STATEMENT OF INVESTMENT OBJECTIVES, POLICY AND GUIDELINES FOR THE CITY OF ATLANTA POLICE OFFICERS PENSION FUND

ADOPTED APRIL 10, 2007

STATEMENT OF INVESTMENT OBJECTIVE,
POLICY AND GUIDELINES
CITY OF ATLANTA POLICE OFFICERS PENSION FUND

The City of Atlanta Police Officers Pension Fund ("Fund"), hereby adopts this Statement of Investment Objectives, Policy and Guidelines ("Statement") which supersedes and replaces all prior Investment Policy Statement(s) and which is hereby incorporated into all existing and any future Investment Manager Agreements.

The persons ultimately responsible for making all decisions with regard to the administration of the City of Atlanta Police Officers Pension Plan, including the management of Plan assets, and for carrying out this Investment Policy Statement on behalf of the City of Atlanta Police Officers Pension Plan shall be each trustee of the plan.

This Statement has been chosen by the Board of Trustees (Board) as the most appropriate policy for achieving the financial objectives as set forth in the Investments Objectives section of this document.

The City of Atlanta Police Officers Pension Fund operates under both the Insurance Laws of Georgia and the Prudent Person rule used herein, meaning that in investing, the governing authorities of the systems, fund and plans shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it - not in regard to speculation but in regard to permanent disposition of funds considering probable safety of capital as well as probable income.

The Board's responsibilities are also further defined as follows: "The assets of the system shall be held in trust by the fiduciaries who are named to the system's governing board in accordance with the election or appointment procedure outlined in the Revised Statutes pertinent to that system. Such fiduciaries shall have exclusive authority and discretion to manage and control the assets of the system. The assets of the system shall be held for the exclusive purpose of providing benefits to members of the system and their beneficiaries and defraying reasonable expenses of administering the system."

The objective of this Statement is to foster an effective working relationship with the Fund's internal and external investment managers through a discipline of good communication. The Statement is intended to provide the Fund with a foundation, so that the Fund can effectively evaluate the performance of the investment managers and oversee the management of the Fund in a prudent manner.

This statement is not intended to remain static. At least annually, the fund's staff and consultants will review this Statement and recommend changes. Recommendations from investment managers for improving policies, procedures and operations are always appreciated. Such recommendations should be addressed to the Board in written form.

Once an asset allocation decision is made regarding any investment manager, the trustees will enter into a contractual arrangement with the firm deemed best suited to fulfill the objectives needed for the fund. No changes can be made to the asset

allocation assignment awarded unless the investment manager is notified by the Board of Trustees of the City of Atlanta Police Officers Pension Fund in written form.

The horizon of the Fund is long term. The primary investment objective of the Board is to ensure that current and future benefit obligations are adequately funded in a cost-effective manner. In light of this objective, the preservation of capital and the achievement of sufficient total return to fund accrued and future benefit obligations are the primary concern. The risk-reward trade-off in the investment policy selected for implementing the objectives should be derived from an asset-liability focus.

PLAN CONSIDERATIONS

In establishing investment policy, the following facts about the Pension Fund should be considered:

1. Fund provisions are determined by City policy.

2. The Fund is funded by employee and City contributions.

3. Participants are relatively young.

4. Salary levels used for benefit calculations are closely related to inflation.

5. Benefit payments have a cost of living adjustment of up to 3% per year.

6. Cash flow projections show modest positive flows over the long term; however, shorter periods may be affected by early retirement programs. Liquidity levels need to be monitored closely and adjusted as required.

7. The Fund has unfunded liabilities.

8. The Fund represents the entire retirement and disability income source for participants.

9. The assumed earnings rate is 7.75%.

INVESTMENT MANAGER PERFORMANCE EVALUATION

The board understands that the risk of each portfolio should be considered. A portfolio that outperforms the benchmark but carries only half the overall risk is superior on a risk-adjusted basis to a portfolio that outperforms the benchmark and carries the full amount or market risk.

(1) PRESERVATION OF CAPITAL

As payment from the pension fund is often a major source of income for retirees and principal protection against the contingencies of death and disability for active workers, preservation of capital and realization of sufficient return to secure payment of the statutory benefit requirements of the System are fundamental objectives. Preservation of capital encompasses two goals:

- Minimizing the risk of permanent loss of principal for the fund

- Minimizing the erosion of the Fund's purchasing power as a result of inflation.

(2) DIVERSIFICATION

The primary means by which capital preservation will be achieved is through diversification of the fund's investments. Accordingly, the fund is allocated among asset groups with a low or negative covariance.

Within each asset group, further diversification will be achieved through systematic allocation to investment management styles providing broad exposure to different segments of the domestic fixed income and domestic equity markets or other approved asset classes.

The average volatility level (beta) for the total Fund's U.S. equity portfolio should fall within the range of 0.85 to 1.15 times the Standard & Poor's 500 equity index. The publicly traded bond sector of the portfolio should have a volatility level approximately 0.85 to 1.15 of the Lehman Brothers Aggregate Bond Index and the Lehman Brothers Government/Corporate Intermediate Bond Index.

(3) ASSET-LIABILITY FOCUS

The basic premise of the framework in which the asset allocation policy has been developed is the following: That the plan's assets do not exist in a vacuum but, rather, are there to fund the City of Atlanta Police Officers Pension Fund's liabilities. Therefore, the risk and investment return alternatives from different asset mixes are derived in a framework that examines the impact on funded status contribution volatility, the projected ratio of active to retired employees, the benefits payment horizon and the sensitivity of benefits to economic variables, such as inflation.

SECTION TWO: CURRENT ASSET ALLOCATION

Academic research suggests that the decision as to how to allocate total assets among various asset classes will far outweigh security selection and other decisions in terms of impact upon portfolio performance. After reviewing the long-term performance and risk characteristics of various asset classes, balancing the risks and rewards of market behavior, and reviewing state legislation regarding investment options, the following asset classes were selected to achieve the plan objectives: Domestic Equities, Domestic Fixed Income, and cash equivalents.

Within each asset class several different asset investment styles are represented in plan's Target Asset Mix

EQUITY	TARGET
Large Cap	22%
Mid Cap	19%
Small Cap	14%
TOTAL EQUITY*	**55%**
FIXED INCOME**	TARGET
Fixed Income	45%
TOTAL FIXED INCOME**	**45%**

**Please note that Georgia state law requires that no more than 55% of the plan's assets may be invested in equities.*

***Please note that the fixed income managers' primary goal is to preserve principle. Changing economic conditions and various investment opportunities perceived by the trustees may make it desirable to make changes in the asset allocation. Asset styles and target ranges may be added or changed at any time for greater exposure to different asset categories.*

REBALANCING GUIDELINES

Market conditions will cause the Portfolio's investments in various asset classes to vary from the established target ranges. To remain consistent with the asset allocation guidelines established by this Investment Policy Statement, each asset class in the portfolio shall be reviewed on a quarterly basis. If the actual weighting varies by 3% or more from the recommended target range, the Trustees may rebalance back to the recommended allocation. The most likely scenario will be for the trustees to analyze the sector performance and make a decision as to whether it would be prudent for future investment opportunities.

SECTION THREE: PERFORMANCE MEASUREMENT

The trustees recognize that all investment styles go through cycles. Therefore, there will be periods of time in which the manager's investment style is out of favor relative to the designated broad index benchmark S&P 500.

TOTAL FUND PERFORMANCE BENCHMARKS

Total fund performance and individual manager performance will be judged using, among other things, the following indices:

ASSET CLASS	BENCHMARKS
Domestic Large Cap Equities	Standard & Poor's 500 Index*
Domestic Mid Cap Equities	Russell Mid Cap Index*
Domestic Small Cap Equities	Russell 2000 Index*
Domestic Core Fixed Income	Lehman Brothers Aggregate Bond Index**

ALL EQUITY MANAGERS WILL BE EXPECTED TO OUTPERFORM THE BROAD INDEX BENCHMARK OF THE S&P 500 OVER A FIVE-YEAR MARKET CYCLE.

The board recognizes that the equity managers hired by the fund may employ an active investment style quite different than the exact composition of the S&P 500 index. It is understood that active investment styles will come in and out of favor versus the broad market S&P 500 index. Any active manager that does not outperform the designated benchmark over any rolling 1, 3, 5 year time period as specified in this section may be placed on probation and asked to appear before the trustees with 30 days notice.

****The board recognizes that the fixed income managers hired by the fund may employ an active investment style quite different than the exact composition of the Lehman Brothers index. It is understood that the fixed income managers will take active bets regarding maturity, duration, sector, and credit quality versus the broad Lehman Brothers index. Any active manager that does not outperform the designated benchmark over any rolling 1, 3, 5 year time period as specified in this section may be placed on probation and asked to appear before the trustees with 30 days notice.***

PERFORMANCE OBJECTIVES FOR THE TOTAL FUND

- **CPI + 3.3%** Recognizing that inflation is the driving force behind future benefit needs, it is important that performance be measured relative to the rate of inflation. Over a period of one complete market cycle (3-5 years), the total fund is expected to earn approximately 3.3% per year over the Consumer Price Index.

- **Customized Index** Over time (5 year moving average), total fund performance is expected to out-perform an indexed portfolio comprised of 22% S&P500, 19%

Russell MidCap, 14% Russell 2000, and 45% Lehman Brothers Aggregate Bond Index.

- **Actuarial Target** Over a period of one complete market cycle (3-5 years), the total fund is expected to meet its actuarial target of 7.75%.

- **Fully Funded** The fund is expected to remain fully funded with respect to the actuarial accrued liability.

PERFORMANCE OBJECTIVES FOR DOMESTIC EQUITY MANAGERS

1. Achieve a rate of return, which exceeds the Standard & Poor's 500 by 100 basis points net of management fees over a full market cycle of 5 years.

2. Achieve performance results that rank in the top 40% of managers in the appropriate universe relevant to the designated style benchmark.

The board recognizes that the equity managers hired by the fund may employ an active investment style quite different than the exact composition of the economic sectors that comprise S&P 500 index. It is understood that active investment styles will come in and out of favor versus the broad market S&P 500 index. The current consultant and pension staff will monitor and update the board when an active manager's investment style has fallen out of favor with the broad markets.

PERFORMANCE OBJECTIVES FOR DOMESTIC FIXED-INCOME

1. Earn an average annual return from income and capital appreciation, which exceeds the Lehman Brothers Aggregate Bond Index by 50 basis points net of management fees.

2. Achieve performance results that rank in the top 40% of managers in the appropriate universe relevant to the designated style benchmark.

The board recognizes that the fixed income managers hired by the fund may employ an active investment style quite different than the exact composition of the sectors that comprise Lehman Brothers index. It is understood that active investment styles will come in and out of favor versus the broad market Lehman Brothers Aggregate Bond Index. The current consultant and pension staff will monitor and update the board when an active manager's investment style has fallen out of favor with the broad markets.

PROBATION

<u>The Board will follow its time horizons, as set forth in this policy, when making judgments about indications of inferior performance. However, investment managers for the fund should be advised that the Board intends to track the interim progress toward multi-year goals. If there is a clear indication that performance is so substandard that reasonable hope of recovery to the manager's policy performance goals would require either high risk or good fortune, then the Board will not feel constrained by this policy to avoid an "early" decision to take corrective action. In addition to the items stated below any major organizational change that could warrant a review of the Investment Manager's relationship with the fund, which would include: 1) Change in investment professionals, 2) Significant account losses and 3) Change in ownership could warrant termination by the board.</u>

<u>THE TRUSTEES WILL NOTIFY FIRMS PLACED ON PROBATION IN WRITING.</u>

ALL PROBATION CRITIERIA WILL BE CRITICALLY EVALUATED AFTER 4 QUARTERS (1 YEAR) OF MANAGER PERFORMANCE IS AVAILABLE FOR ANALYSIS.

PHASE ONE

Any money manager that fails to meet the Fund's investment criteria relative to its peers (top 40% of relative peer universe) for three consecutive quarters during any time period after four quarters (1 year) of performance measurement has been attained will be placed on probation. The consultant will measure the universe of investment managers for peer group evaluation.

If a money manager fails to meet the established trailing year performance objectives versus the designated benchmark by more than 150 basis points for 3 consecutive quarters, they will be placed on probation. Critical evaluation for probation status versus the benchmark shall begin after four quarters (1 year) of performance measurement has been attained. The firms on probation will be subject to:

- Intense scrutiny of their investment process and philosophy.
- A requirement to explain their substandard performance to the satisfaction of the Board and its Staff. This must be submitted in writing to each trustee within 30 days of probation notification.
- Manager will be required to bring performance up to stated investment objectives for three consecutive additional quarters in order to be removed from probation, without modifying their stated investment style.

PHASE TWO

If performance does not improve during phase one of the probation period, the trustees will take action towards termination or reduction of fees for every quarter of under performance beginning with the 4^{th} consecutive quarter of under performance (since phase one probation was established).

If the trustees have determined it is not prudent to terminate a manager, fees will be reduced according to the following schedule beginning with the fourth consecutive quarter of under performance during the probation period:

- 15% the 4th consecutive quarter of under performance
- 25% the 5th consecutive quarter of under performance
- 50% the 6th consecutive quarter of under performance
- TERMINATION WILL OCCUR IF 7 CONSECUTIVE QUARTERS OF UNDERPERFORMANCE VS. THE DESIGNATED BENCHMARK OR THE PEER UNIVERSE IS ACHIEVED.

Failure to comply with the conditions of probationary status will be grounds for notice of termination.

For those managers who have achieved 3 or more years of performance the following factors may lead to termination or placing a manager on probation:

- Performance below the median (50th percentile) of their peer group over rolling three-year periods.
- Performance below the median (50th percentile) of their peer group over a five-year period.
- Realization of negative incremental value added to portfolio returns for three and five year periods.

SECTION FOUR: MONEY MANAGER INVESTMENT POLICIES AND GUIDELINES

APPROVED INVESTMENTS

1 The following investments are approved without limitations:

   a Obligations of or issues guaranteed by the United States.

   b State G.O. and revenue bonds secured by full faith and credit.

   c Georgia county and municipal bonds secured by full faith and credit.

   d Federally insured deposits of Georgia state chartered banks and nationally chartered banks operating in Georgia.

2 The following investments are limited to a maximum of 10% funds:

   a Bonds, notes, or obligations of any municipality or political subdivision or any agency or authority of this state, if such obligations are rated by at least two nationally recognized rating services in any one of the four (4) highest classifications approved by the comptroller of the currency for the investment of the funds of national banks.

   b Savings accounts of any savings and loan association incorporated under the laws of the state of Georgia or in savings accounts of any federal savings and loan association situated in the state of Georgia, to the extent that such investments are insured by the federal government or an agency thereof.

c Savings accounts in, or certificates of deposit of, any bank incorporated under the laws of the state of Georgia or any national bank organized under the laws of the United States doing business and situated in the state of Georgia, to the extent that such savings accounts are insured by the federal government or any agency thereof.

d Notes secured by the first liens of Deeds to Secure Debt on real property, insured or guaranteed by the Federal Housing Administration or the Veterans Administration.

e Interest-bearing obligations of the International Bank for Reconstruction and Development or the Inter-American Development Bank.

f Group annuity contracts of an investment type issued by an insurance company authorized to do business in the state.

3 The following investments are limited to a maximum of 55% of funds:

a Common stock, preferred stock and any obligations of a corporation having an option to convert into common stock, issued by a corporation organized under the laws of the United States, provided:

i) The corporation is listed on any one or more of the recognized national stock exchanges in the United States, or traded on the NASDAQ National Market;

ii) The Trustees shall not invest more than three (3) percent of the assets of any fund in common stock, preferred stock and other obligations of any one issuing corporation, and the aggregate investment of any fund in any one issuing corporation shall not exceed three (3) percent of the outstanding capital stock of that corporation.

b Securities of open-end mutual fund companies and investment trust registered with the Securities and Exchange Commission under the Investment Company Act of 1940.

4 Not more than 65 percent of any fund may be invested in obligations with a fixed maturity of any corporation within the United States or corporation or government registered in the United States, unless such obligations are rated by at least two (2) nationally recognized rating services in any one of the four (4) highest classifications approved by the comptroller of the currency for the investment of funds of national banks.

5 For the purpose of determining the above investment limitations, the value of the bonds shall be the par value thereof, and the value of evidence of ownership and obligations having an option to convert to ownership shall be the cost thereof.

6 The following securities and investment techniques are excluded for investment:

- Leverage
- Options
- Futures
- Commodities
- Private placements
- Direct participation

- Real estate

7 Recognizing that certain derivative securities may qualify for investment, the Trustees want to discourage the Managers (including the lending agent for securities lending) from "reaching the yield" by taking risks associated with certain floating-rate instruments, structured notes, and other collatered mortgage obligation (CMO) products.
8 Securities specifically prohibited from purchase include, but are not limited to the following:

a CMO residuals and support tranches

b Stripped mortgage-related securities (Interest Only Strips - "IOs". Principal Only Strips - "POs") both generic and prepayments protected

c Leverage floaters and inverse floaters, including money market obligations

d Tiered-index bonds, range notes and all other forms of structured notes whose return characteristics are tied to changes in prepayments on mortgages of changes in a specified interest rate index or market rate

e All other forms of mortgage derivatives.

Deviations from the above guidelines may occur as a result of extraordinary market conditions or unusual circumstances; however, any major deviations should be reported to the Trustees by the Manager on a timely basis.

- Investments shall be consistent with generally accepted investment practices.

- Investment managers shall be registered advisors under the Investment Advisors Act of 1940.

- Securities managers may represent a division of a bank or any other entity, which reports to the Comptroller of the Currency.

- All manager(s) must acknowledge, in writing, their obligations as fiduciaries responsible for the investment of fund assets.

- Subject to the guidelines included in this Statement, manager shall have full discretion

- The Board has sole discretion to select managers and replace them when necessary.

- Manager(s) are expected to remain fully invested. Equity managers' cash positions are not to exceed 5% over a ninety- (90) day period without the consent of the board. Fixed Income manager's cash positions are not to exceed 5% over a ninety- (90) day period without consent of the board (This maximum many change from time to time based on Board Action).

- The manager(s) will be expected to review the present and future cash flow requirements with the Board at least annually to respond to any liquidity needs that the City of Atlanta Police Officers Pension Fund may have.

- The funds investment committee and investment consultant shall continuously review each manager's portfolio performance and execution.

- The Board will meet with each manager at least annually, or, when requested, to review fund investment returns and the market environment.

EACH INVESTMENT MANAGER WILL INVEST IN SECURITIES USING THE FOLLOWING GUIDELINES FOR EACH ASSET CLASS:

DOMESTIC EQUITY SECURITIES

The equity portion of the plan's assets shall be invested in marketable, equity securities. The following policies and acceptable instruments are to be strictly adhered to:

- Stocks must be listed on the New York Stock Exchange, American Stock Exchange, the NASDAQ or the *Canadian exchange. The companies must be domiciled in the United States or Canada* and registered with the Securities and Exchange Commission or the appropriate governing organization in Canada. (This is not required for preferred stock of banks and insurance companies domiciled in the United States with a net worth exceeding $100 million.)

- Investment by any manager in any one stock, in all classes of equity securities, must be limited to 3% of the outstanding capital stock of the corporation.

- Stocks must be of those corporations with market capitalization exceeding $75 million. If the capitalization for corporation held in any equity portfolio drops below $75 million, it will be the responsibility of the investment manager to dispose of such issues within a 90-day period.

- Not more that 5% of the total stock portfolio values either at cost or at market may be invested in the common stock of any one corporation.

- Not more than 20% of stock valued at market may be held in any one Standard & Poor's 500 industry category.

- The total stock rights and preferred stock held at any time shall not exceed 5% of this aggregate total market value of the portfolio they manage.

DOMESTIC FIXED-INCOME SECURITIES

The fixed-income portion of the plan's assets shall be invested in marketable, fixed income securities. The following policies and acceptable instruments are to be strictly adhered to:

- Fixed-Income investments shall be appropriately diversified.

- Managers may engage in “active management”, shifting between and within sectors, quality and maturity.

- Fund may not own more than 10% of any total issue except for U.S. Treasuries

- ***Managers may not own more than 20% at market value of debt issues rated BBB in quality by Standard & Poor’s.***

- Fund may not hold more than 10% at cost of the portfolios in any one issuer’s securities other than the U.S. Government.

<u>United States Treasury Bonds and Notes</u>

Debt instruments of the U.S. Government or its Agencies including mortgage backed securities such as Government National Mortgage Association (GNMA) securities, Federal Home Loan Mortgage Corporation (Freddie Mac) securities, Federal National Mortgage Association (FNMA) securities and Collateralized Mortgage Obligations (CMO’s). No derivative mortgage-backed security is acceptable, including IO’s, PO’s, etc.

Corporate debt issues rated the equivalent of Baa or better by Moody’s Investors Services, Standard & Poor’s, or Fitch Investor’s Services. Securities that are downgraded below the policy standard subsequent to purchase must be sold by the manager in the most efficient manner available immediately upon notification.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of daily cash balances above day-to-day needs and funds set aside for portfolio strategy reasons.

Short-term investments may be placed in:

- Issues of the U.S. Treasury, federal agencies and federal government sponsored enterprises with maturity of less than two years

- Repurchase agreements immediately collateralized by U.S. Treasury of Federal agency issues at least 102%

- Domestic corporate bonds, debentures and notes rated at least A by Moody’s or Standard & Poor’s with a maturity of thirty (30) days or less

- Domestic certificates of deposit (CD’s) shall be limited to an amount so that the principal and interest will not exceed the $100,000.00 FDIC insurance at each institution. Full collateral (at least 102% of principal) such as U. S. Government Securities will need to be held by our Custodian or an authorized third party for anything in excess of the insured amount. All CDs must be registered in the name of the Fund.

- Domestic short-term investment fund (STIF) selected by the Board

OTHER INVESTMENTS

The Board may authorize the use of any other investment for the Fund provided that such investment is considered prudent for a pension fund, and is not prohibited by applicable statute or law.

The Pension Fund may engage in securities lending with an authorized agent, provided that the securities are fully collateralized (at least 102%) and that the Custodian prior to the release of the securities receives the collateral.

PROHIBITED TRANSACTIONS

Managers are prohibited from entering into any transactions for the Fund, which are not authorized by this Policy, or without the consent of the Board.

- Use of margin accounts
- Direct purchases of foreign bonds (debt must be of entities domiciled in the US or Canada)
- Short sales
- Investments in commodities or commodity contracts
- Direct loans or extension lines of credit to any interested party
- Unregistered securities
- Small Business Administration and Farmers Home Administration issues
- Letter Securities
- Commodities or commodity contracts
- Futures and Options
- Private Placements
- ADRs (stock must be of entities domiciled in the US or Canada)
- Any other securities prohibited by governing Georgia law
- Corporations in the business of operating real estate or corporations having substantially all of its assets invested in the shares of such real estate corporations.

SECTION FIVE: REPORTING REQUIREMENTS

Required reports

Investment managers are required to provide reports to the Board and staff as requested. Reports should include the following:

Daily:	Trading Data
Monthly:	Certification of market value (reconciliation with master custodial bank) Certification of performance results (reconciliation with master custodial bank) Brokerage and third party commissions
Quarterly:	Investment manager’s performance Investment manager’s status Portfolio characteristics Market outlook (narrative) Soft Dollar – type & firm name Dividend Report
Annual:	Organizational structure Gratuities and contributions Annual filing of form ADV with the Securities & Exchange Commission

WHEN PROFESSIONAL STAFF OR ADMINISTRATIVE STAFF DEPARTS A FIRM, OR THERE IS A CHANGE IN OWNERSHIP, WHICH IS A SERVICE PROVIDER OF THE ATLANTA POLICE OFFICERS PORTFOLIO, EACH TRUSTEE MUST BE NOTIFIED IN WRITTEN FORM WITHIN 72 HOURS.

Reconciliation with Custodian

The trustees understand that from time to time there will be a difference in the performance calculations between the investment manager and the custodial bank. When there is a discrepancy, the Investment managers should reconcile with the Fund’s custodian because **only** the custodian’s figures will be used to calculate performance by our consultants and pension staff. ***<u>It is the trustees’ recommendation that investment managers reconcile with the custodial bank every month</u>***.

Required Meetings

Investment managers are required to meet with the Board, pension staff, and consultants as requested. The investment manager will receive advance notice of all meeting date requests. A listing of topics to be discussed will be provided with the notice. The staff will expect to receive a written summary, which responds to the subjects identified in the noticed least seven days prior to the meeting. These meeting shall have a consistent format designed to make them efficient. Additionally, consistency is required so that the Board can effectively compare and contrast the investment managers articulated portfolio strategy with actual portfolio structure and results. These meetings will also provide the investment managers with the opportunity to explain how their thinking has evolved since previous meetings. During these meetings, the managers will cover the following topics:

- Performance for past period: Standard time periods for each report will be last quarter, year to date, latest twelve months, three years, five years and since inception. Returns should be annualized and calculated on a time-weighted basis for the total portfolio. All returns should be calculated in accordance with AIMR compliant regulations including income and dividends.

- Rationale for performance results: discussion of the rationale for performance results, relating them specifically to investment strategy and tactical decisions implemented during the current review period.

- Specific strategy for the coming period: discussion of the investment manager's specific strategy for the portfolio over the next period, with specific reference to asset mix (including cash position) and portfolio characteristics, supported by the investment manager's capital market and economic assumptions.

- Changes in investment manager's firm: discussion of any changes in the investment manager's firm, including client accounts lost or gained.

- Changes in the fund's requirements: discussion of the Board's and the fund's financial status and required modifications to the investment program and strategy, if any.

SECTION SIX: BROKERAGE and SOFT DOLLAR POLICIES

Directed Brokerage Policy (If Applicable)

The Board may designate "soft dollar" or "recapture" broker(s) for purposes of procuring various research services and cash credits from the trading activities of its equity investment managers.

Georgia-Based and Minority-Owned Brokers Policy

Managers are required to report all transactions on the City of Atlanta Police Officers account executed by Georgia-based and/or minority-owned brokers. The names and the firms used must be sent to the Administrative Manager, which should then be sent to each trustee. The consultant should also receive these reports. At the end of each quarter (within 15 days) the manager will be expected to forward a consolidated quarterly report regarding these transactions.

All managers will continue to be subject to the following instructions:

All transactions shall be effected only after determination that the particular purchases or sales are proper for the Account. The above brokerage direction instructions are not intended to direct or encourage purchase or sale decisions that would not have otherwise been made in the normal course of managing account assets.

Commission Recapture Policy

The Fund has put in place a commission recapture program in order to minimize the effects of transaction costs upon the plan. Where prudent execution dictates, each investment manager is encouraged to direct 30-40% of its trades through the program. The current equity commission recapture brokers are Donaldson & Co. and Magna Securities.

Although the Fund is not subject to Federal retirement plan laws, money managers are expected to comply with the fiduciary duty under ERISA and applicable securities laws to seek to obtain the best price and execution on each trade.

REPORTING

The Brokerage activity report must be sent to each trustee, staff, and consultant within 30 days after the end of the each month.

The trustees understand that the fixed income market does not designate commissions in the same fashion as equities. Since the current market does not normally call for brokerage firms to openly report the spread/commission earned for fixed income trades, fixed income managers must do the following:

FIXED INCOME MANAGERS WILL BE REQUIRED TO SUBMIT THE TOTAL DOLLAR AMOUNT (VOLUME) OF TRADES THROUGH MINORITY AND GEORGIA BASED BROKERS IN THE SAME FORMAT AS THE EQUITY MANAGERS.

<u>FOR REPORTING, FIXED INCOME MANAGERS SHOULD SUBSTITUTE VOLUME IN PLACE OF COMMISSIONS AND FOLLOW THE SAME FORMAT AS MENTIONED BELOW.</u>

Manager(s) are expected to construct reports containing the commission dollar amounts directed towards the following:

TOTAL COMMISSION PAID FOR Execution
TOTAL COMMISSION PAID FOR Research
THE NAMES OF ALL OF THE GEORGIA BASED/MINORITY MANAGERS USED

From the total commission paid for execution and research, please break down that total figure according to the following:

Commission Recapture (if the board has established a program)
Minority Directed
Georgia Brokers
Manager Directed (excluding the amounts directed to Georgia based and minority firms)

Manager(s) must send these reports to the consultant and the Administrative Manager, which should then be forwarded to each trustee, each month for review by the board.

SECTION SEVEN: PROXY VOTING PROCEDURES

Policy Statement

In the absence of specific guidelines regarding specific issues, investment managers shall vote proxies in the best economic interest of the fund. This will be in accordance with their fiduciary responsibilities as investment managers and any other applicable state or federal law. Each proxy will be reviewed on a case-by-case basis.

Investment managers are required to furnish the pension staff, consultants and each trustee with quarterly updates on all proxy matters.

Routine Matters

Investment managers may vote with management on most routine matters. A partial list includes:

- Election of directors
- The appointment of auditors.
- Increase in authorized shares
- Charitable, political, or education contributions
- Scheduling of annual meeting
- Limiting personal liability of directors
- Incentive or Stock Option plans
- Name changes
- The business operations in foreign countries.

SOCIAL, ENVIRONMENTAL OR POLITICAL PROPOSALS

The economic interest of the Fund shall be the foremost consideration in the evaluation of these proposals. Managers shall report to the trustees on proxy votes dealing with non-traditional (social, environmental, political, etc.) proposals. The investment managers may tend to vote with management on most of the following issues:

- Limiting or restriction of business in countries as a protest against political practices in those countries.
- Restrictive energy or environmental proposals
- Restrictions on military contracting
- Limitations on the marketing of controversial products

SHAREHOLDERS SOVEREIGNTY

Investment managers shall vote against any proposal that limits shareholder influence on management or adversely affects the potential value received by shareholders. Issues in this category would include:

- Elimination of cumulative voting
- Confidential proxy voting practices
- The issuance of securities contingent on a corporate reorganization which offer special voting rights, are dilutive, or in general are not designed to enhance shareholder value.
- “Poison Pill” or “Golden Parachutes.”

SIGNATURE PAGE

TRUSTEE NAME	SIGNATURE	DATE
Mr. Tony Biello, Chair	____________________	_____
Mr. James Rose, Vice-Chair	____________________	_____
Mr. Louis Arcangeli	____________________	_____
Ms. Janice Davis, Secretary	____________________	_____
Mrs. Benita Ransom	____________________	_____
Ms. Cleta Winslow	____________________	_____

MANAGER NAME (Please print)	Signature	Date
____________________	____________________	__________
____________________	____________________	__________
____________________	____________________	__________
____________________	____________________	__________
____________________	____________________	__________
____________________	____________________	__________
____________________	____________________	__________