STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES
FOR
THE EMPLOYEES' RETIREMENT SYSTEM OF
KANSAS CITY, MISSOURI

STATEMENT OF INVESTMENT POLICY, OBJECTIVES AND GUIDELINES FOR TOTAL FUND

I. Purpose and Objectives

The primary objective of the Employees' Retirement System of Kansas City, Missouri (Plan) is to provide eligible employees with retirement benefits. Assets will be invested in a diversified portfolio to achieve attractive real rates of return. Following prudent standards for preservation of capital, the goal is to achieve the highest possible rate of return consistent with the Plan's tolerance for risk as determined by the Board of Trustees (Board) in its role as fiduciary. Plan assets must be managed effectively and prudently within the constraints of the Employee Retirement Income Security Act of 1974 (ERISA).

II. Investment Objectives and Guidelines

A. Policies

1. Diversification of assets will ensure that adverse or unexpected results from one asset class will not have an excessively detrimental impact on the entire portfolio. Diversification includes diversification by asset class, by characteristic and by number of investments as well as by investment styles of the management organizations.

2. Investment management will be delegated to external professional organizations. The managers will operate within their respective guidelines, objectives and constraints which are attached hereto.

B. Portfolio Asset Allocation Guidelines

The Board has adopted the asset allocation policy shown on the following page for the Plan assets. Target percentages have been determined for each asset class along with allocation ranges. It is the intent to rebalance the assets back to target allocation when the allocations fall outside the stated minimum and maximum ranges. Percentage allocations are intended to serve as guidelines; the Board will not be required to remain strictly within the designated ranges. Market conditions or an investment transition (asset class or manager) may require an interim investment strategy and therefore a temporary imbalance in asset mix.

Mandate	Asset Allocation Target	Permissible Ranges
Large Cap Equity	15%	13% to 17%
Small Cap Equity	6.5%	4% to 9%
Non-U.S. Equity	7%	5% to 9%
Global Equity	19%	17% to 21%
Emerging Markets Equity	3%	1% to 5%
Opportunistic	12%	10% to 14%
Fixed Income	26.5%	23% to 30%
Real Assets	10%	7% to 13%
Cash	1%	0% to 5%

The KCERS Board recognizes that a balance of investment styles is also important to ensure diversification and an acceptable amount of risk versus the benchmark. As a result, the U.S. equity asset class is sub-allocated as follows:

U.S. Stocks (Excluding Global Equity and Opportunistic Allocation)

Mandate	Target	Permissible Ranges
Large Cap Value	35%	30% to 40%
Large Cap Growth	35%	30% to 40%
Small Cap Value	15%	10% to 20%
Small Cap Growth	15%	10% to 20%

KCERS shall, on an ongoing basis in accordance with market fluctuations, rebalance the investment portfolio so as to remain within the permissible ranges around the asset allocation targets. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of investment performance. As a result, a systematic rebalancing procedure shall be implemented as discussed below.

- The KCERS Board delegates to the staff the responsibility for monitoring the plan's asset allocation, implementing rebalancing, and reporting the rebalancing activities to the Board at regular meetings.

- The staff will make monthly observations of the market values of each asset class and sub-asset class and rebalance each back to their respective target allocations whenever that sub-asset class and asset class falls outside the permissible range.

- Rebalancing will be implemented using normal cash flows whenever possible. When normal cash flows are insufficient, rebalancing will be implemented via a reallocation of assets among asset classes and sub-asset classes. Staff will raise necessary cash,, focusing on 1% increments and on asset classes or sub-asset classes above or below target. Rebalancing efforts may be impaired by the real assets and opportunistic portfolios, due to liquidity terms of the products utilized.

III. Performance Objectives

The Fund's total return will be expected to provide equal or superior results, using a three-year moving average, relative to the following benchmarks:

A. A minimum long-term objective is to attain a rate of return of 7.5% (current actuarial rate), with an expected return of 9%.

B. A relative return objective of 21.5% Russell 3000 Index, 7% MSCI EAFE IMI Index, 3% MSCI EM Free, 19% MSCI All Country World Index, 26.5% Barclays Aggregate Bond Index, 12% Opportunistic Allocation Performance Benchmark (weighted average of benchmarks of opportunistic strategies), 10% Real Assets benchmark (weighted average of underlying strategy benchmarks), and 1% T-bills.

C. A relative return objective above the median return in a 70/30 balanced manager universe.

IV. Annual Review of Current Guidelines

Due to rapid changes within the capital markets and investment management techniques, these guidelines will be reviewed by the Board on an annual basis. Exceptions to these guidelines will be reviewed by the Board on an annual basis. Exceptions to these guidelines may be made anytime with the approval of the Board. Managers will be held responsible and accountable to achieve the objectives stated within this document and the separate manager guideline documents. While it is not anticipated that the limitations contained in this document will hamper managers, they should request modifications, as necessary. Where specific manager style implementation conflicts with this written document, the manager should communicate those conflicts to the Board and Staff.

V. Accountabilities (Optional)

A. Board of Trustees

1. Carry out duties established in their role as a plan fiduciary:
    - Review the Plan's performance.
    - Establish policy and asset mix and monitor performance against both.
    - Establish guidelines for investment managers.
    - Select and remove managers.
    - Select and remove custodians.
    - Establish proxy voting policy.
    - Monitor adequacy of the funding ratio.

B. Plan Administrator

- Implement asset allocation discipline, including regular review of target allocations and rebalancing as necessary.

- Report performance to Board.

- Monitor managers' compliance with investment restrictions.
- Monitor changes in managers' organization such as gain/loss of investors and significant personnel changes.
- Monitor compliance with proxy voting policy.
- Monitor custodian.
- Monitor consultant.

C. Investment Managers

- Will have full discretion in the management of assets allocated to their organizations, subject to the investment guidelines set by the Board.
- Serve as fiduciaries responsible for specific securities decisions, including proxy voting.
- Will abide by duties, responsibilities and guidelines detailed in any specific investment manager agreement.

D. Custodian

- Accepts possession of securities for safekeeping, collect and disburse income, collect principal of sold, matured, or called items, provides periodic accounting statements and processes and maintains securities lending program.
- Meets as required with the Plan Administrator and makes reports relative to the status of the Plan.
- Invests assets not allocated to investment managers.
- Disburses assets of fund as required by plan terms.
- Administers securities lending program

E. Investment Consultant

- Assists Board in developing investment policy guidelines, including asset class choices, asset allocation targets, and risk diversification.
- Provides the Board with objective information on a broad spectrum of investment management specialists and helps construct a portfolio of superior investment managers.

- Monitors the performance of the investment managers and provides quarterly reports to the Board, which will aid them in carrying out the intent of this Statement.

- Reports conclusions and recommendations to the Board as requested.

VI. Investment Philosophy

The purpose of this section is to articulate the key thoughts and philosophies which support the Employees' Retirement System of Kansas City investment policy and methods of implementation.

Asset Allocation

Asset Classes: The portfolio is currently invested in assets across the capitalization spectrum within the global marketplace. Asset classes include equity, fixed income, real assets, cash, and liquid alternatives (classified as Opportunistic). The Board will routinely examine the appropriateness of asset classes that are not currently included in the portfolio.

Long-Term Allocation: The Board accepts a long-term outlook on the strategic evaluation of the plan. The portfolio is structured to benefit from the long-term superior returns of equities with diversification in down markets through fixed income and real assets exposure. The current target allocation is 70% risky assets such as equities/30% stable assets such as fixed income.

Asset Class Implementation

Active management has been favored over passive security investment. The portfolio is managed by fourteen separate external investment management organizations. Six domestic equity managers control 21.5%, three international equity managers (developed and emerging markets) have 10%, two global equity managers manage 19%, four bond managers control 26.5%, two opportunistic managers have 12%. One manager is responsible for the investment of the real assets portion of the portfolio, accounting for 10% of the total assets. Finally, a short-term investment fund represents the remaining 1%.

Equities: Stock exposure is diversified between domestic equity specialists, three international managers (developed and emerging markets),and two global managers. Brown Investment Advisory and Westfield Capital Management manages large cap growth securities while LSV focuses on large cap value. Riverbridge handles small and mid cap growth stocks and Smith Graham invests in small cap value. Northern Trust manages a broad market strategy that employs emerging and minority owned investment management firms. BlackRock invests in non-U.S. securities within the development markets. Franklin Templeton invests in small cap securities within the international markets. LSV has a stand alone emerging markets mandate. Grantham, Mayo, Van Otterloo (GMO) and American Century invest in both U.S. and non-U.S. securities through a global portfolio.

Fixed Income: Bond exposure is diversified between four fixed income specialists. Dodge & Cox and GMO manage core plus strategies. Northern Trust manages a passive investment designed to track the performance of the Barclays Aggregate Bond Index. Wellington manages an absolute return fixed income mandate.

Opportunistic: The Total Fund has a 12% allocation to Opportunistic investments. This segment of the portfolio is designed to house investments that do not fit within the traditional stock/bond/real asset portions of the asset allocation policy. Additionally, the allocation is designed to allow the Board to take advantage of unique opportunities that may present themselves in the marketplace. Currently, two managers have allocations within the asset class, Mellon Capital Management and BlackRock.