ABC Client

Investment Policy Guidelines

June 2010

Contents

STATEMENT OF INVESTMENT OBJECTIVES,
POLICY AND GUIDELINES

I. Introduction

ABC Client, a defined benefit plan, was established January 1, 1945 by County ordinance. The authority to establish and maintain the System is specified in Section 5-1-101 of the ABC Client Code.

Membership in the System is open to employees in both the classified and unclassified service of ABC Client, employees of the ABC Client Revenue Authority and employees of the ABC Client Board of Education, the ABC Client Board of Library Trustees and the Community College of ABC Client who are not eligible to participate in the CCC Retirement and Pension Systems. Direct appointees of the Governor of CCC, temporary employees and employees for whom there are existing pension provisions are excluded.

Purpose of this Policy Statement. This statement of Investment Objectives, Policy and Guidelines (the "Statement") is issued on behalf of the System to provide guidance for fiduciaries, including the Board of Trustees (the "Board"), investment managers (the "Manager(s)") and investment consultant (the "Consultant") in the course of managing the assets of the retirement fund (the "Fund").

In addition to defining guidelines and limitations for each asset class and for portfolios within each asset class, this policy:

- Discusses appropriate risk/return parameters for the investment of the system's assets;
- Establishes investment guidelines regarding the selection of Managers, permissible investments and diversification of assets;
- Specifies the criteria for evaluating the performance of the Managers and of the Fund as a whole;
- Defines the responsibilities of the Board and other parties responsible for the management of the System's assets; and
- All system-wide objectives are based on a five to ten year investment horizon, so interim fluctuations should be viewed with the appropriate perspective. The Board may make changes at any time they deem appropriate.

II. Roles and Responsibilities

A. Fiduciaries

Specifically named as fiduciaries are:

1. Persons serving as members of the Board of Trustees;
2. Employees of the System who exercise discretionary authority or control over the management or administration of the System or its assets; and
3. Persons other than Trustees, who are designated by the Trustees to carry out fiduciary responsibilities including the external Managers, Consultant and Custodian.

B. Board of Trustees

The role of the Board of Trustees is to oversee and make policy decisions regarding assets invested by the System. As fiduciaries, the Board has the duty to invest the assets:

1. For the exclusive purposes of providing benefits to participants and for reasonable expenses of administering the System;
2. With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person 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;
3. By diversifying the investments of the System so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. With the advice of the Consultant, Actuary, and Managers, develop and modify the Fund's policy objectives and guidelines, including the development of recommendations on long-term asset allocation and the appropriate mix of the Managers' styles and strategies;
5. Review and approve or disapprove changes to the Fund's policy objectives and guidelines that are recommended by a Manager or other Fund professional.
6. Review, as frequently as desired, the Fund's investment results in relationship to investment expectations and actuarial assumptions and experience to determine if changes are needed to either the Investment Policy Statement or the implementation of the Investment Policy Statement;
7. Monitor and evaluate investment manager performance and adherence to policy guidelines, and the performance of the Fund as a whole;
8. Select or terminate Manager(s), Consultant, Actuary and Custodian; and
9. Act in accordance with the laws, documents and instruments governing the System.

C. Investment Administrator

The ABC Client's Investment Administrator is responsible for all day-to-day administrative functions required to support the Investment Policy Statement, including:

1. Overseeing all service providers;
2. Coordinating review of contracts when new service providers are engaged, and as necessary with incumbent providers;
3. Coordinate funding of and withdrawals from Investment Manager; and
4. Receive reports from Investment Managers and other service providers and bringing to the attention of the Board items requiring Board review or action.

D. Investment Consultant

The Consultant shall act as fiduciary to the Fund. Final decision making authority and responsibility, however, resides with the Board. The Consultant retained by the Board shall have the following responsibilities to the System:

1. To assist the Board in strategic planning for the system. This includes providing assistance in developing an investment policy, asset allocation strategy, and investment manager structure;
2. To provide to the Board quarterly performance measurement reports on each of the Managers and on the Fund as a whole and to assist the Board in interpreting the results;

3. To act as a liaison between Managers and the System, and thereby facilitate the communication of important information in the management of the Fund; and
4. Such other duties as may be mutually agreed upon.

E. Investment Managers

The duties and responsibilities of each of the Managers retained by the Board include:

1. Act as fiduciary for that portion of the Fund's assets under its discretion;
2. Managing the assets under their discretion in accordance with the policy guidelines and objectives expressed herein;
3. Meeting or exceeding the Manager specific established and agreed upon benchmarks;
4. Exercising investment discretion within the guidelines and objectives stated herein. Such discretion includes decisions to buy, hold or sell securities in amounts and proportions reflective of the Manager's current investment strategy and compatible with the investment objectives;
5. Promptly informing the Board or its agents regarding all significant matters pertaining to investment of the Fund as outlined in Section VII;
6. Initiating written communication with the Board and the System's Staff and Consultant when the Manager believes that this Statement is inhibiting and/or should be altered. No deviation from the guidelines and objectives established in the Policy Statement is permitted until after such communication has occurred and the Board has approved such deviation in writing;
7. Complying with all provisions pertaining to the Manager's duties and responsibilities as a fiduciary. It is expected that the Fund's assets will be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent professional investment manager, acting in a like capacity and familiar with such matters, would use in the investment of Fund assets, all in accordance with applicable law;
8. Using its best efforts to ensure that portfolio transactions are placed on a "best execution" basis and considering the use of commission recapture program designated by the Board only if there is not a negative impact on such "best execution";
9. Responding to funding requests within the requested timeline;
10. Each Manager is expected to meet with the Board upon the Board's request. Additionally, each Manager shall submit a written report to the Board or its agents within 30 days after the end of each calendar quarter;
11. The Manager must comply with the Investment Policy Statement and guidelines as it currently exists or as it is modified in the future;
12. Monthly reporting through the master custodian bank; and
13. Submitting invoices or statements for fees directly to the Investment Administrator and reconciling the fee calculation with the reported period end assets.

F. Custodian

The Custodian of the System shall have the following responsibilities:

1. Hold securities and other investments in the name of the System or in the name of the nominee custodian or in bearer form;

2. Collect and receive income, interest, proceeds of sale, maturities, investments, deposit of all receipts in a custodial or checking account and reinvest these receipts as directed by the Board;
3. Make disbursements and transfers as directed by the Board;
4. Maintain accounting records and assist in preparation of reports required by the Board;
5. Settle purchases and sales and engage in other transactions, including receipts and deliveries, exchanges and other voluntary corporate actions, with respect to securities or other property received by the Custodian.
6. Manage the securities lending program, if applicable; and
7. Perform other services for the Board as are customary and appropriate for Custodians.

G. Other External Providers

The System shall retain the services of various providers. The duties and responsibilities of each of these providers retained by the Board include:

1. Actuary – the actuary of the system shall be retained to prepare annual actuarial valuations in conformity with generally accepted actuarial principles and periodically analyze the actuarial assumptions and experience of the System. Perform other services for the Board as are customary and appropriate for Actuaries;
2. Financial Institution – a financial institution/bank shall be retained to provide checking account services for the System. The account will accommodate employee contributions, benefit checks and miscellaneous cash flows between the account and the Custodian bank; and
3. Auditor – the System shall retain accounting professionals to independently audit financial records annually in conformity with generally accepted accounting principles and review internal controls.

III. Investment Goals and Objectives

Total Return, consistent with prudent investment management, is the primary investment objective of the Fund. In addition, assets of the Fund shall be invested to ensure that principal is preserved and enhanced over time, both in real and nominal terms.

The long-term nominal rate of return objective is to meet or exceed the assumed actuarial rate of return. Return shall be measured as “total return”, including income and capital gains, both realized and unrealized.

An additional objective is to exceed the rate of inflation, as measured by the Consumer Price Index (CPI), by four (4) percentage points per year. The Board is aware that there may be short-term deviations from the achievement of these objectives and will therefore evaluate achievement of these objectives over the agreed-upon time frames.

Total return for the overall composite portfolio shall:

- Meet or exceed the return of the Fund’s Policy Index
- Consistently rank in the top half of the Consultants Public Funds Universe

The Investment performance of each equity Manager shall be measured against the investment performance of other equity managers with similar equity investment styles (e.g., large cap growth against large cap growth) and against the investment performance of that Manager’s equity benchmark. Manager benchmarks are specified in Appendix II.

The investment performance of each fixed income manager shall be measured against the investment performance of other fixed income managers with similar investment styles (e.g., core against core, high yield against high yield) and against the performance of that Manager's fixed income benchmark. Manager benchmarks are specified in Appendix II.

The investment performance of each real estate manager shall be measured against the investment performance of other real estate managers and the performance of that manager's real estate benchmark. Manager benchmarks are specified in Appendix II.

The investment performance of each alternative investment manager shall be measured against the investment performance of other similar types of investments.

Total portfolio risk exposure and risk-adjusted returns will be regularly evaluated and compared with other Funds nationwide and with a universe of Public Funds. The risk exposure of the total Fund is expected to rank in the midrange (25^{th} to 75^{th} percentile) of a universe of comparable Funds or managers, respectively. Risk-adjusted returns are expected to consistently rank in the top half of a universe of comparable Funds or managers, respectively.

Normally, results for managers are evaluated over a three to five year time horizon, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the Fund.

IV. Asset Allocation

A. Permissible Investments

In fulfilling the investment objectives set forth above, the Fund's assets may be invested in the following types of investments:

1. Domestic Equity Investments are permitted and may include common stocks traded over-the-counter or on an established domestic stock exchange. Convertible bonds, preferred stocks, warrants and rights may be purchased as equity substitutes so long as the underlying equity meets with applicable standards. American Depository Receipts (ADRs) and dual listed foreign stocks, which are dollar denominated foreign securities traded on domestic U.S. stock exchanges, may be held by each domestic equity manager to a maximum of 10%. A manager should not purchase securities for the Fund unless the Manager has determined that the securities to be purchased are of a quality suitable for the account.
2. Domestic Debt Securities are permitted and may include U.S. Government and Agency obligations, corporate bonds, asset backed securities, agency guaranteed mortgage pass-through securities and low risk collateralized mortgage obligations of comparable or lower risk, such as Planned Amortizations Class Level 1 and Sequentials, commercial paper, and certificates of deposit. Managers may also invest in U.S. dollar denominated issues of international agencies, foreign governments and foreign corporations (i.e., Eurodollar and Yankee bonds).
3. International Investments are permitted and may include equity and fixed income securities. International investments shall only be entered into through the selection of a qualified investment management organization as consistent with fiduciary responsibilities. An international manager employing an active currency management program may deal in futures and options within the discipline of that currency management program.

4. Real estate investments are permitted and may include both debt and equity investments. The Trustees may invest in real estate by appointing a registered Investment manager or by utilizing pooled accounts, limited liability companies, partnerships or group trusts. Investments may include Real Estate Investment Trusts (REITs), Real Estate Operating Companies (REOCs), and mutual funds composed of REITs and REOCs.
5. Cash Equivalents and other short-term funds are permitted and may be invested in direct U.S. Government obligations such as U.S. Treasury Bills or repurchase agreements, which are fully collateralized by U.S. Treasury issues. Unless expressly prohibited by the Board, excess cash may be invested in the Short Term Investment Fund of the Custodian Bank(s) or negotiable certificates of deposit, or other short-term investment vehicles designated by the Board.
6. Futures and Options strategies may be employed, upon specific authorization of the Board, on equity and fixed income investments to provide volatility protection or enhance the rate of return over time.
7. Alternative investments, such as private equity (venture capital, leveraged buyouts, and mezzanine debt) and hedge funds may be included among the System's equity investments, provided such investments remain within the limits authorized by the Trustees. Private equity amounts that exceed the target allocation, as a result of partial or full liquidation of positions or the receipt of income from investments, shall be reallocated to the System's under-allocated asset classes. Hedge funds with appropriate transparency and liquidity (e.g. merger/convertible arbitrage, fund of funds) may be selected for investment.
8. Commingled funds and/or institutional mutual funds may be used as investment vehicles. The Board recognizes that it cannot give specific policy directives to a fund (whose policies are already established). Therefore, the Board understands that investments in commingled or mutual funds shall be managed in accordance with the objectives, policies, and restrictions set forth in the commingled fund's guidelines or mutual fund's prospectus. For mutual and other commingled funds, the prospectus or Trust documents of the fund(s) will govern the investment policies of the fund investments. Investment managers, however, shall be guided by the general principles and constraints outlined in this investment policy.
9. Securities lending may be implemented through the System's custodian or other reputable agents provided that the loaned securities are fully collateralized (100% for domestic securities and 102% for international securities) and the custodian or agent receives the collateral prior to the release of the securities. The program shall be governed by the Securities Lending Agreement which shall set forth, among other things, procedures for broker selection; responsibilities of the agent; types of collateral; crediting of revenues; and indemnification measures.

B. Prohibited Investments

The System's assets in separately managed accounts may not be used for the following purposes:

1. Transactions prohibited or limited by Federal, State or local law;
2. Short Sales, except where permitted;
3. Purchases of letter stock, private placements (except for 144A securities with registration rights), or direct payments;
4. Leveraged transactions other than real estate;
5. Puts, calls, straddles, or other option strategies, except where permitted;

6. Investments in tax exempt securities;
7. Use of margin, or investments in any derivatives not explicitly permitted in this policy statement; and
8. Investments by the managers in their own securities, their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Board).

C. Target Asset Mix

The Board, after due diligence, has adopted an asset allocation as outlined in Appendix I. Consistent with the Fund's return objectives and risk parameters, the mix of assets for the Fund should be maintained as in Appendix I.

1. Small temporary variations may occur. The maximum percentage designated for the "Cash and Cash Equivalents" category is intended to apply after the initial start-up of any one portfolio within the System. The Board recognizes that this initial start-up period to become fully invested could be as long as three months after the initiation of a portfolio.
2. Managers shall be as fully invested as is possible, realizing that there will be residual cash in portfolios from time to time subject to limits as described in the attachments.

D. Rebalancing Procedures

1. The allocation to each asset class and to investment styles within asset classes is expected to remain stable over most market cycles. Since capital appreciation (depreciation) and trading activity in each individually managed portfolio can result in a deviation from the overall Target asset allocation, the aggregate asset allocation will be monitored and the investment administrator will rebalance periodically. It is expected that rebalancing will occur as required. The Administrator will notify managers well in advance of withdrawals to allow sufficient time to provide liquidity.
2. The Board must be advised of any significant rebalancing activity. To achieve the rebalancing of the Fund, the Investment Administrator, in consultation with the System's Consultant, may re-direct contributions and disbursements from individual managers as appropriate, in addition to shifting assets from one manager to another.

V. Manager Selection Criteria

A. Selection Criteria

1. Managers retained by the Board shall be chosen based on, but not limited to, the following criteria:
    a. The investment style and discipline of the Manager and/or fund and how well the Manager's investment style or approach complements other asset classes in which the System invests;
    b. Past performance, considered relative to other managers having similar investment styles including both consistency of performance and the level of risk taken to achieve results;
    c. Level of experience, financial resources, and staffing levels of the Manager;
    d. An assessment of the Manager's investment process and philosophy; and
    e. An assessment of the likelihood of future investment success, relative to other opportunities.

B. Investment Manager Structure

1. They System will utilize a multi-manager structure of complementary investment styles and asset classes to invest System's assets, as described in the attachments.

VI. Investment Manager Guidelines

A. General Guidelines

1. Full discretion shall be granted to the Managers regarding the selection of securities and the timing of transactions, within the parameters of the objectives and guidelines described herein;
2. While the Board is sensitive to excessive turnover, there shall be no specific limitation to reasonable turnover in this regard, recognizing the importance of providing flexibility to the Manager(s) to adjust the security selection in changing market conditions;
3. The flexible management of the portfolio is permitted, and while the Board is appropriately sensitive to paper losses, there is no justification to hold a particular security, or to manage the collective assets, for the principal purpose of avoiding the recognition of a paper loss.
4. Compliance with all guidelines must be monitored by the Managers on a regular basis (monthly or more frequently when unusual market conditions warrant) and based on then current market values. In the event that the portfolio moves out of compliance with these guidelines (as identified in the Manager's regular review of the portfolio), through market conditions or other changes outside the control of the Manger, the Manger must:
    a. Bring the portfolio composition into compliance within 45 days from the first date that the portfolio moved out of compliance, or
    b. Make a written request to the Board for a compliance waiver.

B. Derivative Policy

A derivative is a security or contractual agreement, which derives its value from some underlying security, commodity, currency, or index.

1. Types of derivative contracts
    a. Forward-based derivatives, including forward contracts, futures contracts, swaps, and similar instruments, and
    b. Option-based derivatives, including put options, call options, interest rate caps and floors, and similar instruments.
2. Types of Derivative Securities
    a. Collateralized Mortgage Obligations (CMOs)
    b. Structured Notes
3. The use of derivative securities is permitted as described under Section IV (A)(2) and derivative contracts under Section IV (A)(6).
4. Where appropriate, managers may use derivative contracts for the following reasons:
    a. Hedging. To the extent that the portfolio is exposed to clearly defined risks and there are derivative contracts that can be used to reduce those risks, the investment managers are permitted to use such derivatives for hedging purposes, including cross hedging of currency exposures.

    b. Creation of Market Exposures. Managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class provided that the guidelines for the Manager allow for such exposures to be created with the underlying assets themselves.
5. The following two uses of derivative contracts and securities are strictly prohibited:
    a. Leverage. Derivatives shall not be used to magnify overall portfolio exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.
    b. Unrelated speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

C. Domestic Equity Managers

Specific guidelines for equity specialist managers are included in Appendix II. Equity Managers will be expected to manage their holdings in order to maximize net long-term returns. The managers should determine that the securities to be purchased are suitable for this account.

D. Domestic Fixed Income Managers

Specific guidelines for fixed-income specialist managers are included in Appendix II. Securities are to be selected and managed to ensure appropriate quality and maturity exposure, consistent with these guidelines and current money market and economic conditions.

E. International Equity Managers

Specific guidelines for international equity managers are included in Appendix II. Securities selected for this portfolio are expected to be issued by non-US corporations, although the Manager has latitude to hold US securities provided that such investments are consistent with attainment of the portfolio's investment objective and are limited to the percentage of the portfolio as specified in the manager guidelines.

F. Global Asset Allocation Manager Guidelines

Specific guidelines for global asset allocation managers are included in Appendix II. Global asset allocation strategies are allowed, where the manager has the ability to invest in, but is neither limited by nor required to hold, domestic, international and emerging equities and bonds, investment in real assets, such as commodities and real estate, and derivative products. The manager will employ a global tactical asset allocation strategy that can change the capital structure of the fund at any time as market conditions dictate within the strategy guidelines of the manager. These strategies may employ either a passive or active/tactical approach with regard to how the assets are invested. These strategies should be employed to improve the overall portfolio's diversification and to provide attractive risk-adjusted returns. These strategies may include products that are focused on generating absolute or real returns, compared to other strategies in the portfolio which may be more benchmark sensitive.

G. Real Estate Investment Manager Guidelines

1. The role of the real estate segment is to provide a stable return premium after inflation, and to increase the diversification of the overall fund;

2. Real estate managers will have full discretion to invest portfolios in accordance with the terms of their advisory agreements. It is expected that the Managers will adhere to their stated philosophies and that any material deviations will be communicated promptly to the Board;
3. It is expected that the real estate investment program shall be broadly diversified with respect to property type and geography, and primarily be in the equity of real property, which may or may not be levered;
4. The majority of real estate investments shall be “core” investments, with the remainder being styles complementary to core, such as “value-added” and “opportunistic”. (Individual vehicles, however, may be entirely committed to a single style.); and
5. All investments shall be in commingled funds, including but not limited to limited partnerships, LLCs, insurance company commingled separate accounts, and private REITs. Funds shall primarily be open-ended, although closed-end funds may be used as appropriate, particularly for value-added and opportunistic styles. (This is not intended to prevent domestic equity managers from holding public REITs.)

H. Alternative Asset Manager Guidelines

1. Use of Funds of Funds for Alternatives Allocations. Initial allocations to both hedge strategies and private assets will be achieved primarily through funds of funds in order to get initial exposure which is broadly diversified. Over time, the fund will build a diversified portfolio of individual strategies.
2. Commitment to Private Assets. Because commitments to most private equity investment vehicles are drawn down over time, actual investments are usually less than committed investments. To compensate for this, the Fund will have to commit more than the target allocation, perhaps as much as twice the target allocation to private investments in order to achieve the actual investment target.
3. Transparency. The Fund shall only invest in alternative assets when there is complete transparency and policy compliance reporting. The Board recognizes that alternative assets are potentially more risky than other Fund investments. As such, extra care shall be taken in evaluating and full understanding all aspects of an alternative investment opportunity.
4. Diversification. The alternative asset program will be diversified to limit the exposure of any one investment to 2% of the Fund’s total assets. No more than 25% of the alternative asset investment allocation may be invested with a single investment manager, general partner, or single fund, with the exception of a fund-of-funds. Private asset investments will be diversified by industry and vintage year. Hedge strategy investments will be diversified by strategy.
5. Other. The Fund’s initial investment in a partnership/fund shall not exceed 10% of the committed capital of that partnership/fund. All investments must have a mechanism for timely exit. Preference will be given to those funds where the general partner is contributing at least 1% of the total fund. The relevant investment manager must check the references of each alternative investment fund’s general partner prior to investing Fund assets in that alternative fund.

I. Real Assets Manager Guidelines

Specific guidelines for real assets managers are included in Appendix II. Real assets strategies are allowed, where the manager has the ability to invest in strategies whose values are sensitive to inflation. An allocation to real assets can provide significant diversification due to relatively low correlation of most real assets strategies to traditional economic-growth sensitive assets. These strategies may employ either a passive or active/tactical approach with regard to how the assets are invested.

VII. Performance Evaluation

A. General Guidelines

1. The Board will monitor the Fund's performance on a quarterly basis and will evaluate the Fund's success in achieving the investment objectives outlined in this document over an appropriate time horizon. The Board realizes that most investment go through cycles; therefore, interim fluctuations should be viewed within the long-term perspective.
2. The Fund's (and Managers) performance should be reported in terms of rate of return and changes in dollar value. The returns should be compared to market indices and peer group universes pre-determined by the Board, for the most recent quarter and for annual and cumulative prior time periods. Investment managers will also be compared to a universe of peers over a market cycle. In addition, the Board will compare the annual returns for the total fund to the long-term returns projected by the aggregate asset allocation model.
3. The Fund's asset allocation in separately managed accounts and the allocation to each commingled fund should also be reported on a quarterly basis. For the purposes of calculating the asset allocation of the Fund as a whole, the asset allocation of the Fund as a whole, the asset allocation of each portfolio shall assumed to be fully invested in the policy index to which it is compared.
4. Risk as measured by volatility, or standard deviation, should be evaluated after twelve quarters of performance history and periodically thereafter. Performance dispersion of each individual manager relative to other managed accounts of a similar style will be assessed from time-to-time. Such assessments will take into account the nature of the Manager's style, portfolio constraints, and the market environment.

B. Manager Probation and Termination

1. A manager may be placed on a watch list in response to the Board's concerns about the Manager's recent or long-term investment results, failure by the Manager to comply with any of these investment guidelines, significant changes in the investment Manager's firm, changes in the Manager's investment strategy, anticipated changes in Fund structure, or for any other reasons which the Board deems appropriate.
2. Attainment of investment objectives does not guarantee continued employment by the Board, nor does failure to achieve these guidelines ensure dismissal. Managers serve at the discretion of the Board.

VIII. Manager Reporting Requirements

A. Manager Reporting

Managers shall report on the following as soon as they occur:

1. Discovery of a violation of the investment guidelines contained in this Investment Policy Statement;
2. A significant change in investment strategy, portfolio structure, or market value or liquidity of managed assets;

3. A significant change, in the ownership affiliations, organizational structure, financial condition, professional staffing, or clientele of the Investment Manager; and
4. Sanctions against the firm or its employees by any state or federal governmental or regulatory agency, or by NASD, to the extent permissible by law.

B. Manager Quarterly

Manager shall report on the following quarterly:

1. Guideline compliance;
2. Brief review of investment process;
3. Discussion of any changes to the investment process;
4. Investment strategy used over the past year and underlying rationale;
5. Evaluation of strategy's successes/disappointments;
6. Comment on the Manager's assessment of the current liquidity of the portfolio and the market(s) in which the portfolio is invested;
7. Provide cumulative returns for last quarter, year-to-date, last year, three years, five years, ten years, and since inceptions versus designated benchmarks both on a gross and net of fees and expenses basis. Similarly, provide calendar year returns since inceptions;
8. Discuss net performance relative to benchmarks;
9. Provide a list of portfolio holdings grouped by industry/sector or other intuitive grouping;
10. Provide portfolio characteristics relative to benchmark; and
11. Derivatives Review
    Each manager that invests in derivatives contracts or securities shall also prepare a quarterly report on the following information:
    a. All derivatives positions as of quarter-end
    b. An assessment of how the derivatives positions affect the risk exposure of the total portfolio
    c. An explanation of any significant pricing discrepancies between the manager and the custodian bank

C. Annually

A. Proxy Voting
    a. The Board shall delegate responsibility for the exercise of ownership rights through proxy voting to the Managers, who shall exercise this responsibility strictly for the economic benefit of the Fund and its participants. Managers shall annually report to the Board standing policies with respect to proxy voting, including any changes that have occurred in those policies.
    b. Each annual commission report should include the following:
        i. Commission expense. Provide a review of the portfolio's actual commission expense over the prior year. At a minimum, this should be broken down by broker and include average commission per share, total shares traded, total commission expense, and total trading volume.
        ii. Transaction cost analysis. In its capacity as a plan fiduciary, the Manager is expected to manage transaction costs it incurs on the System's behalf in the best interest of the System beneficiaries. If the Manager has a system for monitoring total

transaction costs, commissions plus market impact, a copy of this analysis should be provided. If requested, the Manager will report to the Trustees on the transaction costs incurred and the brokers used on the System's behalf.

IX. Implementation

All monies invested for the Fund by its Managers after the adoption of this statement shall conform to this Investment of Objectives and Policy Guidelines.

X. Approval

It is understood that this investment policy is to be reviewed periodically by the Board to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, changes in the Fund or changes involving the Managers.

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Designees for Board of Trustees Date

Appendix I

ABC Client Investment Policy

Target Asset Mix

(Adopted June 2010)

Asset Class	Target	Permissible Range
Equities		
Domestic Large Cap	19%	14-24%
Domestic Small Cap	7%	5-9%
International	10%	8-12%
Emerging Markets	3%	2-5%
Fixed Income		
Core Bonds	17%	13-21%
Diversified Bonds	7%	5-9%
Credit Opportunities	2%	0-5%
Real Assets	5%	0-7%
GAA	15%	10-20%
Hedge Fund of Funds	5%	0-7%
Real Estate	5%	0-7%
Private Equity	5%	0-7%
Cash and Cash Equivalents	0%	0-5%

Appendix II

INVESTMENT GUIDELINES FOR MANAGER A
ABC CLIENT

(Adopted September 1986, Revised May 1997, February 1999, August 1999, and November 2004)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The Trustees selected Manager A as their portable alpha large cap equity manager.

B. The Manager will purchase units in its Manager A Portable Alpha Fund to achieve the target asset allocation for its portfolio and meet its performance objectives. The fund seeks to obtain exposure to the S&P 500 index through the use of futures/derivatives instruments to buy the index in an uncorrelated hedge fund. The investment guidelines governing this fund have been reviewed by and are acceptable to the Trustees.

II. Investment Objectives

A. To exceed the rate of return of the S&P 500 Stock Index, net of fees, over reasonable measurement periods.

B. To achieve an above-median ranking within a universe of large cap domestic equity funds.

INVESTMENT GUIDELINES FOR MANAGER B

ABC CLIENT

(Adopted September 1986, Revised May 1997, February 1999, August 1999, and November 2004)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The Trustees selected Manager B as their portable alpha large cap equity manager.

B. The Manager will purchase units in its Manager B Institutional fund to achieve the target asset allocation for its portfolio and meet its performance objectives. The fund seeks to obtain exposure to the S&P 500 index through the use of futures/derivatives instruments to buy the index in an uncorrelated hedge fund. The investment guidelines governing this fund have been reviewed by and are acceptable to the Trustees.

II. Investment Objectives

A. To exceed the rate of return of the S&P 500 Stock Index, net of fees, over reasonable measurement periods.

B. To achieve an above-median ranking within a universe of large cap domestic equity funds.

INVESTMENT GUIDELINES FOR MANAGER C

ABC CLIENT

(Adopted September 1986, Revised May 1997, February 1999, August 1999, and November 2004)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The portfolio may be invested with a maximum of 100% common stock and other common stock-related securities traded on US exchanges. American Depository Receipts and common stock of foreign domiciled companies traded on US exchanges shall not exceed 20% of the portfolio's market value.

B. The portfolio shall be diversified to reduce the impact of losses in individual investments. No single security shall comprise greater than 10% of the market value of the entire portfolio.

II. Investment Objectives

A. To exceed the rate of return of the Russell 1000 Growth Index, net of fees, over reasonable measurement periods.

B. To achieve an above-median ranking within a universe of large cap growth stock funds.

INVESTMENT GUIDELINES FOR MANAGER D

ABC CLIENT

(Adopted September 1986, Revised May 1997, February 1999, August 1999, and November 2004)

These investment guidelines extend the “Statement of Investment Policy for the ABC Client” dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. Manager D’s portfolio may be invested with a maximum of 100% common stock and other common stock-related securities traded on US exchanges. American Depository Receipts and common stock of foreign domiciled companies traded on US exchanges shall not exceed 20% of the portfolio’s market value.

B. The portfolio shall be diversified to reduce the impact of losses in individual investments. No single security shall comprise greater than 10% of the market value of the entire portfolio.

II. Investment Objectives

A. To exceed the rate of return of the Russell 1000 Growth Index, net of fees, over reasonable measurement periods.

B. To achieve an above-median ranking within a universe of large cap growth stock funds.

INVESTMENT GUIDELINES FOR MANAGER E

ABC Client

(Adopted September 1986, Revised May 1997, February 1999, August 1999, and November 2004)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The portfolio may be invested with a maximum of 100% common stock and other common stock-related securities traded on US exchanges. American Depository Receipts and common stock of foreign domiciled companies traded on US exchanges shall not exceed 20% of the portfolio's market value.

B. The portfolio shall be diversified to reduce the impact of losses in individual investments. No single security shall comprise greater than 10% of the market value of the entire portfolio.

II. Investment Objectives

A. To exceed the rate of return of the Russell 1000 Growth Index, net of fees, over reasonable measurement periods.

B. To achieve an above-median ranking within a universe of large cap growth stock funds.

INVESTMENT GUIDELINES FOR MANAGER F

ABC CLIENT

(Adopted October 1997, Revised February 1999, August 1999, and November 2004)

These investment guidelines extend the “Statement of Investment Policy for the ABC Client” dated May 28, 1997 as amended and revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. Manager F’s portfolio may be invested with a maximum of 100% common stock and common stock-related securities traded on US exchanges. American Depository Receipts and common stock of foreign domiciled companies traded on US exchanges shall not exceed 20% of the portfolio’s market value.

B. The portfolio shall be diversified to reduce the impact of losses in individual. No single security shall comprise greater than 10% of the market value of the entire portfolio.

II. Investment Objectives

A. To exceed the rate of return of the S&P 500 Stock Index, net of fees, over reasonable measurement periods.

B. To achieve an above-median ranking within a universe of large cap core stock funds.

INVESTMENT GUIDELINES FOR MANAGER G

ABC CLIENT

(Adopted October 1994, Revised June 1996 and November 2002)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" as amended and revised.

I. Introduction

A. Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) selective individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

II. Objectives

A. To approximate(with a reasonable tracking error) the returns of the appropriate market indices as outlined below:
   i. US Equity Market Fund is benchmarked to the Wilshire 5000 Stock Index
   ii. International Equity Fund is benchmarked to the MSCI All Country World ex-US index

III. Guidelines

A. The assets are to be invested in Manager G's commingled US Equity and International Equity index funds in proportions and amounts determined by Trustees or the investment staff of ABC Client as authorized by the Trustees

INVESTMENT GUIDELINES FOR MANAGER H

ABC CLIENT

(Adopted April 2005)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" as amended and revised.

IV. Introduction

A. Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) selective individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

V. Objectives

A. Total return, net of fees, is expected to exceed the Russell 2000 Value Index over a rolling three to five year period. In addition, total return will be compared to the consultant's universe of domestic small cap value managers.

B. Return objectives should be achieved without assuming undue risk. The risk, as measured by the standard deviation of returns – and the risk-adjusted return of this portfolio will be compared to the same measures for an appropriate universe of domestic small cap value managers.

VI. Guidelines

A. The manager is granted full discretion, within the guidelines described herein.

B. Eligible securities are common stock and common stock-related securities (including exchanged traded funds "ETFs") traded on US stock exchanges. American Depository Receipts and common stock of foreign domiciled companies traded on US stock exchanges shall not exceed 20% of the portfolio's market value.

C. The manager is expected to be fully invested in equities (including warranties and convertibles); this notwithstanding, the Trustees understand that some liquidity in the portfolio is necessary to facilitate trading, restricts cash to no more than 5% of the portfolio, except as approved by the Trustees. The custodian bank Short Term Investment Fund ("STIF") is an allowed investment, as are other cash equivalents, provided they carry an S&P rating of at least A1 or an equivalent rating.

D. The portfolio weight of the securities of an individual issuer shall not exceed the greater of (1) 5% or (2) 1.5 times the stock's weight in the Russell 2000 Value Index.

Holdings in an individual issuer shall not exceed 5% of the amount that issue currently outstanding.

E. Derivatives are not to be used in this portfolio, except as approved by the Trustees.

F. Responsibility for the exercise of ownership rights including proxy solicitations is delegated to the manager. The manager is expected to vote all proxies and to summarize votes in an annual report to the fund's staff.

INVESTMENT GUIDELINES FOR MANAGER I
ABC CLIENT

These investment guidelines extend the "Statement of Investment Policy for the ABC Client".

I. Introduction

A. Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) selective individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

II. Objectives

A. Total return, net of fees, is expected to exceed the Russell 2000 Growth Index over a rolling three to five year period. In addition, total return will be compared to the consultant's universe of domestic small cap growth managers.

B. Return objectives should be achieved without assuming undue risk. The risk, as measured by the standard deviation of returns – and the risk-adjusted return of this portfolio will be compared to the same measures for an appropriate universe of domestic small cap growth managers.

III. Guidelines

A. The manager is granted full discretion, within the guidelines described herein.

B. Eligible securities are common stock and common stock-related securities traded on US stock exchanges. American Depository Receipts and common stock of foreign domiciled companies traded on US stock exchanges shall not exceed 20% of the portfolio's market value.

C. The manager is expected to be fully invested in equities (including warranties and convertibles); this notwithstanding, the Trustees understand that some liquidity in the portfolio is necessary to facilitate trading, restricts cash to no more than 5% of the portfolio, except as approved by the Trustees. The custodian bank Short Term Investment Fund ("STIF") is an allowed investment, as are other cash equivalents, provided they carry an S&P rating of at least A1 or an equivalent rating.

D. The portfolio weight of the securities of an individual issuer shall not exceed the greater of (1) 5% or (2) 1.5 times the stock's weight in the Russell 2000 Growth

Index. Holdings in an individual issuer shall not exceed 5% of the amount that issue currently outstanding.

E. Derivatives are not to be used in this portfolio, except as approved by the Trustees.

F. Responsibility for the exercise of ownership rights including proxy solicitations is delegated to the manager. The manager is expected to vote all proxies and to summarize votes in an annual report to the fund's staff.

INVESTMENT GUIDELINES FOR MANAGER J

ABC CLIENT

(Adopted April 2005)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client".

I. Introduction

A. Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

II. Objectives

A. Total return, net of fees, is expected to exceed the Russell 2000 Growth Index over a rolling three to five year period. In addition, total return will be compared to the consultant's universe of domestic small cap growth managers.

B. Return objectives should be achieved without assuming undue risk. The risk – as measured by the standard deviation of returns – and the risk-adjusted return of this portfolio will be compared to the same measures for an appropriate universe of domestic small cap growth managers.

III. Guidelines

A. The manager is granted full discretion, within the guidelines described herein.

B. Eligible securities are common stock and common stock-related securities traded on US stock exchanges. American Depository Receipts and common stock of foreign domiciled companies traded on US stock exchanges shall not exceed 20% of the portfolio's market value.

C. The manager is expected to be fully invested in equities (including warrants and convertibles); this notwithstanding, the Trustees understand that some liquidity in the portfolio is necessary to facilitate trading, restricts cash to no more than 5% of the portfolio, except as approved by the Trustees. The custodian bank Short Term Investment Fund ("STIF") is an allowed investment, as are other cash equivalents, provided they carry an S&P rating of at least A1 or an equivalent rating.

D. The portfolio weight of the securities of an individual issuer shall not exceed: (1) 5% or (2) 1.5 times the stock's weight in the Russell 2000 Growth Index. Holdings in an individual issuer shall not exceed 5% of the amount of that issue currently outstanding.

E. Derivatives are not to be used in this portfolio, except as approved by the Trustees.

F. Responsibility for the exercise of ownership rights including proxy solicitations is delegated to the manager. The manager is expected to vote all proxies and to summarize votes in an annual report to the Fund's staff.

INVESTMENT GUIDELINES FOR MANAGER K

ABC CLIENT

(Adopted June 2005)

I. Introduction

A. The purpose of this Investment Policy and Guidelines (these "Guidelines") is to establish a clear understanding between the Board of Trustees of the ABC Client (the "Board") and Manager K (the "Manager") with respect to the investment-related guidelines applicable to the assets assigned to same for management.

B. The Manager will be responsible for a large cap growth-oriented international equity portfolio. The Manager will have full discretion for the funds under its management subject to limitations appearing herein.

II. Objectives

A. Total return for international equity specialist Manager shall meet or exceed the Morgan Stanley EAFE (Europe, Australia and Far East) International Index and consistently rank in the top half of the investment consultant's universe of Developed International Equity Specialist Investment Managers.

B. Return objectives should be achieved without assuming undue risk. The risk – as measured by the standard deviation of returns – and the risk-adjusted return of this portfolio will be compared to the same measures for an appropriate universe of international equity specialist managers.

III. Guidelines

A. The manager is granted full discretion within the guidelines described herein.

B. Eligible securities should be traded on non-US stock exchanges, although the investment manager has latitude to hold securities traded on US stock exchanges, such as ADRs and GDRs, provided such securities are consistent with the attainment of the investment objectives and do not exceed 15% of the market value of the Manager's portfolio. The predominance of the Manager's holdings shall be in the developed market countries included in the Morgan Stanley EAFE Index.

C. The Manager may employ an active currency management program and may deal in futures and options within the discipline of that currency management program, subject to the Derivative Guidelines reflected in Section IV below.

D. The Manager is expected to be fully invested in equities (including warrants and convertibles); this notwithstanding, the Board understands that some liquidity in the portfolio is necessary to facilitate trading, restricts cash to no more than 5% of the portfolio, except as approved by the Board. The custodian bank Short Term Investment Fund ("STIF") is an allowed investment, as are other cash equivalents, provided they carry an S&P rating of at least AI or an equivalent rating.

E. Equity holdings in any one company should not exceed 5% of the market value of the Manager's total portfolio without the consent of the Board.

F. No purchase shall be made, which would cause a holding to exceed 5% of an issuer's outstanding shares on a capitalization weighted basis.

G. Stocks that are not listed on one of the major stock exchanges of the countries incorporated in the Morgan Stanley EAFE Index may comprise up to 15% of the market value of the portfolio.

H. Responsibility for the exercise of ownership rights including proxy solicitations is delegated to the manager. The manager is expected to vote all proxies and to summarize votes in an annual report to the System's staff.

I. Unless otherwise noted, the Manager may not invest in the following:
   1. Transactions prohibited or limited by Federal, State or local law.
   2. Short Sales, excepts where permitted
   3. Purchases of letter stock, private placements (except for 144A securities with registration rights), or direct payments.
   4. Leveraged transactions other than real estate.
   5. Puts, calls, straddles, or other option strategies, except where permitted.
   6. Investment in tax-exempt securities.
   7. Use of margin, or investments in any derivatives not explicitly permitted in this policy statement.
   8. Investments by the managers in their own securities, their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Board)

IV. Derivatives Policy

A. The use of derivatives is permitted and may be used for the following reasons:
   1. Hedging. To the extent that the portfolio is exposed to clearly defined risks and there are derivative contracts that can be used to reduce those risks, the investment Managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures.
   2. Creation of Market Exposures. Investment Managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class

provided that the guidelines for the Investment Manager allow for such exposures to be created with the underlying assets themselves.

B. Investment Managers may not use derivative contracts or securities for the following purposes:
   1. Leverage. Derivatives shall not be used to magnify overall portfolio exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.
   2. Unrelated Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

INVESTMENT GUIDELINES FOR MANAGER L

ABC CLIENT

(Adopted June 2005)

I. Introduction

A. The purpose of this Investment Policy and Guidelines (the "Guidelines") is to establish a clear understanding between the Board of Trustees of the ABC Client (the "Board") and Manager L (the "Manager") with respect to the investment-related guidelines applicable to the assets assigned to same for management.

B. The Manager will be responsible for a large cap value-oriented international equity portfolio. The Manager will have full discretion for the funds under its management subject to limitations appearing herein.

II. Objectives

A. Total return for International Equity Specialist Manager shall meet or exceed the Citigroup Primary Market Index Europe Pacific Asia Composite ("Citigroup PMI EPAC") and consistently rank in the top half of the investment consultant's universe of Developed International Equity Specialist Investment Managers.

B. Return objectives should be achieved without assuming undue risk. The risk – as measured by the standard deviation of returns – and the risk-adjusted return of this portfolio will be compared to the same measures for an appropriate universe of Developed International Equity Managers.

III. Guidelines

A. The manager is granted full discretion within the guidelines described herein.

B. Eligible securities are publicly traded common stock and common stock-related securities traded on non-US stock exchanges. Such securities may include, but are not limited to, local shares, ADRs, GDRs, warrants, right of ownership or securities convertible into common stock. ADRs are restricted to no more than 10% of the portfolio. The predominance of the Manager's holding shall be in the developed market countries included in the Citigroup PMI EPAC.

C. The Manager may employ an active currency management program and may deal in futures and options within the discipline of that currency management program, subject to the Derivative Guidelines reflected in Section IV below.

D. The Manager is expected to be fully invested in equities (including warrants and convertibles); this notwithstanding, the Board understands that some liquidity in the portfolio is necessary to facilitate trading, restricts cash to no more than 5% of the portfolio, except as approved by the Board. The custodian bank's short term investment fund ("STIF") is an allowed investment, as are other cash equivalents, provided they carry an S&P rating of at least A1 or an equivalent rating.

E. The account will be well diversified and should hold at least 100 stocks with market capitalizations of at least $400 million at the time of purchase.

F. The account will be approximately country neutral relative to the benchmark and will attempt to outperform the benchmark through stock selection within each country. Industry exposures will also be closely monitored relative to the benchmark.

G. Equity holdings in any one company should not exceed 5% of the market value of the Manager's total portfolio without the consent of the Board.

H. No purchase shall be made, which would cause a holding to exceed 5% of an issuer's outstanding shares on a capitalization weighted basis.

I. Stocks that are not listed on one of the major stock exchanges of the countries incorporated in the Citigroup PMI EPAC may comprise up to 15% of the market value of the portfolio.

J. Responsibility for the exercise of ownership rights including proxy solicitations is delegated to the manager. The manager is expected to vote all proxies and to summarize votes in an annual report to the System's staff.

K. Unless otherwise noted, the Manager may not invest in the following:
    1. Transactions prohibited or limited by Federal, State or local law
    2. Short Sales, except where permitted
    3. Purchases of letter stock, private placements (except for 144A securities with registration rights), or direct payments
    4. Leveraged transactions other than real estate
    5. Puts, calls, straddles, or other option strategies, except where permitted
    6. Investment in tax-exempt securities
    7. Use of margin, or investments in any derivatives not explicitly permitted in this policy statement
    8. Investments by the managers in their own securities, their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Board)

IV. Derivatives Policy

A. The use of derivatives is permitted and may be used for the following reasons:

   1. Hedging. To the extent that the portfolio is exposed to clearly defined risks and there are derivative contracts that can be used to reduce those risks, the investment managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures.

B. Creation of Market Exposures. Investment managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class provided that the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.

C. Investment managers may not use derivative contracts or securities for the following purposes:

   1. Leverage. Derivatives shall not be used to magnify overall portfolio exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.
   2. Unrelated Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

INVESTMENT GUIDELINES FOR MANAGER M

ABC CLIENT

(Adopted September 2005)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. Manager M is authorized to invest the System's funds in accordance with the investment objective stated below.

B. The fund shall be reasonably diversified in individual investments in a manner that is at the discretion of the portfolio manager.

C. Administrative duties, such as custody of assets, security settlement, and dividend collection, are the responsibility of the portfolio manager.

II. Investment Objectives

A. To exceed the rate of return on the Morgan Stanley Capital International Emerging Market Index, net of fees, over reasonable measurement periods.

B. To achieve an above-median ranking within a universe of Emerging Market Stock Funds.

INVESTMENT GUIDELINES FOR MANAGER N

ABC CLIENT

(Adopted May 1994, Revised September 1998)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The Trustees selected Manager N as their diversified bond manager to provide a constant allocation to global bonds and high yield.

B. The Manager will purchase units in its Diversified Income Fund to achieve the target asset allocation for its portfolio and meet its performance objectives. The investment guidelines governing this fund have been reviewed by and are acceptable to the Trustees.

II. Performance Objectives

A. The Manager shall exceed the return of a hypothetical portfolio invested 1/3 Citigroup World Government Bond Index, 1/3 in the Barclays Capital High Yield Index, and 1/3 in the JP Morgan Emerging Markets Debt Index.

B. Rank in the top half of a universe of CorePlus bond managers.

INVESTMENT GUIDELINES FOR MANAGER O

ABC CLIENT

(Adopted May 1994, Revised September 1998)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The Trustees selected Manager O as their credit opportunities manager.

B. The Manager will purchase units in its Credit Asset Fund to achieve the target asset allocation for its portfolio and meet its performance objectives. The investment guidelines governing this fund have been reviewed by and are acceptable to the Trustees.

II. Performance Objectives

A. The Manager shall exceed the return of Barclays Corporate Bond index + 1.5%.

INVESTMENT GUIDELINES FOR MANAGER P

ABC CLIENT

(Adopted May 1994, Revised September 1998)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The Trustees selected Manager P as their credit opportunities manager.

B. The Manager will purchase units in its Credit Dislocation Fund II to achieve the target asset allocation for its portfolio and meet its performance objectives. The investment guidelines governing this fund have been reviewed by and are acceptable to the Trustees.

II. Performance Objectives

A. The Manager shall exceed the return of Barclays Corporate Bond index + 1.5%.

INVESTMENT GUIDELINES FOR MANAGER Q

ABC CLIENT

(Adopted May 2004)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The portfolio shall be invested in investment grade fixed-income or fixed-income like securities (ex. Convertible bonds).

B. Up to 10% of the portfolio's assets may be invested in 144A securities.

C. The manager shall be responsible for determining the maturities of all fixed-income securities within the portfolio.

D. The manager is not permitted to invest in securities rated below investment grade by a nationally recognized securities rating organization. Securities which are subsequently downgraded to below investment grade may still be held in the portfolio.

E. The manager is permitted to invest up to 5% of the portfolio in foreign bonds denominated in US dollars.

F. The manager will maintain a weighted average duration within +/- 15% of the Barclays Aggregate Bond Index.

G. The portfolio shall be diversified to reduce the impact of losses in individual investments in a manner that is at the discretion of the portfolio manager.

H. The manager may invest up to 5% of the portfolio in any one credit, mortgage property or issue and up to 20% in any one industry (excluding US government and agency securities).

II. Investment Objectives

A. To exceed the rate of return of the Barclays Aggregate Bond Index, net of fees, over reasonable measurement periods.

B. To achieve an above-median ranking within a universe of fixed-income funds

INVESTMENT GUIDELINES FOR MANAGER R

ABC CLIENT

(Adopted November 2000)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The portfolio shall be invested in investment-grade fixed-income or fixed-income like securities except where the manager determines value to exist in the below investment grade market. In making these investments, the manager is expected to use prudent judgment and investment principles consistent with the portfolio's investment objectives.

B. At least 85% of the portfolio's market value must be invested in securities rated Baa by Moody's or BBB by Standard & Poor's or better at the time of purchase. Reams has the flexibility to invest up to 15% of the portfolio, including a maximum of 5% in convertible bonds, in issues rated Ba/B by Moody's and BB/B by Standard & Poor's. Ratings will be the higher of Moody's or Standard & Poor's.

C. Manager R shall be responsible for determining the maturities of all fixed-income securities within the portfolio.

D. The portfolio shall be diversified to reduce the impact of losses in individual investments in a manner that is at the discretion of the portfolio manager.

E. Interest rate futures, fixed-income securities options, and options on interest rate futures maybe used, but not for the purpose of speculation. At no time shall:

   1. The combined value of long futures and options positions and non-cash equivalent fixed-income securities exceed 100% of the value of the portfolio, nor shall
   2. The use of such instruments leads to an effective net short position.

F. Up to 10% of the portfolio may be invested in non-US fixed-income securities.

II. Investment Objectives

A. To exceed the rate of return of the Barclays Aggregate Bond Index, net of fees, over reasonable measurement periods.

B. To achieve an above-median ranking within a universe of fixed-income funds.

INVESTMENT GUIDELINES FOR MANAGER S

ABC CLIENT

(Adopted July 2004)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. The portfolio shall be invested in fixed-income or fixed-income like securities, except where the manager determines value to exist in the below investment grade market. In making these investments, the manager is expected to use prudent judgment and investment principals consistent with the portfolio's investment objectives.

B. At least 80% of the portfolio's market value must be invested in securities rated Baa by Moody's or BBB by Standard & Poor's or better at the time of purchase. The manager has the flexibility to invest up to 20% of the portfolio in issues rated below Baa/B by Moody's and BBB/B by Standard & Poor's. If not rated by Moody's and Standard and Poor's, then any other nationally recognized statistical rating organization or Manager S equivalent ratings may be used. If differences in ratings prevail, the higher of Moody's or Standard and Poor's will be used. The allocation to below investment grade bonds can also be made through pooled investment vehicles managed by Western.

C. Up to 20% of the portfolio may be invested in non-US, dollar fixed-income securities through pooled investment vehicles managed by Manager S.

D. Manager S shall be responsible for determining the maturities of all fixed-income securities within the portfolio.

E. The portfolio shall be diversified to reduce the impact of losses in individual investments in a manner that is at the discretion of the portfolio manager.

F. Interest rate futures, fixed-income securities options, and options on interest rate futures, and swaps and options on swaps may be used, but not for the purpose of speculation. Futures, short options and swaps, will be covered with cash, cash equivalents, offsetting derivatives positions, or liquid assets.

II. Investment Objectives

A. To exceed the rate of return of the Barclays Aggregate Bond Index, net of fees, over reasonable measurement periods. These standards should not be considered a guarantee of performance.

B. To achieve an above-median ranking within a universe of fixed-income funds.

INVESTMENT GUIDELINES FOR MANAGER T
ABC CLIENT

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. GTAA

A. The Trustees selected Manager T as its global tactical asset allocation ("GTAA") manager. Manager T has discretion to invest in global equities, bonds and commodities. Manager T may also use futures, options, swaps and other derivatives to gain exposure to the various markets in which it invests.

II. Investment Objectives

A. Outperform cash plus 6%.

B. To achieve an above-median ranking within a universe of balanced manager funds.

III. Investment Guidelines

A. Manager T will purchase units in its Commingled Fund to achieve the target asset allocation for its portfolio. The investment guidelines governing this fund have been reviewed by and are acceptable to the Trustees.

INVESTMENT GUIDELINES FOR MANAGER U
ABC CLIENT

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. GTAA

A. The Trustees selected Manager U as its global tactical asset allocation ("GTAA") manager. Manager U has discretion to invest in global equities, bonds and commodities. Manager U may also use futures, options, swaps and other derivatives to gain exposure to the various markets in which it invests.

II. Investment Objectives

A. Exceed the return of the benchmark; 65% Morgan Stanley Capital International All Country World Index and 35% Barclays Aggregate Bond index over a rolling three year period.

B. To achieve an above-median ranking within a universe of balanced manager funds.

III. Investment Guidelines

A. Manager U will purchase units in its Opportunistic Investment Fund to achieve the target allocation for its portfolio. The investment guidelines governing this fund have been reviewed by and are acceptable to the Trustees.

INVESTMENT GUIDELINES FOR MANAGER V
ABC CLIENT

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. GTAA

A. The Trustees selected Manager V as its global tactical asset allocation ("GTAA") manager. Manager V has discretion to invest in global equities and bonds and commodities as set forth in its guidelines below.

II. Investment Objectives

A. Exceed the return of the benchmark; 60% Morgan Stanley Capital International World Index (50% hedged into the US dollar) and 40% Citigroup World Government Bond Index (50% hedged into the US dollar) over a rolling three year period).

B. To achieve an above-median ranking within a universe of balanced manager funds.

III. Investment Guidelines

A. Manager V Capital's investment discretion is limited to investing the account in the EB Daily Valued Global Alpha I Fund and the EB Temporary Investment Fund of the Mellon Bank, N.A. Employee Benefit Collective Investment Fund Plan in meeting the objective. Within the EB Daily Valued Global Alpha I Fund, long and short positions in foreign and domestic financial futures, options on financial futures, exchange-traded options, over-the-counter options and over-the-counter foreign currency forward contracts may be used from time to time.

INVESTMENT GUIDELINES FOR MANAGER W

ABC CLIENT

(Adopted November 1997)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

I. Guidelines

A. MANAGER W is authorized to invest the $1.0 million capital commitment of the Retirement System in its economically targeted investment ("ETI") venture capital fund in accordance with the investment objective stated below.

B. The fund shall be reasonably diversified in individual investments in a manner that is at the discretion of the portfolio manager.

II. Investment Objectives

A. To invest in small businesses that has the potential for above-average growth and capital appreciation. Investments will be economically targeted within the area.

B. We will compare the performance of the venture capital fund against the Venture Economics Private Equity Index.

INVESTMENT GUIDELINES FOR MANAGER X

ABC CLIENT

(Adopted November 1997, Revised November 2004)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual venture capital investments and, (2) reasonably diversify across venture capital opportunities.

I. Guidelines

A. Manager X is authorized to invest the $30.0 million capital commitment of the Retirement System in the Hancock Venture Partners V-Partnership Fund L.P. in accordance with the investment objectives stated below.

B. Manager X is authorized to invest the $15.0 million capital commitment of the Retirement System in the Hancock Venture Partners VI-Partnership Fund L.P. in accordance with the investment objectives stated below.

C. Manager X is authorized to invest the $5.0 million capital commitment of the Retirement System in the Hancock Venture Partners VI-Buyout Fund L.P. in accordance with the investment objectives stated below.

D. Manager X is authorized to invest the $20.0 million capital commitment of the Retirement System in the Hancock Venture Partners VII Partnership Fund L.P. in accordance with the investment objectives stated below.

E. Manager X is authorized to invest the $20.0 million capital commitment of the Retirement System in the Hancock Venture Partners VII Buyout Fund L.P. in accordance with the investment objectives stated below.

F. Manager X is authorized to invest the $10.0 million capital commitment of the Retirement System in the Hancock Venture Partners VII Mezzanine Fund L.P. in accordance with the investment objectives stated below.

G. The fund shall be reasonably diversified in individual investments in a manner that is at the discretion of the portfolio manager.

II. Investment Objectives

A. To invest in private equity limited partnerships and directly in operating companies in the US and abroad.

B. We will compare the performance of the venture capital fund against the Venture Economics Private Equity Index.

INVESTMENT GUIDELINES FOR MANAGER Y

ABC CLIENT

(Adopted November 1997, Revised November 2004)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual venture capital investments and, (2) reasonably diversify across venture capital opportunities.

I. Guidelines

A. Manager Y is authorized to invest the $2.0 million capital commitment of the Retirement System in the Fund in accordance with the investment objective stated below.

B. The fund shall be reasonably diversified in individual investments in a manner that is at the discretion of the portfolio manager.

II. Investment Objectives

A. To invest in private equity limited partnerships and directly in operating companies in the US and abroad.

B. We will compare the performance of the venture capital fund against the Venture Economics Private Equity Index

INVESTMENT GUIDELINES FOR MANAGER Z

ABC CLIENT

(Adopted November 1997, Revised November 2004)

These investment guidelines extend the “Statement of Investment Policy for the ABC Client” dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual venture capital investments and, (2) reasonably diversify across venture capital opportunities.

I. Guidelines

A. Manager Z is authorized to invest the $1.0 million capital commitment of the Retirement System in the Fund in accordance with the investment objective stated below.

B. The fund shall be reasonably diversified in individual investments in a manner that is at the discretion of the portfolio manager.

II. Investment Objectives

A. To invest in private equity limited partnerships and directly in operating companies in the US and abroad.

B. We will compare the performance of the venture capital fund against the Venture Economics Private Equity Index.

INVESTMENT GUIDELINES FOR MANAGER AA
ABC CLIENT

These investment guidelines extend the “Statement of Investment Policy for the ABC Client” dated May 28, 1997 as revised.

TYPE OF PORTFOLIO: Alternative Assets – Private Equity

I. Guidelines

A. Manager AA is authorized to invest the $20 million capital commitment of the Retirement System in its Partnership Fund IV.

B. The fund shall be reasonably diversified in individual investments in a manner that is at the discretion of the portfolio manager.

II. Investment Objectives

A. To invest in private equity limited partnerships and directly in operating companies in the US and abroad.

B. We will compare the performance of the venture capital fund against the Venture Economics Private Equity Index.

INVESTMENT GUIDELINES FOR MANAGER BB
ABC CLIENT

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

TYPE OF PORTFOLIO: Alternative Assets – Private Equity

I. Guidelines

A. Manager BB is authorized to invest the $10 million capital commitment of the Retirement System in its Partners LP Fund.

B. The fund shall be reasonably diversified in individual investments in a manner that is at the discretion of the portfolio manager.

II. Investment Objectives

A. To invest in private equity limited partnerships and directly in operating companies in the US and abroad.

B. We will compare the performance of the venture capital fund against the Venture Economics Private Equity Index.

INVESTMENT GUIDELINES FOR MANAGER CC
ABC CLIENT

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

TYPE OF PORTFOLIO: Alternative Assets – Private Equity

I. Guidelines

A. Manager CC is authorized to invest the $7.5 million capital commitment of the Retirement System in its Distressed Opportunities Fund II.

B. The fund shall be reasonably diversified in individual investments in a manner that is at the discretion of the portfolio manager.

II. Investment Objectives

A. To invest in private equity limited partnerships and directly in operating companies in the US and abroad.

B. We will compare the performance of the venture capital fund against the Venture Economics Private Equity Index.

INVESTMENT GUIDELINES FOR MANAGER DD
ABC CLIENT

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

TYPE OF PORTFOLIO: Alternative Assets – Private Equity

I. Guidelines

A. Manager DD is authorized to invest the $5.0 million capital commitment of the Retirement System in its Partners IX LP Fund.

B. The fund shall be reasonably diversified in individual investments in a manner that is at the discretion of the portfolio manager.

II. Investment Objectives

A. To invest in private equity limited partnerships and directly in operating companies in the US and abroad.

B. We will compare the performance of the venture capital fund against the Venture Economics Private Equity Index.

INVESTMENT GUIDELINES FOR MANAGER EE
ABC CLIENT

The Client sets forth modified portfolio restrictions and performance objectives for the following Manager:

Type of Portfolio: Alternative Assets – Real Estate

<u>Performance Objectives:</u>

- Perform above median consistently over a three-year rolling period compared to a universe of real estate investment managers.

- Exceed the NCREIF Property Index by 100 basis points annually over a three-year rolling period.

INVESTMENT GUIDELINES FOR MANAGER FF
ABC CLIENT

The Client sets forth modified portfolio restrictions and performance objectives for the following Manager:

Type of Portfolio: Alternative Assets – Real Estate

<u>Performance Objectives:</u>

- Perform above median consistently over a three-year rolling period compared to a universe of real estate investment managers.

- Exceed the NCREIF Property Index by 100 basis points annually over a three-year rolling period.

INVESTMENT GUIDELINES FOR MANAGER GG
ABC CLIENT

The Client sets forth modified portfolio restrictions and performance objectives for the following Manager:

Type of Portfolio: Alternative Assets – Real Estate

Performance Objectives:

- Perform above median consistently over a three-year rolling period compared to a universe of real estate investment managers.

- Exceed the NCREIF Property Index by 100 basis points annually over a three-year rolling period.

INVESTMENT GUIDELINES FOR MANAGER HH
ABC CLIENT

The Client sets forth modified portfolio restrictions and performance objectives for the following Manager:

Type of Portfolio: Alternative Assets – Real Estate

Performance Objectives:

- Perform above median consistently over a three-year rolling period compared to a universe of real estate investment managers.

- Exceed the NCREIF Property Index by 100 basis points annually over a three-year rolling period.

INVESTMENT GUIDELINES FOR MANAGER II
ABC CLIENT

The Client sets forth modified portfolio restrictions and performance objectives for the following Manager:

Type of Portfolio: Alternative Assets – Hedge Fund of Funds

<u>Performance Objectives:</u>

- Perform above median consistently over a three-year rolling period compared to a universe of real estate investment managers.

- Exceed the HFRI Fund of Funds by 100 basis points annually over a three-year rolling period.

INVESTMENT GUIDELINES FOR MANAGER JJ
ABC CLIENT

The Client sets forth modified portfolio restrictions and performance objectives for the following Manager:

Type of Portfolio: Alternative Assets – Hedge Fund of Funds

Performance Objectives:

- Perform above median consistently over a three-year rolling period compared to a universe of real estate investment managers.

- Exceed the HFRI Fund of Funds by 100 basis points annually over a three-year rolling period.

INVESTMENT GUIDELINES FOR MANAGER KK
ABC CLIENT

The Client sets forth modified portfolio restrictions and performance objectives for the following Manager:

Type of Portfolio: Alternative Assets – Cash Account

Performance Objectives:

- Exceed the 90 day T-bills Index by 100 basis points annually over a three-year rolling period.

INVESTMENT GUIDELINES FOR MANAGER LL

ABC CLIENT

(Adopted September 1986, Revised May 1997, February 1999, August 1999, and November 2004)

These investment guidelines extend the “Statement of Investment Policy for the ABC Client” dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

III. Guidelines

A. The Trustees selected Manager LL as their real assets manager.

B. The Manager will purchase units in its Commodity Fund to achieve the target asset allocation for its portfolio and meet its performance objectives. The fund seeks to obtain exposure to commodities by investing in commodity-related and fixed-income instruments. The investment guidelines governing this fund have been reviewed by and are acceptable to the Trustees.

IV. Investment Objectives

A. To exceed the rate of return of the DJ AIG Commodity Index, over reasonable measurement periods.

INVESTMENT GUIDELINES FOR MANAGER MM

ABC CLIENT

(Adopted September 1986, Revised May 1997, February 1999, August 1999, and November 2004)

These investment guidelines extend the "Statement of Investment Policy for the ABC Client" dated May 28, 1997 as revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents, and (3) diversify pension assets.

V. Guidelines

C. The Trustees selected Manager MM as their real assets manager.

D. The Manager will purchase units in its A+ Fund to achieve the target asset allocation for its portfolio and meet its performance objectives. The fund seeks to obtain exposure to commodities by investing in commodity-related financial instruments. The investment guidelines governing this fund have been reviewed by and are acceptable to the Trustees.

VI. Investment Objectives

B. To exceed the rate of return of the DJ AIG Commodity Index, over reasonable measurement periods.