STATEMENT OF INVESTMENT POLICY, OBJECTIVES & GUIDELINES

of the

City of Southgate
Police and Fire Retirement System

Statement of Investment Policy, Objectives, and Guidelines
City of Southgate Police and Fire Retirement System

A. GENERAL INFORMATION

City of Southgate Police and Fire Retirement System (The Plan) was established to provide retirement benefits for covered employees, retirees, and their beneficiaries. It is funded by the City of Southgate. The Retirement System is maintained to provide retirement benefits for the participants. The System is established in accordance with the laws of the State of Michigan whereby it operates under Act 345 of the Public Acts of 1937 as amended and is controlled, as to its investments, by Act 314 of the Public Acts of 1965 and its amendments.

B. SCOPE OF THIS INVESTMENT POLICY

This statement reflects the investment policy, objectives and guidelines ("Investment Policies"), which the Board of Trustees currently considers appropriate for the City of Southgate Police and Fire Retirement System.

C. PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of Investment Policies is set forth by the Board of Trustees of the City of Southgate Police and Fire Retirement System in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Plan's assets.
3. Establish formal yet flexible investment guidelines incorporating prudent asset allocations and realistic total return goals.
4. Provide the investment manager with an understanding of the guidelines, limitations and direction that the Board feels is most appropriate for the System.
5. Manage the Plan's assets according to prudent standards as described herein under the "General Investment Policy."
6. Establish the relevant investment horizon for which the Plan's assets will be managed.
7. Provide a framework for regular constructive communication between the Trustees and its investments managers and its investment consultant.
8. Create standards of investment performance which are historically achievable and by which the manager(s) agree are to be measured over a reasonable time period.
9. Provide for the monitoring of performance results of the investment manager(s) to determine whether the manager(s) continue to satisfactorily comply with the policy guidelines and the System's stated objectives.

This document will identify and present a set of Investment Policies which will serve to provide guidance to the Investment Management Consultant and Investment Manager(s). It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

D. DEFINITIONS

For purposes of this document, the following terms shall have the following meanings:

1. "Board of Trustees" or "Trustees" means the persons or the governing Board established to administer and manage the assets of the Plan as specified by applicable ordinance.

2. "Investment Fiduciary" means any person, or group of persons who exercises any discretionary authority or control in the investment of the Plan's assets (this being a function of the Investment Manager(s)); or unless specifically provided to the contrary in these Investment Policies, (i) the term "Investment Fiduciary" shall be defined at MCLA Section 38.1132c.(1), and (ii) shall include members of the Board.

3. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this document, are expected to be met. Although the Plan is perpetual in nature, the investment time horizon for the Plan is a typical market cycle (usually defined as 3 to 5 years).

4. "Investment Manager" means any Investment Fiduciary who:
   a) has the power to manage, acquire, or dispose of any property of the Plan;
   b) is registered as an investment advisor under the Investment Advisers Act of 1940 or under the Uniform Securities Act as set forth in Public Act of 1964, No. 265, Sections 451.501 to 451.818 of Michigan Compiled Laws or a bank or an insurance company; and
   c) has acknowledged in writing that he/it is an Investment Fiduciary with respect to the assets of the Plan.

5. "Investment Management Consultant" means any person who serves as an investment advisor to the Trustees, but who is not an Investment Manager. The Investment Consultant shall (among other things):
   a) provide generalized investment advice to the Trustees:
   b) coordinate the activities of the Investment Managers so as to (among other things) assure compliance with these Investment Policies; including (without limitations) compliance with Michigan Public Act 55 of 1982, as amended; and
   c) perform any other responsibilities delegated to the Investment Consultant under the Investment Consultant's agreement with the Trustees.

6. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this document.

E. DELEGATION OF AUTHORITY

The Board of Trustees of the Plan is an Investment Fiduciary, and is responsible for directing and monitoring the investment management of the Plan's assets. As such, the Board of Trustees is authorized to delegate certain responsibilities to professional experts in various fields. These professional experts include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Board of Trustees in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Plan's investment objectives.

3. Custodian. The custodian will physically maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plan's accounts.

4. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Board of Trustees to assist in meeting its responsibilities and obligations to administer the Plan's assets prudently.

The Board of Trustees does not reserve any control over investment decisions, with the exception of specific limitations described in these Investment Policies. Investment Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Investment Manager should request modifications in writing to the Board of Trustees, which they deem appropriate.

All expenses for such experts must be customary and reasonable, and will be borne by the Plan as deemed appropriate and necessary.

F. ASSIGNMENT OF RESPONSIBILITY.

1. Responsibility of the Board of Trustees of the Plan

The Board of Trustees is charged by law with the responsibility for the management of the Plan's assets. The Board of Trustees shall discharge its duties solely in the interest of the participants and beneficiaries, and commensurate with the prudent man rule as set forth in Section 38.1133(3) (a) of P.A. 165, No. 314, as amended by P.A. 1982, Act No. 55 being Section 38.1132 et seq. of Michigan Compiled Laws Annotated (hereinafter "Act 314"). The specific responsibilities of the Board of Trustees relating to the investment management of the Plan's assets include:

a) Projecting the Plan's financial needs, and communicating such needs to the investment managers on a timely basis.

b) Determining the Plan's risk tolerance and investment horizon, and communicating these to the appropriate parties.
c) Communicating the investment goals, objectives and standards to the investment managers, including any material changes that may subsequently occur.
d) Determining, with the advice of the investment consultant, how plan assets should be allocated among various asset classes.
e) Establishing reasonable and consistent Investment Policies, which will direct the investment of the Plan's assets.
f) Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant, and custodian.
g) Regularly evaluating the performance of the Investment Manager(s) to assure adherence to these Investment policies, guidelines and monitor investment objectives progress.
h) Developing and enacting proper control procedures. For example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines.

2. Responsibility of the Investment Manager(s)

The investment manager is expected, within the limitation of the account size, to diversify the portfolio to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to so diversify. The manager shall invest the assets of the System with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims. The investment manager will provide the Trustees with suggested strategy, which might be changed or adopted to better suit the investment guidelines adopted by the Board. Each Investment Manager must acknowledge in writing acceptance of responsibility as an Investment Fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its control, while observing and operating within these Investment Policies. Specific responsibilities of the Investment Manager(s) include:

a) Exercising investment authority including the power to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this document.

b) Reporting, on a timely basis, quarterly investment performance results.

c) Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of these Investment Policies.

d) Informing the Board of Trustees and Investment Consultant regarding qualitative change or quantitative changes to the Investment Manager's organization: Examples include changes in portfolio management or research personnel, ownership structure, investment philosophy, trading practices, etc.

e) Voting proxies, if requested by the Board of Trustees, on behalf of the Plan, and communicating such voting records to the Board of Trustees on an annual basis.

3. Responsibility of the Investment Consultant

The Investment Consultant's role is that of a non-discretionary advisor to the Board of Trustees of the Plan. The consultant acknowledges its responsibilities as a fiduciary under Act 314 of 1965, as amended. Investment advice concerning the investment management of the Plan assets will be offered by the Investment Consultant, and will be consistent with these Investment Policies. Specific responsibilities of the Investment Consultant include:

a) Assisting in the development and periodic review of these Investment policies.
b) Evaluate the retirement system's tolerance for risk, expected rate of return, asset/liability structure and propose an optimal asset allocation.
c) Conducting investment manager searches as needed.
d) Monitoring the performance of the Investment Manager(s) to provide the Board of Trustees with progress reports toward meeting investment objectives and compliance with Michigan Public Act No. 314.
e) Monitoring the performance of each Investment Manager relative to their stated benchmark and appropriate peer group.
f) Reviewing the Plan's investment history, historical capital markets performance and instructing any newly appointed members of the Board of Trustees of the contents of these Investment Policies.

An investment management consultant is a third party retained by the retirement fund to act as an extension and addition to the City of Southgate Fire and Police Retirement System to assist in several key areas of the management of financial assets.

The Board's Investment Consultant shall be able to:

- Gather and evaluate statistical information on the client's financial assets, investment needs, and risk parameters.

- Analyze and understand the implications of historic capital market behavior, particularly with regard to the trade off between total rate of return and investment risk.

- Maintain data on the universe of available professional investment managers, and categorize (as to investment style and discipline) and evaluate the qualifications of the individual management firms.

- Analyze and evaluate a client's investment performance, and the performance of their investment managers, both past and ongoing.

- And, most important, make specific and timely recommendations for the consideration of the client and its trustees during each phase of the investment management process.

5. Responsibility of the Custodian

The primary responsibilities of the Board's Bank Custodian are to:

a) Provide adequate safekeeping services.
b) Settle securities transactions on time.
c) Collect trust fund income when due.
d) Provide adequate accounting services.
e) Prepare useful, accurate, and timely investment reports.
f) Provide adequate cash-management services.
g) Provide adequate administrative support.
h) Develop and maintain adequate data processing capabilities.
i) Handle proxy administrative promptly and accurately.
j) Publish an annual statement of all expenses of the Retirement system, which are paid by soft dollars as defined Sec. 12e (3) of Public Act 314 of 1965, as amended.

G. GENERAL INVESTMENT POLICY

1. The Plan shall be invested commensurate with the prudent man rule as set forth in Michigan Public Act 314, the Plan's risk taking ability as defined herein, all applicable Michigan statutes governing the investment of public retirement funds, and its responsibility to invest solely in the interest of the participants and beneficiaries of the Plan for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration.

2. The Board of Trustees may employ one or more investment managers of varying styles and philosophies to attain the Plan's investment objectives.

H. INVESTMENT MANAGEMENT OBJECTIVES

The priority listing of investment objectives is as follows:

1. Preservation of Capital – Consistent with their respective investment styles and philosophies, Investment Managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

2. Risk Aversion – Understanding that risk is present in all types of securities and investment styles, the Board of Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Plan's objectives. However, the Investment Managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Diversification of Assets – Investments of the Plan shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. Liquidity of Assets – Cash is to be employed productively at all times, by investment of

short term cash equivalents to provide safety, liquidity, return, and restructuring of the Plan's portfolio to meet the Plan's changing needs over time.

5. Adherence to Investment Discipline – Investment managers are expected to adhere to the investment management styles for which they were hired. Investment Managers will be evaluated regularly for adherence to investment discipline.

I. INVESTMENT RETURN OBJECTIVES

In order to meet its obligations, the investment objective of the Plan is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.
The primary investment return objective shall be:

Long-Term Growth of Capital -To emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

The secondary investment return objective shall be:

Income and Growth - To achieve a balanced return of current income and modest growth of principal

J. SPECIFIC INVESTMENT GOALS

1) **Absolute Performance** – The Plan's assets are intended to provide for the future retirement benefits of the City of Southgate Police and Fire retirees, their spouses and dependents pursuant to the terms of collective bargaining agreements, policies for non-union former employees, and the Southgate Police and Fire Retirement System. To satisfy this obligation, the Plan should earn the actuarially assumed rate of return identified by Gabriel, Roeder, Smith & Co. annually, net of fees and expenses, and receive continued funding via employer contributions. The current actuarially assumed rate of return is 7.5%.
2) **Relative Performance** - Over a given market cycle, (typically defined as 3 to 5 years), the time weighted total rate of investment return should exceed, for the total fund, an appropriately designed custom benchmark. The custom benchmark is based on the fund's and investment manager's actual asset allocations, and constructed with appropriate indices given the asset mix (i.e., 50% S&P 500 Index, 10% Russell 2000 Index, 10% MSCI EAFE Index, 28% Barclays. Gov./Credit Bond Index, & 2% 90-Day T-Bills.)

The investment goals above are the objectives of the entire Plan, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Board of Trustees that most closely corresponds to the style of investment management.

2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of these Investment Policies. Each Investment Manager shall receive a written statement outlining his/her specific goals and constraints as they differ from those objectives of the entire Plan.

K. DEFINITION OF RISK

The Board of Trustees realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Plan's assets understands how the Board defines risk so that the assets produce long-term investment results sufficient to meet the Plan's objectives and investment strategy outlined in this document. The Board of Trustees defines risk as:

> The probability of not meeting the Plan's objectives and of losing money over the Plan's investment time horizon.

For any single twelve-month period, the worst tolerable return for the City of Southgate Police and Fire Retirement System total plan assets would be a loss of 5-10%, and no investment loss of funds over the long-term investment horizon of 10 years is tolerable.

L. LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board of Trustees will periodically provide investment counsel with an estimate of expected net cash flow. The Board of Trustees will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Board of Trustees requires that between 0 and 5% of the total Plan assets shall be maintained in cash or cash equivalents including money market funds or short-term U.S. Treasury bills.

M. MARKETABILITY OF ASSETS

The Board of Trustees requires that all of the Plan's assets be invested in liquid securities, defined as Securities herein that can be transacted quickly and efficiently for the Plan, with minimal impact on market price.

N. INVESTMENT GUIDELINES

1. Allowable Assets

(a). Cash Equivalents

- Treasury Bills
- Money Market Funds
- STIF Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

(b). Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Fixed Income Securities of Foreign Governments and Corporations
- Convertible Notes and Bonds

(c). Equity Securities

- Common Stocks
- Preferred Stock
- Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares)

(d). Mutual Funds

- Mutual Funds which invest in securities as allowed in this document.

(e). Other Assets

- GIC's

2. Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. The Board of Trustees feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Board of Trustees will take a conservative posture on derivative securities in order to maintain its risk averse nature. It is anticipated that new derivative products will be created each year. It is not the intention of this document to list specific derivatives that are prohibited from investment. Rather it will be the general policy that **unless a specific type of derivative security is allowed in this document and to the extent permitted under MCLA 38.1140j, the Investment Manager(s) must seek permission from the Board of Trustees to include derivative investments in the Plan's portfolio. The Investment Manager(s) must present detailed information as to the expected return and risk characteristics of such investment vehicles.**

3. Foreign Securities

No more than 20% of the Plan's assets may be invested in the foreign securities as defined by MCLA Section 38.1132b.(4). The Plan shall invest no more than 5% of the outstanding foreign securities of any one issue, nor may more than 5% of the Plan's assets be invested in the foreign securities of any one issuer. Finally, the managers who are serving as investment fiduciaries for the purposes of these security investments must (1) be registered as investment advisors under the Investment Advisers Act of 1940 or the Michigan Uniform Securities Act of 1964, and (2) must have demonstrated expertise in foreign investments.

4. Prohibited Investments

That Plan may invest in investments that would otherwise not be qualified under these Investment policies, to the extent permitted under MCLA Section 38.1140d provided, however, that prohibited investments include, but are not limited to the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Venture-Capital Investments
5. Residual Tranche CMOs
6. Limited Partnerships
7. Real Estate Properties

5. Prohibited Transactions

Prohibited transactions include, those identified at Michigan Compiled Laws 38.1133(5) and those specifically identified below:

1. Short Selling
2. Margin Transactions
3. Agency Cross Trades

6. **Stock Exchanges**

To ensure marketability and liquidity, equity transactions will be executed through the following exchanges: New York Stock Exchange; American Stock Exchange; and NASDAQ over-the-counter market. In the event that an Investment Manager determines that there is a benefit or a need to execute transactions through exchanges other than those listed in this document, written approval is required from the Board of Trustees.

O. Asset Allocation Guidelines

Rule Applicable in the Event of Conflict among Investment Policies and P.A. 314.

These Investment Policies shall include all the investment guidelines and restrictions as set forth in Act 314. In event of conflict among the Investment policies and Act 314, the most restrictive rule applicable to the particular issue will control. For example (and not by way of limitation), Act 314 would permit investment in more kinds of derivatives than are permitted under these Investment policies; the terms of these Investment Policies would therefore apply, and would restrict investments in derivatives.

Investment management of the assets of the Plan shall be in accordance with the following asset allocation guidelines:

1. Aggregate Fund Asset Allocation Guidelines (at market)

Asset Class	Minimum	Maximum	Target
Global Equities	30%	70%	55%
Domestic Fixed Income	20%	60%	38%
Real Assets (Commodities)	0%	5%	3%
Cash/Cash Equivalents	0%	10%	4%

After giving consideration to the Plan's potential short-term liquidity requirements, the Plan's fund shall maintain no more than a maximum of 10% of total assets in cash or cash equivalents. With regard to long term liquidity requirements, which may include planned or unforeseen net distributions, the Plan shall maintain no funds in illiquid securities such as Limited Partnerships, Real Estate, or other such assets.

The Board of Trustees may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the entire Plan, such disciplines must fit within the overall asset allocation guidelines established in this document. Such Investment Managers will receive written direction from the Board of Trustees regarding specific objectives and guidelines.

2. Collective Investment Restrictions and Correcting Excess Investments.

All Investment Managers and the Investment Management Consultant are restricted collectively, by these Investment Policies. The Investment Managers will coordinate monthly with the Investment Consultant, who shall (among other things) assure collective compliance with these Investment Policies. In the event any investment or changes in the market value of Plan's assets, causes the Plan to exceed any limitation prescribed in these Investment Policies, the assets shall be reallocated in a prudent manner to comply with such limitations.

3. Diversification for Investment Managers

The Board of Trustees does not believe it is necessary or desirable that securities held in the Plan represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry. The total allocation to treasury bonds and notes may represent up to 100% of the Plan's aggregate bond position, and treasury securities may represent up to 60% of the total fund.

4. Guidelines for Fixed Income Investments and Cash Equivalents

a) Plan assets may be invested only in commercial paper, maturing within 270 days of any domestic issuers, provided such commercial paper shall be rated A1 (or equivalent) or better by Standard and Poor's and/or P.1 by Moody's.

b) Fixed income maturity restrictions limit the maturity of any one fixed income security to not exceed 30 years.

c) Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be within the (2) highest classifications as established by Standard and Poors and Moodys.

d) Minimum 70% must be in the top three (3) major grades as determined by Standard & Poor's and Moody's. The balance must be in the top four (4) major grades. In the case of a split rating between the services, the lower rating will prevail. In the event of a downgrading which places the security below the top four grades, the Investment Manager is to notify the Board of such downgrading and give recommendations as to holding or disposing of that security.

5. Basket Clause

All investments made under the "basket clause" shall be controlled by the Retirement System and not at the discretion of the money managers.

P. <u>PROCEDURAL GUIDELINES</u>

1. Investment Manager – The Investment Manager will:

   a) Provide quarterly portfolio appraisals including the market value and cost of all assets as well as the estimated annual level of interest and dividend income.
   b) Meet periodically, at not less than once a year with the Board of Trustees to review the portfolio under supervision, discuss the investment outlook for the economy and securities markets, and indicate anticipated portfolio changes.
   c) Provide written information of security transactions, summary of receipts and disbursements, and evidence of suitable insurance coverage of the investment managers' fiduciary responsibilities.

2. Board of Trustees – The Board will notify the Investment Manager of:

   a) Any changes in the Investment Policies and procedures noted above.
   b) Provide information regarding significant anticipated changes in cash flow and/or cash flow needs.

3. Miscellaneous

   a) All investments initiated by an investment manager will subsequently be reported by the custodian to the Board of Trustees.
   b) Employee and employer contributions will be deposited in a timely manner.
   c) The custodian will disburse and receive funds for approved purchases and sales.

Q. SELECTION OF INVESTMENT MANAGERS

The Board of Trustees' selection of Investment Manager(s) must be based on prudent due diligence procedures

R. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Board of Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the Investment Policies. The Board of Trustees intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate an Investment Manager for any reason including, without limitation, the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of these Investment Policies, including communication and reporting requirements.
3. Significant qualitative or quantitative changes to the Investment Manager's

organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative or quantitative factors that may impact their ability to achieve the desired investment results in conformance with these Investment Policies.

S. UNDERPERFORMING INVESTMENT MANAGER POLICY

The following steps shall be taken with respect to under-performing managers:

1) For each quarter, fails to out-perform the Benchmark Index; and,
2) Rolling 2 Year return falls below the 50th percentile in their universe; and,
3) Rolling 2 Year Sharpe Ratio that is less than the Benchmark Index

Manager will be reviewed on a quarterly basis, and will be issued a pass/fail grade based upon the above criteria. With respect to "Fail" grades for an investment manager, the following action shall be taken:

Watch/Notice- 2 consecutive quarters or 2 out of 3 quarters
Search is Initiated- 3 consecutive quarters or 3 out of 4 quarters
Termination- 4 consecutive quarters or 4 out of 6 quarters

Managers will be subject to the Under-Performing Investment Manager Policy after a minimum of eight quarters under management.

This policy is not meant to supersede any other causes for termination disclosed in the investment policy statement or investment management agreement executed between the Plan and the investment manager.

T. INVESTMENT POLICY REVIEW

In order to assure continued relevance of the Investment Policies, financial status and capital markets expectations as established in this document, the Board of Trustees shall review these Investment Policies at least annually.

These Investment Policies are adopted on this day of__________________, ___ 20___ by the Board of Trustees whose signatures appear below.

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Amended March 2010