Defined Benefit Investment Policy

<table>
<thead>
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<tr>
<td>VI – Investments</td>
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<tr>
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<tr>
<td>Board of Trustees</td>
<td>Investments</td>
</tr>
<tr>
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<td>Responsible Executive Staff Member:</td>
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<td>Chief Investment Officer</td>
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<table>
<thead>
<tr>
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<th>Effective Date:</th>
<th>Description of Changes and Link(s) to Earlier Version(s):</th>
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<tr>
<td>1</td>
<td>December 8, 2006</td>
<td>N/A – Original</td>
</tr>
<tr>
<td>2</td>
<td>April 26, 2007</td>
<td>Updated to indicate that domestic proxy voting will be completed by a proxy voting service.</td>
</tr>
<tr>
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<tr>
<td>3</td>
<td><strong>September 21, 2007</strong></td>
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</tbody>
</table>
|   | • Expand ability of Executive Director to execute Investment Management Agreements or Board-approved service providers  
• Allow board to retain third party firms to provide Securities Lending services  
• Define a benchmark for the Global Real Estate securities portfolio  
• Add an Investment Manager Watchlist  
• Allow the electronic transfer of funds to be completed by an authorized staff member  
• Redefine Minority and Women Owned brokerage usage policy for Global Equity Investment Managers.  
• Amend the predatory lending policy due to new legislation (PA 95-0521). |
| 4 | **September 12, 2008**                                                                                                                                                                      |
|   | • Expand ability of Executive Director to delegate duties to the Associate Executive Director  
• Reflect new asset allocation targets and rebalancing language  
• Change global equity benchmark  
• Clarify that additional authorization to participate in securities litigation that has already been approved by the Executive Committee is not necessary. Additionally, staff are authorized to file an objection to attorneys’ fees/expenses if the objection is determined appropriate by General Counsel and Executive Director  
• Define Emerging Manager goals and total fund and major asset classes. |
| 5 | **September 11, 2009**                                                                                                                                                                      |
|   | • Include interim asset allocation targets  
• Implement a 5% rebalancing trigger on aggregate equity and fixed income allocations  
• Update benchmarks for Equity, Fixed Income, and Real Estate asset classes  
• Redefine Emerging Manager definitions and update utilization goals due to legislation. Minority-owned broker usage policy expectations were updated. |
<table>
<thead>
<tr>
<th></th>
<th>Updated to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>December 2, 2009</td>
</tr>
<tr>
<td></td>
<td>• Incorporate the 1% allocation to PPIP into the strategic policy targets</td>
</tr>
<tr>
<td></td>
<td>• Add language to strongly encourage the use of direct trade execution with minority- and women-owned brokers.</td>
</tr>
<tr>
<td>7</td>
<td>September 3, 2010</td>
</tr>
<tr>
<td></td>
<td>• Allow the Board governance policies to address issues with third parties regarding corporate governance or other initiatives rather than the Executive Director</td>
</tr>
<tr>
<td></td>
<td>• Allow staff to complete miscellaneous duties related to the operation of the investment program</td>
</tr>
<tr>
<td></td>
<td>• Added a risk management section</td>
</tr>
<tr>
<td></td>
<td>• Revise process for how emerging managers are included in manager searches due to legislation</td>
</tr>
<tr>
<td></td>
<td>• More accurately portray retention decisions involving private fund managers</td>
</tr>
<tr>
<td></td>
<td>• Clarify that investment managers may be added to the Manager Watch List at any time</td>
</tr>
<tr>
<td></td>
<td>• Limit the size of assets invested with any one firm and update the list of people authorized to make transfers between funds</td>
</tr>
<tr>
<td></td>
<td>• Allow managers to continue to hold a security after it has been downgraded below the minimum credit quality if it is in SURS best interest</td>
</tr>
<tr>
<td></td>
<td>• Establish goals for the management of assets of each major asset class by minorities, women, and persons with disabilities in line with PA 96-0006. Additionally, investment managers should not use indirect methods to achieve Minority-Owned Broker/Dealer goals. Minority-owned broker/dealer goals were also updated to include REIT managers</td>
</tr>
<tr>
<td></td>
<td>• Rename Manager Development Program as Manager Diversity Program</td>
</tr>
<tr>
<td></td>
<td>September 16, 2011</td>
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<th>October 25, 2012</th>
<th>Updated to:</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>- Reflect strategic objectives as outlined in the SURES Strategic Plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Authorize staff to serve on advisory boards for fund investments and vote on issues to promote best interests of SURES</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Delete internal management of TIPS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Reflect adjusted strategic (interim) targets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Change private equity benchmarks and specify the overall benchmark for non-core direct real estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Implement Investment Manager Evaluation language; if no changes are recommended, formal action by the board each year will not be necessary; Action to terminate a manager will continue to require Board action.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Delete permissible investments section.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Increase goals for MWDBE firms of actively managed assets.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Increase goals for the utilization of MWDBE broker/dealers to US and non-US equity and Fixed Income. Additionally, a new minimum brokerage expectation for non-US and US equity managers was established</td>
</tr>
<tr>
<td></td>
<td>September 13, 2013</td>
<td>Updated to:</td>
</tr>
<tr>
<td>---</td>
<td>------------------</td>
<td>-------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Revise Strategic Policy allocation targets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Update language to be consistent with legislation (40 ILCS 5/1-113.14) about when a search for investment managers is deemed necessary. Contracts for follow-on funds with the same fund sponsor through closed-end funds are exempted from the customary proposal process.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Fulfill statutory requirement to review goals for the utilization of MWDB managers and broker/dealers.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>September 19, 2014</th>
<th>Updated to:</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>• Reflect new Strategic policy targets and adjusted (interim) targets</td>
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<tr>
<td></td>
<td></td>
<td>• Note the disclosure requirements for prospective consultants, investment management, and private market candidates set forth in PA 98-1022.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflect the completion and liquidation of the Public/Private Investment Program investments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflect changes to the Securities Litigation Policy due to ongoing involvement of the Illinois Attorney General's office in security litigation matters.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increase the goals of MWDBE firms and brokerages in light of passage of P.A 98-1022.</td>
</tr>
<tr>
<td>12</td>
<td>September 11, 2015</td>
<td>Updated to:</td>
</tr>
<tr>
<td>----</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Clarify role definitions and responsibilities for manager monitoring.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflect new Strategic policy targets and adjusted (interim) targets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Accurately describe the role, investment structure, diversification, and benchmarks of each asset class.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• No longer require annual investment manager approval by the Board. The Board will continue to approve the hiring/termination of investment managers, and staff will continue to conduct annual manager reviews and bring any significant issues/changes to the Board’s attention.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Note the statutory exclusions to the search process requirements for qualified fund of funds management services and investments in follow on funds to closed end funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Eliminate the use of an Investment Manager Watch List.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increase goal of MWDBE firms for Alternative Investments</td>
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</table>

<table>
<thead>
<tr>
<th>13</th>
<th>December 9, 2016</th>
<th>Updated to:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Formalize performance targets for investment managers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Re-institute Manager Watch List as well as clarification on manager termination processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Define process for decision making related to the use of active management in asset classes and/or sub-asset classes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Specify requirements for quarterly and annual reporting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Revise corporate governance section to reflect recent change in practice regarding proxy voting of domestic securities and clarification of authority to settle claims and lawsuits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Create several appendices for items that are periodically revised as well as the addition of a glossary of defined terms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Adjust goals for MWDBE firms and broker/dealers</td>
</tr>
</tbody>
</table>
| 14 | June 9, 2017 | Updated:  
- Board shall periodically establish Performance Targets for each Manager. |
| 15 | December 8, 2017 | Updated: Manager Utilization Goals for Minority-owned Broker/Dealers |
| 16 | March 9, 2018 | Removed procurement related portions of Section VII **Selection and Retention** Investment Policy into a new Procurement Policy |
| 17 | April 18, 2019 |  
- Reframed the allocation IPS framework from “asset” classes to “strategic” classes.  
- Substantially re-wrote the Portfolio Construction and Performance Benchmarks section.  
- Made major edits to the Real Assets and Opportunity Fund class structure (Infrastructure out Opportunity Fund class).  
- Updated Appendices 4 with new strategic allocation as an outcome of 2018 Asset-Liability Study and 5 (updated to reorganize the key asset classes under their broader strategic classes; also adjusts policy benchmarks for several class portfolios. |
<p>| 18 | June 7, 2019 | Updated Section VI Portfolio Construction and Performance Benchmarks |</p>
<table>
<thead>
<tr>
<th>Date</th>
<th>Update Details</th>
</tr>
</thead>
</table>
| September 13, 2019 | • Renamed the Public Equity Structure section to “Traditional Growth” and revising policy language pertaining to this class. Provide Staff with flexibility to allocate assets across U.S., Non-U.S., and Global regional mandates and (ii) to adopt a broad Global Equity benchmark, presented in Appendix 5.  
• Re-organized Section VI of the IPS to completely reflect the new strategic allocation structure. Appendix 4 reflects implementation of the new strategic structure, to begin 4Q 2019(10/01/2019).  
• Updated Appendices 6-8 of the IPS to reflect updated diversity goals. |
| October 17, 2019 | Updated the Inflation Sensitive functional class structure to remove commodities                                                                 |
| December 6, 2019 | Updated for:  
• Sustainability Investing Act (40 ILCS 5/1-113.17) to integrate sustainability factors in the investment decision-making processes.  
• Clarifying definitions and the use of leverage and diversification in Real Assets.  
• Private Equity changes reflect the change from investing predominately in fund of funds to direct investments via separate accounts and allowing for co-investments and secondaries. The benchmark for the Private Equity was changed to MSCI ACWI IMI plus 2%.  
• MWDBE Goals  
• Committing to a goal for minorities and females of 20% for new allocations in private alternative investments instead of a range of 0-20%. |
<p>| January 30, 2020 | Updated to remove reference to Performance Targets, Active Manager Premiums and Manager Status.                                                                 |
| December 4, 2020 | Reviewed and updated Diversity Goals                                                                                                      |</p>
<table>
<thead>
<tr>
<th>Date</th>
<th>Update Details</th>
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</thead>
</table>
| January 29, 2021 | Updated to  
- Reflect the addition of private credit within the Stabilized Growth Asset Class.  
- Specify the benchmark for private credit and update the benchmark for Options Strategies.                                                                 |
| September 10, 2021 | Updated Corporate Governance section  
Added language to reflect recently approved legislation (P.A. 102-97) that exempts contracts for investment services with an emerging investment manager provided through a qualified manager of emerging investment managers from certain requirements under the Illinois Pension Code.  
Updated Appendix 1 and 4 to reflect updated assumed rates of return and strategic policy targets |
| November 17, 2021 | Updated to amend the Investment Committee definition to include all members of the Board                                                                                                                     |
| April 21, 2022   | Updated to reflect Strategic Policy Targets in Appendix 4  
Updated benchmarks within the public credit portfolio                                                                                                   |
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<th>September 15, 2022</th>
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<td>• Amended Section 5.A. to delegate authority to staff to approve premium spend for Tail Risk strategies and revise nomenclature of the Master Trustee/Custodian role to “Master Custodian”</td>
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<tr>
<td></td>
<td></td>
<td>• Revised Section 5.C. to reflect change risk reporting source from Northern Trust to the Aladdin system</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Information added to Section 5.D.6 on new Long Volatility and Tail Risk Strategies in the CRO Portfolio</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Updated Section 5.E manager evaluation section to remove reference to Manager Evaluation Reports and require that staff communicate significant concerns to the Board, consistent with current practice</td>
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<tr>
<td></td>
<td></td>
<td>• Revised Section 5.K.3 to remove redundant language describing MDP manager evaluation process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Exhibits amended to remove glossary, update policy targets to reflect current portfolio allocations, and edit benchmarks to include adding new strategies (Long Volatility/Tail Risk) and eliminating timberland (no longer in portfolio)</td>
</tr>
<tr>
<td>Section</td>
<td>Page No.</td>
<td>Description</td>
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<td>-------------</td>
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<tr>
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<td>Statement of Purpose of Investment Policy</td>
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<td>/ 11</td>
<td>Applicability</td>
</tr>
<tr>
<td>3.</td>
<td>/ 11</td>
<td>Directives</td>
</tr>
<tr>
<td>4.</td>
<td>/ 13</td>
<td>Definitions</td>
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<tr>
<td>5.A.</td>
<td>/ 13</td>
<td>Role Definitions</td>
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<tr>
<td></td>
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<td>• Board of Trustees</td>
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<td>• Investment Committee</td>
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<td></td>
<td></td>
<td>• Executive Director</td>
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<td>• External Investment Consultants</td>
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<td>• Master Custodian</td>
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<td>• General Counsel’s Office</td>
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<td>• External Counsel</td>
</tr>
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<td>5.B.</td>
<td>/ 16</td>
<td>Strategic Allocation and Rebalancing Strategy</td>
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<tr>
<td>5.C.</td>
<td>/ 18</td>
<td>Investment Risk Management</td>
</tr>
<tr>
<td>5.D.</td>
<td>/ 19</td>
<td>Portfolio Construction and Performance Benchmarks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Broad Growth Class and Its Underlying Components</td>
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<tr>
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<td>• Principal Protection Class Structure</td>
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<td></td>
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<td>• Inflation Sensitive Class Structure</td>
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<td>• Crisis Risk Offset Class Structure</td>
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<td>• Investment Manager and Fund Monitoring</td>
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<td>5.F.</td>
<td>/ 41</td>
<td>Investment Manager Termination Guidelines</td>
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<td>5.G.</td>
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<td>Performance Evaluation and Reporting</td>
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<td>5.H.</td>
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<td>Safeguard of Assets</td>
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<td>/ 46</td>
<td>General Investment Restrictions and/or Guidelines</td>
</tr>
<tr>
<td>5.J.</td>
<td>/ 46</td>
<td>Corporate Governance</td>
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<td></td>
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<td>• Proxy Voting Guidelines</td>
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<tr>
<td></td>
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<td>• Policy Voting Reports</td>
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<td>• Securities Litigation Policy</td>
</tr>
<tr>
<td>5.K.</td>
<td>/ 50</td>
<td>Emerging Investment Managers, MWDBE Managers and Minority-Owned Broker/Dealers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Goals for Utilization of Emerging Investment Managers and MWDBE Managers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Goals for Utilization of Minority-Owned Broker/Dealers</td>
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<tr>
<td></td>
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<td>• Manager Diversity Program</td>
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<td>• Manager-of-Managers Program</td>
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<tr>
<td></td>
<td></td>
<td>Exhibits</td>
</tr>
</tbody>
</table>

Page 11 of 66
1. **Policy Statement**  
   **A.** This document specifically outlines the investment philosophy and practices of the State Universities Retirement System ("**SURS**" or the "**System**") and has been developed to serve as a reference point for the management of the Defined Benefit Plan.  
   **B.** The Strategic Objectives of this Policy are as follows:  
   1. Achieve long-term, sustainable, investment performance necessary to meet or exceed the System’s Assumed Rate of Return (set forth in Exhibit 1, net of investment management fees);  
   2. Manage the risk and volatility of financial assets in the Portfolio;  
   3. Control fees and expenses related to managing the Portfolio;  
   4. Manage Staff operational expense at a prudent level;  
   5. Manage the System’s Liquidity, in order to meet Member and other System obligations in a timely manner;  
   6. Provide ongoing financial education to the Board and Staff in order for them to carry out their responsibilities; and  
   7. Comply with all applicable laws and regulations applicable to the investment of the Portfolio.  

2. **Departments and/or Staff Positions Required to Comply with Policy:**  
   All Investment Department Staff, Legal Staff, Executive Director, and Trustees are required to read and comply with this Policy.  

3. **Directives**  

<table>
<thead>
<tr>
<th>Is Policy internal only?</th>
<th>Does Policy Include any Reporting Requirements for Stoplight Report?</th>
<th>Citation to Statutory Mandates, if applicable</th>
</tr>
</thead>
</table>
| No                       | Investment Information Report must be posted monthly on SURS’ website and updated at least monthly by the 15th of each month | Accountability for the Investment of Public Funds Act, 30 ILCS 237/10  
*Also applies to DC Policy* |

Page 12 of 66
<table>
<thead>
<tr>
<th>No</th>
<th>Adviser/consultant fees, commissions, penalties, and other compensation must be disclosed to the board of trustees quarterly</th>
<th>Pension Code, 40 ILCS 5/1-113.14(e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>SURS must develop, and quarterly post to website, uniform documents to be used for the solicitation, review, and acceptance of all investment services.</td>
<td>Pension Code, 40 ILCS 5/1-113.14(f)</td>
</tr>
<tr>
<td>No</td>
<td>Investment services contract descriptions must be updated on SURA website quarterly</td>
<td>Pension Code, 40 ILCS 5/1-113.14 (g)</td>
</tr>
<tr>
<td>No</td>
<td>Annually by April 1, SURS must provide the Illinois Investment Policy Board with information regarding investments sold, redeemed, divested, or withdrawn in accordance with Section 5/1-110.16 prohibited transactions</td>
<td>Pension Code, 40 ILCS 5/1-110.16 (g)</td>
</tr>
<tr>
<td>No</td>
<td>Updates or changes to Policy must be filed with the Illinois Department of Insurance within 30 days of adoption</td>
<td>Pension Code, 40 ILCS 5/1-113.17</td>
</tr>
<tr>
<td>No</td>
<td>Economic Opportunity Investments report must be submitted by September 1 to the Governor and the General Assembly</td>
<td>Pension Code, 40 ILCS 5/1A-108.5</td>
</tr>
<tr>
<td>No</td>
<td>By January 1, SURS must make an Emerging Investment Managers Report to the Governor and General Assembly</td>
<td>Pension Code, 40 ILCS 5/1-109.1</td>
</tr>
</tbody>
</table>

*Also applies to DC Policy*
<table>
<thead>
<tr>
<th>No</th>
<th>No later than January 1 annually, the following Consultant Disclosures must be made to the Board:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Manager search information and • Compensation and economic opportunity received</td>
</tr>
<tr>
<td>No</td>
<td>SURS must provide Illinois finance entity annual certification to the Public Pension Division of the Department of Financial and Professional Regulation</td>
</tr>
<tr>
<td>No</td>
<td>Annual submission of ADV Form by Investment Advisors</td>
</tr>
<tr>
<td>Yes</td>
<td>Investment Update Report must be posted online within 75 days after months’ end</td>
</tr>
<tr>
<td>Yes</td>
<td>Managers’ annual certification of fiduciary duty and proof of insurance (as required by SURS contracts)</td>
</tr>
</tbody>
</table>

### 4. Definitions

N/A

### 5. The Policy

#### A. Role Definitions

The following sections outline the roles of the principal parties involved, their responsibilities and performance evaluation.

**Board of Trustees**

The Board is responsible for establishing the Policy for the System and overseeing the investment of the Portfolio and the expenditures required to
meet System obligations. Specifically with regard to investments, the Board takes action based on information presented at Board and/or Investment Committee meetings and after considering recommendations made by Staff or Consultants. The Board maintains a long-term investment focus and has adopted a formal review schedule, as set forth in Exhibit 2, which is attached hereto and incorporated herein.

**Investment Committee**

The Investment Committee shall be comprised of all of the members of the Board and shall be empowered to act as the Board with respect to the broad range of issues covered by this Policy including, but not limited to, those set forth in this Investment Policy.

**Executive Director**

The Executive Director, in connection with such person’s duties regarding this Investment Policy, shall be responsible for the following, among other things:

1. Execution of agreements and contracts, and amendments thereto, with Board-approved Managers, Consultants, Custodians and Vendors;

2. Ensuring that funds are invested in accordance with Board policies;

3. Communicating with the Board, its Officers and Investment Committee chair;

4. Studying, recommending, and implementing policy and operational procedures that will enhance SURS investment program;

5. Monitoring the performance of the Portfolio and the Staff; and

6. Ensuring that proper internal controls are developed to safeguard the assets of the System.

**Internal Investment Staff**

The internal investment staff (“Staff”) provides internal investment management and/or consulting services to the Board and Investment Committee, implements Board decisions and manages the Portfolio, consistent with this Policy. Staff is expected to provide written recommendations to the Board and Investment Committee on investment related matters.
The Chief Investment Officer ("CIO") heads the Staff and oversees the performance of its members. The CIO reports to the Executive Director, but works directly with the Board and the Investment Committee on Policy-related issues.

The primary functions delegated by the Board to the CIO and the Staff may include, but are not limited to, working with the Executive Director and the Board to implement this Investment Policy and Board decisions made in connection with the Investment Policy. In connection therewith, Staff will be expected to manage cash-flow and liquidate assets, as necessary to pay benefits and other System obligations; to approve premium renewal costs for the Tail Risk program, with approval of the Consultant and in accordance with Board-approved premium spend ranges; to approve revisions to Manager Guidelines, with the approval of the Consultant and General Counsel; to serve on advisory boards where in the best interests of the System; to respond to inquiries relating to the Portfolio in accordance with SURS' communications policies; and to complete other administrative duties related to the operation of the Portfolio, not inconsistent with this Investment Policy.

**External Investment Consultants**

The Board may retain an investment advisor who is a paid, professional consultant ("General Consultant") and who is qualified to provide the Board with investment advice by academic and professional training and experience and is considered an expert in the field of investment and finance. The Board may also elect to retain one or more additional Consultants ("Specialty Consultants," together with the General Consultant, the "Consultant") that specialize in specific areas of asset consulting. Each Consultant's relationship with the Board shall be that of a fiduciary under 40 ILCS 5/1-101.2(2).

Consultants are hired by, and report directly to, the Board. Their duties are to work with the Board, Investment Committee and its chair, and Staff in the management of the investment process. Consultants are expected to provide written recommendations to the Board and Investment Committee on investment related matters.

An annual review of each Consultant will be conducted by the Board, with input from the Staff.

**External Investment Managers**

External investment managers ("Managers") are selected by, and serve at the pleasure of, the Board. Staff implements the Board’s decisions through negotiation, execution and enforcement of Investment Management
Agreements, including Manager Guidelines. Staff works with consultants to design Manager Guidelines specific to Board-approved assignments. Duties of Managers include, but may not be limited to, those set forth in Exhibit 3, attached hereto and incorporated herein. Each Manager’s relationship with the Board shall be that of a fiduciary under 40 ILCS 5/1-101.2(2).

Criteria for selection, retention and termination of Managers are covered in Sections 5.E. and 5.F. hereinafter.

**Master Custodian**

The Master Custodian ("Custodian") is selected by, and serves at the pleasure of, the Board. The Custodian will, among other duties, collect income and keep safe all cash and securities, and will regularly summarize these holdings, along with both their individual and collective performance, for Staff’s review. The Custodian will provide data and performance reports to the Staff and Consultants at requested intervals. In addition, a bank or trust depository arrangement will be utilized to and hold cash prior to allocating it to Managers and to invest such cash in liquid, short-term securities in accordance with Manager Guidelines. Pursuant to approved Strategic Policy Targets, Staff will direct the Custodian to allocate cash and/or securities to the System’s Managers as necessary. The Custodian may also, with the approval of the Board and at the direction of the Staff, engage in a Securities Lending program. Alternatively, the Board may choose to retain a third-party firm to provide Securities Lending services.

**General Counsel’s Office**

The role of the General Counsel’s office is to oversee internal and external legal services provided to the System in connection with this Policy and to ensure compliance with all applicable legal requirements.

**External Counsel**

External Counsel may be retained to provide legal services in connection with the review and negotiation of Investment Management Agreements or investment transactions where specialized experience is required, or General Counsel Office resources are unavailable.

**B. Strategic Allocation and Rebalancing Strategy**

**Purpose**

The purpose of the Strategic Allocation and Rebalancing Strategy is to establish a framework that has a high likelihood, in the judgment of the Board, of realizing the System’s long-term funding success.
Targets and Ranges

Strategic Allocation involves establishing Target Allocation Percentages for each approved Strategic Class and their sub-class components. Target Allocation Percentages are established and amended from time-to-time by the Board, based on recommendations from the General Consultant. Target Allocation Percentages are selected based upon a review of various combinations of Strategic Classes and their respective Components designed to sustain the System’s funding progress while incurring an acceptable level of risk.

In developing its recommendation, the General Consultant takes into consideration Expected Returns, Volatility of Returns and Covariance of Returns, and certain scenario and liquidity risks. SURLS’ current Strategic Policy Target and Interim Policy Target Percentages are set forth in Exhibit 4.

The Interim Policy Target may change over time and reflects the necessity of a gradual shift of assets to the Strategic Policy Target, due to practical implementation considerations and Liquidity constraints. Staff has discretion to gradually adjust the Interim Policy Targets toward the Strategic Policy Targets.

Rebalancing

Investment returns on each Strategic Class in the portfolio (both positive and negative) cause the balance of each such Strategic Class to increase/decrease. Such changes cause the resultant Strategic Class Percentages to deviate from the Strategic Policy Target, potentially requiring Rebalancing.

Rebalancing shall automatically occur whenever a Strategic Class is three (3) percentage points greater or lesser than the Strategic Policy Target level or when the overall Broad Growth allocation deviates from the aggregate Broad Growth target by more than five (5) percentage points. Rebalancing may also be initiated by the Staff as part of its annual review or at any time when Strategic Class Percentages deviate significantly from Strategic or Interim Policy Targets, as applicable. Rebalancing may also occur in the event of a change in the Strategic Policy Target mix by the Board.

Rebalancing, when required, shall occur as soon as practical and may be facilitated by the use of a Cash Overlay Manager approved by the Board. In the event of extraordinary market events that (i) result in Strategic Class Percentages deviating significantly from Strategic Policy Targets or Interim Policy Targets, as applicable, but (ii) prevent the implementation of Rebalancing activities, Staff may request from the Board temporary exceptions to these guidelines.
Because certain Strategic Classes and sub-class Components are illiquid or less liquid than others, it may be costly or impractical to rebalance in the short term. Accordingly, qualitative considerations (e.g., transaction costs, liquidity needs, investment time horizons, etc.) will be considered in determining the potential timing and extent of Rebalancing to the extent illiquid/less liquid Strategic Classes/Components require adjustment.

The Target Allocation Percentages shall be established at a reasonable cost, recognizing that overly precise administration of policy targets can result in transaction costs that are not economically justified.

Consequently, the Board accords the Staff discretion to take those actions which, in the judgment of the Staff, are within the spirit of these guidelines and in the best interest of SURS. Staff will report the results of Rebalancing activity to the Investment Committee at the next regular Investment Committee meeting.

**Periodic Review**

The Target Allocation Percentage will be reviewed annually for reasonableness relative to changes in the General Consultant’s recommendation. The Board will undertake a comprehensive review of the Strategic Allocation policy every three to five years, or to the extent there are any significant changes made to the System's Strategic Objectives. This review will take into consideration the ongoing effectiveness of the Consultant’s recommendation, an updated Asset/Liability Study, System Liquidity and other factors that may influence the Strategic Policy Target or Rebalancing strategies.

**C. Investment Risk Management**

**Risk Oversight**

Investment risk shall be undertaken in order to achieve long-term investment objectives. The Board shall monitor investment risk and set guidelines for the Staff to manage such risk within acceptable tolerance levels.

**Portfolio Risk**

Risk levels within the Portfolio will evolve over time for various reasons, including (but not limited to) changes in: (i) Strategic Allocation; (ii) volatility in Strategic Class/Component returns; (iii) Strategic Class/Component relationships; and (iv) portfolio Liquidity.

**Other System Risks**

The System also incurs risks associated with: (i) amount and timing of Appropriation payments; (ii) the amount and timing of Member benefits and other System obligations; and (iii) changes in the System’s Asset/Liability Position.
Risk Monitoring

Portfolio risk shall be monitored through multiple forms of analysis. Analysis will occur at various levels of detail, including individual Manager, Strategic Class and Total Portfolio.

For public market portfolios, individual Managers will be reviewed quarterly using risk measures that may include: (i) Beta; (ii) Standard Deviation; (iii) Tracking Error and (iv) R-squared. For private markets, individual Managers will be periodically reviewed using risk measures tailored for each Asset Class.

For major Strategic Classes and their Components, the Board will review quarterly risk measures that may include Standard Deviation.

For the Portfolio as a whole, the Board will review on a quarterly basis various risk measures that may include: (i) Actual vs. Target Allocation Percentages; (ii) Total Portfolio Risk; (iii) Market Risk Levels; (iv) Market Sentiment Indicators; (v) Value at Risk; (vi) Portfolio, Benchmark, and Active Risk; and (vii) Liquidity Profile.

Other system risk metrics may include: (i) System Cash Flow analysis and (ii) Asset/Liability gap analysis.

To the extent that risk thresholds at the individual Manager, Strategic Class or Portfolio level exceed those established by the Board, Staff will recommend remedial action for Board approval at the next scheduled Board Meeting.

Reporting

Reports will be assembled on a quarterly basis by Staff, Consultant or Custodian, as applicable and provided to the CIO for review. Summary reports will be assembled and presented to the Investment Committee on a quarterly basis.

D. Portfolio Construction and Performance Benchmarks

The Board has adopted Target Allocation Percentages in accordance with its Strategic Allocation and Rebalancing strategy described in Section 5.B. hereinabove. Within each Strategic Class, the Board will determine (i) the amount of such class that will be managed internally vs. externally; (ii) managed actively vs. passively; (iii) allocated to a particular sub-class, sector or style, if any, and (iv) allocated to each approved Manager. Strategic Class allocations will be reviewed annually in connection with the Target Allocation Percentage review.

The choice of internal vs. external management shall be based on a periodic comparison of (i) the cost and availability of qualified Staff and systems support and (ii) the cost and availability of Managers. Currently, the Board makes exclusive use of external Managers.
The portfolio will be managed in a combination of active and passive management. Active management will be used to a greater extent in less efficient markets while passive management will be used more heavily in more efficient markets.

Amounts allocated to each Manager, within a Strategic Class, sub-class, sector or style shall be based on: (i) the total dollar amount to be allocated to such category; (ii) the relative ongoing performance of applicable Managers; (iii) the unique attributes of such Manager’s investment style and potential benefits from diversification; and (iv) the overhead cost of managing the number of Managers within such category. Subject to SURES’ MWDBE Manager Utilization Goals and Manager Diversity Program, the Board has a bias toward fewer Managers and more meaningful allocations.

Managers selected by the Board will be given specific roles within each Strategic Class, sub-class, sub-sectors, and styles, as applicable. These roles are specifically set forth for each firm as Manager Guidelines, established at the beginning of the relationship with SURES as part of the contract negotiation process. These guidelines cover such items as Benchmarks, permissible investments, use of leverage, obligor concentrations, currency denomination, etc. Staff and Consultant will be responsible for implementation of these guidelines, supervision of the Managers, performance monitoring and reporting. Updates will be provided to the Board or Investment Committee as requested, or as deemed necessary by Staff and Consultant.

**Broad Growth Class and Its Underlying Components**

The Broad Growth Class is expected to generate relatively high levels of absolute and real (i.e., inflation-adjusted) returns, net of all costs. The Broad Growth Class is considered the main return driver of the overall/aggregate total SURES investment portfolio. While over time volatility is expected, the Broad Growth class must achieve its relatively high returns on a sustainable basis in order for the overall SURES pension plan to achieve its long-term objectives. In addition, each of the three Broad Growth components (described below) are expected to produce relatively high returns when compared to other SURES class portfolios.

The Broad Growth class consists of three components:
- Traditional Growth
- Stabilized Growth, and
- Non-Traditional Growth.

The structures and roles of these three components are described in detail below. Allocation levels to the Broad Growth Class and its three components are set forth in Exhibit 4. The structure of each major components should cause investment performance outcomes to be complementary of the respective outcomes of the
other two components, allowing for a more robust and sustainable long-term growth path for the combined SURS growth-oriented assets.

1. **Traditional Growth Component Structure**

   a. Role

   The Traditional Growth portfolio is expected to generate attractive absolute returns in a relatively low-cost manner. The Traditional Growth portfolio also typically invests in securities that exhibit reasonable levels of Liquidity.

   b. Investment Structure

      i. The Traditional Growth allocation consists of a highly diversified mix of publicly traded global Equities. Common stocks, preferred stocks, or other Equity securities are typically utilized.

      ii. The public Equity portfolio is composed of U.S., non-U.S. and global Equity segments.

         o U.S. Equities
            Managers invest primarily in publicly traded Equity securities of U.S. companies.

         o Non-U.S. Equities
            Managers invest primarily in publicly traded Equity securities of non-U.S. companies, in both developed and emerging markets.

         o Global Equities
            Managers invest primarily in publicly-traded Equity securities across the U.S. and non-U.S. markets, in both developed and emerging markets.

      iii. Allocation

         The allocations to the above subcomponents of Traditional Growth portfolio are overseen and managed by Staff. To ensure consistency with investment policy, overall regional allocations (e.g., the allocation proportion to the U.S. versus non-U.S. regions and/or developed vs. emerging markets, etc.) of the Traditional Growth portfolio will be assessed versus the commensurate proportional allocation levels exhibited within the MSCI ACWI IMI Index, the Benchmark for the overall Traditional Growth portfolio. Taking these considerations into account, Staff has discretion to manage the allocation levels among the above three portfolio segments.
iv. Assets may be held in Commingled Funds or privately managed Separate Accounts.

v. Use of leverage will be controlled as appropriate in the Manager’s Guidelines.

vi. Implementation of the Traditional Growth portfolio is via a combination of Active Management and Passive Management. Allocation to active and passive mandates takes market efficiency into account across and/or within the above three major Traditional Growth segments.

c. Benchmarks

Benchmarks for the Traditional Growth portfolio and its three subcomponents are set forth in Exhibit 5. Benchmarks for specific subcomponent, sector, style, and/or manager portfolios will be established to ensure consistency with both the overall Traditional Growth benchmark as well as the specific subcomponent Benchmark under which the portfolio resides.

2. Stabilized Growth Component and Its Underlying Sub-Components

The Stabilized Growth Component is expected to earn Risk-Adjusted returns in excess of the Traditional Growth Component, primarily as a result of (i) achieving absolute return levels that are near-or-equivalent to those achieved by the Traditional Growth component while also (ii) achieving lower volatility (risk) over a full investment cycle, particularly during Traditional Growth bear markets.

The Stabilized Growth component consists of four sub-components:

- Options Strategies,
- Public Credit,
- Private Credit, and
- Real Assets.

The structures of these four sub-components are described below. Allocation levels to the Stabilized Growth component and its sub-components are set forth in Exhibit 4.

a. Options Strategies Structure

i. Role

The Options Strategies portfolio is expected to provide similar, but higher Risk-Adjusted Returns than public equity. This expectation should be due
to these strategies (i) producing compound returns that are modestly below traditional long-only public equities over a full investment cycle while (ii) also incurring significantly lower volatility than long-only public equity. In addition, Options Strategies produce a return pattern that is significantly different from traditional public equity over time – specifically, periodic outlying returns should be reduced. In summary, Options Strategies are utilized to achieve downside protection and risk mitigation to the overall SURS Portfolio (and, in particular the traditional public equity portfolio).

ii. Investment Structure

- SURS has implemented its initial Options Strategies through direct allocations to multiple managers that exhibit specific expertise in this strategy.

- The aggregate Options Strategies portfolio consists of managers that apply a limited range of collateral-supported options selling programs (i.e., (i) writing call options associated with a specified long position in an equity index fund or long positions of specified equity securities or (ii) writing index put options associated with a commensurate level of cash or very-near-cash collateral).

- The Options Strategies portfolio may seek to invest globally across U.S. and non-U.S. markets, replicating the general risk characteristics of industry-standard equity market indices.

- Within the portfolio, the account structure utilized may be a blend of separate account(s) and fund(s), depending on the assigned strategy/mandate.

- Leverage is not typically employed in Options Strategies. Any degree of leverage requires SURS Board approval.

- Implementation of the Options Strategies portfolio is via Active Management.

iii. Benchmarks

Benchmarks for the Options Strategies portfolio are set forth in Exhibit.
b. Public Credit Structure

i. Role

The public credit portfolio is expected to provide income, yield and diversification to the total Portfolio due to a moderate correlation with other Asset Classes. In addition, the public Credit portfolio is expected to provide return, a source of Liquidity, and positive returns relative to an appropriate performance Benchmark.

ii. Investment Structure

1. The Credit allocation consists of a diversified mix of publicly traded Credit securities, invested across multiple asset types.

   - Quality standards, such as credit, concentration, duration, liquidity, etc., will be specifically set forth in each Manager's Guidelines, as applicable. In the event a security no longer meets the quality standards referenced above, the Manager may continue to hold such security if it believes doing so is in the best interest of SURS. The Manager shall provide written justification of the action to Staff and Consultant as soon as practicable.

2. The public credit portfolio is composed of Global Investment Grade, High Yield, Global Bank Loans and Emerging Market Debt (“EMD”) segments.

   - Global Investment Grade
     - Managers may invest primarily in global investment grade securities of corporation and governmental agencies.
     - Global Investment Grade is defined as those with a rating of at least “BBB-” or equivalent by two or more of the credit rating agencies.

   - High Yield
     - Managers are permitted to invest in high yield bonds with an understanding that these bonds provide greater risk, potential for capital loss but with greater potential yield/return.
     - High Yield bonds are defined as those that are rated lower than “BBB-” by at least one of the credit rating agencies.
Global Bank Loans

- Managers may invest in global bank loan debt

EMD

- Managers invest in Investment Grade corporate and high yield debt securities of emerging market countries, in both U.S. dollar and local currency terms, providing additional diversification and opportunities for higher yield.

3. Allocation

- The policy targets for the subcomponents of the portfolio are set forth in Exhibit 4.

4. Assets may be held in Commingled Funds or privately managed Separate Accounts.

5. Use of leverage and short sales will be controlled as appropriate in the Manager’s Guidelines.

6. Implementation of the Credit portfolio is via Active Management.

iii. Benchmarks

Benchmarks for subcomponents of the Fixed Income portfolio are set forth in Exhibit 5.

c. Private Credit Structure

i. Role

The Private Credit portfolio is expected to earn absolute returns in excess of the Public Credit markets over time, reflecting a modest illiquidity premium. The Private Credit portfolio is also expected to produce stable income and downside collateral protection.

ii. Investment Structure

1. The Private Credit allocation is generally defined as non-bank financing and/or private placements while incorporating multiple collateral types (including but not limited to corporate credit,
mortgage credit, structured credit, specialty finance, asset-based, and consumer credit) and strategies.

2. The Private Credit portfolio is composed of two major subcomponents.
   - Yield-Oriented
     - Yield-Oriented investment strategies target primary/origination-based transactions that focus on generating returns through performing cash flows.
   - Opportunistic
     - Opportunistic investment strategies target secondary/asset purchases that rely more heavily on generating returns through appreciation.

3. Allocation
   - The Private Credit portfolio shall be diversified by time, subclass, manager, collateral, and geography.
   - Such diversification is expected to enhance returns and control risk.

4. The account structure is typically in commingled Closed-end Funds, but may utilize other structures such as evergreen vehicles including Separate Accounts and/or Fund of Ones.

5. Leverage may be utilized by some Private Credit strategies.

6. Implementation of the Private Credit portfolio is via Active Management.

   iii. Benchmarks

   Benchmarks for the Private Credit portfolio are set forth in Exhibit 5.

d. Real Assets Structure

   i. Role

   The Real Asset portfolio is expected to generate attractive Risk-Adjusted Returns through stable income and the opportunity for
capital appreciation, while providing diversification to the overall Portfolio.

ii. **Investment Structure**

1. The Real Asset allocation consists of Core/Core-Plus Real Estate and Core/Core-Plus Infrastructure.

   o **Core Real Estate**
     
     ▪ Core Real Estate Managers typically invest in properties that are well located and well leased with strong quality tenants. Core investments provide stable income with lower volatility.

   o **Core-Plus Real Estate**
     
     ▪ Core-Plus Real Estate Managers typically invest in properties that are well located and may have re-financing, re-leasing or refurbishment requirements. Core-Plus strategies may have modestly higher leverage than Core strategies. Core-Plus investments should provide moderate income. Core-Plus Real Estate may have modestly higher return expectations that Core Real Estate.

   o **Core Infrastructure**
     
     ▪ Managers typically invest in a variety of assets in the transportation, power/utilities, midstream energy, renewables, communications, and waste management sectors globally. Core investments should exhibit low-to-moderate levels of leverage, as well as income and appreciation return orientation. Core investments should provide stable income with lower volatility.

   o **Core-Plus Infrastructure**
     
     ▪ Managers typically invest in a variety of assets in the transportation, power/utilities, midstream energy, renewables, communications, and waste management sectors. Core-plus investments typically exhibit moderate levels of leverage, as well as income and appreciation return orientation. Core-plus infrastructure may have modestly higher return expectations than Core infrastructure.
2. Allocation
   o The policy allocation for the Core/Core-Plus Real Estate is 85% of the Real Assets component, with a range of 75-100%.

3. The account structure for Core/Core-Plus Real Estate and Infrastructure is typically either Open-end Funds or Closed-end Funds. SURS may also participate through Fund-of-Funds structures, which provide further Manager diversification and the opportunity for co-investment and secondary fund opportunities.

4. Leverage is an inherent component of Real Assets investing and levels are generally determined on a fund-level basis. Leverage levels in Core/Core-Plus Real Assets are typically lower than those for Non-Core Real Assets.
   o Core/Core-Plus Real Estate: funds may have up to 40% leverage, maximum of 50%
   o Core/Core-Plus Infrastructure: funds generally do not have stated leverage limitations

5. Diversification
   o Core/Core-Plus Real Estate: Portfolio will be broadly diversified and measured against the NCREIF Fund Index - Open End Diversified Core Equity ("NFI-ODCE") Value Weighted Index property type weightings (office, retail, industrial, apartment, other)
   o Core/Core-Plus Real Estate: Portfolio will be broadly diversified and measured against the NFI-ODCE Value Weighted Index regional weightings (East, South, West, Midwest)
   o Infrastructure: Minimum 75% invested in Organisation for Economic Co-operation and Development ("OECD") countries
   o Up to 25% of the Real Asset allocation may be invested outside the U.S.
6. The Real Assets portfolio is implemented via Active Management. SURS will seek to diversify the portfolio by utilizing various Managers and limiting a Manager’s concentration within the portfolio. Subject to Emerging Investment Manager and MWDBE Utilization Goals and Board exception, concentration limits are set forth in Exhibit 4. The optimal number of investment vehicles in the portfolio and their vintage year exposure varies with market opportunities and will be evaluated as part of the Real Assets Strategic Plan and Pacing Model developed by Staff and Consultants.

iii. Benchmarks

Benchmarks for subcomponents of the Real Assets portfolio are set forth in Exhibit 5.

3. Non-Traditional Growth Component and its Underlying Sub-Components

The Non-Traditional Growth Component is expected to earn Risk-Adjusted returns in excess of the Traditional Growth Component, primarily due to the Liquidity Premium demanded by investors across various types of private markets.

The Non-Traditional Growth component consists of two sub-components:

- Private Equity
- Non-Core Real Assets

The structures of these two sub-components are described below. Allocation levels to the Non-Traditional Growth component and its two sub-components are set forth in Exhibit 4. Specific manager/partnership investments and allocations are overseen by SURS’ specialty consultants.

a. Private Equity Structure

i. Role

The Private Equity portfolio is expected to earn Risk-Adjusted Returns in excess of the public Equity markets, primarily due to the Liquidity Premium demanded by investors. The Private Equity portfolio is also expected to decrease the volatility of the Portfolio, through the diversification benefits of having lower correlations with other Asset Classes.

ii. Investment Structure

1. The Private Equity allocation generally consists of investments into private companies, either directly or through limited partnership
interests of pooled vehicles covering the broad spectrum of private investments as follows in ii(2).

2. The Private Equity portfolio is composed of three major subcomponents.

   o Venture Capital/Growth
     ▪ Venture capital partnerships primarily invest in businesses still in the conceptual stage (start-up or seed) or where products may not be fully developed, and where revenues and/or profits may be several years away.
     ▪ Growth/later-stage venture capital partnerships typically invest in more mature companies in need of growth or expansion capital.

   o Buyout
     ▪ These partnerships provide the equity capital for acquisition transactions either from a private seller or the public, which may represent the purchase of an entire company, or a refinancing or recapitalization transaction where Equity is purchased.

   o Other
     ▪ Mezzanine/subordinated debt partnerships provide the intermediate capital between Equity and senior debt in a buyout or refinancing transaction.
     ▪ Restructuring/distressed debt partnerships typically make new investments in financially or operationally troubled companies, often for a control position, with a view to improving the balance sheet and operations for a subsequent sale.
     ▪ Special situations partnerships include organizations with a specific industry focus or transaction type not covered by the other subclasses mentioned above, or unique opportunities that fall outside such subclasses.

3. Allocation

   o The Private Equity portfolio shall be diversified by time, subclass, and geography.
   o Such diversification is expected to enhance returns, control risk,
and reduce volatility.

4. SURS currently participates in Private Equity through various structures including commingled Fund-of-Funds, Separate Accounts, and primary fund commitments.

5. In addition to limited partnership interests, SURS may participate in co-Investments, which are direct investments alongside a general partner.

6. Leverage may be present in Private Equity investments, most commonly in buyout partnerships. Levels are generally determined on a fund-level basis.

7. Implementation of the Private Equity portfolio is via Active Management

8. To manage private equity exposure or to rebalance the portfolio, SURS may consider a sale of private equity interests on the secondary market.

iii. Benchmarks

Benchmarks for the Private Equity portfolio are set forth in Exhibit 5.

b. Non-Core Real Asset Structure

i. Role

The Non-Core Real Asset portfolio is expected to earn Risk-Adjusted Returns in excess of the public Equity markets, primarily due to re-positioning and development of real asset projects, the use of leverage, and to a Liquidity Premium demanded by investors. At the margin, the Non-Core Real Asset portfolio is also expected to diversify the broader Non-Traditional Growth Portfolio, which also includes Private Equity (see above).

ii. Investment Structure

1. Non-Core Real Asset investments provide access to opportunities for higher returns by investing (typically with the use of leverage) in assets in need of re-tenanting, development, re-development, operational improvements, or renovation, or are otherwise in some form of distress, exhibit sub-optimal capital structures, or experiencing market
dislocation(s). They may also be located in emerging/non-institutional market segments and/or product/asset types. Such investment may utilize more aggressive financial structures in order to raise the return/risk profile, emphasize capital appreciation, and exhibit relatively high return objectives.

2. The Non-Core Real Asset portfolio may consist of equity or debt investments in real estate, infrastructure, or agriculture.

3. Allocation

   o The Non-Core Real Asset portfolio shall be diversified by time, subclass, and geography.
   o Such diversification is expected to enhance returns, control risk, and reduce volatility.

4. The account structure is typically in funds. SURS may also consider investments through a Fund-of-Funds structure, which provides Manager diversification and the opportunity for co-investment and secondary fund opportunities.

5. Leverage is typically present in Non-Core Real Asset investments. Levels are generally determined on a fund-level basis.

6. Up to 25% of the Real Asset allocation may be invested outside the U.S.

7. Implementation of the Non-Core Real Asset portfolio is via Active Management.

   iii. Benchmarks

   Benchmarks for the Non-Core Real Asset portfolio are set forth in Exhibit

4. **Principal Protection Class Structure**

   a. Role

   The principal protection portfolio is expected to provide a modest absolute return, be an anchor to the overall portfolio and significant diversification to the total Portfolio due to low correlation with other Asset Classes. In addition, the principal protection portfolio is expected
to provide capital preservation, a source of Liquidity, lower volatility and competitive returns relative to an appropriate performance Benchmark.

b. Investment Structure

i. The principal protection allocation consists of a diversified mix of publicly traded Fixed income securities, invested across multiple asset types.

1. Quality standards, such as credit, concentration, duration, liquidity, etc., will be specifically set forth in each Manager's Guidelines, as applicable. In the event a security no longer meets the quality standards referenced above, the Manager may continue to hold such security if it believes doing so is in the best interest of SURS. The Manager shall provide written justification of the action to Staff [and Consultant] as soon as practicable.

ii. The principal protection portfolio is composed largely of Treasuries, Agency backed mortgage securities, and other agency backed bonds.

1. Mortgage Backed Securities – Agency
   o Managers invest primarily in Mortgage-backed Securities (MBS) issued by the U.S. government agencies (Fannie Mae, Freddie Mac, or Ginnie Mae).

2. Treasuries
   o Managers invest in treasury securities of the U.S. government.

3. Other
   o Managers may invest in other high-quality segments as clarified in manager specific guidelines, however these must be Investment Grade credit that is rated “BBB” or higher by two or more of the credit rating agencies.

iii. Allocation

1. The policy targets for the subcomponents of the portfolio are set forth in Exhibit 4.

iv. Assets may be held in Commingled Funds or privately managed
Separate Accounts.

v. Use of leverage and short sales will be controlled as appropriate in the Manager’s Guidelines.

vi. Implementation of the Principal Protection portfolio is primarily via Active Management.

c. Benchmarks

Benchmarks for subcomponents of the Fixed Income portfolio are set forth in Exhibit 5.

5. Inflation Sensitive Class Structure

a. Role

The Inflation Sensitive portfolio is expected to provide the portfolio with a hedge against structural inflation. In addition, the inflation sensitive portfolio is expected to provide competitive returns relative to an appropriate performance Benchmark.

i. Quality standards, such as credit, concentration, duration, liquidity, etc., will be specifically set forth in each Manager’s Guidelines, as applicable. In the event a security no longer meets the quality standards referenced above, the Manager may continue to hold such security if it believes doing so is in the best interest of SURS. The Manager shall provide written justification of the action to Staff and Consultant as soon as practicable.

b. Investment Structure

i. The Inflation Sensitive Class consists solely of Treasury Inflation Protected Securities:

ii. Implementation of the TIPS portfolio is currently via Passive Management.

c. Benchmarks

Benchmarks for the Inflation Sensitive Class are set forth in Exhibit 5.
6. **Crisis Risk Offset Class Structure**

a. **Role**

The Crisis Risk Offset (“CRO”) portfolio is expected to produce significant positive returns during an extended recessionary-type equity market crisis, while maintaining purchasing power during more normal market environments. In this respect, the CRO portfolio is expected to enhance the long-term risk-adjusted performance of the Total Portfolio, by substantially mitigating significant drawdowns that the Total Portfolio might experience.

b. **Investment Structure**

i. The CRO allocation generally consists of investments in highly-liquid portfolios that are meant to capture key risk premia and market participant behavior that should prove largely beneficial during an equity-related market crisis. Along these lines, the underlying investments and strategies may utilize both long positions and short-selling positions to capture the desired return patterns/behavior.

ii. The CRO portfolio is composed of four major subcomponents.

1. **Long U.S. Treasury Duration**

   o U.S. Treasuries represent the leading “flight-to-quality” investment since they are backed by the U.S. Government. The U.S. Dollar (the base denomination of U.S. Treasuries) is also considered the world’s highest-quality reserve currency.

   o Exposure to U.S. Treasury Duration can take place via cash markets (i.e., actual bonds) or the futures markets (virtual bond proxies).

2. **Systematic Trend Following**

   o Long-short portfolios utilizing derivatives-based instruments to capture both periodic appreciation and periodic depreciation trends that evolve and dissipate across a very wide array of liquid global markets. Risk/volatility is calibrated to a pre-determined level derivatives-based leverage.

   o Assets will be invested in highly liquid underlying securities (cash, futures, forwards, etc.), allowing for relatively rapid access for rebalancing and liquidity purposes.
In order to appropriately calibrate the expected volatility of this component and the overall CRO class, significant levels of derivatives-based leverage may be applied. Effects of leverage are adjusted daily through market-based exchanges/facilities, ensuring appropriate and timely mark-to-market valuations.

3. Alternative Risk Premia

- Long-short portfolios utilizing both cash and derivatives-based instruments to capture well-researched/documented non-market risk premiums (e.g., momentum, carry, value, low-volatility, etc.) on a continuous basis, utilizing an array of liquid global markets. Risk/volatility is calibrated to a pre-determined level utilizing cash and derivatives-based leverage.

- Assets will be invested in highly liquid underlying securities (cash, stocks, futures, forwards, etc.), allowing for relatively rapid access for rebalancing and liquidity purposes.

- Strategies should be designed to exhibit “market-neutral” outcomes, exhibiting lack of relationship with the major market-based risk premia (e.g., equity risk premia, duration risk premia).

4. Long Volatility and Tail Risk

- Derivative-based strategies that invest in instruments that have structural or explicit inverse relationships with global Equity markets.

- Assets will be invested in highly liquid underlying securities, such as put options, call options, or index futures on Equity and Volatility indices in order to monetize gains and rebalance into Growth assets during periods of appreciation within the Long Volatility and Tail Risk strategies.

- Long Volatility strategies are expected to decline by a marginal amount (e.g., -4% per annum) during benign or bull market periods.

- Tail Risk strategies are expected to expend a pre-
approved premium level (i.e., insurance cost) each renewal period with the assumption that the premium/NAV may decline to zero if no major event occurs.

iii. Allocation to Subcomponents

1. The policy targets for the subcomponents of the portfolio are set forth in Exhibit 4.

2. Assuming the capital weights above are consistently maintained, it is highly likely that the volatility associated with the Systematic Trend Following component will contribute the most to overall CRO class volatility over time.

iv. Fund account structures (versus separate accounts) will be emphasized in the Systematic Trend Following, Alternative Risk Premia, and Long Volatility strategies. Use of fund account structures will likely reduce the monitoring, accounting, and administrative burdens of these relatively unconstrained and dynamic strategies.

v. Derivatives-based leverage will be utilized significantly across these strategies. Leveraged positions are typically adjusted on a daily basis to conform to pre-established guidelines (see below).

vi. Implementation of the CRO portfolio will utilize both replication (passive) and active management where deemed appropriate and prudent within each subcomponent.

c. Risk Profile of CRO Class and its Subcomponents

i. The aggregate CRO class has a total risk (standard deviation) range/budget set at a level to effectively counterbalance the volatility experienced in the SURS portfolio’s major growth-oriented components:

   1. Lower risk level limit (annualized standard deviation): 8%

   2. Upper risk level limit (annualized standard deviation): 15%

If the behavior of the CRO class causes its recent historical volatility to deviate significantly beyond these limits, then a rebalancing process and/or target volatility adjustment should occur among the CRO managers based on recent risk profiles of each manager/component as well as on prospective risk views for each manager/component.
ii. The expected volatility ranges for the three components are shown below:

<table>
<thead>
<tr>
<th>Component</th>
<th>Annualized Volatility Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Duration Capture</td>
<td>12% - 20%</td>
</tr>
<tr>
<td>Systematic Trend Following</td>
<td>10% - 20%</td>
</tr>
<tr>
<td>Alternative Risk Premia</td>
<td>8% - 12%</td>
</tr>
<tr>
<td>Long Volatility</td>
<td>8% - 30%</td>
</tr>
</tbody>
</table>

While the expected volatility ranges for each subcomponent are high relative to the expected risk budget level of the aggregate CRO class, the diversifying aspects of each subcomponent (and its underlying manager(s)) will combine to reduce volatility at the aggregate class level.

d. Benchmarks

Benchmarks for the CRO portfolio are set forth in Exhibit 5.

7. Opportunity Fund Structure

a. Role

The Opportunity Fund portfolio is designed to allow flexibility for opportunistic investment. Investments in the Opportunity Fund may be a one-time occurrence, such as investments capitalizing on a market dislocation. Successful investments that evolve into a more permanent opportunity may ultimately be transitioned into another Strategic Class with similar characteristics.

b. Investment Structure

The structure of the Opportunity Fund is not fixed and may vary considerably over time.

c. Benchmark

Benchmarks for the Opportunity Fund portfolio will be established and set forth in Exhibit 5 prior to implementation.
E. Selection and Retention

Introduction

The processes used for selection and hiring of Consultants, Managers and Custodians are set forth in the SURS Investment Procurement Policy. In general, the criteria used to determine the minimum qualifications of firms to be selected for an assignment are shown below:

Selection Criteria

1. Registration with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, or otherwise qualified under the Illinois Pension Code.

2. Experience of the firm in the management of institutional portfolios operated under prudent person standards, as well as related investment management experience.

3. Qualifications and/or depth of the professional Staff.

4. Soundness of the firm’s investment philosophy and process.

5. The investment record of the firm and/or the firm’s principals in former associations where that record is verifiable.

6. The adequacy of the firm’s trading, back office, accounting and reporting, and client servicing capabilities.

7. Fees.

8. Sustainable Investing Principles, as discussed below.

Sustainable Investing Principles: In accordance with 40 ILCS 5/1-113.17, as it currently exists or may hereafter be amended, the Board will regularly consider material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. These factors shall be considered in addition to other material risk factors influencing investment decision making. The consideration of sustainability factors will be considered in monitoring SURS’s proxy voting, and in the selection and ongoing monitoring of SURS’s investment managers and mandates, and other service providers as appropriate.

Such factors include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human
capital factors; and (5) business model and innovation factors. Staff, in conjunction with the General Consultant and any Specialty Consultants, will perform periodic evaluations of these factors to ensure they are relevant to the investment portfolio and the evolving marketplace.

**Investment Manager and Fund Monitoring**

Monitoring of investment managers and fund investments will take place as described in this subsection.

**Marketable Securities Portfolios**

An evaluation of each Manager shall be conducted annually by the Staff and the Consultants. The evaluation shall be based on a number of factors, including, but not limited to, organizational and personnel issues and whether the Manager has complied with its Manager Guidelines and met performance objectives. Evaluation will include the results of periodic due diligence meetings and phone calls.

To the extent that significant concerns about a Manager arise, the Staff or Consultant shall communicate their concerns to the Investment Committee/Board and recommend available options, including exit strategies (see Section 5.F., ‘Investment Manager Termination Guidelines.’) Between annual reviews, subject to Manager Termination Guidelines, the Staff or Consultants may recommend immediate Termination.

**Closed-end Fund and Separate Account Evaluation**

Limited partnership interests in private Closed-end Funds and investments in private markets Separate Accounts (i.e., Private Equity, Real Estate, infrastructure, etc.) will be reviewed by Staff and Consultant annually. The evaluation shall be based on a number of factors, including, but not limited to, organizational and personnel issues and whether the Manager has complied with its Manager Guidelines and met performance objectives. Evaluation will include the results of periodic due diligence meetings and phone calls.

To the extent that significant concerns about a Closed-end Fund or Separate Account or material events arise, the Staff or Consultant shall communicate their concerns to the Investment Committee/Board and recommend available options, including exit strategies.
F. Investment Manager Termination Guidelines

Introduction

From time to time it will be necessary for the System to terminate a contractual relationship with a Manager. Pursuant to its fiduciary duties, the Board has established the following guidelines to assist in making these Termination decisions. In establishing these guidelines, it is the Board’s intention to carry out these actions using objective evaluation, proper documentation and full disclosure. The overriding consideration with respect to all decisions is that they shall be made solely in the best interest of Members and consistent with all legal requirements.

Clearly Defined Objectives

Any action to terminate a Manager should be based on one or more of the following primary criteria:

a. Performance of the Manager has been unsatisfactory over a market cycle;

b. Any other guideline is violated by a Manager and is not remediated to the satisfaction of the Board;

c. Default under an Investment Management Agreement;

d. Change in Asset Allocation, which reduces or eliminates the need for all existing Managers; or

e. Failure to satisfy any other legal or Policy requirements.

Prior to a Termination decision, a thorough evaluation of the relevant criteria supporting such action shall be reviewed by the Board. Documentation regarding any such action shall include the reasons for such decision.

In the event that termination of a Manager is warranted under the Manager Termination Guidelines, and prompt termination of the Manager is necessary to protect and preserve System assets, SURS Staff may, with the prior approval of the Executive Director, terminate the Manager prior to Board action. The Board shall be promptly notified of the decision to terminate the Manager and the decision shall be presented to the Board for ratification at its next meeting.

Notwithstanding this provision, the Board retains the authority, in its sole discretion, to terminate any Manager for any reason, with or without notice, when it determines such action is in the best interests of the Members.
Investment Manager Transition

In the event of the need to transfer the management of assets from one Manager to another, Staff will effect the change in as efficient and prudent a manner as possible. The use of Transition Manager(s), which could include the use of a Cash Overlay Manager or Rebalancing Manager, is permitted when deemed in the best interests of the System. Transition plans may include, but are not limited to, the following: a transfer of securities to an appropriate Passive Investment, crossing securities with other institutional investors, or a transfer of securities to another approved Manager.

G. Performance Evaluation and Reporting

Performance Evaluation

Marketable Securities Portfolios

Rates of Return and Risk-Adjusted Returns, on a net-of-fees basis, shall be calculated quarterly by the Custodian or Consultants to measure the performance of each major Asset Class. Actual Trailing Period returns for fiscal year-to-date, one (1) year, three (3) year, five (5) year, ten (10) year periods will be compared to comparable returns for applicable Policy Portfolio indices.

Rates of Return, on a net-of-fees basis, shall also be calculated quarterly by the Custodian or Consultants to measure the performance of each individual Manager. Other measures may also be used, including Risk-Adjusted Returns, peer group performance, Risk Statistics and Performance Statistics.

Private Markets Portfolios

For Private Equity, Direct Real Estate and Infrastructure portfolios, Internal Rates of Return shall be calculated quarterly by the Custodian. These returns will be used to measure performance of the portfolios in comparison with Policy Portfolio indices and Benchmarks for Asset Classes and individual Managers. Returns are calculated quarterly in arrears. Other more tailored performance measures may also be used for absolute and peer group comparisons.

Total Portfolio

Actual returns for the total Portfolio are compared to returns on the Policy Portfolio. Returns are calculated quarterly by the Custodian.

Style Analysis

Staff and Consultants will periodically analyze Manager portfolios, as well as the aggregate Strategic Class and Component portfolios, to confirm that such
portfolios conform to individual Manager style Benchmarks and aggregate Strategic Class and Component indices. Metrics such as Active Share will be used in this analysis. Significant deviations shall cause individual Managers to be considered for Termination.

**Performance Reporting**

Performance reports shall be prepared by the Staff and/or Consultant quarterly and provided to the Investment Committee and Board at regularly scheduled meetings.

Consultants will analyze the system’s performance and periodically provide the Board with a detailed report on the total Portfolio, Strategic Classes and individual Managers.

Annually, Staff and Consultants will prepare and present a comprehensive review of the fiscal year results.

**Market Values**

All assets in the Portfolio will be Marked-to-Market at least quarterly, to provide an estimate of the price at which they could be sold. Following is a description of this process.

**Marketable Securities**

The Custodian provides price indications for stocks, bonds, warrants, futures, options, etc. traded on public exchanges.

**Private or Illiquid Securities**

For private and illiquid securities, each individual Manager or Fund-of-Funds Manager has the responsibility for estimating and publishing the market value of these investments. The valuation and appraisal methods used should be consistent with current CFA Institute and industry standards.

**H. Safeguard of Assets**

- **Qualification of Service Providers**

  Any firm which SURS retains to manage, control or have custody of assets shall be and shall remain qualified by thorough on-going due diligence. Appropriate agreements with the firms and trust agreements shall minimize any risk of loss of assets or income.

- **Asset Limits**
There are cost and service advantages in firms managing or having custody of large pools of assets so that in the absence of any statutory provision(s) to the contrary, there shall be no specific limit on the size of assets controlled or held in custody by any one firm within the asset allocation guidelines. However, limits may be considered on an individual Manager basis and will reflect such issues as type of mandate, strength and stability of organization, risk characteristics, etc.

- **Monitoring of Service Providers**

  There shall be continuous monitoring of firms which manage or have custody of assets to assure the firms continue to be stable and financially secure. Instability of any firm or financial weakness shall be reason to transfer custody and/or management of assets from the firm.

- **Authorization to Transfer Funds**

  Transfer of funds between accounts must be evidenced in writing or conducted electronically by an authorized Staff member and be in compliance with the Custodial bank’s procedures. The following positions have been designated by the Board to have the authority to give direction to the Custodian on any and all actions with respect to the Master Trustee relationship between the Board and the Custodian: Executive Director, CIO, and Deputy CIO. The senior investment officers have been designated by the Board to have the limited authority to approve payments initiated through the Trade Order Entry System related to initial or subsequent investments in limited partnerships, real estate, infrastructure, or other investments approved by the Board.

- **Insurance Requirements**

  Managers shall be required to secure and maintain, throughout the term of their Investment Management Agreements, insurance that (i) satisfies the requirements set forth below and (ii) is provided by insurer(s) rated A- or better by A.M. Best & Company. Specific insurance requirements are set forth in each Manager’s Investment Management Agreement. Each Manager shall be required to provide to the Board: (i) evidence of the requisite insurance policies upon initiation of the contract; (ii) an annual certification that the insurance requirements continue to be satisfied; and (iii) evidence of continued satisfaction of the insurance requirements upon request. With the exception of the Manager Diversity Program, the minimum insurance required for each Manager shall include: (i) a bond protecting SURS assets that meets the requirements of, and that is in the amount specified under, ERISA and the regulations thereunder; and (ii) errors and omissions coverage in an amount equal to the greater of: a) $5 million or, b) 5% of the SURS assets under management, up to a maximum as established in the Investment Management Agreement, but not to exceed $50 million. For Managers in the Manager Diversity Program, the minimum insurance required for each Manager shall include: (i) a bond protecting SURS assets that meets the requirements of, and that is in the
amount specified under, ERISA and the regulations thereunder; and (ii) errors and omissions coverage in an amount not less than $1 million of coverage. The insurance shall protect SURS against losses from the negligent acts, errors or omissions of the Manager.

- Custodial Credit Risk

Pursuant to 40 ILCS 5/15-166, the Board has statutory authority to be the custodian of all cash and securities belonging to the System created under Article 15 of the Pension Code. Pursuant to 40 ILCS 5/15-167, the Board may deposit SURS trust funds with one or more banks, savings and loan associations, or trust companies. This subsection addresses how SURS will handle custodial credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment transaction will not fulfill its obligations. Custodial credit risk is the risk that, in the event of the failure of a financial institution or counterparty to a transaction, SURS would not be able to recover the value of deposits or investments in the possession of such party. To minimize this risk, SURS takes the following measures:

1. Performs due diligence on Custodians and advisors with which SURS will do business and appropriately documents business relationships with these service providers.

2. Provides investment parameters for the investment vehicles detailed in the specific Investment Management Agreements.

3. Monitors the financial condition of the Custodian. If there is cause for concern, the Board of Trustees will determine appropriate action.

4. Endeavors to have all investments held in custodial accounts through an agent, in the name of Custodian’s nominee¹, or in a corporate depository or federal book-entry system. For those deposits or investment assets held outside of the Custodian, SURS will follow applicable regulatory rules.

5. Requires the Custodian or its sub-Custodians will provide safekeeping of all SURS securities in segregated accounts that reflect the holdings of SURS; and the Custodian will not commingle SURS securities with the Custodian’s own securities.

¹Registered owner of a stock or bond if different from the beneficial owner, who acts as holder of record for securities and other assets. Nominee ownership simplifies the registration and transfer of securities.
I. General Investment Restrictions and/or Guidelines

- Investment Authorization

No investment or action pursuant to an investment may be taken unless permitted by this Policy or by each Investment Manager’s Guidelines. Exceptions may be made subject to prior review by, and express written authorization from, the Board.

J. Corporate Governance

1. Proxy Voting Guidelines

The Board may retain a proxy voting service, pursuant to a contract with Surs, to vote the proxies of U.S. and non-U.S. shares according to the proxy voting service’s proxy voting guidelines, as customized for Surs and approved by the Board. All proxy votes not specifically addressed by the proxy voting service’s approved proxy voting guidelines, or if the Board determines not to retain a proxy voting service, will be voted on a case-by-case basis by Managers, subject to Staff review and consistent with the fiduciary responsibilities of the Board.

Guidelines will be reviewed annually by Staff in conjunction with the proxy service provider, and recommended changes to the guidelines will be presented to the Board for approval.

The Surs Public Pension Proxy Guidelines, Surs U.S. Proxy Guidelines, and the Surs International Proxy Voting Guidelines will be maintained on the Surs website.

2. Proxy Voting Reports

The proxy voting service provider shall make regular reports of proxy votes cast on behalf of Surs and, on an ad hoc basis as requested by Staff or the Board, pursuant to the terms of the proxy voting contract with Surs.

3. Securities Litigation Policy

a. Identification Of Potential Claims

i. In order to weigh the costs and benefits of the various alternatives as specified below, Staff will identify potential claims by determining if it bought or sold the securities of a company during applicable periods.

ii. Staff will regularly match the Surs portfolios against reports of securities litigation cases obtained from Consultants, law firms engaged for securities litigation, and from other sources deemed reliable by Staff.
iii. If SURS did not buy or sell securities of a company during the applicable period, the inquiry will end. If SURS had purchases or sales during the period, evaluation of the potential claim will proceed as specified below.

b. **Evaluation Of Potential Claims**

i. If SURS bought or sold securities during an applicable period, evaluation of the alternatives available will begin with an initial assessment of the size of the potential claim.

ii. When potential losses are deemed insignificant, further action will ordinarily be limited to monitoring as specified in subsection .c. below to ensure that class member claims are filed if and when there is a right to do so, unless there are extenuating circumstances that warrant further consideration by Staff and the Board.

iii. When potential losses are deemed significant, the alternative courses of action available shall be identified by the Staff. Alternatives will likely include several different courses of action, such as:

1. Monitoring the course of a class action suit and filing a claim at the end to participate in a class payment.

2. After consultation with the Illinois Attorney General’s office, monitoring the course of a class action suit, but objecting to a proposed settlement if there are reasons to object.

3. After consultation with the Illinois Attorney General’s office, seeking to control a class action by seeking designation as lead plaintiff, either singly or with others.

4. After consultation with the Illinois Attorney General’s office, opting out of a class action suit and filing a separate suit, either singly or with others.

5. The relative merits of each alternative will be weighed and considered by Staff, as well as by the Illinois Attorney General's Office.

6. Staff and the Illinois Attorney General’s office will make a recommendation to the Executive Committee or to the Board of any course of action beyond participating in the litigation as a passive member of the class. The Executive Committee, or the Board, as applicable, will have the authority to approve any course of action beyond monitoring the case. If the Executive Committee, or the Board, approves active participation in the litigation, additional authorization is not necessary to align with other potential plaintiffs.
in application for named plaintiff status if such an action is agreed appropriate by the General Counsel and the Executive Director. Counsel will be selected by the Executive Committee or the Board, after consultation with the Illinois Attorney General’s office.

c. Monitoring

The Staff will utilize the services of the System’s Custodian, as well as the services of any consultants, including Securities Litigation counsel, with expertise in this area chosen by the Board, to monitor pending cases which involve securities that SURS bought and sold during the relevant periods to evaluate any settlements proposed and to file claims as necessary for SURS to participate in distributions of funds. To the extent that Staff finds a proposed settlement inadequate to protect the interests of the System, the Executive Committee may authorize action to file legal objections. Authorization is not necessary for Staff to file an objection to attorneys’ fees or expenses if an objection is agreed appropriate by the General Counsel and the Executive Director after consultation with the Illinois Attorney General’s office.

d. Legal Action

i. Where the Executive Committee or the Board has determined under Part 2 that the interests of the System will be best served by seeking designation as lead plaintiff, by opting out of a domestic class action to pursue a direct action or by opting into a foreign securities litigation matter, SURS, in consultation with the Illinois Attorney General’s Office, will choose appropriate counsel and will negotiate a fee agreement, if necessary, when the Attorney General’s Office is unable to represent the System as its legal counsel in any such action. If the Executive Committee or the Board determines that appropriate counsel is a firm not on SURS' approved list, the recommendation of such firm shall be made to, and approved by, the Executive Committee or the Board.

ii. Where the Executive Committee and the Illinois Attorney General’s office disagree as to the desirability of seeking designation as lead plaintiff or opting out of a class action, the Executive Committee shall act in accordance with its fiduciary obligations in making a final determination.

iii. Any legal action authorized or taken shall be reported to the Board, who shall also be provided periodic updates on the status of such actions.

e. Approved Law Firms

i. The Board, or Staff at the Board’s direction, will interview and select, through an RFP, a roster of no more than three qualified securities litigation firms. This roster will constitute SURS’ “approved list.”
ii. In cases where the initiation of litigation is a formality designed to provide support for another institutional investor, Staff may recommend that the most sensible and cost-effective source of legal representation will be the General Counsel or the legal counsel representing the institutional investor that SURS wishes to support.

f. Authority to Settle Claims and Lawsuits

Staff has the authority to resolve securities related litigation claims with a settlement value of $250,000.00 or less, with required approval from the Executive Director and General Counsel. This authority includes the ability to settle direct claims and class actions at or below the $250,000.00 threshold. This authority also includes the ability to resolve said claims by selling them to third parties or by resolving them via auction with a minimum return/guarantee of at least 50% of the potential value of the underlying claim. If SURS wants to settle a direct securities litigation case at a settlement value exceeding $250,000.00 or wants to settle a class action where SURS is the lead plaintiff, authority to settle must come from the SURS Executive Committee or the Board.

K. Emerging Investment Managers, MWDBE Managers and Minority-Owned Broker/Dealers

SURS is committed to providing opportunities for Emerging Investment Managers and Minority Owned Broker/Dealers. SURS is also committed to providing ongoing opportunities for minority-, woman-, and persons with a disability-owned (“MWDBE”) Managers that have advanced beyond the statutory definition of Emerging Investment Managers. In determining the status of a business enterprise, SURS will use the definitions found in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act, 30 ILCS 575/2(A), and (B).

The Illinois Pension Code, in 40 ILCS 5/1-109.1, encourages the Board to use Emerging Investment Managers in managing the System’s assets to the greatest extent feasible within the bounds of financial and fiduciary prudence, and to take affirmative steps to remove any barriers to the full participation of Emerging Investment Managers in investment opportunities afforded by the System. Furthermore, in accordance with the Illinois Pension Code, SURS encourages its Fund-of-Fund Managers to use Emerging Investment Managers as subcontractors when the opportunity arises.

1. Goals for Utilization of Emerging Investment Managers and MWDBE Managers

Beginning January 1, 2016, the Illinois Pension Code, in 40 ILCS 5/1-109.1, established aspirational goals of 20% for pension funds, with respect to assets under management by Emerging Investment Managers and the percentage number of MWDBE Managers.
In December of 2019, the Board (subject to its fiduciary responsibility) established goals for the percent of assets under management for MWDBE managers, Emerging Investment Managers as defined by Illinois statute, the percent of fees paid to MWDBE managers, and the percent of managers that are MWDBE. Furthermore, with the intent of having MWDBE Managers significantly represented in each broad Asset Class and not concentrated in any particular Asset Class, the Board has established additional goals for emerging managers in each asset class.

A summary of the Board’s goals is set forth in Exhibit 6. These goals shall be reviewed annually.

2. **Goals for Utilization of Minority-Owned Broker/Dealers**

The Board has set minimum expectations for the use of qualified Broker/Dealers that meet the definition of a minority-owned business, woman-owned business or a business owned by a person with a disability (“Minority-owned Broker/Dealer”) by the System’s Managers. Only trades executed directly with Minority-owned Broker/Dealers will be considered in the achievement of these goals.

Goals for Minority-owned Broker/Dealer Utilization have been established for the various public equity and fixed income classes as set forth in Exhibit 7. SURS seeks to have its Managers consistently meet or exceed these goals, while achieving best execution.

In order to achieve the goals, minimum expectations have been established for individual Managers within a number of Sub-Asset Classes. Subject to best execution, SURS requires its Managers to meet the minimum expectations set forth in Exhibit for each rolling twelve (12) month period.

**Reporting Guidelines**

Each Manager will submit a compliance report within 30 days after March 31, June 30, September 30, and December 31 of each year. Reporting will be monitored over a rolling twelve-month period.

**Consequences of Non-Compliance**

Repeated failure to meet Minority-owned Broker/Dealer Utilization Goals will lead to the following:

1) Staff notification to the non-compliant Manager;

2) Staff examination of reasons for non-compliance;
3) Invitation to the non-compliant Manager to appear before Staff and/or the Board; and

4) Remediation plan acceptable to the Staff or recommendation to the Board to Terminate.

3. Manager Diversity Program

Program Description

SURS has implemented a Manager Diversity Program ("MDP") to identify highly successful MWDBE firms. The process used for selection of investment managers is set forth in the Policy No. 6.3, **SURS Investment Procurement Policy**. Manager Benchmarks are identified in the Manager Guidelines for each Manager in the program.

4. Manager-of-Managers Program

Program Description

SURS utilizes a “Manager-of-Managers” program, overseen by SURS Staff. The program’s primary goal is to identify MWDBE Managers that will be initially awarded smaller allocations within the program. Staff may recommend, for the Board’s approval, one or more Manager-of-Managers to play an active role in identifying emerging MWDBE Managers and maintain an ongoing involvement in the evaluation and performance oversight of such Managers. Staff shall work with the Manager-of-Managers to identify, recruit, and monitor Managers in the program.

Graduation Program

On an annual basis, SURS Staff and the Manager-of-Managers will identify one underlying Manager to be considered for a meaningful, direct allocation. The following factors are considered in determining when an underlying Manager should be awarded a larger allocation in the SURS Portfolio:

- Acceptable measure of performance over a three-to-five-year period;
- Stability in Manager’s organization;
- Institutional quality infrastructure;
- Growth in Assets Under Management;
- Confidence in Manager’s investment process; and
- Product Fit.
In addition to the factors mentioned above, the needs of the overall SURS investment program will be considered.

Notwithstanding this provision, the Board, in its sole discretion, may decide not to make any award in any given year, if it determines that such an allocation would not be in the best interests of the Members.

Beginning January 1, 2022, if an investment adviser acting in its capacity as an investment manager of a multimanager portfolio made up of emerging investment managers (an “EIM Manager”) provides a written recommendation to SURS for its selection or appointment of an emerging investment manager, and such emerging investment manager has been providing investment services in such multimanager portfolio for at least 24 months, then the Board may select or appoint such emerging investment manager as a direct Manager for SURS. Any emerging investment manager appointed pursuant to the immediately preceding sentence shall be disclosed on the SURS website as an appointment per the exception provided in 40 ILCS 5/113.24 to the requirements of 40 ILCS 5/1-113.14 as it currently exists or may be amended (and such disclosure shall include the name of the EIM Manager, a statement that the Board has authorized selection or appointment of such emerging investment manager as a direct Manager for SURS, and a brief explanation of the reason such emerging investment manager was selected or appointed as an exception to 40 ILCS 5/1-113.14.

L. Reporting and Other Compliance Requirements

1. Compliance Reporting

   a. Website

      1. Investment Information Report (30 ILCS 237/10) must be posted to SURS website by the 15th of each month, identifying the following:

         (a) the amount of funds held by SURS on the last day of the preceding month or the average daily balance for the preceding month;

         (b) the total monthly investment income and yield for all funds invested;

         (c) the asset allocation of the investments;
(d) a complete listing all approved depository institutions, commercial paper issuers, and broker-dealers approved to do business with SURS.

2. Procurement Policy (40 ILCS 5/1-113.14(b)) must be posted to SURS website.

3. Investment services contract description (40 ILCS 5/1-113.14 (g)) must be updated on SURS website quarterly.

4. Procurement exception (40 ILCS 5/1-113.14) for follow-on commitments with the same fund sponsor must be posted to SURS website.

5. The retirement system shall develop uniform documents (40 ILCS 5/1-113.14 (f)) that shall be used for the solicitation, review, and acceptance of all investment services, and shall contain all the terms contained in 40 ILCS 5/1-113.14(c).

6. A description of every contract for qualified fund-of-fund management (40 ILCS 5/1-113.15) must be posted, in a conspicuous manner, on SURS’ website, and should include the name of the fund-of-funds, the name of its investment adviser, the total investment commitment of the retirement system, pension fund, or investment board to invest in such fund-of-funds, and a disclosure approved by the Board describing the factors that contributed to the investment in such fund-of-funds.

7. To contribute to Investment Transparency (40 ILCS 5/1-113.16), SURS shall maintain an official website and make available in a clear and conspicuous manner, and update at least quarterly, all of the following information concerning the investment of funds:

   (a) The total amount of funds held by the retirement system.

   (b) The asset allocation for the investments made by the retirement system.

   (c) Current and historic return information.

   (d) A detailed listing of the investment advisers for all asset classes.
(e) Performance of investments compared against established benchmarks.

(f) A detailed list of all consultants doing business with the retirement system.

(g) A detailed list of all contractors, other than investment advisers and consultants, doing business with the retirement system.

(h) Any requests for investment services.

(i) The names and email addresses of all board members, directors, and senior staff.

(j) The report required under Section 1-109.1 of the Code (Annual Report to the Governor).

(k) The description of each contract required under subsection (g) of Section 1-113.14 of the Code.

8. All exceptions to 40 ILCS 5/1-113.14 granted under the Procurement exception for contracts with emerging investment managers through a qualified manager of emerging managers must be published on the SURS’ website, and naming the person authorizing the procurement and a brief explanation of the reason for the exception, 40 ILCS 5/1-113.24.

b. Report Submissions

1. The retirement system shall provide by April 1 (40 ILCS 5/1-110.16 (g)) the Illinois Investment Policy Board with information regarding investments sold, redeemed, divested, or withdrawn.

2. Investment Policy (40 ILCS 5/113.17) must be filed with the Illinois Department of Insurance within 30 days of an update.

3. An Economic Opportunity Investments report that identifies the economic opportunity investments made by the fund, the primary location of the business or project, the percentage of the fund’s assets in economic opportunity investments, and the actions that the fund has undertaken to increase the use of economic opportunity investments. (40 ILCS 5/1A-108.5) shall be submitted by September 1 to the Governor and the General Assembly.
4. SURS must submit a Report to the Governor and General Assembly by January 1 (40 ILCS 5/1-109.1) regarding Emerging Investment Managers

c. Reports Received

1. Diversity disclosure (40 ILCS 5/1-113.21) - No contract for investment services, consulting services, or commitment to a private market fund shall be awarded unless the investment advisor, consultant, or private market fund first discloses: the number of its investment and senior staff, and the percentage of its investment and senior staff who are (i) a minority person, (ii) a woman, and (iii) a person with a disability; and the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority-owned business, (ii) a women-owned business, or (iii) a business owned by a person with a disability; and the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services the investment advisor, consultant, or private market fund has with a business other than (i) a minority-owned business, (ii) a women-owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a woman, and (iii) a person with a disability.

2. Consultant Disclosures to the Board are required no later than January 1, as follow:

   (a) 40 ILCS 5/1-113.22 – specified manager search information shall be disclosed

   (b) 40 ILCS 5/1-113.23 - compensation and economic opportunity received in the prior 24-month period

3. An Illinois finance entity (40 ILCS 5/1-110.10) must annually certify that it complies with the requirements of the High-Risk Home Loan Act and the rules adopted pursuant to that Act that are applicable to that Illinois finance entity. Certification must be completed before the retirement system may invest or deposit assets. The certification must be submitted to the Public Pension
Division of the Department of Financial and Professional Regulation.

2. Investment Reporting

a. Per 40 ILCS 5/1-111, Ten Per Cent Limitation of Employer Securities, a plan may not acquire a security issued by an employer of employees covered by the retirement system, if, immediately after such acquisition, the aggregate fair market value of such employer securities exceeds 10 per cent of the fair market value of the assets of the retirement system.

b. Annual Certification of Fiduciary Duty and Insurance - SURS contractual provisions may require managers to annually certify that they are aware of their fiduciary duties, and to provide proof of insurance.

c. Investment Advisors annual submission of ADV Form - Managers are required to publish ADV Forms for registration with SEC; SURS must confirm filing by either receiving copy of ADV or checking and confirming status on SEC website

6. Exhibits

Attached hereto and incorporated herein are the following Exhibits:

A. Exhibit 1 - System Assumed Rates of Return
B. Exhibit 2 - Formal Board Review Schedule
C. Exhibit 3 - Manager’s Roles and Responsibilities
D. Exhibit 4 - Asset Allocation Policy Mix
E. Exhibit 5 - Benchmarks
F. Exhibit 6 - SURS Utilization Goals for Emerging Investment Managers
G. Exhibit 7 - Manager Utilization Goals for Minority-Owned Broker/Dealers
7. Staff Approval

<table>
<thead>
<tr>
<th>Name</th>
<th>Suzanne Mayer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Signature</td>
<td>Suzanne Mayer</td>
</tr>
<tr>
<td>Date</td>
<td>Sep 22, 2022</td>
</tr>
</tbody>
</table>

THIS POLICY WAS APPROVED BY THE SURS BOARD OF TRUSTEES on SEPTEMBER 16, 2022.

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EXHIBIT 1

System Assumed Rates of Return

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Investment Return Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to June 30, 2010</td>
<td>8.50%</td>
</tr>
<tr>
<td>June 30, 2010 through June 30, 2013</td>
<td>7.75%</td>
</tr>
<tr>
<td>June 30, 2014 through June 30, 2017</td>
<td>7.25%</td>
</tr>
<tr>
<td>June 30, 2018 through June 30, 2020</td>
<td>6.75%</td>
</tr>
<tr>
<td>June 30, 2021 and after</td>
<td>6.50%</td>
</tr>
</tbody>
</table>
EXHIBIT 2

Formal Board Review

<table>
<thead>
<tr>
<th>Formal Review Agenda Item</th>
<th>Formal Review Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund Performance</td>
<td>At least quarterly</td>
</tr>
<tr>
<td>Asset Allocation</td>
<td>At least annually</td>
</tr>
<tr>
<td>Investment Policy</td>
<td>At least annually</td>
</tr>
<tr>
<td>Manager Performance Evaluation</td>
<td>At least annually</td>
</tr>
</tbody>
</table>
EXHIBIT 3

Managers’ Roles and Responsibilities

1. Selection, purchase and sale of specific securities or investments, within the parameters specified by Staff and Consultants and in adherence to this Policy;

2. Construction and management of investment portfolios that are consistent with their specific Manager Guidelines;

3. Providing performance reporting to the Staff at intervals specified by Staff and sufficient to meet the requirements set forth in this Policy;

4. On an annual basis as applicable, providing Staff with proof of insurance coverage in an amount and type specified in their Investment Management Agreement;

5. On an annual basis as applicable, certifying in writing to Staff that they remain a fiduciary to the System and that they have been in compliance with the Manager Guidelines during the past year;

6. Utilizing investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and total proceeds in every transaction are the most favorable under the circumstances;

7. Complying with all applicable laws and regulations, including those of the State of Illinois and the United States of America including, without limitation, the provisions of Rule 206(4)5 under the Investment Advisers Act of 1940, as amended.
### EXHIBIT 4

#### Asset Allocation Policy Mix

<table>
<thead>
<tr>
<th>Broad Growth</th>
<th>Strategic Policy Target as of 9/1/22</th>
<th>Long-Term Strategic Policy Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traditional Growth</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Equity</td>
<td>68%</td>
<td>US Equity</td>
</tr>
<tr>
<td>Non-US Equity</td>
<td></td>
<td>Non-US Equity</td>
</tr>
<tr>
<td>Global Equity</td>
<td></td>
<td>Global Equity</td>
</tr>
<tr>
<td><strong>Stabilized Growth</strong></td>
<td>17%</td>
<td><strong>Stabilized Growth</strong></td>
</tr>
<tr>
<td>Core Real Assets*</td>
<td>6%</td>
<td>Core Real Assets*</td>
</tr>
<tr>
<td>Options Strategies</td>
<td>2%</td>
<td>Options Strategies</td>
</tr>
<tr>
<td>Liquid Credit**</td>
<td>8%</td>
<td>Liquid Credit**</td>
</tr>
<tr>
<td>Private Credit</td>
<td>1%</td>
<td>Private Credit</td>
</tr>
<tr>
<td><strong>Non-Traditional Growth</strong></td>
<td>14%</td>
<td><strong>Non-Traditional Growth</strong></td>
</tr>
<tr>
<td>Private Equity</td>
<td>11%</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Non-Core Real Assets</td>
<td>3%</td>
<td>Non-Core Real Assets</td>
</tr>
<tr>
<td><strong>Inflation Sensitive</strong></td>
<td>5%</td>
<td><strong>Inflation Sensitive</strong></td>
</tr>
<tr>
<td>TIPS</td>
<td>5%</td>
<td>TIPS</td>
</tr>
<tr>
<td><strong>Principal Protection</strong></td>
<td>8%</td>
<td><strong>Principal Protection</strong></td>
</tr>
<tr>
<td>CRO</td>
<td>19%</td>
<td>CRO</td>
</tr>
<tr>
<td>Long Duration</td>
<td>2%</td>
<td>Long Duration</td>
</tr>
<tr>
<td>Long Volatility</td>
<td>1.7%</td>
<td>Long Volatility</td>
</tr>
<tr>
<td>Tail Risk</td>
<td>0.3%</td>
<td>Tail Risk</td>
</tr>
<tr>
<td>Trend Following</td>
<td>10%</td>
<td>Trend Following</td>
</tr>
<tr>
<td>Alt. Risk Premia</td>
<td>5%</td>
<td>Alt. Risk Premia</td>
</tr>
<tr>
<td>Opportunity Fund</td>
<td>0%</td>
<td>Opportunity Fund</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

*Includes Real Assets and Infrastructure investments.

**Liquid Credit includes EMD, HY, Loans, Invest. Grade, and other income-driven strategies.

1. No Open-end Fund may represent more than 30% of Core/Core-Plus Real Estate portfolio.
2. No Non-Core Real Estate Fund may represent more than 10% of the Non-Core Fund commitments.
3. No single manager may represent more than 40% of the combined Real Asset target allocation.
4. Allocation to the Opportunity Fund class may not exceed 5%.
### EXHIBIT 5: Benchmarks

<table>
<thead>
<tr>
<th>ASSET CLASS POLICY MIX</th>
<th>BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Broad Growth Aggregate</strong></td>
<td>Blend of Blends</td>
</tr>
<tr>
<td><strong>Traditional Growth</strong></td>
<td>MSCI ACWI IMI</td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>Dow Jones U. S. Total Stock Market Index</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>MSCI ACWI Ex-US IMI</td>
</tr>
<tr>
<td>Global Equity</td>
<td>MSCI ACWI IMI</td>
</tr>
<tr>
<td><strong>Stabilized Growth</strong></td>
<td>Blend</td>
</tr>
<tr>
<td>Real Assets</td>
<td>Blend</td>
</tr>
<tr>
<td>Core/Core-Plus Real Estate</td>
<td>NFI-ODCE Value Weight Net</td>
</tr>
<tr>
<td>Core/Core-Plus Infrastructure</td>
<td>FTSE Developed Core Infrastructure 50/50 Index</td>
</tr>
<tr>
<td><strong>Options Strategies</strong></td>
<td>Blend of two Benchmarks: Bench 1: 22.5% CBOE S&amp;P 500 PutWrite / 22.5% CBOE S&amp;P 500 BuyWrite / 2.5% Russell 2000 PutWrite / 2.5% Russell 2000 BuyWrite / 5% MSCI EM PutWrite / 5% MSCI EM BuyWrite / 20% MSCI EAFE PutWrite / 20% MSCI EAFE BuyWrite Bench 2: CBOE S&amp;P 500 PutWrite</td>
</tr>
<tr>
<td><strong>Total Public Credit</strong></td>
<td>25%IG+30%HY+30%EMD+15%BL Blend</td>
</tr>
<tr>
<td>Investment Grade</td>
<td>BB Global Agg Corporate Index</td>
</tr>
<tr>
<td>High Yield</td>
<td>ICE/BoA Global HY Constrained</td>
</tr>
<tr>
<td>Emerging Market Debt (EMD)</td>
<td>50% JPM EM Bond Index - Global Diversified + 50% JPM Corp. EM Bond Index - Broad</td>
</tr>
<tr>
<td>Bank Loans</td>
<td>S&amp;P U.S. LSTA Leveraged Loan</td>
</tr>
<tr>
<td><strong>Private Credit</strong></td>
<td>50% ICE/BoA Global HY Constrained +50% S&amp;P LSTA Global Leveraged Loan + 1%</td>
</tr>
<tr>
<td><strong>Non-Traditonal Growth</strong></td>
<td>Blend</td>
</tr>
<tr>
<td>Private Equity</td>
<td>MSCI ACWI IMI+2.0% Secondary Benchmarks may include: peer group comparison, return multiple or public market equivalent comparisons.</td>
</tr>
<tr>
<td>Non-Core Real Estate</td>
<td>NFI-ODCE Value Weight Net+1.5%</td>
</tr>
<tr>
<td>Farmland</td>
<td>NCREIF Farmland Property Index</td>
</tr>
<tr>
<td>Non-Core Infrastructure</td>
<td>Measured by stated strategy target</td>
</tr>
<tr>
<td><strong>Total Inflation Sensitive</strong></td>
<td>Blend</td>
</tr>
<tr>
<td>TIPS</td>
<td>Barclays Capital U.S. TIPS Index</td>
</tr>
<tr>
<td><strong>Principal Protection</strong></td>
<td>Bloomberg Barclays Intermediate Agg. Ex Credit</td>
</tr>
<tr>
<td><strong>Total Crisis Risk Offset</strong></td>
<td>Blend</td>
</tr>
<tr>
<td>Long Duration</td>
<td>BB Long Government Index</td>
</tr>
<tr>
<td>Long Volatility/Tail Risk*</td>
<td>CBOE EurekaHedge Long Volatility Index</td>
</tr>
<tr>
<td>Systematic Trend Following</td>
<td>CS Managed Futures (15%Vol)</td>
</tr>
<tr>
<td>Alternative Risk Premia</td>
<td>90 Day Treasury Bills + 2.0%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>Policy Portfolio</td>
</tr>
</tbody>
</table>
*The SURS Tail Risk program is implemented in an overlay/notional fashion and does not have a specific weight in the Total Portfolio benchmark. The 0.3% target allocation (as a % of the Total Portfolio) has been added to the 1.7% target allocation for Long Volatility for the purposes of the blended benchmarks.
EXHIBIT 6

SURS Utilization Goals for Emerging Investment Managers

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Goal for Minorities</th>
<th>Goal for Non-Minority Women</th>
<th>Goal for Persons with a Disability</th>
<th>Overall Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>16%</td>
<td>8%</td>
<td>1%</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income *</td>
<td>16%</td>
<td>8%</td>
<td>1%</td>
<td>25%</td>
</tr>
<tr>
<td>Alternative Investments**</td>
<td>10%</td>
<td>9%</td>
<td>1%</td>
<td>20%</td>
</tr>
<tr>
<td>Total Fund</td>
<td>16%</td>
<td>8%</td>
<td>1%</td>
<td>25%</td>
</tr>
</tbody>
</table>

* Includes allocations to Principal Protection, Credit, TIPS, and Long Duration
**Includes private markets, options, alternative risk premia, and trend following strategies

SURS Utilization Goals for Minority Investment Managers

<table>
<thead>
<tr>
<th>Minorities</th>
<th>Non-Minority Women</th>
<th>Persons with a Disability</th>
<th>Overall Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund Goal</td>
<td>20%</td>
<td>14%</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Group**  **Goal**

<table>
<thead>
<tr>
<th>Group</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWDBE Manager Count</td>
<td>Not less than 35% of Managers</td>
</tr>
<tr>
<td>MWDBE Manager Fees</td>
<td>Not less than 25% of Total Fees</td>
</tr>
</tbody>
</table>
### EXHIBIT 7

Manager\(^{(1)}\) Utilization Goals for Minority-owned Broker/Dealers

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>MINIMUM EXPECTATION</th>
<th>ELIGIBLE TRADE VOLUME</th>
<th>ELIGIBLE COMMISSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>35%</td>
<td></td>
<td>X (1)(2)</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>25%</td>
<td></td>
<td>X (1)(2)(3)</td>
</tr>
<tr>
<td>Global Equity</td>
<td>22%</td>
<td></td>
<td>X (1)(2)(3)</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Protection, TIPS, and Long Duration</td>
<td>35%</td>
<td>X(1)(2)(3)</td>
<td></td>
</tr>
<tr>
<td>Credit</td>
<td>5%</td>
<td></td>
<td>X(1)(2)(3)</td>
</tr>
</tbody>
</table>

(1) Separate account managers.
(2) Exception for electronic trading.
(3) Exception for emerging markets, as defined by Morgan Stanley Capital International.