August 13, 2007

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF INVESTMENT POLICY

I. General Considerations

The Louisiana School Employees' Retirement System (Plan) is administered by a Board of Trustees (Board) and maintained to provide benefits for participants and beneficiaries in accordance with the Plan provisions. Plan Staff (Staff) will generally coordinate the day to day investment related activities through the Chief Investment Officer on behalf of the Board.

The Board will engage the services of Investment Managers who possess the necessary specialized resources and expertise to assure that the Plan has the highest probability of achieving competitive results at appropriate levels of risk. It is the intention of the Board to allow the Investment Managers full discretion within the scope of these mutually agreed upon investment guidelines and the Fund's Plan Document.

Each Investment Manager (Manager) shall discharge its responsibilities as a fiduciary with respect to assets under its management in accordance with this Statement of Investment Policy (Policy) and all applicable laws, including federal and state securities laws.

Also, this Policy allows for pooled investment vehicles (mutual funds and/or commingled funds) that are deemed to be suitable investments regarding Plan assets. Any pooled investments will generally follow this Policy, although the Board recognizes that pooled vehicles are formally governed by their respective guidelines, prospectuses and investment contracts.

II. Function

The function of this Policy is to establish a clear understanding between the Board and the Plan's Managers regarding the investment policies and objectives of the Plan. It is intended that this Policy will provide meaningful guidance and the necessary flexibility to manage the assets of the Plan.

This Policy may be changed from time to time by the Board after consideration of the advice and recommendations of Plan staff and professionals. All modifications to this Policy shall be in writing and approved by the Board.

The Board may grant Manager(s) a waiver of any of the terms of this Policy when it is the Board's discretion that such a waiver is believed to be in the best interest of the Plan. Waivers may be specific as to Manager(s), time and/or criteria, or of unlimited duration and/or general in nature. All waivers shall be in writing and approved by the Board.

III. Basic Premises

1. Because the Plan is a defined benefit pension plan, a long-term investment horizon is warranted, given the Plan's liability characteristics and the actuarial valuation process that smoothes annual fluctuations in investment performance. Moderate short-term fluctuations in the market value of the Plan should not influence the investment structure under normal circumstances.

2. The purchase and sale of all investments are the sole and direct responsibility of each Manager pursuant to the discretion granted herein and as granted pursuant to the Manager Agreement.

IV. Investment Objectives

Investment results will be evaluated over three to five-year market cycles and will focus on total results. The Plan may not necessarily maintain exposure to every asset class outlined below.

1. The Plan's total return is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the Blended Index (50% Russell 3000 Index, 10% MSCI EAFE, 30% Lehman Brothers Aggregate Index, 6% NCREIF Index and 4% S&P 500 Index plus three percentage points), before fees are deducted. (Note: The Trustees approved the new total plan benchmark on September 18, 2006 with the understanding that this benchmark will be applied when the additional asset classes are completely funded.)

2. Each Style-Specific Large Capitalization Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by their respective Russell 1000 style index by a minimum of 1.0%, before fees are deducted.

3. Each Passive Large Capitalization Equity Investment portfolio is expected:

   To achieve an annualized rate of return that matches the rate of return produced by the S&P 500 Index.

4. Each Passive Mid Capitalization Equity Investment portfolio is expected:

   To achieve an annualized rate of return that matches the rate of return produced by the S&P 400 Index.

5. Each Small Cap Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by their respective Russell 2000 style index by a minimum of 1.5%, before fees are deducted.

6. Each International Equity Investment portfolio is expected:

To achieve an annualized rate of return that exceeds the rate of return produced by the MSCI EAFE Index by a minimum of 1.5%, before fees are deducted.

7. Each Long / Short Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the S&P 500 Index by a minimum of 2.5% before fees are deducted.

8. Each Fixed Income Investment portfolio is expected:

   To achieve an annualized rate of return which exceeds the rate of return produced by the Lehman Brothers Aggregate Bond Index by a minimum of 0.5%, before fees are deducted.

9. Each Real Estate Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the NCREIF Index by a minimum of 1.0%, before fees are deducted.

10. Each Private Equity Investment portfolio is expected:

    To provide a meaningful premium over the public equity market reflecting the risk and associated fees with this investment. Therefore the portfolios will be expected to achieve an annualized rate of return which exceeds the S&P 500 Index by four percentage points over the long term, before fees are deducted. It is recognized that this benchmark is unlikely to be met in the initial years of the investment, as Private Equity returns often present a "J-curve" investment return pattern.

The volatility of each portfolio is not expected to materially exceed the volatility experienced by their respective benchmarks. Volatility is measured as the standard deviation of returns, utilizing quarterly total rates of return on the portfolio's aggregate assets.

Each Manager's investment performance will be reviewed regularly. Total rates of return on market value will be calculated, including interest income and both realized and unrealized capital gains and losses. Comparisons of rates will be made with the respective market indices. The system's total return, net of fees, will be compared to the actuarially assumed rate of return.

V. Asset Allocation

The asset allocation ranges for the Plan are:

Asset Category	Range	Target
Domestic All Cap Equity	45-55%	50%
International Equity	5-15%	10%
Fixed Income	25-35%	30%
Real Estate	2-10%	6%
Private Equity	0-8%	4%
Cash Equivalents	0-3%	0%

Ongoing rebalancing of the portfolio and adherence to the above asset allocation ranges will be coordinated by Staff and the Investment Consultant (Consultant). It is required by statute, that the total equity exposure of the fund is limited to no more than 65% of the total market value of the fund, provided that at least ten percent of the total equity portfolio is invested in one or more index funds, that seek to replicate the performance of the chosen index.

VI. General Limitations and Requirements

1. In placing portfolio transaction orders on behalf of the Plan, the Managers will use their best efforts to obtain the best execution of orders. The Managers shall disclose all commissions and other fees and expenses paid, and any consideration received from a party other than the Plan with regard to the management of the Plan portfolio.

2. The majority of corporate fixed income investments, other than short-term paper, shall be limited at purchase to investment grade as established by one or more of the nationally recognized bond rating services. Investment managers' fixed income portfolios may invest in fixed income asset sectors or classes that are outside of the Lehman Brothers Aggregate Index up to 25%, at market. However, each individual sector (i.e., Investment Grade non-dollar, emerging market, high yield, private mortgages, etc.) is limited to 10%, at market. Emerging market bonds are defined here as securities issued by Governments, Agencies or Corporations domiciled outside the United States which are not rated Investment Grade by any of the nationally recognized bond rating services. It will be expected that debt securities of any single credit will not exceed 3% (1% for below investment grade or foreign issues) at market value, of each fixed income portfolio. Modest, short-term deviations from all of the percentage limits defined herein due to cash flow or downgrades will not be considered violations of this policy. However, investment managers should promptly report such deviations to the system's investment staff. The Board recognizes that modest additional custody costs may be incurred by investing in these sectors, especially in non-dollar issues. However, Investment Managers will be expected to achieve any exposure on a management fee neutral basis. Also, the use of Futures, options and swaps will be permitted, as long as they are not used to lever the portfolio; that is, the net exposure to securities and derivatives is not greater than the market value of the portfolio. The average quality rating of each Manager's portfolio shall be equal to A or better.

3. Common stock investments (both domestic and international) in any single company shall be limited to 5%, at market, of equity assets under management, and 2% of the company's total outstanding equity. In the event that any company weight exceeds five percent (5%) of the investment manager's specific benchmark index, investments in that company are allowable up to one hundred twenty percent (120%) of the Index weight. Common stock is defined to include securities convertible into common stock.

4. Long / Short equity portfolios should strive to maintain a market neutral risk (beta of 1.0) when compared to the portfolio's benchmark. Short positions should not exceed 30% of the Managers' funded mandate at cost. Short positions in any single company shall be limited to 3%, at market, of the portfolio value.

5. ADR's and foreign securities traded on major U.S. exchanges will be allowable investments; however, in domestic equity portfolios, they will be limited to a maximum of 10% at market.

6. The international equity portfolio should maintain reasonable diversification across countries, industries and companies. Smaller capitalization stocks and/or mutual funds are allowable investments, as long as the exposure is "fee neutral" (no additional fees) to the Plan. Emerging market exposure is allowable, however, is limited to 15%, at market, of the International equity portfolio.

7. The Managers will be responsible for voting all proxies issued in connection with stock over which such Manager has investment authority or control, unless directed otherwise by the Staff. All such votes must be cast in the best interest of the system's beneficiaries.

8. The Managers, except those specifically managing long / short portfolios, will not engage in investment transactions involving short sales, purchases on margin, derivative securities, which provide leveraged exposure of the underlying index, precious metals, commodities. However, use of currency futures, options or forward contracts to hedge international portfolio currencies is allowable.

9. A Manager may not act or receive commissions or other fees as a broker, dealer, underwriter, or principal, whether directly or through a related or affiliated entity, with respect to any Plan assets.

10. A Manager may not assign or delegate any of its duties to another party without providing written notification to the Staff.

VII. Communications and Reporting

1. The Managers shall issue a report at least quarterly, reviewing its progress, investment strategy and actions on behalf of the Plan to the Staff and Consultant. All trades shall be reported to the staff on a daily basis.

2. The Managers are expected to communicate or meet with the Staff and Consultant to review the portfolio and to discuss investment results in the context of these guidelines periodically upon request. At all times, however, the Managers are encouraged to have open communication with the Staff and Consultant on all significant matters pertaining to investment policies and the management of the Plan's assets.

3. The Managers shall promptly notify the Staff and Consultant of any change in ownership or control of its organization, change in any key personnel, any litigation and any inquiries by regulatory agencies.

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2. Significant revisions to the expected long-term trade-off between risk and reward on key asset classes, dependent upon basic economic/political/social factors;

3. Shortcomings of the Policy that emerge in its practical operation or significant modifications that are recommended to the Board by the Staff or Plan professionals;

4. Significant changes in the legal and/or regulatory environment.

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The above Statement of Investment Policy is hereby found acceptable to both the Investment Managers and the Board of the Louisiana School Employees' Retirement System.

Chairman, Board	Date
Vice Chairman, Board	Date
Investment Manager	Date
Name of Firm	

January 8, 2007

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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Chairman, Board	Date
Vice Chairman, Board	Date
Investment Manager	Date
Name of Firm	

LSERS

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INVESTMENT POLICY AND GUIDELINES

APPROVED BY THE BOARD OF TRUSTEES

January 8, 2007

January 8, 2007

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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2. The Managers are expected to communicate or meet with the Staff and Consultant to review the portfolio and to discuss investment results in the context of these guidelines periodically upon request. At all times, however, the Managers are encouraged to have open communication with the Staff and Consultant on all significant matters pertaining to investment policies and the management of the Plan's assets.

3. The Managers shall promptly notify the Staff and Consultant of any change in ownership or control of its organization, change in any key personnel, any litigation and any inquiries by regulatory agencies.

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The Board will review this Policy periodically and whenever a major change is apparent or necessary. Such review may be caused by:

1. A fundamental change in the design of the Plan;

2. Significant revisions to the expected long-term trade-off between risk and reward on key asset classes, dependent upon basic economic/political/social factors;

3. Shortcomings of the Policy that emerge in its practical operation or significant modifications that are recommended to the Board by the Staff or Plan professionals;

4. Significant changes in the legal and/or regulatory environment.

* * * * * * *

The above Statement of Investment Policy is hereby found acceptable to both the Investment Managers and the Board of the Louisiana School Employees' Retirement System.

Chairman, Board	Date
Vice Chairman, Board	Date
Investment Manager	Date
Name of Firm	

LSERS

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INVESTMENT POLICY AND GUIDELINES

APPROVED BY THE BOARD OF TRUSTEES

September 18, 2006

September 18, 2006

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF INVESTMENT POLICY

I. General Considerations

The Louisiana School Employees' Retirement System (Plan) is administered by a Board of Trustees (Board) and maintained to provide benefits for participants and beneficiaries in accordance with the Plan provisions. Plan Staff (Staff) will generally coordinate the day to day investment related activities through the Chief Investment Officer on behalf of the Board.

The Board will engage the services of Investment Managers who possess the necessary specialized resources and expertise to assure that the Plan has the highest probability of achieving competitive results at appropriate levels of risk. It is the intention of the Board to allow the Investment Managers full discretion within the scope of these mutually agreed upon investment guidelines and the Fund's Plan Document.

Each Investment Manager (Manager) shall discharge its responsibilities as a fiduciary with respect to assets under its management in accordance with this Statement of Investment Policy (Policy) and all applicable laws, including federal and state securities laws.

Also, this Policy allows for pooled investment vehicles (mutual funds and/or commingled funds) that are deemed to be suitable investments regarding Plan assets. Any pooled investments will generally follow this Policy, although the Board recognizes that pooled vehicles are formally governed by their respective guidelines, prospectuses and investment contracts.

II. Function

The function of this Policy is to establish a clear understanding between the Board and the Plan's Managers regarding the investment policies and objectives of the Plan. It is intended that this Policy will provide meaningful guidance and the necessary flexibility to manage the assets of the Plan.

This Policy may be changed from time to time by the Board after consideration of the advice and recommendations of Plan staff and professionals. All modifications to this Policy shall be in writing and approved by the Board.

III. Basic Premises

1. Because the Plan is a defined benefit pension plan, a long-term investment horizon is warranted, given the Plan's liability characteristics and the actuarial valuation process that smoothes annual fluctuations in investment performance. Moderate short-term fluctuations in the market value of the Plan should not influence the investment structure under normal circumstances.

2. The purchase and sale of all investments are the sole and direct responsibility of each Manager pursuant to the discretion granted herein and as granted pursuant to the Manager Agreement.

IV. Investment Objectives

Investment results will be evaluated over three to five-year market cycles and will focus on total results. The Plan may not necessarily maintain exposure to every asset class outlined below.

1. The Plan's total return is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the Blended Index (50% Russell 3000 Index, 10% MSCI EAFE, 30% Lehman Brothers Aggregate Index, 6% NCREIF Index and 4% S&P 500 Index plus three percentage points), before fees are deducted. (Note: The Trustees approved the new total plan benchmark on September 18, 2006 with the understanding that this benchmark will be applied when the additional asset classes are completely funded.)

2. Each Style-Specific Large Capitalization Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by their respective Russell 1000 style index by a minimum of 1.0%, before fees are deducted.

3. Each Passive Large Capitalization Equity Investment portfolio is expected:

   To achieve an annualized rate of return that matches the rate of return produced by the S&P 500 Index.

4. Each Small Cap Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by their respective Russell 2000 style index by a minimum of 1.5%, before fees are deducted.

5. Each International Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the MSCI EAFE Index by a minimum of 1.5%, before fees are deducted.

6. Each Fixed Income Investment portfolio is expected:

   To achieve an annualized rate of return which exceeds the rate of return produced by the Lehman Brothers Aggregate Bond Index by a minimum of 0.5%, before fees are deducted.

7. Each Real Estate Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the NCREIF Index by a minimum of 1.0%, before fees are deducted.

8. Each Private Equity Investment portfolio is expected:

   To provide a meaningful premium over the public equity market reflecting the risk and associated fees with this investment. Therefore the portfolios will be expected to achieve an annualized rate of return which exceeds the S&P 500 Index by four percentage points over the long term, before fees are deducted. It is recognized that this benchmark is unlikely to be met in the initial years of the investment, as Private Equity returns often present a "J-curve" investment return pattern.

The volatility of each portfolio is not expected to materially exceed the volatility experienced by their respective benchmarks. Volatility is measured as the standard deviation of returns, utilizing quarterly total rates of return on the portfolio's aggregate assets.

Each Manager's investment performance will be reviewed regularly. Total rates of return on market value will be calculated, including interest income and both realized and unrealized capital gains and losses. Comparisons of rates will be made with the respective market indices. The system's total return, net of fees, will be compared to the actuarially assumed rate of return.

V. Asset Allocation

The asset allocation ranges for the Plan are:

Asset Category	**Range**	**Target**
Domestic All Cap Equity	45-55%	50%
International Equity	5-15%	10%
Fixed Income	25-35%	30%
Real Estate	2-10%	6%
Private Equity	0-8%	4%
Cash Equivalents	0-3%	0%

Ongoing rebalancing of the portfolio and adherence to the above asset allocation ranges will be coordinated by Staff and the Investment Consultant (Consultant). It is required

by statute, that the total equity exposure of the fund is limited to no more than 65% of the total market value of the fund, provided that at least ten percent of the total equity portfolio is invested in one or more index funds, that seek to replicate the performance of the chosen index.

VI. General Limitations and Requirements

1. In placing portfolio transaction orders on behalf of the Plan, the Managers will use their best efforts to obtain the best execution of orders. The Managers shall disclose all commissions and other fees and expenses paid, and any consideration received from a party other than the Plan with regard to the management of the Plan portfolio.

2. The majority of corporate fixed income investments, other than short-term paper, shall be limited at purchase to investment grade as established by one or more of the nationally recognized bond rating services. Investment managers' fixed income portfolios may invest in fixed income asset sectors or classes that are outside of the Lehman Brothers Aggregate Index up to 25%, at market. However, each individual sector (i.e., Investment Grade non-dollar, emerging market, high yield, private mortgages, etc.) is limited to 10%, at market. Emerging market bonds are defined here as securities issued by Governments, Agencies or Corporations domiciled outside the United States which are not rated Investment Grade by any of the nationally recognized bond rating services. It will be expected that debt securities of any single credit will not exceed 3% (1% for below investment grade or foreign issues) at market value, of each fixed income portfolio. Modest, short-term deviations from all of the percentage limits defined herein due to cash flow or downgrades will not be considered violations of this policy. However, investment managers should promptly report such deviations to the system's investment staff. The Board recognizes that modest additional custody costs may be incurred by investing in these sectors, especially in non-dollar issues. However, Investment Managers will be expected to achieve any exposure on a management fee neutral basis. Also, the use of Futures, options and swaps will be permitted, as long as they are not used to lever the portfolio; that is, the net exposure to securities and derivatives is not greater than the market value of the portfolio. The average quality rating of each Manager's portfolio shall be equal to A or better.

3. Common stock investments (both domestic and international) in any single company shall be limited to 5%, at market, of equity assets under management, and 2% of the company's total outstanding equity. In the event that any company weight exceeds five percent (5%) of the investment manager's specific benchmark index, investments in that company are allowable up to one hundred twenty percent (120%) of the Index weight. Common stock is defined to include securities convertible into common stock.

4. ADR's and foreign securities traded on major U.S. exchanges will be allowable investments; however, in domestic equity portfolios, they will be limited to a maximum of 10% at market.

5. The international equity portfolio should maintain reasonable diversification across countries, industries and companies. Smaller capitalization stocks and/or mutual funds are allowable investments, as long as the exposure is "fee neutral" (no additional fees) to the Plan. Emerging market exposure is allowable, however, is limited to 15%, at market, of the International equity portfolio.

6. The Managers will be responsible for voting all proxies issued in connection with stock over which such Manager has investment authority or control, unless directed otherwise by the Staff. All such votes must be cast in the best interest of the system's beneficiaries.

7. The Managers will not engage in investment transactions involving short sales, purchases on margin, derivative securities, which provide leveraged exposure of the underlying index, precious metals, commodities or individual real estate holdings. However, use of currency futures, options or forward contracts to <u>hedge</u> international portfolio currencies is allowable.

8. A Manager may not act or receive commissions or other fees as a broker, dealer, underwriter, or principal, whether directly or through a related or affiliated entity, with respect to any Plan assets.

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Chairman, Board	Date
Vice Chairman, Board	Date
Investment Manager	Date
Name of Firm	

LSERS

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INVESTMENT POLICY

APPROVED BY THE BOARD OF TRUSTEES

March 13, 2006

March 13, 2006

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF INVESTMENT POLICY

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Chairman, Board	Date
Vice Chairman, Board	Date
Investment Manager	Date
Name of Firm	

LSERS

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INVESTMENT POLICY

APPROVED BY THE BOARD OF TRUSTEES

February 13, 2006

February 13, 2006

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF INVESTMENT POLICY

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The above Statement of Investment Policy is hereby found acceptable to both the Investment Managers and the Board of the Louisiana School Employees' Retirement System.

Chairman, Board	Date
Vice Chairman, Board	Date
Investment Manager	Date
Name of Firm	

LSERS

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF INVESTMENT POLICY

APPROVED BY THE BOARD OF TRUSTEES

August 9, 2005

August 9, 2005

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF INVESTMENT POLICY

I. General Considerations

The Louisiana School Employees' Retirement System (Plan) is administered by a Board of Trustees (Board) and maintained to provide benefits for participants and beneficiaries in accordance with the Plan provisions. Plan Staff (Staff) will generally coordinate the day to day investment related activities through the Chief Investment Officer on behalf of the Board.

The Board will engage the services of Investment Managers who possess the necessary specialized resources and expertise to assure that the Plan has the highest probability of achieving competitive results at appropriate levels of risk. It is the intention of the Board to allow the Investment Managers full discretion within the scope of these mutually agreed upon investment guidelines and the Fund's Plan Document.

Each Investment Manager (Manager) shall discharge its responsibilities as a fiduciary with respect to assets under its management in accordance with this Statement of Investment Policy (Policy) and all applicable laws, including federal and state securities laws.

Also, this Policy allows for pooled investment vehicles (mutual funds and/or commingled funds) that are deemed to be suitable investments regarding Plan assets. Any pooled investments will generally follow this Policy, although the Board recognizes that pooled vehicles are formally governed by their respective guidelines, prospectuses and investment contracts.

II. Function

The function of this Policy is to establish a clear understanding between the Board and the Plan's Managers regarding the investment policies and objectives of the Plan. It is intended that this Policy will provide meaningful guidance and the necessary flexibility to manage the assets of the Plan.

This Policy may be changed from time to time by the Board after consideration of the advice and recommendations of Plan staff and professionals. All modifications to this Policy shall be in writing and approved by the Board.

III. Basic Premises

1. Because the Plan is a defined benefit pension plan, a long-term investment horizon is warranted, given the Plan's liability characteristics and the actuarial valuation process that smoothes annual fluctuations in investment performance. Moderate short-term fluctuations in the market value of the Plan should not influence the investment structure under normal circumstances.

2. The purchase and sale of all investments are the sole and direct responsibility of each Manager pursuant to the discretion granted herein and as granted pursuant to the Manager Agreement.

IV. Investment Objectives

Investment results will be evaluated over three to five-year market cycles and will focus on total results. The Plan may not necessarily maintain exposure to every asset class outlined below.

1. The Plan's total return is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the Blended Index (51% Russell 3000 Index, 7% MSCI EAFE, 39% Lehman Brothers Aggregate Index, 3% NCREIF Index), before fees are deducted.

2. Each Style-Specific Large Capitalization Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by their respective Russell 1000 style index by a minimum of 1.0%, before fees are deducted.

3. Each Passive Large Capitalization Equity Investment portfolio is expected:

   To achieve an annualized rate of return that matches the rate of return produced by the S&P 500 Index.

4. Each Small Cap Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by their respective Russell 2000 style index by a minimum of 1.5%, before fees are deducted.

5. Each International Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the MSCI EAFE Index by a minimum of 1.5%, before fees are deducted.

6. Each Fixed Income Investment portfolio is expected:

   To achieve an annualized rate of return which exceeds the rate of return produced by the Lehman Brothers Aggregate Bond Index by a minimum of 0.5%, before fees are deducted.

7. Each Real Estate Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the NCREIF Index by a minimum of 1.0%, before fees are deducted.

The volatility of each portfolio is not expected to materially exceed the volatility experienced by their respective benchmarks. Volatility is measured as the standard deviation of returns, utilizing quarterly total rates of return on the portfolio's aggregate assets.

Each Manager's investment performance will be reviewed regularly. Total rates of return on market value will be calculated, including interest income and both realized and unrealized capital gains and losses. Comparisons of rates will be made with the respective market indices. The system's total return, net of fees, will be compared to the actuarially assumed rate of return.

V. Asset Allocation

The asset allocation ranges for the Plan are:

Asset Category	Range	Target
Domestic All Cap Equity	46-56%	51%
International Equity	2-12%	7%
Fixed Income	34-44%	39%
Real Estate	0-5%	3%
Cash Equivalents	0-3%	0%

Ongoing rebalancing of the portfolio and adherence to the above asset allocation ranges will be coordinated by Staff and the Investment Consultant (Consultant). It is required by statute, that the total equity exposure of the fund is limited to no more than 65% of the total market value of the fund, provided that at least ten percent of the total equity portfolio is invested in one or more index funds, that seek to replicate the performance of the chosen index.

VI. General Limitations and Requirements

1. In placing portfolio transaction orders on behalf of the Plan, the Managers will use their best efforts to obtain the best execution of orders. The Managers shall disclose all commissions and other fees and expenses paid, and any consideration received from a party other than the Plan with regard to the management of the Plan portfolio.

2. The majority of corporate fixed income investments, other than short-term paper, shall be limited at purchase to investment grade as established by one or more of the nationally recognized bond rating services. Investment managers' fixed income portfolios may invest in fixed income asset sectors or classes that are outside of the Lehman Brothers Aggregate Index up to 25%, at market. However, each individual sector (i.e., Investment Grade non-dollar, emerging market, high yield, private mortgages, etc.) is limited to 10%, at market. Emerging market bonds are defined here as securities issued by Governments, Agencies or Corporations domiciled outside the United States which are not rated Investment Grade by any of the nationally recognized bond rating services. It will be expected that debt securities of any single credit will not exceed 3% (1% for below investment grade or foreign issues) at market value, of each fixed income portfolio. Modest, short-term deviations from all of the percentage limits defined herein due to cash flow or downgrades will not be considered violations of this policy. However, investment managers should promptly report such deviations to the system's investment staff. The Board recognizes that modest additional custody costs may be incurred by investing in these sectors, especially in non-dollar issues. However, Investment Managers will be expected to achieve any exposure on a management fee neutral basis. Also, the use of Futures, options and swaps will be permitted, as long as they are not used to lever the portfolio; that is, the net exposure to securities and derivatives is not greater than the market value of the portfolio. The average quality rating of each Manager's portfolio shall be equal to A or better.

3. Common stock investments (both domestic and international) in any single company shall be limited to 5%, at market, of equity assets under management, and 2% of the company's total outstanding equity. In the event that any company weight exceeds five percent (5%) of the investment manager's specific benchmark index, investments in that company are allowable up to one hundred twenty percent (120%) of the Index weight. Common stock is defined to include securities convertible into common stock.

4. ADR's and foreign securities traded on major U.S. exchanges will be allowable investments; however, in domestic equity portfolios, they will be limited to a maximum of 10% at market.

5. The international equity portfolio should maintain reasonable diversification across countries, industries and companies. Smaller capitalization stocks and/or mutual funds are allowable investments, as long as the exposure is "fee neutral" (no

additional fees) to the Plan. Emerging market exposure is allowable, however, is limited to 15%, at market, of the International equity portfolio.

6. The Managers will be responsible for voting all proxies issued in connection with stock over which such Manager has investment authority or control, unless directed otherwise by the Staff. All such votes must be cast in the best interest of the system's beneficiaries.

7. The Managers will not engage in investment transactions involving short sales, purchases on margin, derivative securities, which provide leveraged exposure of the underlying index, precious metals, commodities or individual real estate holdings. However, use of currency futures, options or forward contracts to <u>hedge</u> international portfolio currencies is allowable.

8. A Manager may not act or receive commissions or other fees as a broker, dealer, underwriter, or principal, whether directly or through a related or affiliated entity, with respect to any Plan assets.

9. A Manager may not assign or delegate any of its duties to another party without providing written notification to the Staff.

VII. <u>Communications and Reporting</u>

1. The Managers shall issue a report at least quarterly, reviewing its progress, investment strategy and actions on behalf of the Plan to the Staff and Consultant. All trades shall be reported to the staff on a daily basis.

2. The Managers are expected to communicate or meet with the Staff and Consultant to review the portfolio and to discuss investment results in the context of these guidelines periodically upon request. At all times, however, the Managers are encouraged to have open communication with the Staff and Consultant on all significant matters pertaining to investment policies and the management of the Plan's assets.

3. The Managers shall promptly notify the Staff and Consultant of any change in ownership or control of its organization, change in any key personnel, any litigation and any inquiries by regulatory agencies.

<u>Policy Review</u>

The Board will review this Policy periodically and whenever a major change is apparent or necessary. Such review may be caused by:

1. A fundamental change in the design of the Plan;

2. Significant revisions to the expected long-term trade-off between risk and reward on key asset classes, dependent upon basic economic/political/social factors;

3. Shortcomings of the Policy that emerge in its practical operation or significant modifications that are recommended to the Board by the Staff or Plan professionals;

4. Significant changes in the legal and/or regulatory environment.

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The above Statement of Investment Policy is hereby found acceptable to both the Investment Managers and the Board of the Louisiana School Employees' Retirement System.

Chairman, Board	Date
Vice Chairman, Board	Date
Investment Manager	Date
Name of Firm	

LSERS

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Investment Policy and Guidelines

APPROVED BY THE
BOARD OF TRUSTEES

December 15, 2003

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STATEMENT OF INVESTMENT OBJECTIVES, POLICY AND GUIDELINES

PREAMBLE

The Louisiana School Employees' Retirement System (LSERS) ("Fund"), hereby adopts this Statement of Investment Objectives, Policy and Guidelines ("Statement") which supersedes and replaces all prior Investment Policy Statement(s) and which is hereby incorporated into all existing and any future Investment Manager Agreements.

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

In addition to the statutory direction and restrictions set forth in R.S. 17:961 of the Louisiana Revised Statutes, the School Employees' Retirement System operates under the "Prudent Person" rule, (R.S. 11:263.B) used herein meaning that in investing the governing authorities of the systems, funds, and plans shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income.

The Board's responsibilities are also further defined by R.S. 36:801.3 C as follows: "The assets of each system shall be held in trust by the fiduciaries who are named to the system's governing board in accordance with the election or appointment procedure outlined in the Revised Statutes pertinent to that system. Such fiduciaries shall have exclusive authority and discretion to manage and control the assets of the system. The assets of each system shall be held for the exclusive purpose of providing benefits to members of the system and their beneficiaries and defraying reasonable expenses of administering the system."

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

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

This document sets forth the following:

1. The investment policies and objectives which the Board judges to be appropriate and prudent to implement its strategic planning for the investment of Fund assets.

2. The investment policies and objectives and performance criteria for the investment manager(s);

3. A guideline for the Board's ongoing supervision of the investment of Fund assets to ensure that the Fund's investments remain invested in accordance with this Statement;

4. Accounting and Reporting Guidelines for purposes of measuring the performance of all investment managers.

5. Directed Brokerage and "Soft Dollar" Policies.

6. Proxy Voting Policies.

SECTION ONE: INVESTMENT OBJECTIVES

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

(1) PRESERVATION OF CAPITAL

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

- minimizing the risk of loss of principal for the fund as a whole.
- minimizing the erosion of principal value through inflation.

(2) DIVERSIFICATION

The primary means by which capital preservation will be achieved is through diversification of the fund's investments. Accordingly, the fund is allocated among asset groups with a low or negative covariance.[1]

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

The average violatility level (beta) for the total Fund's U.S. equity portfolio should fall within the range of 0.9 to 1.15 of the Standard & Poor's 500 equity index; this is a traditional and reasonable range. The publicly traded bond sector of the portfolio should have a volatility level approximately .8 to 1.15 of the Lehman Brothers Aggregate Bond Index.

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1 Covariance, defined generally as the different responses of different asset classes to the same market or economic stimuli, may be illustrated by the fact that, in periods of high inflation, stocks may perform better than bonds.

(3) ASSET-LIABILITY FOCUS

The basic premise of the framework in which the asset allocation policy has been developed is the following:

That the plan's assets do not exist in a vacuum but, rather, are there to fund LSERS' liabilities. Therefore, the risk and investment return alternatives from different asset mixes are derived in a framework that examines the impact on funded status, contribution volatility, the projected ratio of active to retired employees, the benefits payment horizon and the sensitivity of benefits to economic variables, such as inflation.

SECTION TWO: CURRENT INVESTMENT POLICIES

TARGET ASSET MIX

As of August 8, 2000 the trustees adopted a new customized index resulting in a target asset mix as follows:

Portfolio Component	Target
Domestic Equity	45%
Domestic Fixed Income	48%
International Equity	7%
Real Estate	0%
Cash	0%

This asset mix policy was based on fundamental objectives of the fund. Over time asset styles may be changed or added for greater exposure to different asset categories.

REBALANCING GUIDELINES

Because markets do not move in concert, actual allocations will deviate around the target. On a quarterly basis, actual allocations will be compared to targets. Ranges will be set up around the targets; rebalancing will take place whenever allocations reach the outer limits of those target ranges. Continual rebalancing of the fund's assets will ensure that the investment objectives embodied in the asset allocation policy are maintained and will also enable the fund to achieve long-term return enhancement from the dollar cost averaging process. Asset allocations should be rebalanced when the market value of a portfolio component is plus or minus 5% of the policy's target mix.

SECTION THREE: PERFORMANCE MEASUREMENT

TOTAL FUND PERFORMANCE BENCHMARKS

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

ASSET CLASS	PORTFOLIO INDEX AGAINST WHICH ASSET CLASS WILL BE MEASURED
Large Cap Equity Core	Standard & Poor's 500, Russell 1000
Small Cap Equity	Russell 2000
Domestic Fixed Income	Lehman Brothers Aggregate Bond Index
International Equity	Morgan Stanley EAFE

PERFORMANCE OBJECTIVES FOR THE TOTAL FUND

CPI + 3.3%

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

Customized Index

Over shorter periods of time (5 year moving average), total fund performance is expected to out-perform an indexed portfolio comprised of 45% Russell 3000, 7% Morgan Stanley EAFE and 48% Lehman Brothers Aggregate Bond Index.

Fully Funded

The fund is expected to remain fully funded with respect to the actuarial accrued liability.

Performance Objectives for Actively Managed Large Capitalization Domestic Equity Managers

1. Achieve a rate of return which exceeds the relevant style benchmark of the Frank Russell 1000 index net of fees, over a full market cycle. (5 years)

2. Achieve positive risk-adjusted (alpha) performance when compared to the S & P 500 Index over a full market cycle.

3. Achieve performance results which will rank in the top 40% of the relevant style universe.

Performance Objectives for Small Capitalization Domestic Equity Managers

1. Achieve a rate of return which exceeds the relevant style benchmark of the Frank Russell 2000 index net of fees, over a full market cycle. (5 years)

2. Achieve positive risk-adjusted (alpha) performance when compared to the Russell 2000 Index over a full market cycle.

3. Achieve performance results which will rank in the top 40% of the relevant style universe.

Performance Objectives for Domestic Fixed-Income Managers

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

2. Achieve positive risk-adjusted (alpha) performance when compared to the Lehman Brothers Aggregate Bond Index over a full market cycle.

3. Achieve performance results that will rank in the top 40% of the relevant style universe.

Performance Objectives for International Equity Managers

1. Achieve a rate of return which exceeds the Morgan Stanley EAFE net of fees, over a full market cycle. (5 years).

2. Achieve positive risk-adjusted (alpha) performance when compared to the Morgan Stanley EAFE Index over a full market cycle.

3. Achieve performance results which will rank in the top 40% of the relevant style universe.

PROBATION

Review of Investment Manager's Performance

The Trustees will review the performance results of each investment manager periodically and any significant deviations from the performance objectives outlined above, over significant time periods will lead to a reevaluation of the program.

For purposes of this paragraph, if the time weighted rate of return of an investment manager's portfolio falls short of any of the specified return objectives over any three to five year period, there will be a rebuttable presumption that the manager's performance has been unsatisfactory, requiring the Trustees to take prompt action including, but not limited to:

1. Detailed scrutiny of the investment manager's process and philosophy;

2. Requiring the manager to present detailed explanation of its poor performance to the Trustees;

3. Placing the manager on probation and allowing between two (2) and four (4) quarters to bring their performance in line with the stated performance objectives;

4. Terminating the investment manager;

5. Changing the allocation of assets among the Funding Agents;

6. Changing investment objectives;

7. Changing the Investment Policy Guidelines with regard to asset allocation or other portfolio characteristics.

Of course, nothing shall prevent the Trustees from considering such actions in other circumstances as well.

SECTION FOUR: MONEY MANAGER INVESTMENT POLICIES AND GUIDELINES

- Investments shall be of a prudent nature.
- Investments shall be consistent with generally accepted investment practices.
- Securities managers shall be registered advisors under the Investment Advisors Act of 1940.
- Securities managers may represent a division of a bank or any other entity which reports to the Comptroller of the Currency.
- All managers must acknowledge, in writing, their obligations as fiduciaries responsible for the investment of fund assets.
- Subject to the guidelines included in this Statement, managers shall have full discretion.
- The Board has sole discretion to select managers and replace them when necessary.
- Managers are expected to remain fully invested. Managers' cash positions are not to exceed 15% without the consent of the Board (This maximum may change from time to time based on Board action).
- The manager(s) will be expected to review the present and future cash flow requirements with the Board at least annually to respond to any liquidity needs LSERS may have.
- The funds' staff and investment consultant shall continuously review each manager's portfolio performance and execution.
- The Board will meet with each manager at least annually, or when requested, to review fund investment returns and the market environment.
- Should a manager's failure to comply with any policies stated herein (i.e. diversification rules, quality rules, restricted securities, etc.) result in a realized portfolio loss when compliance is achieved, at the board's discretion the manager may be liable for returning the lost assets in cash to the fund within 30 days.

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

Actively Managed Domestic Equity Securities

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

- Stock selection should consider both capital appreciation and dividends (total return).

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

- Investment by any manager in any one stock, in all classes of equity securities, must be limited to 15% of the book value of the portfolio.

- The maximum total fund investment in any one company shall not exceed 5% of that company's outstanding stock.

- Investment by any manager in any corporation shall not exceed 2% of the outstanding shares of the corporation.

- Stocks must be those of corporations with market capitalization exceeding $250 million, with the exception of stocks purchased by those managers designated as small cap managers; those stocks must be of corporations with market capitalization exceeding $50 million. If the capitalization for corporations held in any equity portfolio drops below $250 million, (or $50 million in the case of small cap investment managers) it will be the responsibility of the investment manager to determine to retain such issues or to dispose of such issues. However, small cap value managers may invest up to 10% of their portfolio in securities with market capitalizations from $10 million to $50 million.

- Not more than 5% of the total stock portfolio valued at cost or 7% valued at market can be invested in the common stock of any one corporation. If a security in a portfolio's benchmark index exceeds 5% in that index, then that portfolio can hold 1.4 times the index weighting.

- Not more than 20% of stock valued at market may be held in any one Standard & Poor's 500 industry category. When portfolios are benchmarked to Russell 1000 Style indicies sector weights should be limited to +/- 10 percentage points of the sector weights in the applicable Russell 1000 Style indicies.

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

- Not more than 10% of the total stock portfolio may be invested in American Depository Receipts (ADR's) and foreign shares. However, no more than 3% of the ADR's and foreign shares can be in emerging markets. Managers' reports will identify all ADR's and country of origin.

should be submitted to the Board within 3 business days with quarterly updates thereafter. These reports should explain the status of the security and the future outlook for the security.

- Private placements with the following provisions:
  - issues are at least $30 million at par value;
  - holdings do not exceed 25% of the market value of the bond portfolio;
  - securities exhibit a yield to maturity premium of 35 basis points over issues of similar quality at time of purchase;
  - prior to purchase, approval by a majority of the board; and
  - they are issued under limited registration rule 144A; further, these may be purchased without prior approval of the board.

- New purchases of fixed income securities must be for a minimum of $100,000.00 in par value for each security. Smaller pieces may be purchased only if they will add to an existing security. Securities in violation of the policy must be sold within five working days of notification and our account must be reimbursed for any loss. The only exception to this policy shall be to allow for a maximum variance of no more then 2.5% on mortgage backed issues. Under no circumstances can more than one pool be used to meet the minimum current par value requirement.

- Not more than 20% of the portfolio may be invested in Yankee Bonds that are denominated in US Dollars. No more than 3% of these securities can be considered as emerging market (i.e. outside EAFE) debt.

- Not more than 5% of the market value of a portfolio can be invested in Trust Capital Securities.

- The overall average portfolio quality must be maintained at single A or better and the portfolio must be able to meet liquidity needs of the fund.

Cash and Cash Equivalents

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

Short term investments may be placed in :

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

- Repurchase agreements immediately collateralized by U.S. Treasury or federal agency issues.

- Domestic commercial paper rated P-1 or A-1 by Moody's and/or Standard & Poor's and having a senior bond rating of AA or better.

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

- Domestic certificates of deposit shall be limitedto an amount so that the principal and interest will not exceed the $100,000.00 FDIC or FSLIC insurance at each institution. Full collateral such as U.S. Government Securities will need to be held by our Custodian for anything in excess of the insured amount.

- Domestic short term investment fund selected by the Board.

Other Investments

- The Board may authorize the use of any other investment for the Fund provided that such investment is considered prudent for a pension fund.

Securities Lending

- The Retirement System may engage in securities lending provided that the securities are fully collateralized and that collateral is received prior to the release of the securities by the Custodian.

Prohibited Transactions

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

- The purchase of securities on margin is prohibited.

- Direct purchases of single family or commercial mortgages are not allowed.

- New purchases of non-U.S. dollar denominated bonds.

- Short sales

- Investments in commodities or commodity contracts

- Direct loans or extension lines of credit to any interested party

- Unregistered securities

- Small Business Administration and Farmers Home Administration issues
- Letter Securities
- Trades executed through an affiliate of the LSERS money managers.
- Trades executed through an affiliate of the LSERS money manager underwriting the securities being traded.
- Trades executed through an affiliate of the LSERS money manager who is a member of the selling/purchasing group of the security being traded.

responds to the subjects identified in the notice at least seven days prior to the meeting. These meetings shall have a consistent format designed to make themefficient. Additionally, consistency is required to that the Board can effectively compare and contrast the investment managers' articulated portfolio strategy with actual portfolio structure and results. These meetings will also provide the investment managers with the opportunity to explain how their thinking has evolved since previous meetings.

The topics to be covered will include the following:

- Performance for Past Period: Standard time periods for each report will be last quarter year to date, latest 12 Months, 3 years, and since inception. Returns should be annualized and calculated on a time-weighted basis for the total portfolio. All returns should include income and dividends.

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

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

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

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

- Manager presentation format should be as follows:

    1. **What Happened And Why**
        - Absolute Performance
        - Relative Performance
            - Benchmark
            - Composite of similar accounts

    2. **What's Ahead**
        - Outlook for Capital Markets/Economy
        - Outlook for LSERS Account

    3. **Trading Information**
        - Commission rate per share (equity managers only)
        - Commissions with Louisiana brokers
        - Commissions with commission recapture broker (LJR)

4. Company Update

- Personnel additions/subtractions
- Changes in ownership/management (which affect LSERS)
- Client additions/subtractions
- Other company news

SECTION SIX: BROKERAGE DIRECTION/SOFT DOLLAR POLICIES

DIRECTED BROKERAGE POLICY

Managers are advised to direct at least 20% of the normal transactions on the LSERS equity account to a designated "soft dollar" broker and its correspondent brokers for purposes of procuring various research services and cash credits.

LOUISIANA BROKERS POLICY

They are also advised to direct at least 10% of the normal transactions on the LSERS account to designated Louisiana brokers. The Board will provide notification to the money managers of the appointment of designated "soft dollar" brokers, their correspondent brokers and all approved Louisiana brokers.

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

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

- Money managers are expected to continue to comply with their fiduciary duties under ERISA and the securities laws to seek to obtain the best price and execution on each trade. Execution is a combination of price and commission taking into account market conditions such as size of offers and bids.

SECTION SEVEN: PROXY VOTING PROCEDURES

POLICY STATEMENT

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

ROUTINE MATTERS

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

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

SOCIAL, ENVIRONMENTAL OR POLITICAL PROPOSALS

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

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

SHAREHOLDERS SOVEREIGNTY

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

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

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