continue to actively seek out cost-efficiencies in our operations.

During the fiscal year, the Department engaged CEM Benchmarking, a leading independent cost and performance analysis firm, to review our cost structure for calendar year 2014. The report showed that our cost structure was below those of most of our institutional peers. This leads to savings of about \$120 million per year compared to the median peer. Importantly, after deducting all fees, incentives, and expenses for the trust fund we exceeded our performance benchmarks, which are a positive for plan beneficiaries, employers, and taxpayers. At the same time, we continue to proactively target improvements in cost-efficiency, transparency, risk management, and compliance.

TABLE X: CALENDAR YEAR 2014 NCRS COSTS OF INVESTMENT OPERATIONS COMPARED TO PEERS
(EXPRESSED IN BASIS POINTS WHERE 50 BASIS POINTS EQUALS 0.50%)

	TOTAL (bps)
Median Peer	63.4
NCRS	49.9
Percentile	36%

Source: CEM [Cost Effectiveness Measurement] Benchmarking Inc., The peer group consists of 15 U.S. public pension funds managing from \$42 billion to \$150 billion. The median peer managed \$74 billion versus NCRS' \$89 billion average size during 2014. CEM Benchmarking's methodology incorporates default average expenses for underlying investment managers held within fund-of-fund vehicles, but excludes carry/performance fees for private investments because most peers do not provide such data. All such fees and expenses have been deducted from all reported investment returns.

Table Y provides further detail on fees and incentives paid to external investment managers for the fiscal year. Additional detail is available upon request.

TABLE Y: TOTAL NCRS EXTERNAL FEES PAID FY 2014-2015

	Management Fees	Incentive Fees	Total Fees	Portfolio Market Value	Ratio of Fees to Market Value
Public Equity	\$110,742,096	\$3,630,839	\$114,372,934	\$39,792,298,000	0.29%
Private Equity	\$52,157,605	\$34,341,143	\$86,498,748	\$4,174,260,000	2.07%
Real Estate	\$67,739,528	\$125,996,974	\$193,736,502	\$7,246,950,000	2.67%
Multi-Strategy	\$4,150,884	\$35,891	\$4,186,776	\$1,686,815,000	0.25%
Opportunistic Fixed Income	\$59,362,980	\$28,959,541	\$88,322,521	\$5,438,220,000	1.62%
Cash	\$0	\$0	\$0	\$1,060,871,000	0.0%
IG Fixed Income	\$0	\$0	\$0	\$25,412,562,000	0.0%
Non-Core Fixed Income	\$168,765	\$4,689,784	\$4,858,549	-	-
Inflation Sensitive	\$45,767,411	\$5,671,876	\$51,439,287	\$4,763,776,000	1.08%
TOTAL	\$339,920,504	\$198,636,265	\$538,556,768	\$89,575,752,000	0.60%

* Total management fees previously reported differ from the above data due to accrual and timing issues. This includes either accruals of management fees owed but not paid at year end or the timing difference between the actual charge and the booking of actual costs that occurs in certain other investments.

** Consistent with industry convention, cost figures do not include the fees and expenses of investment managers that are held within fund-of-fund vehicles. Such fees and expenses have been deducted from all reported investment returns.

INVESTMENT MANAGEMENT DIVISION

The below table provides additional transparency into the compensation collected by investment managers within fund of fund structures. This compensation is determined by the fund of fund manager through contracts with the underlying manager. This compensation is deducted from all reported returns. They are not included in the compensation disclosed in Table Y.

	Management Fees	Incentive Fees	Market Value	Ratio of Fees to Market Value
NCRS Fund of Funds	\$38,271,569	\$35,790,921	\$2,625,433,997	2.82%

Note: Some legacy fund of funds do not disclose the compensation to underlying funds and are, therefore, not reported in the above table.

INVESTMENT MANAGEMENT DIVISION

FIXED INCOME

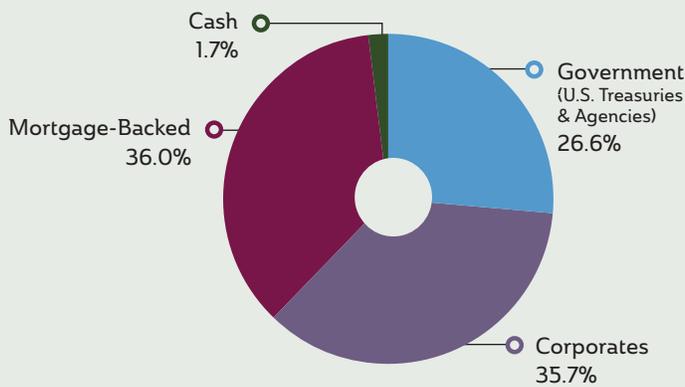
As of June 30, 2015, the fixed income allocation maintained a market value of \$25.4 billion, representing 28.4 percent of the Pension Fund. The Pension Fund's core Long-Term Investment Portfolio (LTIP) represented the bulk of the fixed income assets with a market value of \$22.7 billion. The balance of the fixed income assets was in non-core strategies.

Core Fixed Income Structure

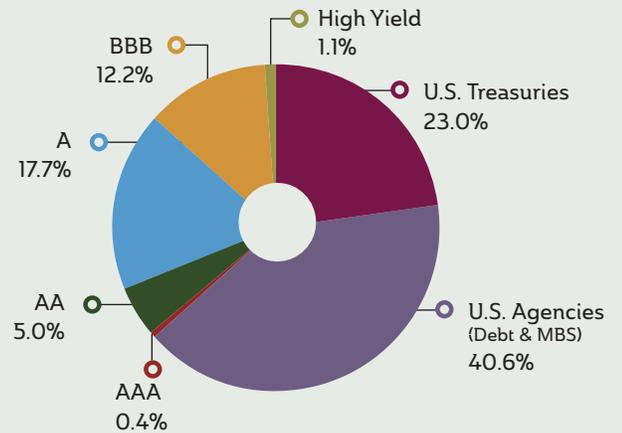
The LTIP is an internally managed investment grade fixed income portfolio that takes an enhanced approach to generating excess returns versus an assigned benchmark. The portfolio is structured to provide a long duration

profile that better matches the pension fund's longer duration liability stream. Because of this approach, the duration of the portfolio tends to be relatively long versus an intermediate duration fixed income portfolio. Duration is a measure of a bond's price sensitivity to changes in interest rates. The portfolio comprises U.S. Treasuries, Agencies, Corporate Bonds, and Governmental National Mortgage Association (GNMA) mortgage-backed securities. The following charts display the allocation of the LTIP by investment and by quality, or credit rating, of investment.

LTIP SECTOR ALLOCATION
(AS OF 6/30/15)



LTIP QUALITY* ALLOCATION
(AS OF 6/30/15)



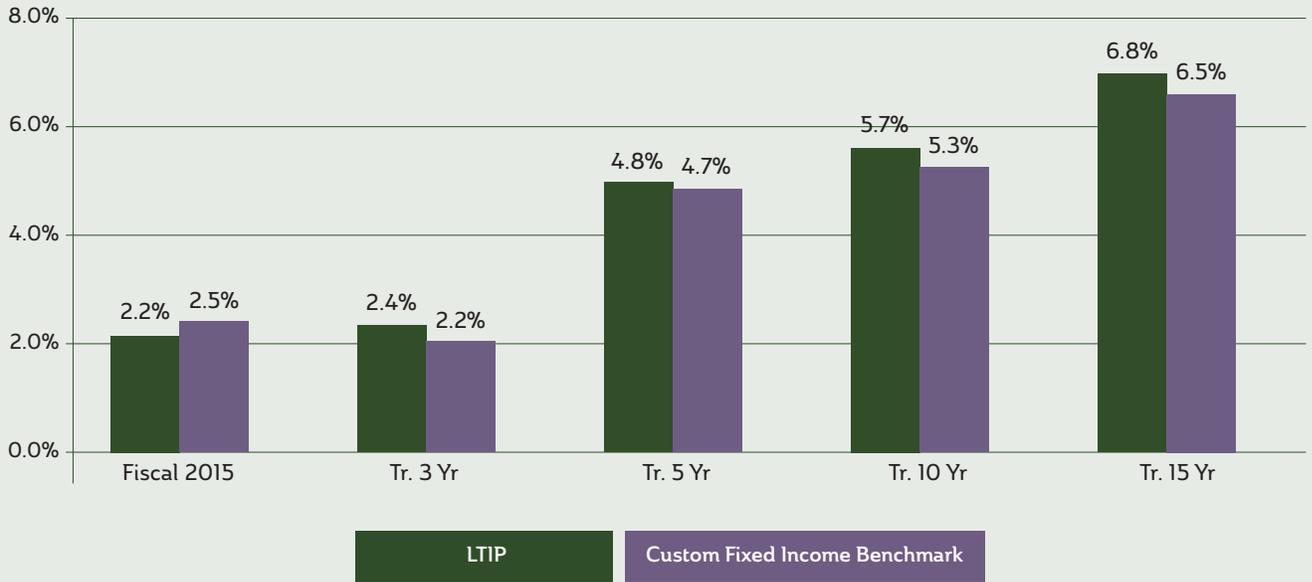
*Credit Quality based on Moody's Ratings

INVESTMENT MANAGEMENT DIVISION

Core Fixed Income Performance

For the fiscal year, the LTIP return was 2.23% net of fees versus a benchmark return of 2.52%. The slight underperformance to the benchmark was due to drag from cash exposures and the short duration position relative to the benchmark.

LONG TERM INVESTMENT PORTFOLIO ANNUALIZED PERFORMANCE



INVESTMENT MANAGEMENT DIVISION

Below are the lists of the top 10 corporate exposures within the LTIP and a summary of brokers utilized to trade securities in the portfolio.

LTIP TOP 10 CORPORATE POSITIONS AS OF JUNE 30, 2015	
Corporate Issuer	% of LTIP
General Electric	1.1%
JP Morgan	0.8%
Goldman Sachs	0.8%
Wells Fargo	0.7%
Wal-Mart	0.7%
Bank of America	0.6%
HSBC	0.6%
ConocoPhillips	0.5%
Comcast	0.5%
Verizon	0.5%

LTIP SUMMARY OF BROKERS UTILIZED DURING FISCAL YEAR 2015

Bank of America	Credit Suisse Securities	KeyBanc Cap Mkts	SunTrust Capital Markets
Barclays Capital	Cross Point Capital	Mizuho Securities	UBS Securities
BB&T Capital Markets	First Tennessee Bank	Morgan Stanley	US Bank
BNP Paribas	Goldman Sachs	Raymond James	Wells Fargo Securities
BNY Mellon	HSBC Securities	RBS Greenwich Capital	Williams Capital
Cantor Fitzgerald	Jefferies & Company	Scotia Capital	
Citigroup	JPMorgan Chase	Stifel Nicolaus	

Non-Core Fixed Income Structure

The non-core component consists of a liquidity allocation to the Short-Term Investment Fund.

As of June 30, 2015, the allocation to STIF was \$2.68 billion.

Non-Core Fixed Income Performance

The non-core fixed income composite posted a return of 0.48 percent for the fiscal year.

INVESTMENT MANAGEMENT DIVISION

PUBLIC EQUITY

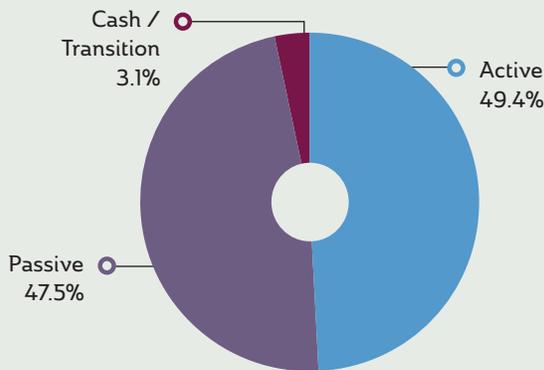
The Public Equity portfolio ended fiscal year June 30, 2015 at \$39.8 billion, with \$17.3 billion in U.S. equity strategies, \$17.0 billion in non-U.S. strategies, \$2.8 billion in global strategies, and \$1.5 billion in hedged equity strategies. As a percentage of the pension fund's assets, the Public Equity allocation was 44.4 percent on June 30, 2015.

The Public Equity portfolio maintains prudent diversification within the broad equity market across size and valuation style. Valuation style divides stocks into value, growth, and core. Value stocks are characterized by low valuation multiples such as price to book (P/B) and price to earnings (P/E). Growth stocks typically have higher-than-average sales and earnings growth prospects. Core is a blend

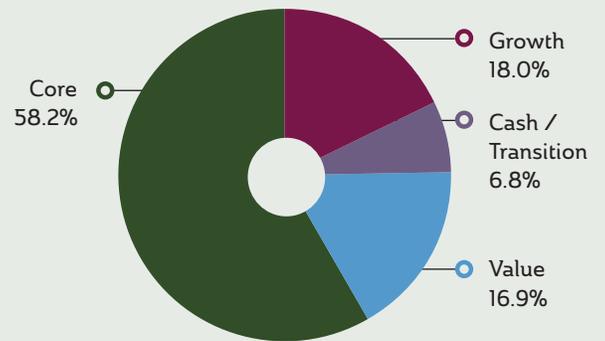
between value and growth. The portfolio is also categorized into U.S. Large-Cap, U.S. Mid-Cap, U.S. Small-Cap and Non-U.S. investments.

All investments of the Public Equity portfolio are managed externally according to one of two different strategies: passive or active. Passive investments track existing indexes in relatively efficient markets. Actively managed portfolios give the manager discretion to make investment decisions within the parameters of the portfolio's mandate with intent to outperform the benchmark over time. The following charts provide percentage of distribution between type, style, and strategy.

PUBLIC EQUITY ACTIVE & PASSIVE ALLOCATION STRATEGY ALLOCATION

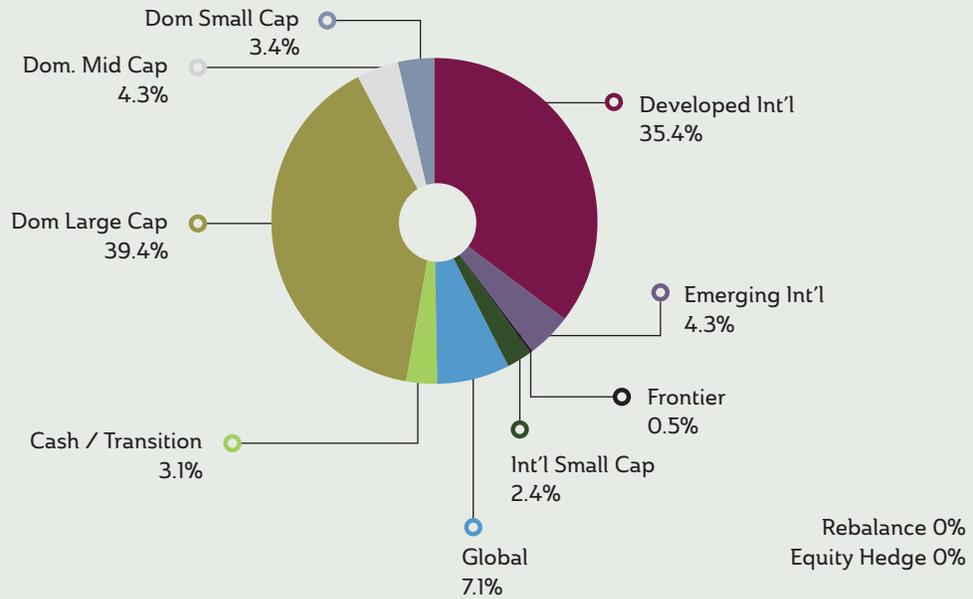


PUBLIC EQUITY STYLE ALLOCATION STYLE ALLOCATION



INVESTMENT MANAGEMENT DIVISION

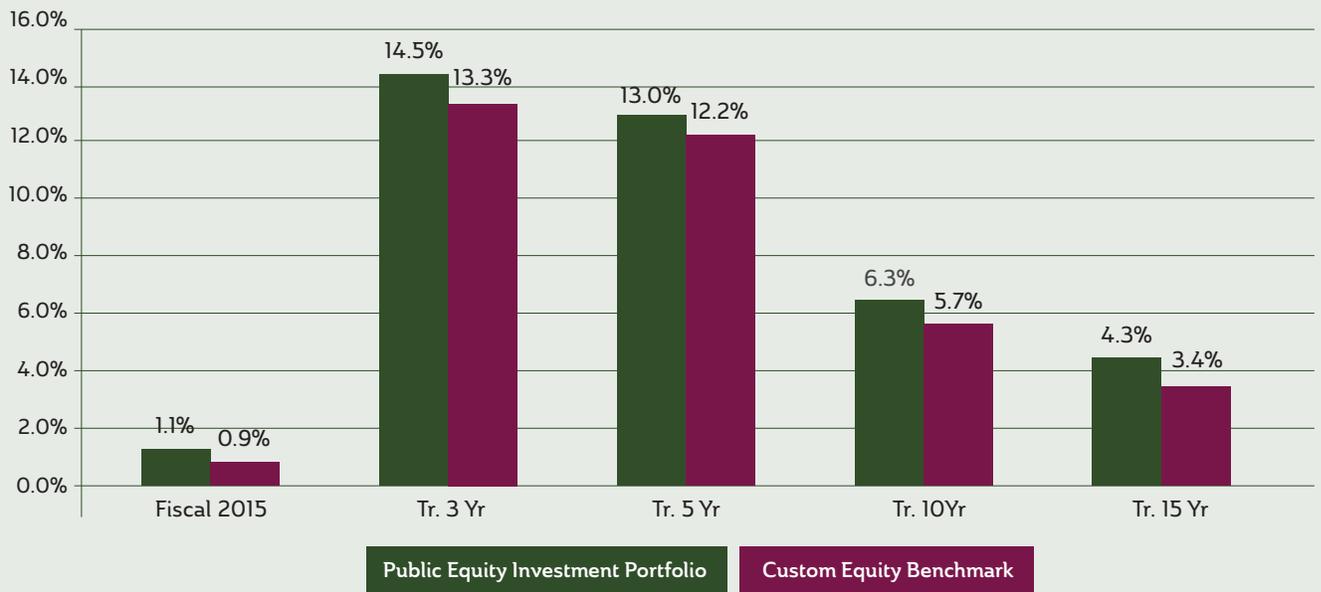
PUBLIC EQUITY SIZE ALLOCATION



Public Equity Performance

The graph below illustrates the fiscal year performance against the benchmark, as well as the three-, five-, 10- and 15-year trailing returns.

PUBLIC EQUITY INVESTMENT PORTFOLIO ANNUALIZED PERFORMANCE



INVESTMENT MANAGEMENT DIVISION

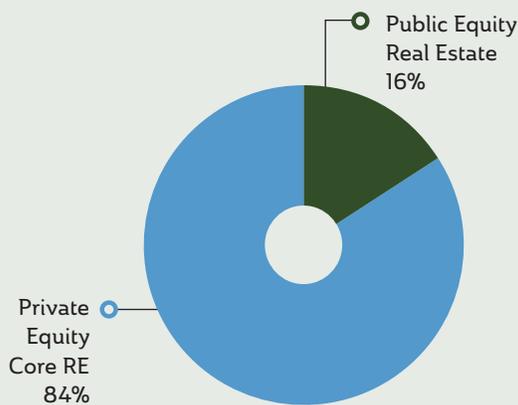
REAL ESTATE

As of June 30, 2015, the Core Real Estate Investment Portfolio (Core -REIP) was valued at \$3.59 billion or 4.0% allocation as a percentage of pension fund assets. The Non-Core REIP was valued at \$3.65 billion or 4.1% allocation as a percentage of pension fund assets. These portfolios consist of both open-end and closed-end commingled funds as well as separate account mandates.

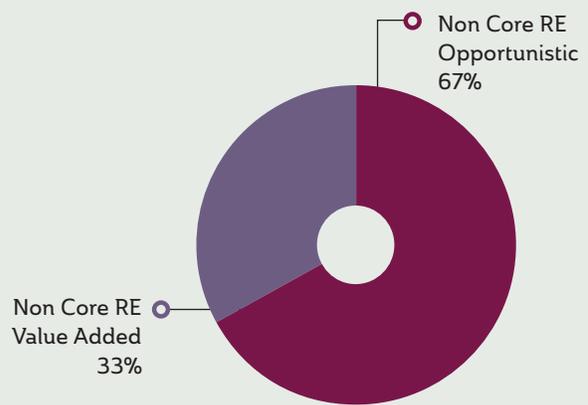
The Core REIP seeks returns from income and capital appreciation by investing in core public equity and private equity real estate. The Non-Core REIP invests in value-added and opportunistic strategies. Core real estate is represented by well-located, stable properties with high occupancy levels. Core investment returns are primarily driven by property income with debt levels typically at 0-50 percent of property value. Value-added real estate generally requires some additional leasing and

moderate tenant improvements before the properties are sold. Returns are derived from both income and capital appreciation with debt levels ranging from 50 percent to 65 percent of property value. Upon completion of value-added strategies, assets become core and can be sold at premium valuations. Opportunistic real estate investments require significant capital expenditures. Returns are derived from capital appreciation due to the lack of "going-in" cash flows. Opportunistic strategies include development, redevelopment, restructuring, land and distressed properties. These investments have high debt levels typically between 65 percent and 80 percent of property value. The chart below outlines these allocations:

CORE REAL ESTATE STRATEGY ALLOCATION



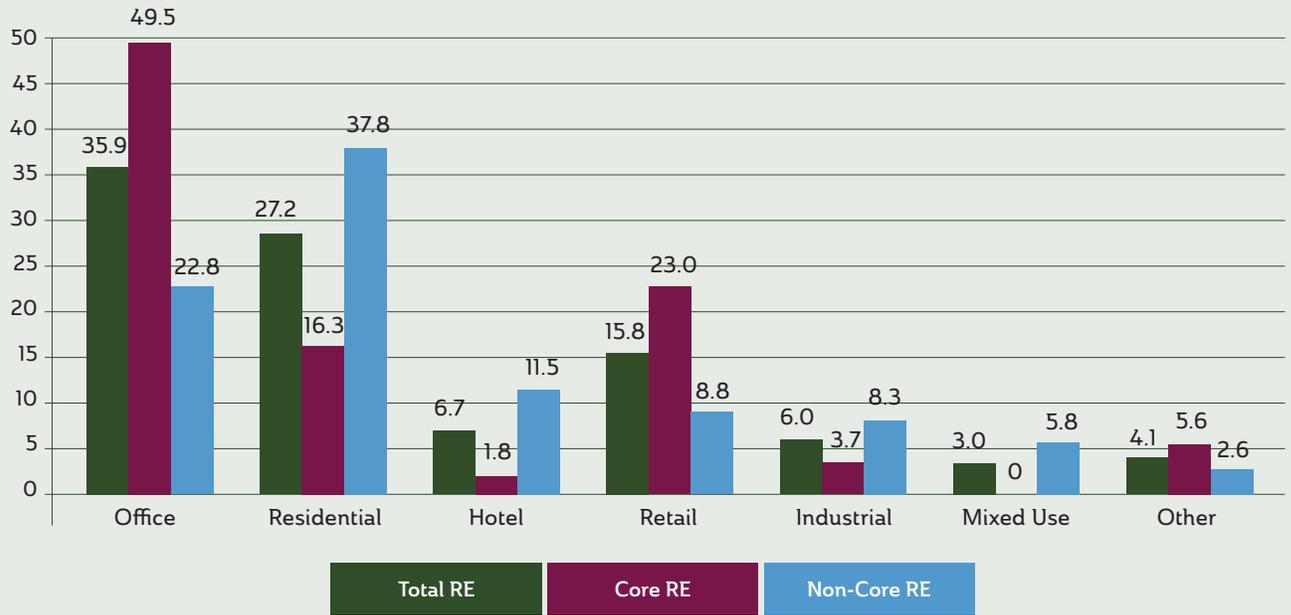
NON-CORE REAL ESTATE STRATEGY ALLOCATION



INVESTMENT MANAGEMENT DIVISION

In addition, the analysis of new investments focuses on location and property types. Both Core REIP and Non-Core REIP invest in a variety of property types including office, industrial, retail, multi-family residential, single-family residential, lodging, mixed-use, storage, land and debt. The chart below displays the percentage of each property type allocation as of June 30, 2015.

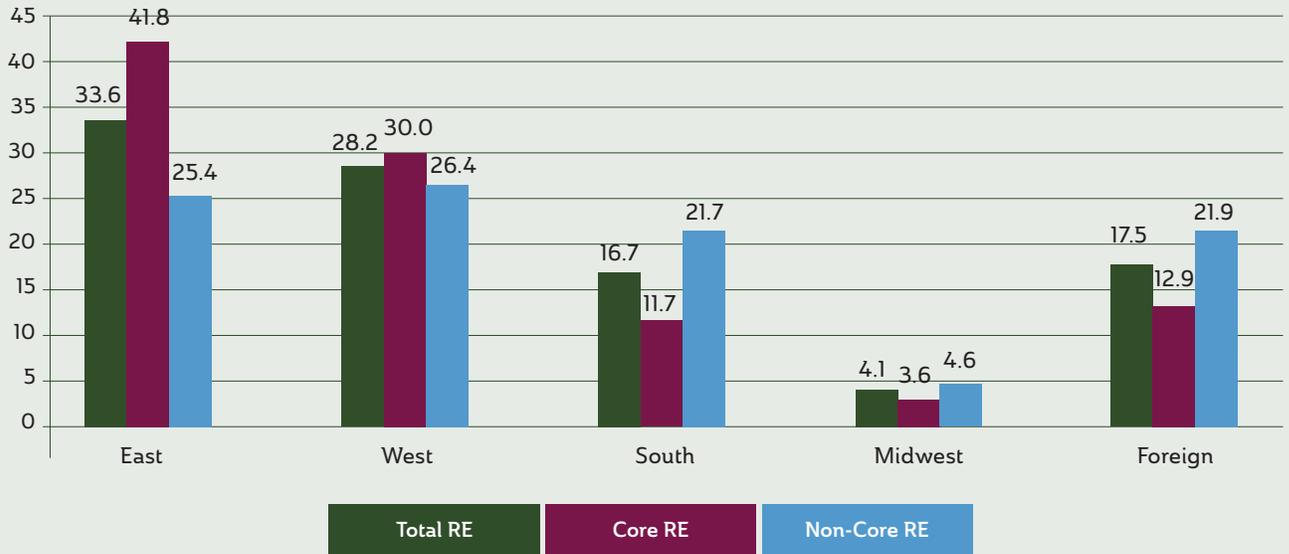
PROPERTY TYPE ALLOCATION



INVESTMENT MANAGEMENT DIVISION

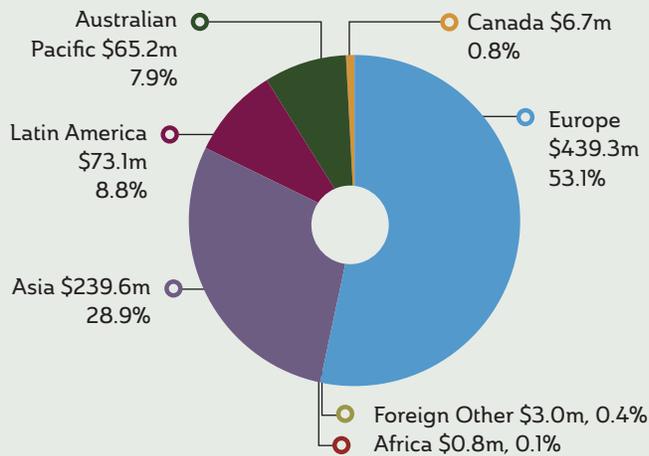
Geographically, both Core REIP and Non-Core REIP have a U.S. focus, and is diversified among the South, East, West and Midwest regions. Investment exposure outside of North America is approximately 16 percent, with the majority split between Europe and Asia. The following chart shows both the US and global geographic allocations as of June 30, 2015.

GEOGRAPHIC DIVERSIFICATION

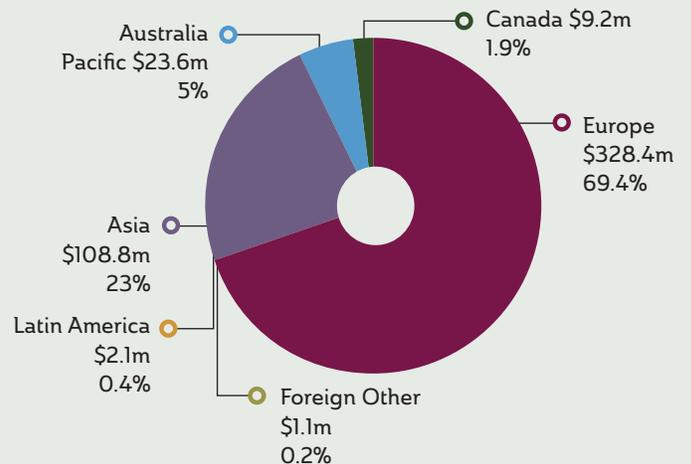


GLOBAL GEOGRAPHIC DIVERSIFICATION

NCRS NON-CORE REAL ESTATE FOREIGN INVESTMENTS



NCRS CORE REAL ESTATE FOREIGN INVESTMENTS



INVESTMENT MANAGEMENT DIVISION

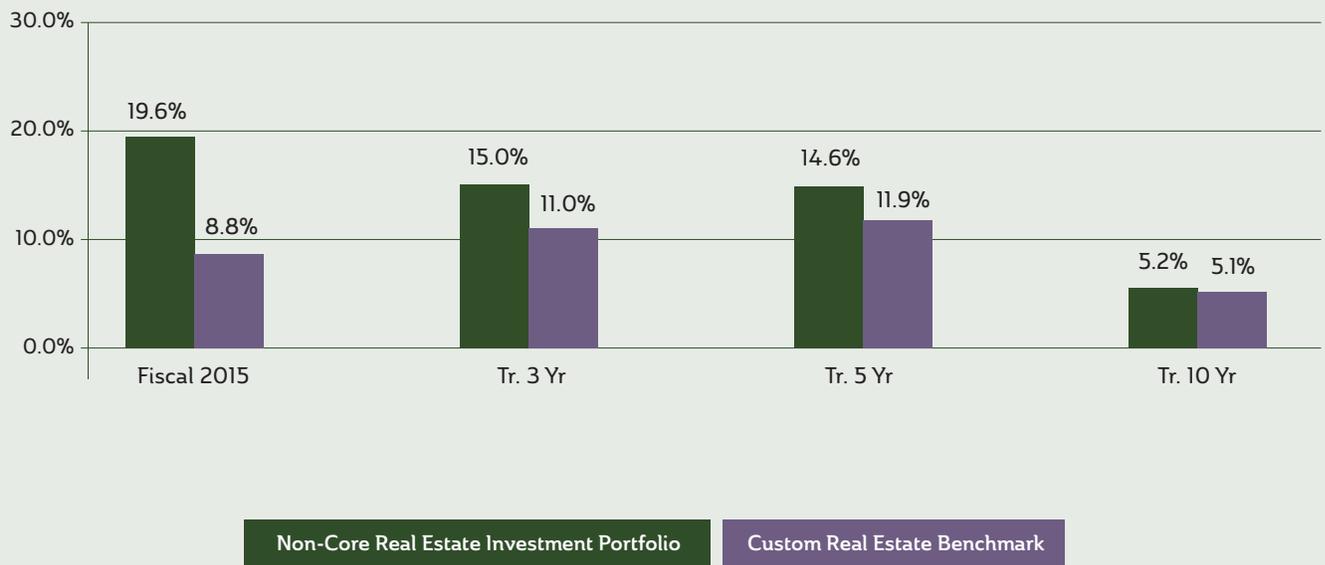
Real Estate Performance

For the fiscal year 2015, the Core REIP returned 7.0 percent, net of fees, underperforming its custom benchmark return of 10.6 percent. Non-Core REIP returned 19.6 percent, net of fees, outperforming its custom benchmark return of 8.8%. The Core Real Estate Benchmark is comprised of 80% NCREIF ODCE Net and 20% FTSE EPRA NAREiT Global Index. The Non-Core Real Estate Benchmark is comprised of the following Burgiss Group Private iQ indices: 80% U.S. Non-Core Real Estate (Opportunistic and Value-Added) and 20% Non-U.S. Non-Core Real Estate (Opportunistic and Value-Added).

CORE REAL ESTATE INVESTMENT PORTFOLIO ANNUALIZED PERFORMANCE



NON-CORE REAL ESTATE INVESTMENT PORTFOLIO ANNUALIZED PERFORMANCE



INVESTMENT MANAGEMENT DIVISION

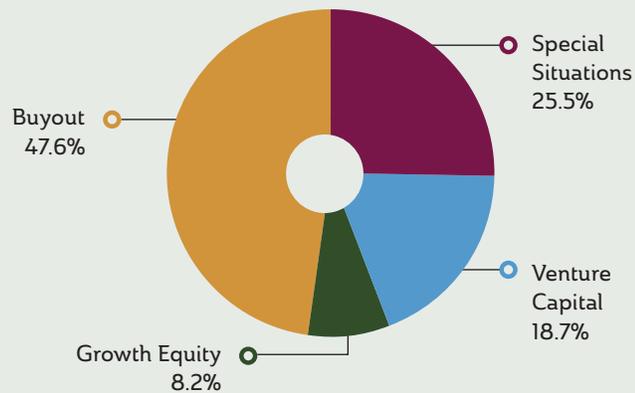
PRIVATE EQUITY

As of June 30, 2015, the Private Equity investment portfolio maintained a market value of approximately \$4.2 billion, representing 4.66 percent of the pension fund. The portfolio invests in limited partnerships and other limited liability entities, which are externally managed by experienced private equity investment professionals. The Private Equity investment portfolio has three major subcomponents: Growth, Buyout, and Special Situations. Growth includes venture capital and growth equity strategies. Growth equity investments, most often minority investments, are in relatively mature companies that are looking for capital to expand or restructure operations, enter new markets or finance a major acquisition without a change of control of the business. Venture capital refers to equity investments made, typically in less mature

companies, for the launch of a seed or start-up company, early stage development, or expansion of a less mature business. Buyout refers to a strategy of making control investments as part of a transaction in which a company, business unit, or business assets are acquired from the current owners typically with the use of financial leverage. Special Situations includes a broad set of strategies such as distressed for control, secondary strategies, co-investment, and other strategies not classified into buyout or growth.

The Private Equity portfolio's allocation to these subcomponents is displayed below.

PRIVATE EQUITY STRATEGY ALLOCATION
(BASED ON COMMITMENTS)

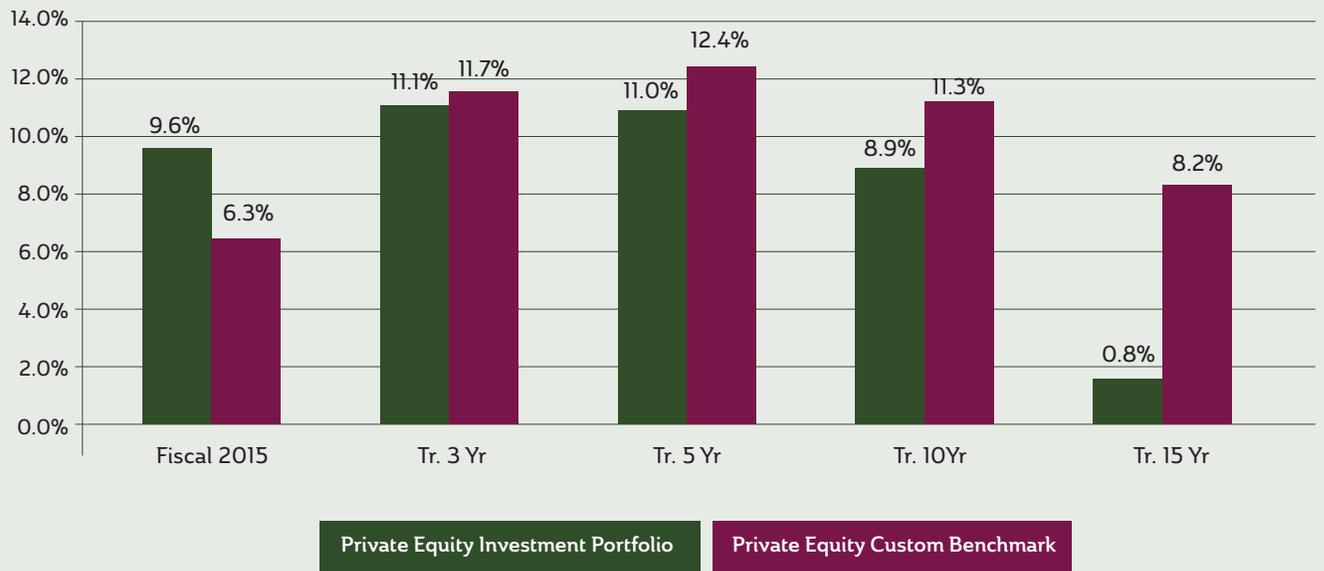


INVESTMENT MANAGEMENT DIVISION

Private Equity Performance

For the fiscal year, the Private Equity investment portfolio returned 9.58 percent, outperforming its benchmark return of 6.27 percent.

PRIVATE EQUITY INVESTMENT PORTFOLIO ANNUALIZED PERFORMANCE



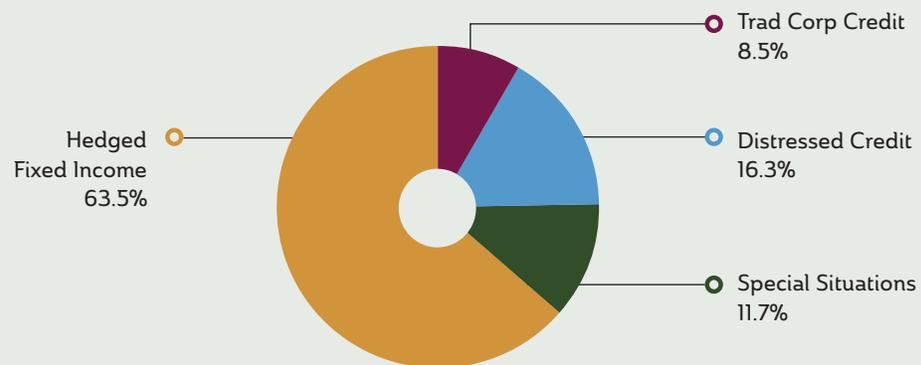
INVESTMENT MANAGEMENT DIVISION

OPPORTUNISTIC FIXED INCOME PORTFOLIO

As of June 30, 2015, the Opportunistic Fixed Income portfolio maintained a market value of approximately \$5.4 billion, representing 6.1 percent of the pension fund. The portfolio has a target weight of 7.0 percent and invests in a diversified mix of credit-focused investment vehicles managed by experienced investment advisors. The vehicles include hedge funds, capital drawn down, and hybrid vehicles. The Opportunistic Fixed Income Strategies investment portfolio has four major subcomponents: Traditional Corporate Credit, Distressed Debt, Hedged Fixed Income, and Special Situations. Traditional Corporate Credit are strategies that

invest in high yield bonds and bank loans. Distressed Debt are predominantly strategies that trade distressed debt, but occasionally actively participate in restructurings and seek control post-reorganization of target issuers. Hedged Fixed Income includes hedged implementations of market neutral strategies, relative value strategies, and multi-strategy (i.e., predominantly fixed income) utilizing non-investment grade instruments. Special Situations includes mezzanine, direct lending, and structured credit. The latter can include mortgage- and other asset-backed securities and financings.

STRATEGY ALLOCATION

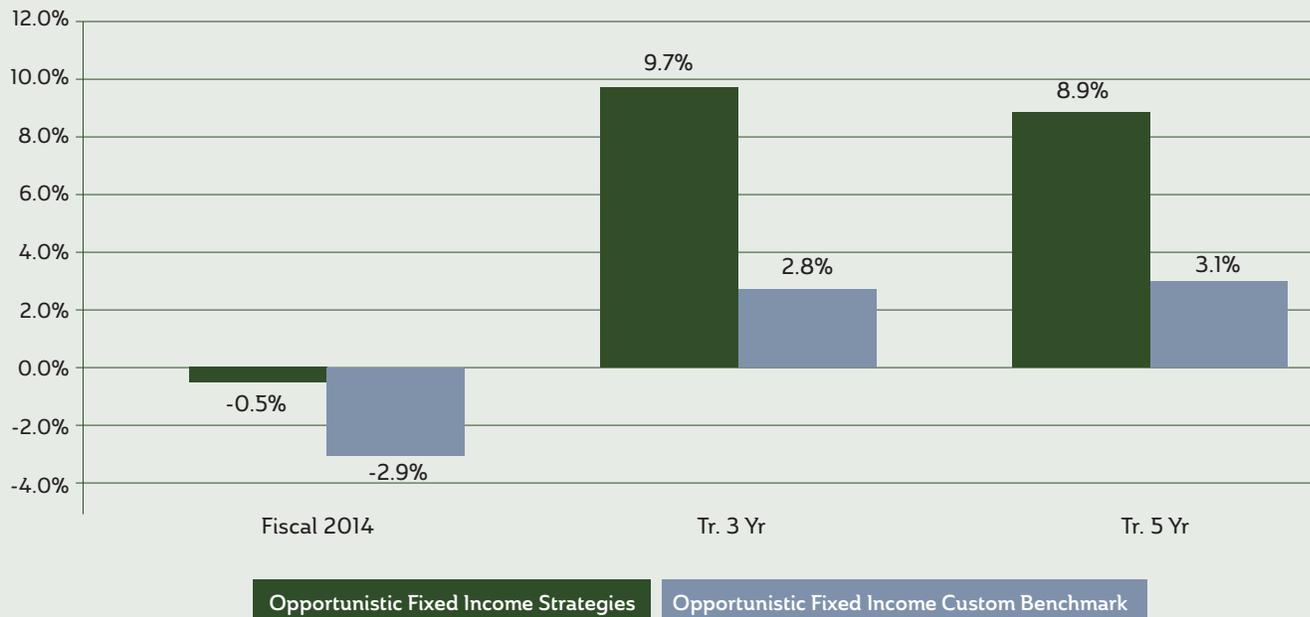


Opportunistic Fixed Income Portfolio Performance

For the fiscal year, the Opportunistic Fixed Income Portfolio returned -0.52 percent, outperforming its benchmark return of -2.85 percent. The Opportunistic Fixed Income Portfolio's outperformance is attributable to a diversified and conservative investment approach that has served the plan well during periods of increased uncertainty and during periods of economic recovery.

INVESTMENT MANAGEMENT DIVISION

OPPORTUNISTIC FIXED INCOME ANNUALIZED PERFORMANCE



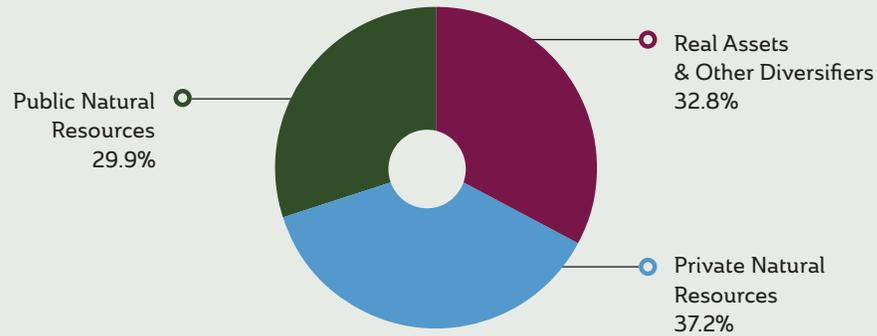
INVESTMENT MANAGEMENT DIVISION

INFLATION SENSITIVE PORTFOLIO

As of June 30, 2015, the Inflation Sensitive Protection Portfolio maintained a market value of \$4.8 billion, representing 5.3 percent of the pension fund. The portfolio invests in a diversified mix of inflation sensitive-linked investment vehicles managed by experienced investment advisors. The portfolio is divided into three subcomponents: Publicly Trade Natural Resources, Private Natural Resources, and Real Assets and Other Diversifiers. Publicly Traded Natural Resources are strategies that invest

in commodity and natural resource public equity and public debt using long-only or hedged implementations. Private Natural Resources are strategies making non-public market equity or debt investments in energy, agriculture, and other natural resources implementations. Real Assets and Other Diversifiers are strategies including infrastructure, real assets (e.g., ships, airplanes, rail cars, mines, real estate, etc.), royalties, and combinations of any of this and the other subcomponents whose primary purpose is providing protection against risks associated with Inflation Sensitive.

STRATEGY ALLOCATION

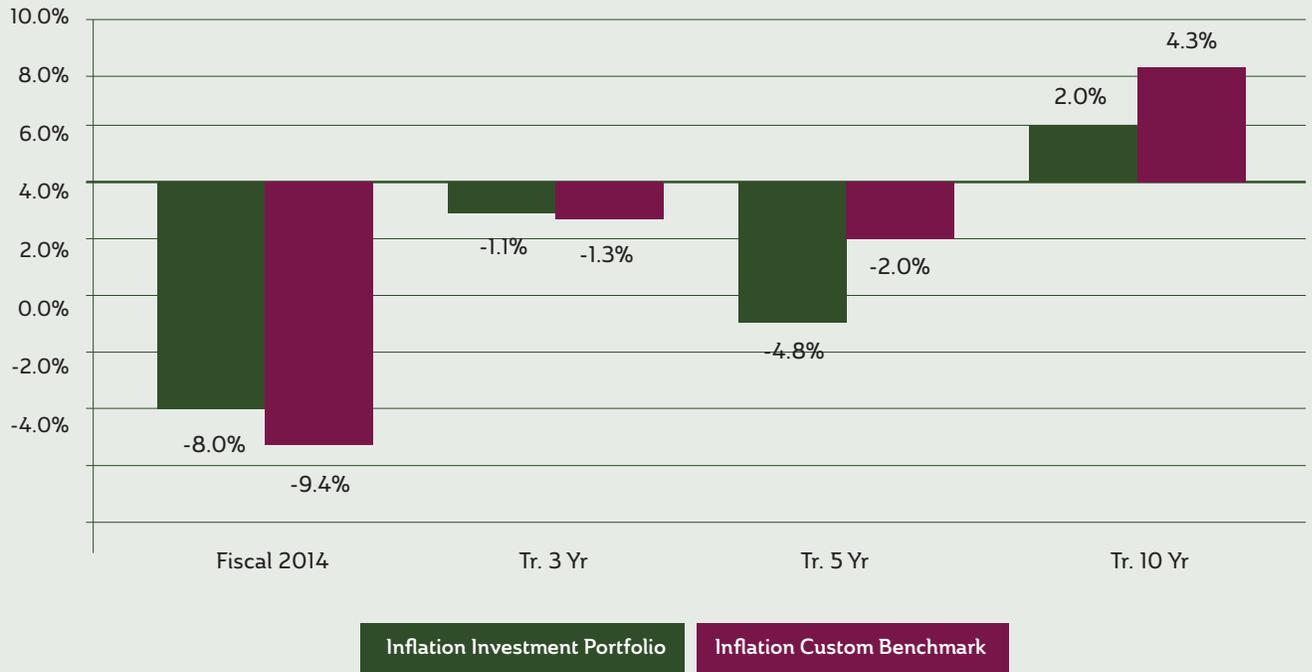


Inflation Sensitive Protection Performance

For the fiscal year, the Inflation Sensitive Protection Portfolio returned -8.01 percent, outperforming its benchmark return of -9.41 percent.

INVESTMENT MANAGEMENT DIVISION

INFLATION INVESTMENT PORTFOLIO ANNUALIZED PERFORMANCE



INVESTMENT MANAGEMENT DIVISION

ANCILLARY INVESTMENT PROGRAM REVIEW

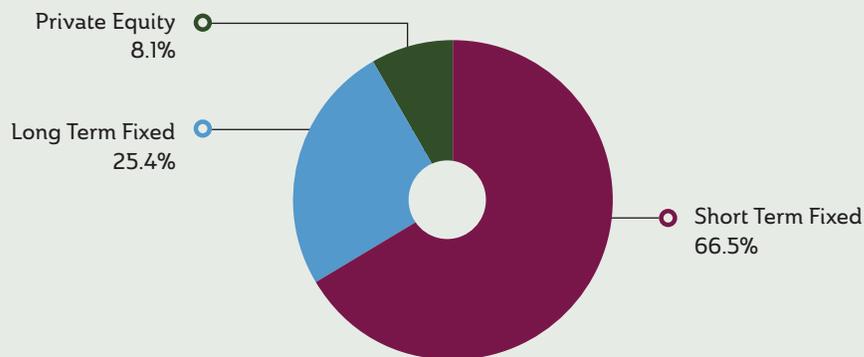
The Ancillary Investment Program’s objective is to generate returns that match or exceed those of the appropriate benchmarks over a three- to five-year basis for the Escheats Fund, Public Hospital Funds, the Local Government Other Post-Employment Benefits Program, and other non-pension assets.

ESCHEAT FUND

Pursuant to G.S. 147-69.2(b)(12), up to 20 percent of the Escheat Investment Fund’s assets can be invested in the authorized Public Equity, Real Estate and Private Equity asset classes discussed above. For the fiscal year ending June 30, 2015, the Escheat Fund maintained a total portfolio market value of \$440.0 million, with \$404.5 million invested in fixed income, and \$35.5 million invested in private equity. The following table and chart provide the Escheat Fund’s asset allocation and each allocation’s percentage of the total Escheat Fund as of June 30, 2015. Actual allocations versus target weights reflect the relatively large appropriations out of the fund in recent years. The policy is expected to be revisited in the upcoming fiscal year.

ESCHEAT INVESTMENT FUND ASSET ALLOCATION AS OF JUNE 30, 2015			
	Market Value	Portfolio Weight	Target Weight
Fixed Income	\$404,505	91.9%	80.0%
Public Equity	\$0	0.0%	12.0%
Real Estate	\$0	0.0%	4.0%
Private Equity	\$35,505	8.1%	4.0%
Escheat Fund	\$440,010	100%	-

ESCHEAT INVESTMENT FUND ASSET ALLOCATION



INVESTMENT MANAGEMENT DIVISION

PUBLIC HOSPITALS

Pursuant to G.S. 147-69.2(b2), North Carolina public hospitals are allowed to invest assets in the authorized Public Equity and Fixed Income asset classes discussed above.

As of June 30, 2015, the market value for the New Hanover Hospital portfolio was \$180.6 million, the market value for Columbus Regional Healthcare System was \$12.4 million, the market value for the Margaret R. Pardee Hospital was \$12.6 million, and the market value for the Watauga Medical Center was \$31.9 million.

OTHER POST-EMPLOYMENT BENEFITS FUND

Pursuant to G.S. 159-30.1(b), the assets of Other Post-Employment Benefits (OPEB) Trusts can be deposited with the State Treasurer for investment according to G.S. 147-69.2(b4). The assets are allocated as follows: STIF, LTIP and authorized Equity funds. As of June 30, 2015, there were a total of 16 participants with assets totaling \$184.4 million.

OTHER NON-PENSION LONG-TERM INVESTMENT PORTFOLIO PARTICIPANTS

As of June 30, 2015, the aggregate market value of other non-pension participants invested in the Long-Term Investment Portfolio was \$1.5 billion.

BOND PROCEEDS FUND

The assets of the Bond Proceeds Fund, managed by Sterling Capital, totaled \$281.4 million as of June 30, 2015.

STATE & LOCAL GOVERNMENT FINANCE DIVISION



STATE & LOCAL GOVERNMENT FINANCE DIVISION

STATE & LOCAL GOVERNMENT FINANCE DIVISION			
	2012-13	2013-14	2014-15
Maintained the AAA Bond Rating	Yes	Yes	Yes
Number of Local Government Units Contacted Regarding their Fiscal Health or Compliance with General Statutes	348	333	528
Total Debt Issued by Local Governments	\$3.8 Billion	\$1.9 Billion	\$4.2 Billion
Debt Issued for Special State and Local Authorities and Agencies	\$2.3 Billion	\$1.2 Billion	\$2.2 Billion
Total State Debt Issued	\$1.6 Billion	\$0.5 Billion	\$0.8 Billion

STATE & LOCAL GOVERNMENT FINANCE DIVISION

The State and Local Government Finance Division handles the sale and delivery of all State and local debt and monitors the repayment of State and local government debt. Staff counsel assists local governments in determining the feasibility of projects, the size of the financing, and the most expedient form of financing. Additionally, this Division monitors and analyzes the fiscal and accounting practices of all local governments.

The Division comprises the Debt Management section, which issues and monitors all State and local debt, and the Fiscal Management section, which monitors fiscal and accounting standards for local governments. The Division also provides the State Treasurer, the Local Government Commission, the North Carolina Capital Facilities Finance Agency, and the North Carolina Infrastructure Finance Corporation with staff assistance in fulfilling their respective statutory functions.

2014-15 FISCAL YEAR SUMMARY OF DEBT ISSUED	
Total State	\$ 0.8 Billion
Total Local Governments	\$ 4.2 Billion
TOTAL	\$ 5 Billion

HISTORY

In 1931 the North Carolina General Assembly established the Local Government Commission (LGC), staffed by this Division, to help address the problems in local government finance caused by the Depression. In 1933, 62 North Carolina counties, 152 cities and towns, and some 200 special districts were in default on the principal or the interest or both of outstanding obligations. The debt of its local governments in general finds a significantly better reception on the national bond markets than the national average. Many attribute this favored credit status, in part, to the work of the LGC. This Commission is unique nationally and is often referred to as a model for local government financial oversight.

THE LOCAL GOVERNMENT COMMISSION

The LGC, established by G.S. 159-3, provides assistance to local governments and public authorities in North Carolina. It is staffed by the Department of State Treasurer and approves the issuance of debt for all units of local government and assists these units with fiscal management. The Commission is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the General Assembly upon the recommendation of the President Pro Tempore, and one by the General Assembly upon the recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chair and selects the Secretary of the Commission, who heads the administrative staff serving the Commission. The General Statutes require the Commission to meet at least

quarterly. As a matter of practice, the Commission meets on the even months, and the Commission's executive committee meets in the odd months.

THE NORTH CAROLINA CAPITAL FACILITIES FINANCE AGENCY

Private colleges, universities, nonprofit and for-profit corporations providing certain services may receive financing assistance through bonds issued by the North Carolina Capital Facilities Finance Agency (Agency), established by the General Assembly in 1986. The Agency Board of Directors is composed of seven members: the State Treasurer, the State Auditor, and five others by appointment (three by the Governor, one by the President Pro Tempore of the Senate and one by the Speaker of the House of Representatives). The administrative staff for the Agency is provided by the Department of State Treasurer. The Agency meets monthly.

The staff presents the project and its recommendations to the Agency board and subsequently to the LGC for approval. Since its creation, the Agency has provided over \$7.1 billion in tax-exempt capital financing. At June 30, 2015, there were \$2.93 billion in outstanding obligations. Each issue is payable solely from revenues derived from each entity financed, is separately secured, and is separate and independent from all other series of bonds as to source of payment and security. During the fiscal year ended June 30, 2015, the Agency issued \$1.11 billion in bonds for 12 institutions. The Agency's annual report is available from the Department of the State Treasurer.

DEBT MANAGEMENT

The Division issues and monitors all State debt, including debt secured by a pledge of the taxing power of the State and debt for which repayment is subject to appropriation. With the assistance of other State agencies, the Division determines the cash needs, plans for the repayment of debt (maturity schedules) and schedules the sale at the most appropriate time. Finally, the Division handles the actual sale and delivery of the debt, maintains the State bond records and register of bonds, and monitors the debt service payments. At June 30, 2015, the State had General Obligation bonds outstanding of approximately \$3.5 billion and certificates of participation, limited obligation bonds and lease-purchase bonds outstanding of approximately \$2.25 billion. (See Tables 7 and 8.)

The Division also is responsible for the authorization and sale of revenue bonds for the North Carolina Medical Care Commission, the Municipal Power Agencies, the North Carolina Capital Facilities Finance Agency and the North Carolina Housing Finance Agency.

The other primary function of the Division is the approval, sale and delivery of all North Carolina local government bonds and notes. This includes the sale of revenue bonds, which are secured only by specific revenue pledged in payment of the bonds. The Division staff counsels and assists local governmental units in determining the necessity of a project, the size of the issue, and the most expedient form of financing. The staff strives to resolve all problems and to determine that all statutory requirements are met before applications are presented to the LGC for approval.

Debt records are maintained for all units on principal and interest payments coming due in the current and future years. All debt service payments are monitored through a system of monthly reports. At June 30, 2015, authorized and unissued general obligation bonds for local governments and authorities amounted to \$4.5 billion and general obligation debt outstanding amounted to \$9.5 billion. (See Table 7.)

Another responsibility of the Division's staff is assisting units that desire to enter into agreements to finance the lease or installment purchase of capital assets. Before approving such agreements, the LGC must find that the proposed project is necessary and expedient, the proposed undertaking cannot be economically financed by a bond issue and that the contract will not require an excessive increase in taxes. During the fiscal year ended June 30, 2015, the LGC approved contracts or other agreements (including refundings) totaling \$1.8 billion. (See Tables 5 and 6.)

STATE & LOCAL GOVERNMENT FINANCE DIVISION

-- TABLE 3 --

BOND ISSUANCES FOR 2014-15		
	FY No.	2014-2015 (Amount in Millions)
BONDS SOLD FOR THE STATE		
G.O. Bonds (General Fund)	1	\$ 231.4
North Carolina Turnpike Authority Revenue Bonds	-	-
Grant Anticipation Revenue Vehicle Bonds ¹	1	264.9
Special Indebtedness	1	299.0
Total Issued	3	\$ 795.3
BONDS AND NOTES SOLD FOR LOCAL GOVERNMENT UNITS		
G.O. Bonds	45	\$1,227.7
Revenue Bonds	46	1,012.2
Water and Sewer Revolving Loans	71	151.6
Water and Sewer Loans (Stimulus)	0	0.0
Special Obligation Bonds - Solid Waste	2	21.0
G.O. Notes ²	31	105.5
Revenue Notes ²	23	157.3
Total Issued	218	\$ 2,675.3
Installment/Lease Contracts Sold for Local Units	143	\$ 1,529.5
Total for Local Government	361	\$ 4,204.8
REVENUE BONDS SOLD FOR		
Medical Care Commission	20	919.6
Housing Finance Agency	0	0
Power Agencies	0	0
Industrial Facilities & Pollution Control Financing Authorities ³	2	20.4
NC Department of Transportation (I-77)	1	100
Capital Facilities Finance Agency	12	1,110.0
Total Issued	35	\$2,150.0
GRAND TOTAL ISSUED	399	\$ 7,150.1

¹ The GARVEES are bonds issued for the State Department of Transportation for transportation construction and improvement costs. They are payable solely from certain federal transportation revenues received on behalf of the State and do not create a liability or obligation of the State or any political subdivision. The State issued new GARVEE bonds in fiscal year 2015.

² These are ongoing programs involving more than a year in duration. The purpose of these projects is to allow interim funding of large ongoing programs until a sufficient amount of bonds or favorable market conditions justify replacing the notes with permanent financing.

³ Bonds issued by these authorities are commonly referred to as Industrial Revenue Bonds and are used to attract and retain manufacturing industries to the State.

A comparison of bond issuances by the categories above in fiscal year 2014-15 with issuances in the past two fiscal years is shown below in Chart 8.

FISCAL MANAGEMENT

Another function of the Division involves monitoring certain fiscal and accounting standards prescribed for local governmental units by the Local Government Budget and Fiscal Control Act. The Act requires each unit of local government to have its accounts audited annually by a Certified Public Accountant or by an accountant certified by the Commission as qualified to audit local government accounts. As a part of its role in assisting local units and monitoring their fiscal programs, the Division provides guidance in following generally accepted accounting principles. Each local government is required to file a copy of its annual audit report with the Division and submit all audit invoices to the Division for approval.

The staff of the Fiscal Management Section annually reviews the audited financial statements of approximately 1,299 local governments and public authorities. The staff determines that all reports are prepared in accordance with generally accepted accounting principles and that applicable auditing standards have been followed. The staff also reviews the audit report to evaluate the financial condition of the unit, to determine if the unit complied with the Local Government Budget and Fiscal Control Act and other State laws, and to determine if the unit has an adequate system of internal controls in place. As a part of the audit review process, staff reviewed approximately 583 single audits and approximately 269 "Yellow Book" audits to ensure that audits performed under Government Auditing Standards (the "Yellow Book") and the federal and State single audit acts meet all the federal and State requirements.

When Division staff notes problems, local governments and public authorities, as well as their independent auditors, receive written communication expressing the staff's concerns, suggestions for improvements and an offer of assistance. On behalf of the LGC, staff requests a response detailing the unit's plans to take corrective action. In fiscal year 2014-15, staff sent approximately 528 audit letters to units of local government. Letters typically discussed such issues as over expenditures in the budget, fiscal weaknesses in the water and sewer system, internal control problems with the accounting system, credit cards or deposits, late delivery of audits or problems with the unit's level of fund balance. In addition, letters were sent to small units that routinely have internal control weaknesses related

to segregation of duties, which is a challenge for units with limited finance staff. In providing assistance to local governments, units are counseled in accounting systems and internal controls, cash and investment management, budget preparation, risk management, capital planning and changes in laws and regulations. Educational programs in the form of seminars and classes are also provided in order to accomplish these tasks. Staff members make presentations throughout the year at various workshops sponsored by:

- North Carolina Association of School Business Officials
- North Carolina Government Finance Officers Association
- North Carolina Local Government Investment Association
- North Carolina League of Municipalities
- North Carolina State University MPA Program
- North Carolina Rural Water Association
- North Carolina Department of Justice
- UNC School of Government
- Eastern Carolina Council of Governments
- Lumber River Council of Governments
- Cherry, Bekaert, LLP

STATE & LOCAL GOVERNMENT FINANCE DIVISION

-- TABLE 4 --

GENERAL OBLIGATION BONDS LOCAL GOVERNMENT REFERENDA & AUTHORIZATIONS FISCAL YEAR JULY 1, 2014 - JUNE 30, 2015						
	Propositions			Bonds		
	# Proposed	# Approved	% Approved	\$ Proposed	\$ Approved	% Approved
COUNTIES						
VOTED PROPOSITIONS						
School	5	5	100.00%	\$465,500,000	\$465,500,000	100.00%
Community College	4	4	100.00%	\$59,000,000	\$59,000,000	100.00%
Parks & Recreation						
Total	9	9	100.00%	\$524,500,000	\$524,500,000	100.00%
NONVOTED PROPOSITIONS						
Refunding	12	12	100.00%	352,840,000	352,840,000	100.00%
2/3rds	1	1	100.00%	13,550,000	13,550,000	100.00%
Total	13	13	100.00%	\$366,390,000	\$366,390,000	100.00%
DISTRICTS						
VOTED PROPOSITIONS						
Water						
Sewer						
Total	0	0	0%	\$0	\$0	100.00%
NONVOTED PROPOSITIONS						
Refunding	2	2	100.00%	28,500,000	28,500,000	100.00%
Total	2	2	100.00%	\$28,500,000	\$28,500,000	100.00%
MUNICIPALITIES						
VOTED PROPOSITIONS						
Public Safety	1	1	100.00%	31,000,000	31,000,000	100.00%
Water	1	1	100.00%	2,000,000	2,000,000	100.00%
Sewer	2	2	100.00%	2,446,000	2,446,000	100.00%
Greenway	1	1	100.00%	4,600,000	4,600,000	100.00%
Neighborhoods	1	1	100.00%	20,000,000	20,000,000	100.00%
Economic Development	2	2	100.00%	40,000,000	40,000,000	100.00%
Housing	2	2	100.00%	25,000,000	25,000,000	100.00%
Parks & Recreation	4	4	100.00%	137,825,000	137,825,000	100.00%
Streets & Sidewalks	7	7	100.00%	239,555,000	239,555,000	100.00%
Total	21	21		\$502,426,000	\$502,426,000	100.00%
NONVOTED PROPOSITIONS						
Refunding	5	5	100.00%	182,460,000	182,460,000	100.00%
2/3rds	2	2	100.00%	6,755,000	6,755,000	100.00%
Total	7	7	100.00%	\$189,215,000	\$189,215,000	100.00%
TOTAL VOTED	30	30	100.00%	\$1,026,926,000	\$1,026,926,000	100.00%
TOTAL NONVOTED	22	22	100.00%	\$584,105,000	\$584,105,000	100.00%
GRAND TOTALS	52	52	100.00%	\$1,611,031,000	\$1,611,031,000	100.00%

STATE & LOCAL GOVERNMENT FINANCE DIVISION

-- TABLE 5 --

INSTALLMENT PURCHASE AGREEMENTS APPROVED BY PURPOSE FISCAL YEAR JULY 1, 2014 THROUGH JUNE 30, 2015

MUNICIPALITIES:	Amount
UTILITIES	
Sanitary Sewer	\$1,983,684
Electric	4,998,301
Gas	-
Water	11,738,603
	\$18,720,588
PUBLIC BUILDINGS	
Fire Station	\$907,500
Municipal Buildings	244,349,527
Town Hall	1,229,680
Stadium Complex	53,250,000
Airport	100,000
Community Center	2,170,816
Public Safety	2,235,297
	\$304,242,820
Land	\$4,421,574
Communications	1,623,623
Recreation	22,746,811
Streets & Sidewalks	21,959,161
Equipment	24,429,337
Refunding	363,198,823
Stormwater	575,000
Economic Development	1,000,000
Parking	3,000,000
Redevelopment	2,000,000
Interlocal	1,864,843
Vehicles	659,389
	\$447,478,561
SUBTOTAL	\$770,441,969

COUNTIES:	Amount
SCHOOLS	\$156,468,490
PUBLIC BUILDINGS	
Recreation Center	\$4,618,592
Auditorium	335,562
Courthouse/Law Enforcement/Jail	6,509,204
County Buildings	112,328,524
Medical Center	7,000,000
Library	892,518
	\$131,684,400
UTILITIES	
Water	2,599,858
Sanitary Sewer	19,548,616
	\$22,148,474
Community College	\$8,738,449
Industrial Development	5,870,399
Refunding	632,225,000
Equipment	13,715,343
Interlocal	3,729,686
Vehicles	831,900
Land Acquisition	3,775,350
Solid Waste	3,275,878
Parking	8,398,447
	\$680,560,452
COMMUNITY COLLEGES	
Guaranteed Energy Savings Contract	11,317,145
DISTRICTS/AUTHORITIES:	
Airport	\$860,000
Refunding	5,580,000
	\$6,440,000
SUBTOTAL	\$1,008,618,961
GRAND TOTAL	\$1,779,060,930

STATE & LOCAL GOVERNMENT FINANCE DIVISION

-- TABLE 6 --

INSTALLMENT AND LEASE AGREEMENTS APPROVED BY THE LOCAL GOVERNMENT COMMISSION FISCAL YEARS ENDED JUNE 30, 2015, 2014 AND 2013 (IN MILLIONS)						
	FY 2014-15		FY 2013-14		FY 2012-13	
	NO.	Amount	NO.	Amount	NO.	Amount
Counties	22	\$350.0	17	\$303.0	34	\$360.0
Municipalities	67	407.2	49	301.7	59	819.8
Authorities/Districts	1	0.8	4	12.0	5	15.8
Community College/GESC	9	20.0	3	11.0	5	21.9
Subtotal	99	\$778.0	73	\$627.7	103	\$1,217.5
Refunding	31	\$1,001.0	17	\$326.3	26	\$632.0
GRAND TOTAL	130	\$1,779.0 *	90	\$954.0*	129	\$1849.5*

*Total includes refundings.

-- TABLE 7 --

SUMMARY OF STATE AND LOCAL GOVERNMENT DEBT AND AUTHORIZATIONS AT JUNE 30, 2015								
	General Obligation Debt	Special Indebtedness/ Installment/ Lease Purchase Debt	Revenue Bond/ Revolving & State Bond Loan/Special Obligation Bond Debt	Total	Industrial Revenue Bonds	Total Indebtedness	General Obligation Bonds Authorized and Unissued	Non- General Obligation Debt Authorized and Unissued
State of NC	\$3,469,220,000	\$2,249,295,000	\$-	\$5,718,515,000	\$-	\$5,718,515,000	\$-	\$-
GARVEE ¹	-	-	743,700,000	743,700,000	-	743,700,000	-	-
NC Turnpike	-	-	1,019,588,109	1,019,588,109	-	1,019,588,109	-	-
State Authorities & Institutions	-	-	19,863,883,035	19,863,883,035	-	19,863,883,035	-	-
Totals	\$3,469,220,000	\$2,249,295,000	\$21,627,171,144	\$27,345,686,144	\$-	\$27,345,686,144	\$-	\$-
Counties	\$6,800,724,880	\$4,917,624,019	\$829,604,563	\$12,547,953,462	\$-	\$12,547,953,462	\$2,142,275,000	\$-
Municipalities	2,338,240,815	3,216,075,344	5,505,847,660	11,060,163,819	-	11,060,163,819	1,250,635,100	-
Districts	335,000,204	17,008,188	1,281,111,972	1,633,120,364	-	1,633,120,364	-	117,737,000
Authorities	-	17,456,639	2,106,435,575	2,123,892,214	1,376,317,199	3,500,209,413	-	-
Total	\$9,473,965,899	\$8,168,164,190	\$9,722,999,770	\$27,365,129,859	\$1,376,317,199	\$28,741,447,058	\$3,392,910,100	\$117,737,000
GRAND TOTAL	\$12,943,185,899	\$10,417,459,190	\$31,350,170,914	\$54,710,816,003	\$1,376,317,199	\$56,087,133,202	\$3,392,910,100	\$117,737,000

Note: Outstanding indebtedness above does not include the bonded indebtedness for which funds have been escrowed from advance refunding proceeds or other sources to cover the debt.

¹ Grant Anticipation Revenue Vehicle Bonds.

STATE & LOCAL GOVERNMENT FINANCE DIVISION

The following chart outlines the revenue bonds and other indebtedness of State authorities and institutions at June 30, 2015. The State is not responsible for debt service on any of the revenue bonds and other indebtedness represented in this chart.

-- TABLE 8 --

REVENUE BONDS AND OTHER INDEBTEDNESS OF STATE AUTHORITIES AND INSTITUTIONS AT JUNE 30, 2015	
Appalachian State University	\$ 253,583,115
East Carolina University	194,746,184
Elizabeth City State University	33,708,404
Fayetteville State University	66,992,256
North Carolina A & T State University	32,743,786
North Carolina Central University	85,350,909
North Carolina School of the Arts	8,069,618
North Carolina State University at Raleigh	560,071,262
University of North Carolina at Asheville	47,174,784
University of North Carolina at Chapel Hill	1,366,974,111
University of North Carolina at Charlotte	539,067,729
University of North Carolina at Greensboro	317,403,429
University of North Carolina at Pembroke	50,054,661
University of North Carolina at Wilmington	219,924,703
Western Carolina University	110,171,662
Winston-Salem State University	91,566,775
North Carolina Capital Facilities Finance Agency	2,926,761,298
North Carolina Eastern Municipal Power Agency	1,721,650,000
North Carolina Housing Finance Agency	732,119,000
North Carolina Medical Care Commission	7,216,065,663
North Carolina Municipal Power Agency No. 1	1,196,735,000
North Carolina State Education Assistance Authority	1,903,835,392
North Carolina State Ports Authority	89,113,294
North Carolina Department of Transportation (I-77)	100,000,000
TOTAL	\$ 19,863,883,035

Source: Chief fiscal officer of each authority or institution.
*unaudited.

STATE & LOCAL GOVERNMENT FINANCE DIVISION

-- TABLE 9 --

PURPOSES FOR WHICH LOCAL GOVERNMENTS SOLD BONDS & NOTES FISCAL YEAR 2015						
	School	Utilities	Refunding	Other	NO.	Total Amount
G.O. BONDS						
Counties	\$561,940,000	\$-	\$259,982,000	\$110,050,000	21	\$931,972,000
Municipalities	-	14,547,000	143,977,000	100,980,000	18	259,504,000
Districts and Authorities	-	11,760,000	24,435,000	-	6	36,195,000
Total G.O. Bonds	\$561,940,000	\$26,307,000	\$428,394,000	\$211,030,000	45	\$1,227,671,000
REVENUE BONDS						
Counties	-	\$18,515,000	\$77,153,000	\$5,000,000	6	\$100,668,000
Municipalities	-	207,419,412	479,836,000	8,550,000	27	695,805,412
Districts and Authorities	-	39,542,136	176,140,000	-	13	215,682,136
Total Revenue Bonds	-	\$265,476,548	\$733,129,000	\$13,550,000	46	\$1,012,155,548
SPECIAL OBLIGATION BONDS						
Solid Waste	-	\$16,815,000	-	\$4,200,000	2	\$21,015,000
Total Special Obligation Bonds	-	\$16,815,000	-	\$4,200,000	2	\$21,015,000
WATER & SEWER REVOLVING LOANS						
Counties	-	\$40,505,210	-	-	11	\$40,505,210
Municipalities	-	94,803,177	-	-	49	94,803,177
Districts and Authorities	-	16,338,151	-	-	11	16,338,151
Total Water & Sewer Revolving Loans	-	\$151,646,538	-	-	71	\$151,646,538
NOTES						
G.O. Bond Anticipation Notes	\$10,252,962	\$10,526,000	-	\$84,750,400	31	\$105,529,362
Revenue Notes	-	113,962,331	-	43,295,000	23	157,257,331
Total	\$10,252,962	\$124,488,331	-	\$128,045,400	54	\$262,786,693
TOTAL BONDS & NOTES	\$572,192,962	\$584,733,417	\$1,161,523,000	\$356,825,400	218	\$2,675,274,779

STATE & LOCAL GOVERNMENT FINANCE DIVISION

-- TABLE 10 --

DEBT MANAGEMENT ACTIVITIES - STATE & LOCAL (IN MILLIONS)						
	FY 2014-15		FY 2013-14		FY 2012-13	
	NO.	Amount	NO.	Amount	NO.	Amount
BONDS SOLD FOR STATE						
\$306.7	1	\$231.4	1	\$306.7	4	\$1,321.0
-	-	-	-	-	-	-
199.6	1	299.0	1	199.6	1	250.0
-	1	264.9	-	-	-	-
-	-	-	-	-	-	-
506.3	3	795.3	2	506.3	5	1,571.0
BONDS AND NOTES SOLD FOR LOCAL GOVERNMENT UNITS						
G.O. Bonds	45	1,227.7	53	689.9	84	1,285.0
Revenue Bonds	46	1,012.2	27	201.4	37	648.5
Special Obligation Bonds - Solid Waste	2	21.0	-	-	2	4.6
G.O. Notes	31	105.5	20	51.6	40	242.7
Revenue Notes	23	157.3	10	59.8	14	66.6
Subtotal Bonds & Notes Issued	147	2,523.7	110	1,002.7	177	2,247.4
Installment/Lease Contracts Sold for Local Units	143	1,529.5	134	886.1	173	1,546.4
Water & Sewer Revolving Loans *	71	151.6	40	60.0	24	103.4
Water & Sewer Revolving Loans (Stimulus) *	-	-	-	-	33	49.2
Total for Local Government Units	361	\$4,204.8	284	\$1,948.8	407	\$3,946.4
REVENUE BONDS SOLD FOR						
Medical Care Commission	20	919.6	16	762.9	13	1,154.0
Housing Finance Agency	-	-	1	54.3	3	157.0
Power Agencies	-	-	1	175.0	3	605.0
Industrial Facilities and Pollution Control						
Financing Authorities	2	20.4	3	12.6	4	71.6
NC Department of Transportation (I-77)	1	100.0	-	-	-	-
Capital Facilities Finance Agency	12	1,110.0	11	150.1	13	263.8
Total Issued	35	2,150.0	32	1,154.9	36	\$2,251.4
GRAND TOTAL ISSUED	399	\$7,150.1	318	\$3,610.0	448	7,768.8

* Represents amounts of Water and Sewer Revolving Loans issued / closed during the fiscal year.

STATE HEALTH PLAN DIVISION



STATE HEALTH PLAN DIVISION

The State Health Plan for Teachers and State Employees (Plan) provides health care coverage to approximately 685,000 teachers and school personnel, state employees, retirees, current and former lawmakers, state university and community college personnel, and their dependents. The mission of the State Health Plan is to improve the health and health care of North Carolina teachers, state employees, retirees, and their dependents, in a financially sustainable manner, thereby serving as a model to the people of North Carolina for improving their health and well-being.

The Plan's vision is to be a leader in North Carolina by providing access to cost-effective, quality health care and wellness programs for our membership. In fulfilling its mission and vision, the Plan seeks to follow these values: focusing on our members; collaborating with our vendor partners and other stakeholders on behalf of our members; acting in a transparent and open manner with the highest degree of integrity; and striving for the best quality of care and service for our members.

The Plan is dedicated to providing members with an excellent customer experience and convenient access to health and wellness programs, and to providing public leadership on health policy. The Plan is self-insured and exempt from the Employee Retirement Income Security Act (ERISA) as a government-sponsored plan.

The Plan's strategic priorities are to (1) improve members' health, (2) enhance members' experience and (3) ensure a financially stable State Health Plan.

GOVERNANCE

The Treasurer, Executive Administrator and Board of Trustees are designated as fiduciaries for the Plan, with ultimate decision-making entrusted to the Treasurer. The Plan is governed by a 10-member Board of Trustees with fiduciary responsibility. The Board of Trustees is tasked with making decisions regarding the State Health Plan, such as approving large contracts, designing Plan benefit programs, and setting premium rates, copays and deductibles. The General Assembly determines member eligibility rules and provides state funding for the Plan.

The Board of Trustees is composed of: an employee of a State department, agency or institution; a teacher employed by a North Carolina public school system; a retired employee of a State department, agency or institution; and a retired teacher from a North Carolina public school system. The board is also to be made up of experts with relevant skills such as

health economics, health benefits and administration, and health law. The State Treasurer is an ex officio member of the Board and serves as its Chair, but only votes in the event of a tie. The Director of State Budget serves as an ex officio nonvoting member. Two members are appointed by the Governor. Two members are appointed by the State Treasurer. Two members are appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives. Two members are appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate.

MEMBERSHIP STATISTICS

The State Health Plan provides health care coverage to approximately 685,000 teachers, state employees, retirees, current and former lawmakers, state university and community college personnel, and their dependents. (685,243 in May 2015)

Among total membership, there are:

- 474,897 active employees and dependents. Dependents include spouses and children up to age 26.
- 715 COBRA participants and their dependents. The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires most employers with group health plans to offer employees the opportunity to continue their group health care coverage temporarily under their employer's plan if their coverage otherwise would cease due to termination, layoff or other change in employment status.
- 206,781 retirees and their dependents.

The Plan offers three Preferred Provider Organization (PPO) plans, described below, using the Blue Options(SM) network. These plans offer freedom of choice among in-network providers, lower out-of-pocket costs and a strong emphasis on preventive health. Two of the plans, the Consumer-Directed Health Plan and the Enhanced 80/20 Plan, offer financial incentives for taking steps to improve one's health. These three PPO plans are only available for active employees and non-Medicare retirees.

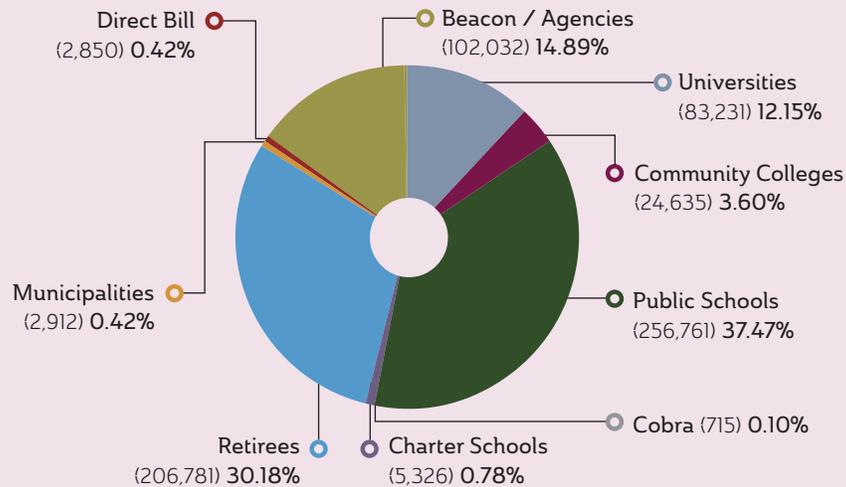
- The Consumer-Directed Health Plan (CDHP) is a high deductible health plan that is accompanied by a Health Reimbursement Account (HRA), which is set up for members by the State Health Plan. This plan includes the ability to lower monthly premiums by completing wellness activities. In May 2015, the CDHP accounted for 20,112 members, or 2.94 percent of total membership.

STATE HEALTH PLAN DIVISION

- The Enhanced 80/20 PPO Plan has higher premiums in exchange for lower copays, coinsurance and deductibles. This plan also includes the ability to lower monthly premiums by completing wellness activities. In May 2015, the 80/20 Plan accounted for 278,172 members, or 40.59 percent of total membership.
- The Traditional 70/30 PPO Plan has lower premiums in exchange for higher copays, coinsurance and deductibles. In May 2015, the 70/30 Plan accounted for 239,372 members, or 34.93 percent of total membership (this number excludes the Medicare 70/30 members).

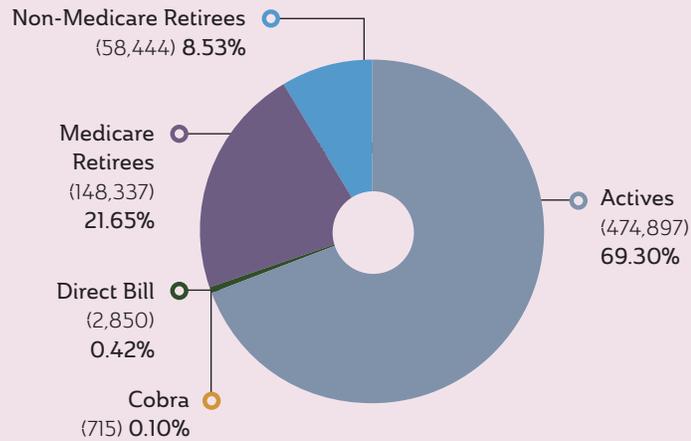
The State Health Plan offers five health plan options for Medicare Primary members. These plans include the Traditional 70/30 Plan, which is administered through Blue Cross and Blue Shield of North Carolina, and Group Medicare Advantage Plan options — offered through Humana and UnitedHealthcare — which include benefits and services such as access to the SilverSneakers® Fitness Program, a nurse help line and disease and case management services. As of May 2015, the Medicare Primary membership breakdown was as follows:

MEMBERSHIP BY ENTITY
(MAY 2015)

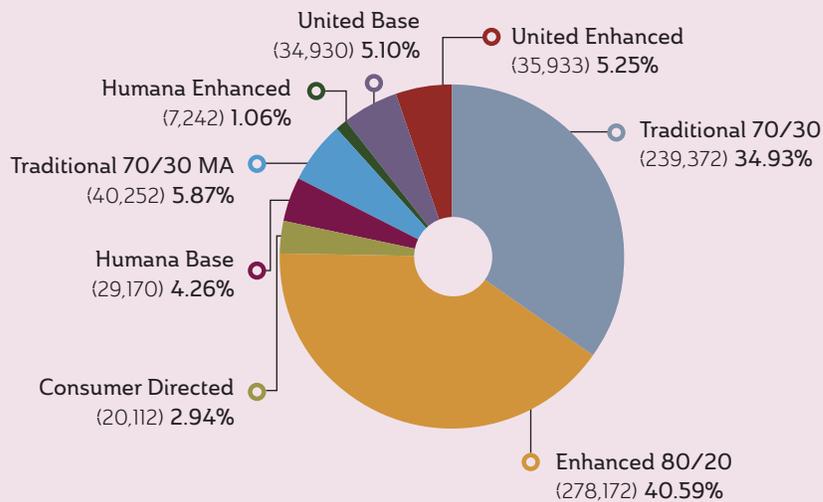


STATE HEALTH PLAN DIVISION

MEMBERSHIP BY EMPLOYEE STATUS
(MAY 2015)



MEMBERSHIP BY PLAN
(MAY 2015)



STATE HEALTH PLAN DIVISION

LEGISLATION ENACTED

High Deductible Health Plan

Senate Bill 744 (Appropriations Act) - Section 35.16 of SL 2014-100 established a new health benefit eligibility category for nonpermanent full-time employees to comply with the Affordable Care Act (ACA).

This legislation directed the Treasurer and Board of Trustees to offer a health benefit coverage option for “newly eligible” employees that provided minimum essential coverage at no greater than the ACA “Bronze” level and that minimizes the employer contribution in an administratively feasible manner.

In August 2014, the Board of Trustees approved the High Deductible Health Plan to comply with federal and state law. The new benefit became effective January 1, 2015. As of June 2015, the High Deductible Health Plan had 215 subscribers.

State Health Plan Retiree Enrollment

House Bill 190 (State Health Plan Modifications-AB), SL 2015-100 modified the enrollment rules for State Health Plan retirees. This legislation allows retirees to drop their State Health Plan coverage or that of a dependent outside of the Annual Enrollment period without experiencing a Qualifying Life Event during the plan year. However, retirees may not switch plans or add dependents outside of Annual Enrollment unless they experience a Qualifying Life Event.

Local Governments Joining the State Health Plan

House Bill 154 (Local Governments in State Health Plan), SL 2015-112 allows local governmental units (up to 10,000 total members) to join the State Health Plan. Prior to enactment of the legislation approximately 3,500 local government unit employees were enrolled in the State Health Plan. The legislation, passed in June 2015, also provides that:

- Units with more than 1,000 covered lives are ineligible
- Current and future retirees are ineligible to join the Plan
- The Plan must allow participation if the local governmental unit meets administrative and legal requirements

Per state law, local governments seeking to enroll members into the State Health Plan must:

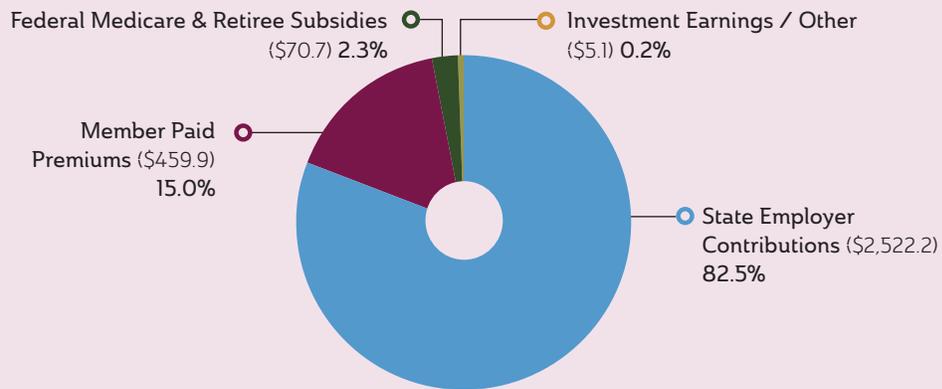
- Pass a valid resolution expressing intent to join the Plan
- Enter into a Memorandum of Understanding with the Plan
- Provide at least 90 days' notice to the Plan prior to entry and complete all other requirements at least 60 days prior to entry

STATE HEALTH PLAN DIVISION

FINANCIAL STATISTICS

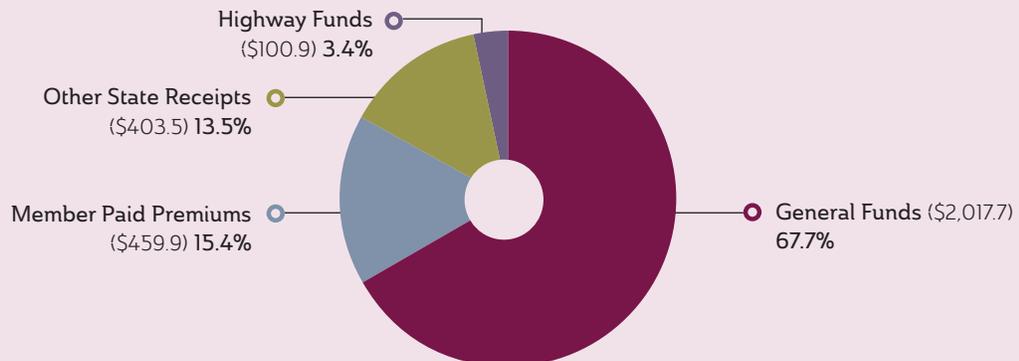
The General Assembly does not appropriate funds directly to the State Health Plan. Instead, it provides funds to State agencies, universities, community colleges, local school systems and the retirement system to pay an “employer contribution” or monthly premium on behalf of employees and retirees. As such, the State Health Plan is 100 percent receipt-supported, with premium receipts, including employer contributions and amounts paid by employees and retirees for their own and dependent coverage, representing approximately 97.5 percent of total revenues in fiscal year 2014-15.

FY 2014-15 PLAN REVENUES
(\$ MILLIONS)



While the General Assembly does not appropriate funds directly to the State Health Plan, the State’s General Fund is the primary source of funding for employer contributions.

FY 2014-15 PREMIUM CONTRIBUTIONS
(\$ MILLIONS)



STATE HEALTH PLAN DIVISION

Traditionally the State has offered employee-only and retiree-only coverage on a “non-contributory” basis, meaning the State paid the full premium cost on behalf of employees and retirees through the employer contribution. Since 2011, contributions have been required to enroll in certain Plan offerings (“partially contributory” coverage), although the State continues to pay the large majority of the total premium cost for employee coverage.

Currently, employees and retirees may enroll their eligible dependents in the plan on a “fully contributory” basis, meaning the member is responsible for paying the full premium cost of dependent coverage.

Premium rates are established for each State fiscal biennium based on an actuarially based forecast prepared by the Plan’s consulting actuary. Historical claims experience is trended forward to cover anticipated increases in cost and utilization and any required or proposed benefit changes. The forecasting methodology also assumes the buildup and maintenance of an adequate reserve to cover fluctuating claims costs and cash flows.

The forecast model produces a projected premium increase that is required to cover the Plan’s expenses during the upcoming forecast period or fiscal biennium, and that premium increase is typically applied to all rates across the board. If a 5 percent increase is required according to the model, the General Assembly is asked to increase the employer contribution by 5 percent and the employee-only, retiree only and dependent premium rates are also increased by 5 percent.

Future premium rates are impacted by the Plan’s actual financial performance. If claims experience is less (i.e., better) than projected, the Plan’s cash reserves increase over the year and the required premium increase in the next year will be lower than originally projected. Conversely, if expenses are higher than projected, the Plan will spend down or use its reserve to cover the increased cost, and the required premium increase in the next year will be higher than originally projected.

STATE HEALTH PLAN FINANCIAL SUMMARY

	FY 2014-15	FY 2013-14	FY 2012-13	FY 2011-12
Premium Contributions*	\$2,987,491,313*	\$2,940,797,755	\$2,904,569,825	\$2,740,814,168
Other Receipts	\$75,771,640	\$79,698,021	\$63,139,306	\$102,184,443
Total Revenues	\$3,063,262,953	\$3,020,495,776	\$2,967,709,132	\$2,842,998,611
Medical Claims	\$1,996,529,750	\$1,967,123,567	\$1,834,681,439	\$1,852,382,843
Pharmacy Claims	\$670,354,584	\$651,628,357	\$657,275,439	\$654,259,638
Premiums for Fully-Insured Plans	\$162,400,579	\$78,538,847	N/A	N/A
Total Claims	\$2,829,284,913	\$2,697,290,771	\$2,491,956,878	\$2,506,642,481
Premiums				
Administrative Expenses	\$168,416,460	\$148,134,913	\$162,022,999	\$160,372,011
Total Expenditures	\$2,997,701,373	\$2,845,425,684	\$2,653,979,876	\$2,667,014,492
Plain Income/ (Loss)	\$65,561,580	\$175,070,092	\$313,729,255	\$175,984,119

*Includes some prepaid premiums for FY 2015-16

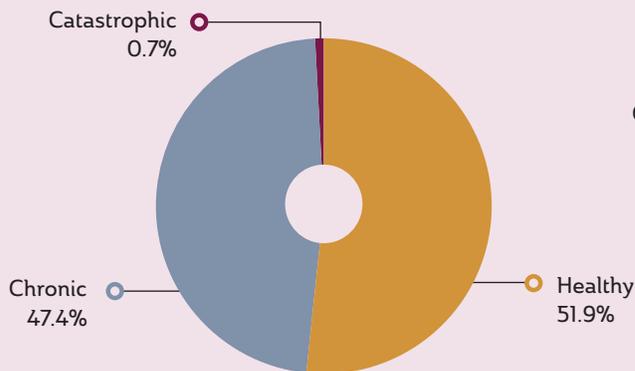
STATE HEALTH PLAN DIVISION

NC HEALTHSMART AND HEALTH ASSESSMENT STATISTICS

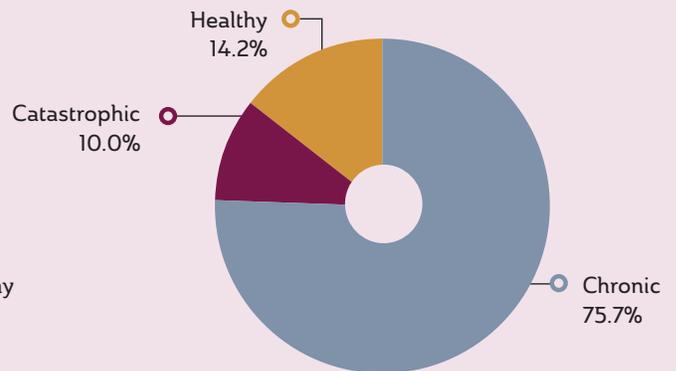
Membership Health Snapshot

The State Health Plan monitors the general health of its member population to identify and address health-related trends.

HEALTH SNAPSHOT OF PLAN MEMBERS
(FOR CALENDAR YEAR 2014)



TOTAL CLAIMS BY MEMBER HEALTH STATUS
(FOR CALENDAR YEAR 2014)



Clinical Risk Group analysis is a management tool that performs analysis of claims and clinical data to assign individual members to a specific clinical group based on their diagnosis. The analysis helps to identify the prevalent health risks within the State Health Plan's population, predict the financial impact of those risks, and find opportunities for the Plan to better control cost and improve the health of their members. (Segal Consulting, 2013)

Several fiscal years of Clinical Risk Group analysis information was included in the North Carolina State Treasurer's 2013-2014 Annual Report. Please note that when comparing the above charts to previous reports, the Plan's benefit year changed in 2014 to the traditional calendar year. The data shown above is for calendar year 2014.

The major findings include:

- Hypertension had the largest increase in disease prevalence, up 258 members from CY2011 to CY2014.
- Current and projected 10-year trends seem to suggest member health is improving. However, this is not the case. Further analysis defined this change is resulting from the movement of members to Medicare eligibility and new members becoming eligible for Plan coverage. It is projected that the percent of healthy members in the Plan will increase by 2.1 percent in the next 10 years.

STATE HEALTH PLAN DIVISION

STATE HEALTH PLAN HEALTH ASSESSMENT COMPLETIONS:

As a result of offering a wellness premium credit for members completing a health assessment by end of the 2015 Annual Enrollment period, a total of 250,747 State Health Plan members completed a Health Assessment on the Plan's Personal Health Portal. Information obtained through Health Assessment completions is kept confidential, and only shared with the State Health Plan through aggregate reports.

The State Health Plan and its partners use these aggregate reports to tailor health promotion initiatives to meet the needs of the membership. Through Health Assessment aggregate reports, the Plan has learned that:

- 31% of members are within a healthy weight based on their Body Mass Index (BMI)
- 75% of members consider their health to be excellent or very good
- 52% of members are considered at risk for pre-diabetes
- Stress is considered the top identified condition, with over 119,424 members influenced
- 177,644 members are ready to start eating a healthier diet
- Weight loss is the highest priority health goal for 50,252 members

In addition, the Health Assessment continues to provide members with a comprehensive view of their health. After completing the Health Assessment, members can access a personalized health report as well as customized health action steps. These resources not only help members understand their current health status, but they also provide suggestions on ways to improve or maintain their health.

MILESTONES

In May 2014, the Board of Trustees approved a plan to add coverage of Applied Behavior Analysis (ABA) for the treatment of Autism Spectrum Disorder. The covered benefit was effective January 1, 2015.

ABA is covered when all of the following criteria are met:

- The member is younger than age 26.
- The member is diagnosed with a spectrum disorder by a licensed physician or a licensed doctoral-level clinical psychologist utilizing results from a face-to-face clinically recognized evaluation tool.
- The treatment plan is reviewed and determined to be medically necessary.
- Services are provided by a Blue Cross and Blue Shield of North Carolina in-network provider who has ABA therapy within their scope of practice.

Coverage for ABA is limited to a maximum of \$36,000 per benefit year per eligible member. In addition, coverage is subject to the Plan member's copayment, deductible and coinsurance as applicable.

UNCLAIMED PROPERTY DIVISION



UNCLAIMED PROPERTY DIVISION

The Department oversees and maintains unclaimed property for the State. By law, unclaimed property is escheated, or turned over, to the Department for safekeeping. The Unclaimed Property Division (UPD) is responsible for recovering and returning such property to all rightful owners.

The unclaimed property which is turned over to the Department was previously held by financial institutions, insurance companies, government agencies and other businesses in the form of wages, utility deposits, insurance policy proceeds, and other sources of funds. Property is considered unclaimed when the apparent owner fails to communicate interest in it for a period of time called the dormancy period. Once the property has met its dormancy limit and the company has made a good faith effort to locate an apparent owner, any funds they are holding are escheated to UPD and maintained in the Escheat Fund by directive of a 1971 state law. Upon receipt of this information, UPD works to locate the owners by various means, including listing names on the NCCash.com website, earning media coverage through television and newspapers, and participating in community events such as the North Carolina State Fair, Mountain State Fair, Wilmington Riverfest, and many others throughout the State to reunite owners with their money and promote public awareness about the program.

The interest earned on these funds pays for the operating costs of the Unclaimed Property Division, and all remaining interest is sent to the State Education Assistance Authority (SEAA) to provide grants, loans and scholarships for North Carolina students attending public universities. At the end of the 2015 fiscal year, ending June 30, a total of \$7.6 million from interest earned and \$ 29.6 million from the principal of the Escheat Fund was sent to SEAA. As a result, a total of 79,635 students received financial assistance from the Escheat Fund during the 2014-2015 academic year. The General Assembly mandated that additional principal from the Escheat Fund of \$16.3 million go to the State Board of Community Colleges, and \$6.5 million to the Department of Military and Veterans Affairs to provide educational assistance for needy and worthy students.

As a result of these ongoing efforts to reunite owners with their funds, the NC Cash program received statewide recognition for outstanding service. The Department's Unclaimed Property Division was presented the inaugural Sunshine Award for Government by the North Carolina Open Government Coalition for educating the public on the unclaimed property process, and helping citizens of our state to locate and claim their lost property.

The Unclaimed Property Division continues to build on efforts to partner with individuals, businesses, and organizations, referred to as "holders", to assist them with identifying and reporting unclaimed property. As a part of UPD's "Partners in Compliance" initiative, staff members offer their technical expertise, information and resources to help holders comply with North Carolina's unclaimed property laws and reporting requirements. In August 2015, the Unclaimed Property Division's Holder Education Seminar brought more than 200 attendees, representing a diverse range of industries from across the state to the McKimmon Center in Raleigh, North Carolina to learn more about the State's reporting laws and guidelines.

The holder community gave national recognition to UPD for its holder education efforts through the Unclaimed Property Professionals Organization (UPPO). UPD was awarded the 2015 UPPO Member's Choice Website award for its user-friendly Holder Reporting website. It was noted that, "All the information a holder needs is readily available".

Holders reported \$155.6 million in unclaimed property in the 2014-15 fiscal year. As of June 30, 2015, the Escheat Fund was valued at approximately \$440.1 million. This is a combination of unclaimed property collected from businesses and interest earnings from the investment of the fund. As the custodian of these funds, North Carolina remains liable to the rightful owners for the full amount of unclaimed property reported to the Department. This includes an additional \$1.06 billion which has been reported since June 1971, but has been appropriated by the legislature from the Escheat Fund principal over the last 12 years.

It is the goal of the Department that the annual amount utilized from the Escheat Fund for financial aid will be limited to, or in close proximity to, the annual amount of interest earned annually on the Escheat Fund and will not continue to involve substantial appropriations from the principal. While the Department holds these funds, additional investment authority granted through legislation will now allow the Venture Multiplier Fund to serve as seed money to create the opportunity to spur greater entrepreneurial activity within North Carolina with small, strategic investments.

UNCLAIMED PROPERTY DIVISION

UNCLAIMED PROPERTY DIVISION STATISTICS				
	2014-15	2013-14	2012-13	2011-12
Amount of Funds Deposited	\$155.6 Million	\$157.4 Million	\$162.4 Million	\$115.6 Million
Interest Used for Student Scholarships	7.6 Million	2.8 Million	2.4 Million	9.8 Million
Principal Used for Student Scholarships	52.4 Million	64.2 Million	50.3 Million	152.1 Million
Unclaimed Property Outreach				
NCCash.com Page Views	4.3 Million	4.1 Million	5.7 Million	5.3 Million
Total Number of Claims Paid	35,664	30,770	38,100	31,192
Amount Paid to Rightful Owners	\$49.8 Million	\$59.3 Million	\$50.6 Million	\$41.3 Million

FINANCIAL OPERATIONS DIVISION



FINANCIAL OPERATIONS DIVISION

FINANCIAL OPERATIONS DIVISION STATISTICS			
	2012-2013	2013-2014	2014-2015
Amount in Checks	\$19.9 Billion	\$19.7 Billion	\$19.7 Billion
Total Dollar Amount of Wire Transfers Processed	\$153.6 Billion	\$157.2 Billion	\$160.2 Billion
Total Number Wire Transfers	21,675	22,762	23,799
Cash Balances in the State Treasurer's Depository Account at Concentration and Community Banks	\$199.9 Million	\$196 Million	\$204.1 Million

The Financial Operations Division (FOD) performs the State Treasurer's role of serving as the State's Banker and ensures that efficient banking services are provided to all State agencies and institutions. FOD is charged with properly accounting for and reporting on all funds that are deposited, invested and disbursed through the Department. There is a centralized Procurement and Contracting function in FOD that is responsible for managing the procurement cycle - from the early stages of a Request For Proposal to contract compliance.

The Division comprises five areas:

- Banking Operations
- Bank Reconciliation Unit
- Statewide Accounting Operations
- Departmental Accounting
- Procurement & Contracting

HISTORY

In 1925, the General Assembly passed a law stating that all deposits received by the state must be deposited into centralized accounts in the name of the State Treasurer at banks approved by the Treasurer. In 1929, it designated the State Treasurer's office as the centralized office of deposits and disbursements. As such, the position of Treasurer for each state agency and department was eliminated. This centralized system for managing the flow of moneys collected and disbursed by all State departments, agencies, institutions and universities ensures that the State continues to be the prime beneficiary of the flow of State funds

through the commercial banking system in the course of conducting State business.

By 2009, the Department began issuing warrants electronically to vendors, employees, and retirees.

FOD was formed in its current setup in 2001 for the Banking Services and accounting functions. In December 2013, a new centralized Procurement and Contracting section was created to support all of the Department's purchasing and contracting.

BANKING OPERATIONS

All revenues collected by a State entity on behalf of the State must be deposited with the State Treasurer. Banking Operations maintains correspondent depository relationships with various North Carolina banks and savings institutions in order for State entities to have a convenient location to make their deposits. Relationships are maintained with six major banking institutions that have a statewide branch network (Wells Fargo, Bank of America, PNC, First Citizens, BB&T, and SunTrust), as well as more than 90 other bank accounts across the state. State funds are deposited both at branch locations as well as electronically through Automated Clearing House (ACH) and wires. Banking Operations reviews all incoming electronic payments and ensures that the funds are credited to the account of the agency expecting the funds.

FINANCIAL OPERATIONS DIVISION

BANK RECONCILIATION UNIT

The Bank Reconciliation Unit is responsible for reconciling all of the State Treasurer’s bank accounts as well as reconciling budget code balances between the Office of State Controller and the Department.

STATEWIDE ACCOUNTING OPERATIONS

This area manages the accounting for all funds that are deposited, invested and disbursed through the Department of State Treasurer including the \$103 billion investment pool and banking programs. It also maintains the general

ledgers for the pension funds, employee benefit trust funds, State Health Plan, and the Escheats Fund, also known as the Unclaimed Property Fund, administered by the State Treasurer. The accounts for the outstanding General Obligation and Special Indebtedness of the State are maintained by the Statewide Accounting Operations area. Functions include the recording of new debt and the timely payment of principal and interest for the State’s debt. The area is also responsible for the financial statements of the NC Supplemental Retirement Income Plan and the North Carolina Public Employee Deferred Compensation Plan.

DEPARTMENT OF STATE TREASURER BANK BALANCES AS OF JUNE 30, 2015

BANK BALANCES AS OF JUNE 30, 2015		Bank, continued	Bank Balance, continued
Bank	Bank Balance		
Wells Fargo	\$31,902,250.13	High Point Bank	\$999,999.51
Bank of America	\$69,952,322.03	HomeTrust Bank	\$1,000,000.10
SunTrust	\$4,638,399.86	Lumbee Guaranty Bank	\$2,999,999.64
PNC	\$416,617.41	Macon Savings Bank	\$1,641,561.53
First Citizens	\$7,543,817.20	Mechanics & Farmers Bank	\$3,000,000.37
BB&T	\$7,126,172.00	NewBridge Bank	\$2,620,697.14
Asheville Savings Bank	\$999,999.75	Peoples Bank	\$1,000,000.35
Bank of North Carolina	\$100,000.22	South State Bank	\$1,065,129.67
Bank of Tennessee	\$807.98	Southern Bank & Trust	\$11,924,348.71
Bank of the Carolinas	\$1,875,694.12	Surrey Bank	\$1,000,000.19
Bank of the Ozarks	\$999,999.71	TD Bank	\$1,499,999.64
Capital Bank	\$4,100,000.18	The Little Bank	\$151,966.97
CommunityOne Bank	\$2,095,659.78	Townebank	\$1,000,000.26
Fidelity Bank	\$8,379,480.22	Union Bank	\$749,999.55
Fifth Third Bank	\$3,953,911.79	United Community Bank	\$6,171,516.31
First Bank	\$12,213,266.85	Uwharrie Bank	\$1,999,999.92
First South Bank	\$999,999.78	Yadkin Bank	\$7,993,772.49
		TOTAL*	\$204,117,391.36

*This number reflects the balance in the State treasury credited to all State funds, including not only the General Fund but also other funds.