CITY OF TALLAHASSEE
PENSION INVESTMENT POLICY
Approved January 28, 2015

City Commission Policy 236

CITY OF TALLAHASSEE PENSION FUND
INVESTMENT POLICY STATEMENT

236.01 AUTHORITY

The Charter of the City of Tallahassee, Florida, establishes a Pension Plan (the Plan) covering all employees of the City. The Plan is qualified under the Internal Revenue Code as a 401(a) plan.

Section 65 of the City Charter creates the Sinking Fund Commission (the Commission), a body charged with the responsibility of investing the assets of the City's Pension Plan. The Commission is made up of the elected Mayor, the four (4) elected City Commissioners and three (3) responsible members of the local business community appointed by the City Commission. The Mayor serves as Chairman of the Commission.

The three (3) appointed members of the Commission comprise the Investment Advisory Committee, created by and defined under the Non-Pension Investment Policy of the City, whose responsibilities with respect to the Plan, in addition to those as members of the Commission, include:

1) Meeting with the Treasurer-Clerk on at least a quarterly basis to review the performance of the Plan.
2) Making recommendations to the full Commission related to any aspect of the investment of the assets of the Plan, as they deem necessary.
3) Immediately notifying the Treasurer-Clerk in the event any information comes to their attention that may negatively impact any of the investment managers hired by the City to manage the assets of the Plan, or any of the individual investments that may be held by any manager on behalf of the City.

City of Tallahassee Resolution 86-R-1454, passed and adopted by the City Commission on November 25, 1986, provides for the defense and indemnification of any committee member who is made a party to any suit or proceeding, other than by an action of the City, or against whom a claim is asserted by reason of their actions taken within the scope of their service as an appointed member of this committee. Such indemnity shall extend to judgments, fines, and amounts paid in settlement of any such claim, suit, or proceeding, including any appeal thereof. This protection shall extend only to members who have acted in good faith and in a manner, which they reasonably believe to be in, or not opposed to, the best interest of the City of Tallahassee.

In accordance with Section 51 of the City Charter, the responsibility for administering all the investment programs of the City resides with the Treasurer-Clerk (or his designee). As such, it shall be his responsibility to perform all administrative and operational functions necessary to the efficient, effective and prudent management of the assets of the Plan, including the selection of consultants, custodians and other service providers as may be needed to carry out the investment of the Plan's assets. The Treasurer-Clerk serves as the City's contact with the investment managers, custodians, investment consultant and any other service provider as might be employed on behalf on the Plan's assets. Additionally, he is responsible for staffing the Investment Advisory Committee and assisting them in carrying out their responsibilities as defined above. No person may engage in any investment on behalf of the Plan, except as authorized by the Treasurer-Clerk.

236.02 FIDUCIARY STANDARDS

The standard of care which shall be exercised in investing the assets of the Plan shall be that set forth in Employee Retirement Income Security Act of 1974 at 29 U.S.C. Section 1104 (a) (1) (A) (c). This standard, the Prudent Man Standard of Care, states that a fiduciary shall discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries (a) for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the plan; (b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and, (c) by diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to so diversify.

236.03 GOALS AND PURPOSE

The sole goal of the Pension Fund investment program is to maximize investment return, net of fees, at an acceptable level of risk.

The Sinking Fund Commission has established herein investment policies and portfolio guidelines to assist the Treasurer-Clerk in the administration of the assets of the Plan; to guide the investment managers in structuring portfolios consistent with the City's desired performance results at an acceptable level of risk; and to assure that Plan assets are managed in a prudent fashion.

The Sinking Fund Commission, based on their evaluation of the Plan's liabilities and future cash flow requirements, on January 28, 2015 adopted an asset allocation model that reflects a total portfolio risk level considered acceptable for the Plan. The level of acceptable risk has been determined to equal the risk of a market portfolio composed as follows:

24% in the S&P 500 Stock Index
4% in the Russell Mid-Cap Growth Index
4% in the Russell Mid-Cap Value Index
4% in the Russell 2000 Value Index
4% in the Russell 2000 Growth Index
10% in the MSCI EAFE Index
5% in the MSCI Emerging Markets Index
15% in the Barclays Intermediate Government/Credit Bond Index
5% in the S&P LSTA Leverage Loan Index
15% in the NCREIF NPI Index
5% in the S&P 500 +4% (Private Equity)
5% in the NCREIF Timberland Index

Given this risk level, the aggregate portfolio is expected to earn a rate of return that exceeds the rate of inflation by 4% per year over rolling ten (10) year periods. The rate of inflation is defined for use in this policy statement as "the annualized rate of change in the consumer price index for all urban consumers (CPI-U)".

Pension Plan assets are to be broadly diversified in order to minimize the risk of material losses. This diversification is primarily accomplished through the selection of asset mix and investment managers.

236.04 INTERNAL CONTROLS

The Treasurer-Clerk shall establish, and document in writing, a system of internal controls to insure that the financial assets of the plan are properly safeguarded, managed, and accounted for. These internal control procedures shall address, at a minimum:

1) Separation of incompatible functions;

2) Proper design and maintenance of documentation and records;

3) Controlling access to assets;

4) Recording and reporting;

5) Method of selection and hiring of external managers; and

6) Process for evaluating performance.

236.05 ASSET ALLOCATION

The City's asset allocation strategy provides for the diversification of its portfolio in order to achieve a prescribed return with the least exposure to risk. The model recognizes that asset classes will, at different points in a market cycle, perform differently and that the combination of these classes will lower the overall volatility in investment returns.

The Sinking Fund Commission has reviewed the Plan's liability and funding requirements, and adopted the following asset allocation strategy. This strategy is designed to meet the Plan's long term funding obligations, giving consideration to the City's tolerance for investment volatility, or risk. The strategy provides target, minimum and maximum percentages of each asset class; these are significant for portfolio rebalancing (SEE MAINTENANCE OF ASSET ALLOCATION).

Asset Class	**Target Percentage of Total Portfolio**	**Minimum Percentage of Total Portfolio**	**Maximum Percentage of Total Portfolio**
Large-Cap Domestic	24%	14%	34%
Mid-Cap Domestic	8%	3%	13%
Small-Cap Domestic	8%	3%	13%
International Equity	10%	5%	15%
Emerging Markets	5%	2%	8%
Fixed Income – Domestic Bonds	15%	7.5%	22.5%
Fixed Income - Bank Loans	5%	2.5%	7.5%
Real Estate	15%	10%	20%
Private Equity	5%	2%	8%
Timber	5%	2%	8%

MAINTENANCE OF ASSET ALLOCATION

As a result of the varying returns among asset classes, funds will have to be reallocated among the asset classes in order to maintain the adopted asset allocation strategy. This will be achieved by the following methods.

1) In conjunction with the Investment Advisory Committee, the Treasurer-Clerk will review individual managed accounts quarterly and will consider re-balancing to the long-term strategic asset allocation targets whenever the value of a managed account, determined as of a convenient date, is not within the established range of minimum to maximum.

2) Based on decisions made in Step 1 above, portfolio rebalancing will be carried out using new cash flow first. If new cash flow is not sufficient to accomplish the rebalancing, funds shall be reallocated among managers, as appropriate.

MANAGER STRUCTURE

The manager structure of the portfolio is the responsibility of the Sinking Fund Commission. The present structure defines the components of the equity portfolio as domestic core equity, domestic large capitalization (cap) value and growth, domestic mid-cap value and growth, domestic small-cap value and growth, international equity and emerging markets. The core equity portfolio will be invested in an S&P 500 index fund. The large cap value and growth equity assets will be invested through separate accounts, utilizing a concentrated strategy for management of the assets under their control. The mid cap assets will be allocated in equal portions between value and growth style managers. The small cap assets will be allocated in equal portions between value and growth style managers. The international equity assets will be allocated in equal portions between growth and value style managers. The emerging markets equity assets may be invested in commingled or separate accounts. The fixed income assets will be invested in domestic assets only. A minimum of 10% of fixed income assets will be invested in core products while the remainder may be invested in value added products.

The alternative assets portfolio will be invested in real estate, private equity and timber. Real estate assets will invest in a blend of open-end, closed-end, and REIT funds as selected from time to time. Funds may include core, opportunistic and value added funds. Private equity assets may invest in fund of funds and secondary funds. Timber assets will invest in open-end, closed-end and REIT funds as selected from time to time.

236.06 CASH RESERVE POLICIES

CASH MANAGED IN-HOUSE BY CITY

Transfers by the City to managers will be made in accordance with the previous section of this Policy entitled MAINTENANCE OF ASSET ALLOCATION. The cash managed by City staff during the holding period will be managed as a part of, and governed by the constraints of, the Core Portfolio, created under and defined by the Non-Pension Investment Policy of the City.

CASH HELD BY MANAGERS

Cash held by managers shall be invested in money market or STIF funds, or other short-term investment vehicles made available in accordance with the contract between the City and its Custodian. In the event a contract between the City and a manager provides for the manager to invest cash held by them, such cash shall be invested only in money market or STIF funds, or other short-term investment vehicles. However, equity managers are expected to be fully invested at all times, meaning that residual cash should make up no more than 5% of the portfolio at any time.

236.07 OPERATING POLICIES

OVERALL PLAN POLICIES:

1) There is no requirement for liquid reserves to be maintained for benefit payment outflows. The Treasurer-Clerk will communicate to the managers if there is any need for cash flow.

2) The asset mix of the Plan will be established by and the responsibility of the Sinking Fund Commission.

3) The consultant shall periodically review the asset mix and recommend such changes as determined to be appropriate.

4) The investment managers are expected to operate within the Prudent Expert Rule and the applicable provisions of the Employees Retirement Income Security Act of 1974 (ERISA).

5) Securities transactions involving commission payments will be placed through brokers on a basis of best available price and most favorable execution, which is defined as meaning the execution of a particular investment decision at the price and commission which provides the most favorable cost or proceeds reasonably obtainable under the circumstances, and taking into consideration other factors such as execution capability, willingness to commit capital, creditworthiness and financial stability, and clearance and settlement capability, and the provisions of research and

other services.

6) The Treasurer-Clerk shall be authorized to enter into commission recapture programs. All active managers are encouraged to utilize these programs on behalf of the City to the extent they can do so and still maintain best execution.

7) Commingled funds are an acceptable investment vehicle.

8) Plan Assets cannot exceed 10% of the total assets of a fund in which the Plan is a participant, unless the Sinking Fund Commission makes an exception.

9) Fees will be calculated and paid by the Plan on asset values as determined by the custodian for the Plan.

10) Investment performance for actively managed funds will be measured after fees, on a total return basis, including gains, losses, and income.

REPORTING

1) Each investment manager will provide to the Plan monthly reports due within 21 days following the end of each month. Minimum content shall include:

   a. A review of transaction activity for the month.

   b. A statement of assets, showing both cost and market value. For active managers, this should include a listing of individual securities.

   c. The total return for the City's portfolio versus the approved benchmark.

2) At least quarterly, within 18 business days after the end of each quarter, each active investment manager will provide to the Plan a report containing the following:

   a. The highest, lowest, and average return of all tax-exempt portfolios managed, also showing the City's return for the same period.

   b. Comparison of the Plan's investment performance to the standard(s) herein established, including the designated benchmark.

   c. A summary of commissions paid on behalf of City and commissions generated through the City's commission recapture firms.

3) The investment managers will reconcile their asset and transaction ledgers with the Plan custodian within 30 days after the end of each quarter. In the event of significant variances that cannot be resolved, the manager will notify the City of such on a timely basis.

4) The investment managers will meet with the Investment Advisory Committee periodically as determined appropriate by the Treasurer-Clerk or as may be requested by the Investment Advisory Committee.

INVESTMENT CONSULTANT

1) The investment consultant will provide a quarterly report to the Plan, due no later than 50 days after the end of the quarter. Minimum content shall include:

   a. A review of the consolidated fund performance.

   b. A review of the performance of each portfolio manager, including results against objectives, and returns for component parts of the portfolio (stocks, bonds, cash, etc.).

   c. Recommendations as to changes in managers such as termination, changes in funding levels, need for additional managers, etc.

2) The investment consultant, together with the City Treasurer-Clerk, will prepare the agenda and coordinate meetings with the investment managers, the Investment Advisory Committee and City staff.

PLAN CUSTODIAN

1) The Plan Custodian will operate in accordance with a separate agreement with the City, a copy of which is on file in the Treasurer-Clerk’s Office.

236.08 GUIDELINES AND EVALUATION CRITERIA FOR MANAGERS

MANAGER STYLE ALLOCATION

The managers will have full discretion for the construction of the portfolio, within the constraints herein defined.

TEMPORARY USE OF BENCHMARK SECURITIES

In order to maintain the asset allocations cited in 236.04 ASSET ALLOCATION above, it may become necessary from time to time to make temporary use of a "style place-holder", particularly when a manager is terminated and no replacement has yet been appointed, or when there is a new manager assignment which has not yet been filled. Under such circumstances, the Treasurer-Clerk is authorized to: a) create the appropriate new account, b) transfer the designated amount of funds into it, and c) purchase a sufficient number of the appropriate benchmark securities in the account. "The appropriate benchmark security" is an exchange-traded trust unit that is designed to mimic the performance of the market benchmark assigned to the new account.

GENERAL MANAGEMENT GUIDELINES

ALL MANAGERS

1) Convertible securities are defined as equity securities, except when the current yield on a convertible security is greater than 1.25 times that of the ten (10) year US Treasury note (in which case, such securities are classified as fixed income).

2) No position held by any one manager, with respect to individual security holdings for the Plan (other than securities issued by the United States Treasury), may exceed 10% of the total market value of the account under management by said manager. Notwithstanding the preceding sentence, the total market value of the largest ten holdings in an equity account, at any point in time, may not exceed 60% of the total value of the account.

3) Managers are expected to adhere to the style of management for which they were retained by the Plan, with the guiding criteria being that reflected in each contract or agreement between the Plan and each investment manager as the “statement of investment guidelines and objectives” or similarly related title.

4) In general, short sales of the Plan's securities are not permitted. However, if a portfolio manager is specifically authorized to engage in short sales of securities, options, or futures contracts, then such positions must be "covered", via the value of specifically designated offsetting securities, cash, or cash equivalents owned by the Plan.

5) No loans or borrowings are permitted in the Plan's managed accounts, other than mortgage debt on property in the Plan's real estate accounts, but such debt must be executed in a manner that prevents the possibility of recourse against the Plan, in the event of default. A manager may cause the Plan Custodian to advance cash to the manager in order to facilitate failed transactions or

unanticipated delays in settlement.

6) The Treasurer-Clerk may enter into an agreement with the Plan's custodian or other designated provider to loan securities held by the Custodian on behalf of the Plan to borrowers of the highest credit standing. The agreement with the custodian will be specific as to both the amount of risk exposure for the Plan and the fee-sharing formula between the Plan and the custodian. (In general, the Plan's share of such fees should be greater than 65% of total fees generated from lending its securities.)

EQUITY MANAGERS

1) The liquidity of publicly traded securities in the Plan's portfolio is one of the significant elements in determining their valuation and is considered important to the operation of the Plan. Therefore, managers are expected: a) to include liquidity as one of the considerations when adding new positions to the portfolio, and b) to execute systematic periodic procedures for reviewing the liquidity of each position (except under extreme market conditions).

2) Managers are expected to be fully invested in equities at all times, meaning that residual cash should make up no more than 5% of the portfolio at any time.

3) Use of American Depository Receipts (ADRs) are both permitted and encouraged for investments in companies that are not based in the United States.

FIXED INCOME MANAGERS

1) The following debt instruments are prohibited: inverse floaters, interest-only strips and any securities with built-in leverage characteristics. In general, debt holdings should be liquid. Less liquid instruments, such as "Section 144 Securities", "preferred capital securities" and "private-label" collateralized mortgage securities are permitted, but only up to a maximum (collective) limit of 15% of the market value of a manager's portfolio.

2) Unless specifically permitted otherwise in writing, and except for investments in bank loans, all debt securities in the Plan's portfolios must be rated as "investment grade" by all major rating agencies. In the event of a split rating, managers should use the lowest of the published ratings. In the event of a rating downgrade to below investment grade, managers should use their best judgment as to whether and when to dispose of the security.

MANAGER EVALUATION CRITERIA

GENERAL CRITERIA

Performance Objectives

1) Market benchmarks will usually be compared to accounts over a rolling 5-year period to capture a market cycle.

2) Peer group benchmarks will generally gain importance for judging performance during periods when the peer group's median performance is significantly above or below the market benchmarks being applied to an account.

Risk

Investment risk, in the context of the Plan, is fundamentally an outcomes-based concept. Risk exposure is the degree to which the Plan's asset allocation, investment strategy, and/or implementation could, within a level of probability that is not extreme: a) lead to a shortfall of liquid Plan assets below the amount required for the long-term payment of Plan benefits, and, as a result, b) cause the City's taxpayers to provide unexpected, or extraordinary amounts of funding to support the ongoing operation of the Plan.

Cause for Manager Probation and/or Termination

The Treasurer-Clerk, in consultation with the Investment Advisory Committee and advised by the Plan's consultant, may place a management firm on probationary status, with either a specific or indefinite timetable for further action, or may terminate the firm's account, based upon their best judgment as to the impact of various factors, some of which are as follows:

1) Significant events, which involve changes in the ownership and/or management of a firm that manages assets for the Plan.

2) Significant and/or persistent under-performance of target benchmarks, judged according to various factors, to include (among other possibilities): a) established history of correlation with the benchmarks, b) absolute magnitude of underperformance, c) frequency of periodic performance shortfalls, and d) poor ranking among the manager's peer group.

3) Strong indication that the Plan's account holds a significant number or value of securities, which are at variance with the management style/role assigned to it in the Plan's overall allocation.

236.09 INDIVIDUAL MANAGER OBJECTIVES AND MEASUREMENT STANDARDS

Objectives and measurement standards relating to the City's managers are made part of this Policy by attachment hereto as Exhibit "A". The Treasurer-Clerk, in consultation with the Investment Advisory Committee and advised by the Plan's consultant, may amend these objectives and measurement standards as deemed necessary, including deleting or adding objectives and measurement standards as managers for the Plan are terminated or hired.

Exhibit A
INDIVIDUAL MANAGER OBJECTIVES AND MEASUREMENT STANDARDS

DOMESTIC EQUITY MANAGERS

Large-Cap Passive

The total return of the core equity portfolio is expected not to deviate from the return of the S&P 500 Stock Index by more than 15 basis points annually, with the aggregate deviation over rolling 3-year periods not to exceed 10 basis points, annualized.

Large-Cap Growth

The individually managed concentrated large-cap growth equity portfolio for the Plan will be measured and benchmarked as follows:

1) Outperform the Russell 1000 Growth Index over rolling –5-year periods;

   and,

2) Perform among the top 40% of active large-cap growth managers.

Large-Cap Value

The individually managed concentrated large-cap value equity portfolio for the Plan will be measured and benchmarked as follows:

1) Outperform the Russell 1000 Value Index over –rolling 5–year periods;

   and,

2) Perform among the top 40% of active large-cap value managers.

Mid-Cap Growth

The individually managed mid-cap growth equity portfolio for the Plan will be measured and benchmarked as follows:

1) Outperform the Russell Mid-Cap Growth Index over rolling 5-year periods; and,
2) Perform among the top 40% of active mid-cap growth managers.

Mid-Cap Value

The individually managed mid-cap value index equity portfolio for the Plan will be measured and benchmarked as follows:

1) Outperform the Russell Mid-Cap Value Index over rolling 5-year periods; and,
2) Perform among the top 40% of active mid-cap value managers.

Small-Cap Growth

The individually managed small-cap growth portfolio for the Plan will be measured and benchmarked as follows:

1) Outperform the Russell 2000 Growth Index over rolling 5-year periods; and,

2) Perform among the top 40% of active small-cap growth managers.

Small-Cap Value

The individually managed small-cap value portfolio for the Plan will be measured and benchmarked as follows:

1) Outperform the Russell 2000 Value Index over rolling 5-year periods; and,

2) Perform among the top 40% of active small-cap value managers.

INTERNATIONAL EQUITY MANAGERS

Growth

The individually managed international equity portfolio for the Plan will be measured and benchmarked as follows:

1) Outperform the EAFE Growth Index over rolling 5-year periods; and,

2) Perform among the top 40% of international growth managers.

Value

The individually managed international equity portfolio for the Plan will be measured and benchmarked as follows:

1) Outperform the EAFE Value Index over rolling5-year periods; and,

2) Perform among the top 40% of international value managers.

EMERGING MARKETS EQUITY MANAGERS

The commingled emerging markets equity portfolio for the Plan will be measured and benchmarked as follows:

1) Outperform MSCI Emerging Markets Index over rolling 5-year periods; and,

2) Perform among the top 40% of emerging markets managers.

FIXED INCOME MANAGERS

The fixed income returns are expected to provide a return similar to (but not necessarily equal to, or greater than) the Barclays Aggregate Bond Index. The Plan's returns are expected to produce a level of short-term volatility that is lower than that of the index.

Core

The manager shall actively manage a domestic intermediate term, high-grade portfolio that will be measured and benchmarked as follows:

1) Outperform the Barclays Aggregate Bond Index over rolling 5-year periods; and,

2) Perform among the top 40% of similar domestic bond managers.

Non-Core

The manager shall actively manage a domestic intermediate term, high-grade portfolio that will be measured and benchmarked as follows:

1) Outperform the Barclays Intermediate Government/Credit Bond Index over rolling 5-year periods; and,

2) Perform among the top 40% of domestic intermediate bond managers.

Bank Loans

The manager shall actively manage a domestic intermediate term, high-grade bank loan portfolio that will be measured and benchmarked as follows:

1) Outperform the S&P/LSTA Leverage Loan Index over rolling 5-year periods; and

2) Perform among the top 40% of domestic bank loan managers.

REAL ESTATE MANAGERS

The objective of the overall real estate portfolio, and of each individual real estate portfolio, is to outperform the assigned market benchmark index and to exceed the median return of a universe of actively managed real estate portfolios. Due to the illiquid nature of real property, any changes in policy allocation or strategy may take some period of time to implement completely. Such transitions are not to be considered to be exceptions to this policy.

REIT

The REIT portfolio for the plan will be measured and benchmarked as follows:

1) Outperform the NAREIT Index over rolling 5-year periods; and

2) Outperform the median of a universe of similar real estate portfolios.

Open-End Funds

Assets invested in open-ended real estate funds for the plan will be measured and benchmarked as follows:

1) Outperform the NCREIF ODCE Index over rolling 5-year periods; and

2) Outperform the median of a universe of similar real estate portfolios.

Closed-End Funds

1) .

Note that performance of closed-end funds cannot usually be evaluated at interim dates. Proper evaluation of such funds requires allowing the fund to invest all committed funds and ultimately, to return all assets to investors. At that time, the IRR of each investment will be evaluated. Peer analysis is difficult to acquire and is usually acquired at the end of the investment once all dollars and returns have been returned to the investors. Accordingly, investment in closed-end funds will be evaluated for purposes of: 1) assessing manager performance as a tool for use in future real estate investment decisions and 2) assessing overall performance of the real estate allocation within the overall plan investment structure.

PRIVATE EQUITY MANAGERS

The objective of the overall private equity portfolio, and of each individual private equity portfolio, is to outperform the assigned market benchmark index. Due to the illiquid nature of private equity, any changes in policy allocation or strategy may take some period of time to implement completely. Such transitions are not to be considered to be exceptions to this policy.

Open-End Funds

Assets invested in open-ended private equity funds for the plan will be measured and benchmarked as follows:

Outperform the S&P 500 +4% over rolling 5-year periods.

Closed-End Funds

Note that performance of closed-end funds cannot usually be evaluated at interim dates. Proper evaluation of such funds requires allowing the fund to invest all committed funds and ultimately, to return all assets to investors. At that time, the IRR of each investment will be evaluated. Peer analysis is difficult to acquire and is usually acquired at the end of the investment once all dollars and returns have been returned to the investors. Accordingly, investment in closed-end funds will be evaluated for purposes of: 1) assessing manager performance as a tool for use in future private equity investment decisions and 2) assessing overall performance of the private equity allocation within the overall plan investment structure.

TIMBER MANAGERS

The objective of the overall timber portfolio, and of each individual timber portfolio, is to outperform the assigned market benchmark index. Due to the illiquid nature of timber, any changes in policy allocation or strategy may take some period of time to implement completely. Such transitions are not to be considered to be exceptions to this policy.

Open-End Funds

Assets invested in open-ended timber funds for the plan will be measured and benchmarked as follows:

3) Outperform the NCREIF Timberland Index over rolling 5-year periods.

Closed-End Funds

Note that performance of closed-end funds cannot usually be evaluated at interim dates. Proper evaluation of such funds requires allowing the fund to invest all committed funds and ultimately, to return all assets to investors. At that time, the IRR of each investment will be evaluated. Peer analysis is difficult to acquire and is usually acquired at the end of the investment once all dollars and returns have been returned to the investors. Accordingly, investment in closed-end funds will be evaluated for purposes of: 1) assessing manager performance as a tool for use in future timber investment decisions and 2) assessing overall performance of the timber allocation within the overall plan investment structure.