TEACHERS' RETIREMENT SYSTEM OF LOUISIANA

INVESTMENT POLICY

September 11, 2009

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INTRODUCTION

This document establishes the investment policy for Teachers' Retirement System of Louisiana (System) for the management of the assets held for the benefit of participants and beneficiaries of the System.

The objective of this document is to establish and communicate the long-term goals and objectives of the System to investment managers and other interested parties. In addition, this document formalizes the responsibilities and guidelines for investment managers and defines the performance measurement and evaluation process.

The Board of Trustees (Board) is charged with the responsibility of investing the assets of the System in a prudent manner such that the safety of the principal is preserved while providing reasonable returns and, in general, avoiding speculative investments.

The Board, in carrying out these duties, shall adhere to the Prudent-Man Rule, which means that a fiduciary shall exercise the judgment and care under the circumstances, then prevailing, which 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 policies provide for the use of all suitable and prudent avenues of investment authorized under the Louisiana statutes to maintain a high quality, diversified portfolio of investments, the prospects of which are continually reviewed and assessed in various economic climates. To assure this, the Board shall retain investment managers who possess skill and specialized research expertise with respect to investing the assets of the System. This policy serves, in part, as investment instructions to the managers.

The Board has arrived at the following investment policy through careful study of the returns and risks associated with various investment strategies in relation to the current and projected liabilities of the System.

LOUISIANA CODE OF GOVERNMENTAL ETHICS (Rev. 9/6/02)

The Teachers' Retirement System of Louisiana (TRSL) requires all investment managers, brokers, limited partnerships, and service vendors to adhere to the Louisiana Code of Governmental Ethics (Code). This Code will be included in all Solicitation for Proposals (SFP) and will be referenced in all contracts executed by TRSL. Detailed information on the Code, including other provisions may be obtained by contacting the Louisiana Ethics Commission at 1-800-842-6630 or by going to their web site: www.ethics.state.la.us/pub/gifts.htm

STATEMENT OF SYSTEM OBJECTIVES

Financial objectives of the Teachers' Retirement System of Louisiana have been established in conjunction with a comprehensive review of the current and projected financial requirements of the System.

The Board's investment objectives are to:

(1) Protect the System's assets in real terms such that assets are preserved to provide benefits to participants and their beneficiaries. Real terms shall be a measurement in current dollars that discounts inflationary increases in value as measured by the Consumer Price Index (CPI-U) seasonally adjusted.

(2) Achieve investment returns sufficient to meet the actuarial assumption necessary to improve the future soundness of the System. This is defined as an investment return (current income plus realized and nonrealized gains and losses) that is greater than the actuarial assumption.

(3) Maximize the total rate of return on investments within prudent parameters of risk for a retirement system of similar size and type.

While there can be no complete assurance that these objectives will be realized, this investment policy is believed to provide a sound basis to successfully achieve System objectives.

The desired investment objective is a long-term compound rate of return on the System's assets of 3.9% above the CPI-U seasonally adjusted or the actuarial rate (currently 8.25%), which ever is higher. The Board realizes that market performance varies and that this return objective may not be meaningful during some periods. Accordingly, relative performance benchmarks for investment managers are set forth in the Control Procedures section of this document.

(Revised 02/08/08)

ASSET ALLOCATION GUIDELINES

It shall be the policy of the System to invest the assets in accordance with the minimum and maximum range for each asset category as stated below:

Asset Category	Minimum	Target	Maximum
Domestic Stock***			
Large Cap	5%	15%	25%
Small/Mid Cap	5	15	25%
International Stock	10	29	40
Total Stock*	20	59	65
U.S. Bonds	4	6	10
Global Bonds	3	6	9
Total Fixed Income	7	12	19
Debt Related	0	8	12
Core/Opportunistic Real Assets	0	9	13
Private Equity	5	10	15
Hedge Funds - Multi-Strategy	0	1	3
Options/Derivatives	0		
Total Alternative (Illiquid)**	9	28	43
Cash and Equivalents	0	1	5
Total	n/a	100%	n/a

* A 10% allocation to indexed equities is mandated by the Legislature (La.R.S. 11:267). This legislation also sets the maximum allocation to equity at 65%.

** To determine the asset allocation for this asset category, only the actual amount invested, is applicable. However, in no case shall total alternative investments exceed the maximum allowed at the time the investment is made without Board approval.

Note: This asset allocation was adopted March 1, 2005. It is anticipated that it will take 18 to 24 months to implement the new policy. In the interim, we may be temporarily outside our policy ranges.

The asset allocation ranges established by this investment policy represent a long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence from this allocation should be of a short-term nature. The director is responsible for ensuring that any such divergence is as brief as possible.

Divergence in the portfolio cash reserves is of particular concern. It is the Board's policy that equity manager portfolios be fully invested and that cash reserves, over time, should not exceed their 5% target. Managers have the discretion to deviate from the cash reserve target but will be accountable to the Board for justifying such action.   Managers will be evaluated on the performance of the total portfolio, including cash.

It is expected that all assets of the System will be managed in accordance with the Louisiana Revised Statutes. It is the policy of the Board, provided all investment factors are equal and within the limits of prudence, that investments in Louisiana securities are encouraged.

In accordance with the Louisiana Revised Statutes, the System will invest at least 10% of total stock in equity indexing, not to exceed 65%. The index portfolio(s) shall be invested in indices that seek either to replicate or to enhance a particular index. The index portfolio(s) may be invested in a variety of equity capitalization ranges and could be invested in either domestic or international equity.

In addition to direct investment in individual securities, mutual funds and pooled asset portfolios are acceptable investment vehicles.

Rebalancing

TRSL's Chief Investment Officer will review the asset allocation monthly to determine if each asset class is within the range established by Board Policy. Any out-of-range condition and rebalancing recommendation will be reported to the Board at the Board Investment Committee meeting. The Chief Investment Officer will consider market conditions and transaction costs, as well as any other relevant factors, when determining the most cost-effective process to rebalance the portfolio. The Chief Investment Officer will direct staff and investment managers to transfer funds to rebalance the asset allocation, as necessary.

PORTFOLIO GUIDELINES

Fixed Income Guidelines for Domestic Managers (Rev. 11/06)

Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria:

(1) All U.S. Treasury, federal agencies, and U.S. Government guaranteed obligations.

(2) Corporate bonds, debentures, notes, asset-backed securities, and equipment trust certificates or any debt instrument included in the Lehman Brothers Aggregate Bond Index rated Baa3 or BBB- or higher (investment grade) by Moody's, Standard & Poor's, or Fitch (includes split-rated bonds).

(3) Mortgage securities portfolios will be limited to: pass-throughs, collateralized mortgage obligations, adjustable rate mortgages, commercial mortgage-backed securities, and other mortgage securities deemed prudent by the investment manager. The use of interest-only strips and principal-only strips may not exceed 10% of the portfolio.

(4) Municipal bonds rated Baa3 or BBB- or higher may not exceed 20% of the market value of the bond portfolio.

(5) Positions in any one issuer of corporate or municipal securities are not to exceed 5% of the market value of the bond portfolio, measured at the time of purchase. With regards to structured, pooled, or commingled vehicles, the 5% diversification test will look through to the underlying or referenced assets individually.

(6) Holdings of individual issues are to be of sufficient size to accommodate easy liquidation.

(7) Private placements (including Rule 144As) may be held, provided that holdings do not exceed 25% of the market value of the bond portfolio. High-yield portfolios and Mezzanine Limited Partnerships are excluded from this restriction.

(8) Debt obligations of foreign governments, corporations, and supranationals issued outside of the U.S. (Eurobonds and non-U.S. dollar bonds) may be held by investment managers.

(9) High yield portfolios are to be invested in debt securities (including convertibles) rated from Ba1 to Caa (Moody's rating) or BB+ to CCC (Standard & Poor's rating) and in unrated securities determined to be of comparable quality by the manager. Unrated securities and securities rated Caa, CCC, or below shall not exceed 20% of the market value of the portfolio.

(10) High yield portfolios are subject to the criteria in paragraphs (5) and (6) with bond rating modified according to paragraph (9).

(11) High yield fixed income portfolios may invest in debt obligations of foreign governments, corporations and supernationals and are dollar denominated (Yankee) securities. Aggregate weighting of those securities shall be limited to 10% o the market value of the portfolio.

(12) Investment grade fixed income (core) portfolios are to be invested in fixed income securities pursuant to paragraphs (1), (2), (3), (4), (5) and (6) above, except that all securities, at the time of purchase, shall be investment grade. If a security is downgraded below investment grade, the investment manager will work to seek the best resolution over time to such downgrade.

(13) Investment grade fixed income core portfolios shall not invest in mortgage–backed inverse floaters, interest-only, principal-only strips or highly volatile less liquid tranches.

(14) Investment grade fixed income core portfolios may invest in debt obligations of foreign governments, corporations and supranationals issued in the United States and are dollar denominated (Yankee) securities. Aggregate weighting of these securities shall be limited to 10% of the market value of the portfolio.

(15) Investment grade fixed income core portfolios may invest in Derivatives, including but not limited to futures, options, and swaps.

At all times counterparty for OTC derivatives must maintain at least a rating of A or A2. In the case of split ratings, the lower will apply. In the event a counterparty's rating falls below the minimum required rating, the Manager will close all positions with the counterparty in a timely and orderly fashion, exercising best judgment with regards to liquidity and prevailing market conditions.

Derivatives, futures, options, and swaps may only be used for the following purposes:

1. to adjust dollar-weighted duration and term structure of the portfolio,
2. to protect against the downside on credit defaults
3. to dampen volatility,
4. to create synthetic exposures not otherwise prohibited by these guidelines,
5. to take advantage of periodic pricing anomalies

Long futures and swaps contracts must be fully backed with cash or liquid holdings.

<u>Fixed Income Guidelines for Approved Global Fixed Income Manager(s)</u> (Rev. 10/6/03)

Items (1) through (7) of the Fixed Income Guidelines for Domestic Managers will apply with the following additional guidelines.

(1) The debt of countries, foreign and domestic agencies, foreign and domestic corporations, and supranational entities are acceptable for investment. The manager should consider the creditworthiness and the liquidity of a potential security before making an investment. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.

(2) Portfolio weightings in countries represented in the Citibank World Government Bond Index, including cash, may range from 0% to 100% of the portfolio.

(3) Portfolio weightings in countries not represented in the Citibank World Government Bond Index, including cash, may not, in aggregate, exceed 40% of the portfolio market value without Board approval. However, practical consideration should be given to liquidity and marketability of issues, particularly within nonmajor and emerging markets.

(4) Quality ratings for corporate debt shall be consistent with those stated in item (2) of the Fixed Income Guidelines for Domestic Managers.

(5) Permitted hedge vehicles for currency exposure management are as follows:

(a) Forward Foreign Exchange Contracts
(b) Currency Futures Contracts
(c) Options on Currency Futures Contracts
(d) Options on Spot Currencies

(6) Net short foreign currency positions may not be taken in this portfolio.

Stock Guidelines for Domestic Managers Rev. 4/8/05

Common stock securities, including ADRs, shall be high quality, readily marketable securities offering potential for above-average growth. Common stock investments are limited to those meeting all of the following criteria:

(1) Stocks must be listed or traded on a national securities exchange, including the NASDAQ. ADR securities may be traded over the counter. U.S. stocks must be registered with the Securities and Exchange Commission. The use of derivatives (such as Exchange Traded Funds (ETFs), options, warrants, and futures to establish unleveraged long positions in equity markets) is permissible.

(2) No more than 5% of the total outstanding shares of common stock for any one corporation may be held in the System's equity portfolio.

(3) No more than 5% of the cost or market value of the System's equity portfolio (whichever is more) or 15% of the market value of each manager's portfolio may be invested in the common stock of any one corporation.

(4) No more than 20% of stock valued at market of the System's equity portfolio may be held in any one industry category as defined by the custodian.

(5) Convertible securities and covered-option writing, if any, shall be considered as part of the equity portfolio.

(6) Equity managers (growth or value) hired for the small cap investment category are expected to

maintain a weighted average market capitalization of the portfolio within minus 50% and plus 100% of the weighted average market capitalization of the Russell 2000 Index (growth or value, respectively).

(7) Equity managers (growth or value) hired for the mid cap investment category are expected to maintain a weighted average market capitalization of the portfolio within plus or minus 50% of the weighted average market capitalization of the Russell Mid Cap Index (growth or value, respectively).

(8) Equity managers hired in the small/mid (SMID) cap investment category are expected to maintain a weighted average market capitalization of the portfolios within plus or minus 50% of the weighted average market capitalization of the Russell 2500 Index.

<u>Stock Guidelines for Approved International Equity Manager(s)</u> (Rev. 2/5/02)

Common stock securities of Developed Markets (EAFE Countries and Canada), shall be high quality, readily marketable securities offering potential for above-average growth. Items (2), (4), and (5) of the Stock Guidelines for Domestic Managers will apply with the following additional guidelines.

(1) Investment managers may invest up to 20% of the market value of the portfolio in the emerging market countries contained in the IFC Investable Index, including up to 5% (of the 20% limit) in emerging market countries not contained in the IFC Investable index. Managers should consider liquidity and marketability of issues, particularly within non-major and emerging markets, and should also be sensitive to the weight of individual economic sectors of the market within the portfolio. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.

(2) Investment managers may invest up to 10% of the portfolio's market value in domestic equity securities. This flexibility should be viewed by the manager as an opportunistic or defensive mechanism rather than a normal position.

(3) No single industry group shall constitute more than 25% of the portfolio's market value or its equivalent representation in the EAFE Index; whichever is more, without prior Board approval.

(4) No individual security shall constitute more than 10% of the portfolio's market value.

(5) Cash held by the manager may be in U.S. dollars or foreign currencies of the manager's choice.

(6) Residual currency exposures of the underlying international equity portfolio may be actively managed by the investment manager. If actively managed, the objectives of the foreign exchange exposure management, within the international equity portfolio, are to:

(a) Add value by increasing total returns and reducing volatility of returns through hedging and cross-hedging activities.

(b) Avoid currency losses in periods of an appreciating U.S. dollar.

(7) Permitted Equity Investments

(a) Equity managers are to confine investments to common stocks and securities that are directly convertible or exercisable into common stocks, including ADR's and GDR's.

(b) Use of derivatives such as options, warrants, and futures to establish unleveraged long positions in equity markets is permissible.

(c) Currency options contracts may be exchange traded or over-the-counter (OTC) traded in the interbank market. Additional instruments, such as swaps, or other derivatives, may be used if the risk/return trade-off is perceived by the manager to be suitable and competitive with the above-stated hedge vehicles.

(d) International equity managers may invest up to 10% of the portfolio in Rule 144A securities.

(8) Permitted hedge vehicles for currency exposure management are as follows:

(a) Forward Foreign Exchange Contracts
(b) Currency Futures Contracts
(c) Options on Currency Futures Contracts
(d) Options on Spot Currencies

(9) Net short foreign currency positions may not be taken in this portfolio

Core Real Estate (Rev. 05/09/06)

Core real estate minimizes risk under both an "asset definition" and a "portfolio definition". Under the "asset definition" means substantially rented existing properties, which have an orderly lease expiration schedule, are of high quality, are from among the four basic property types (office, industrial, retail and multifamily housing), are functional and well maintained without excessive capital reinvestment required, and carry no more than 25 percent debt.

Under the "portfolio definition" means a mix of at least three of the four main property types, geographic diversification, tenant/industry diversification and lease rollovers staggered across an entire investment portfolio in a fairly balanced pattern. Such a definition can be satisfied in a substantial portfolio wholly owned by a large institution, or in a commingled portfolio -- that includes multiple investors.

1) Core Real Estate means to buy, hold and operate real estate that offers high current income with lower volatility and lower expected returns than opportunistic real estate

2) Core Real Estate is not necessarily looking for a discount to fair market value; it is looking for long-term anchor tenants to lease the property

3) Core Real Estate can be provided by a separately managed account, commingled fund, partnership, direct ownership or Exchange Traded Funds

4) Core Real Estate can be in warehouses, industrial, apartments, offices, storage, land development, single family homes, parking garages and hotels

5) Core Real Estate offers stable return patterns and reasonable risk levels except when market disruption occurs (real estate glut, overvaluation, or a dramatic change in interest rates).

Manager Cash Guidelines (Rev. 2/6/01)

The System expects the manager's cash position to be kept to a minimum and adhere to the following:

(1) Equity manager's cash shall not constitute more than 5% of the market value of the manager's portfolio without prior Board approval.

(2) The manager's cash will be swept daily into a STIF account by the custodian.

(3) STIF deposit accounts at foreign subcustodian banks are allowed only for the global and international managers.

Restricted Investments (Rev. 05/09/06)

Categories of investments that are not eligible include:

(1) Use of margin or leverage (except limited partnerships and core real estate)

(2) Short sales of securities

(3) Investments in commodities or commodity contracts

(4) Direct loans or extending lines of credit to any interested party

(5) Letter stock

(6) Unregistered securities (except 144A securities and limited partnerships).

Hedge funds and market protection investment strategies will not be subject to the Restricted Investments listed above.

With Board approval, global managers may use financial-futures contracts and options thereon, currency-forward contracts and options thereon, and options on physical securities and currencies. Also for these managers, initial and variation margin on financial futures and related options are allowed.

Diversification

Investments shall be diversified with the intent to minimize the risk of large losses to the System. The total portfolio will be constructed and maintained to provide prudent diversification through equity, fixed income, real estate, and alternative investments.

Volatility (Rev. 2/5/02)

Consistent with the desire for adequate diversification, it is expected that the volatility of the System's total portfolio will be similar to that of the market. It is expected that the volatility of the total portfolio, in aggregate, will be reasonably close to the volatility of a commitment-weighted composite of market indices (e.g., Russell 3000 Index for stocks and Lehman Brothers Aggregate Bond Index for bonds, etc.).

Liquidity Needs (Rev. 2/5/02)

It is expected that contributions will exceed benefit payments for the foreseeable future. Therefore, staff will maintain an allocation to cash to meet benefit payments. External managers should maintain cash levels that are within their investment guidelines. (See Manager Cash Guidelines)

Proxy Voting (Rev. 10/6/03)

It shall be the policy of the System to allow the investment manager to vote all proxies. Nevertheless, each investment manager is required to advise the Board on any issues that should require special consideration. Staff will report to the Board annually summarizing the proxies that were voted by the investment managers.

Execution of Securities Trades (Rev. 9/08)

The System expects the purchase and sale of securities to be directed through brokerage firms offering the best price and execution. Small-cap, international, fixed income, and index investment managers are not required to use the System's internal trading desk. However, they are expected to place orders through Louisiana brokerage firms whenever they can provide total transaction costs equivalent to, or below, the lowest non-Louisiana brokerage firm.

Small-cap, international, fixed income, and index investment managers may not place trade orders through their own firm, or through affiliated or subsidiary companies with related ownership, in whole or part, to the investment manager without prior written approval. If and when such approval is granted, all trades shall comply with the best price and execution expectations. These trades must be identified in the manager's monthly trading report for review by TRSL.

Act 788 mandates that TRSL direct 10% of trades (equity and fixed income) to brokers that are incorporated in Louisiana. Another 10% must be directed to brokers that have an office in Louisiana but are incorporated outside of Louisiana.

Alternative Investment Guidelines (Rev. 02/08/08)

Included in the Investment Policy of the Teachers' Retirement System of Louisiana (the "System") dated October 6, 2003 is the Alternative Investment Guidelines (the "Guidelines") (REV. 8/7/01). The Guidelines indicate that the System's Board of Trustees (the "Board") may consider the following investment vehicles.

(a) Core/Value-add/Opportunistic Real Assets
(b) Private Equity
(c) Debt Related Financing
(d) Options
(e) Derivatives (Futures, Swaps, etc.)
(f) Hedge Funds - Multi-Strategy

The Guidelines provide further that the Board may adopt additional objectives, rules and guidelines for these investment vehicles, all of which become a part of the Guidelines upon approval of the Board. The following document sets forth enhanced guidelines that provide a general framework for selecting, building, and managing the System's investments in Hedge Funds – Multi-Strategy, Private Equity (including Mezzanine) and Value-add/Opportunistic Real Estate, which are referred to herein as "Alternative Investments". The only exception to this document will be the policy approved by the Board relating to Act 788 of 2003, which will govern investments in venture capital, emerging businesses, and money managers in Louisiana. Should the Board determine that investments in Options and/or Derivatives are appropriate for the System, a separate set of enhanced guidelines would be adopted for those types of investments as well. If the Board approves Options in the form of a collar (buying a put at or below current market and selling a call above current market), then no further guidelines are required.

I. OBJECTIVES

1. Return

On a relative basis, the return objective for Alternative Investments is 400 bps over the S&P 500 index net of fees, expenses and carried interest. On an absolute basis, the return is assumed to be 14-20%.

The Board understands that, for a given partnership, return can only be reliably measured over the life of the partnership (typically 10+ years). Private equity funds are not typically marked to market and the valuation methodology used by one general partner may differ from the valuation methodology used by another. In addition, the IRR performance in the first few years of a partnership's life is routinely negative due to the J-curve effect. During this period, partnerships are actively making investments and drawing management fees, which results in negative capital account balances.

2. Risk

The Board understands that Alternative Investments are illiquid and will have a long term holding period. When used with publicly traded assets, the asset class helps diversification and reduces risk at the total fund level. Nonetheless, the Board expects that the Consultant will take all appropriate measures to reduce risks that are not adequately compensated for by expected return. Such measures include, but are not necessarily limited to, diversification (as detailed in Section II below), due diligence, and governance activities.

II. INVESTMENT GUIDELINES

1. Eligible Investments

The System will invest primarily in limited partnership interests of pooled vehicles covering the broad spectrum of private investments, including:

- Private equity funds, including corporate finance/buyout and venture capital,
- Private debt funds, including mezzanine and distressed debt funds,
- Co-investments – direct investments made alongside a partnership,
- Secondary purchases – purchases of existing partnership interest or pool of partnership interests from an investor,
- Real estate equity funds, including value-add/opportunistic,
- Hedge Funds – Multi-Strategy and
- Other investments that are deemed appropriate within the System's risk profile.

2. Commitment Size

The maximum investment in any single partnership shall be no greater than one percent (1%) of the System's total assets at the time of commitment.

3. Limitation on Percent of Partnership's Total Commitment

The System's commitment to any given partnership shall not exceed 10% of that partnership's total commitments with the exception of the policy for investments in venture capital, emerging businesses, and money managers in Louisiana.

4. Diversification

The System should diversify the sources of risk in the portfolio. Specifically:

i) Partnerships

- No more than 10% of the Portfolio's total exposure (cost plus unfunded commitments) to Alternative Investments may be attributable to partnerships by the same manager at the time the commitment is made.
- The System shall diversify the portfolio across vintage years when possible.
- The geographic distribution of actual investments shall be monitored and the System shall avoid excessive exposure to the economic conditions of any one locale.
- The System shall monitor investments with respect to industry and property type. In the event that the current cost associated with any one industry or property type exceeds 20%, the System shall attempt to reduce this exposure by limiting future commitments to partnerships with an explicit focus on the industry or property type in question, with the understanding that industry exposure at an investment level will be managed at the discretion of the general partner.

ii) Sub-Asset Classes

- Assets committed to venture capital shall be diversified across the stages of venture capital (e.g. early-stage, mid-stage, and late-stage).
- Assets committed to corporate finance/buyouts shall be diversified by target company size (e.g. large, medium, small).
- Assets committed to real estate shall be diversified by risk profile (e.g. core plus, value-added, and opportunistic).
- No more than 40% of Total Allocation at the time of commitment may be committed to secondary investments.
- No more than 5% of Total Allocation at the time of commitment may be invested in co-investments.

- No more than 5% of Total Allocation at the time of commitment may be invested in Hedge Funds – Multi-Strategy.

In addition to the Diversification criteria listed above, the System's staff and Consultant will adopt optimal sub-asset allocation targets, which will be periodically updated to reflect general changes in the economy.

The current optimal sub-asset class allocation ranges and targets for the System's Alternative Investments are:

Sub- Asset Class	Range	Long-term Target
Private Equity	40-80%	55%
Private Debt	0-20%	10%
Real Estate	20-40%	30%
Co-Investments	0-5%	0%
Hedge Funds - Multi-Strategy	0-10%	5%

5. Prohibited Transactions

The System shall not make direct investments in any company or property. These Investments will be done through a commingled partnership, in which the System is an existing limited partner.

6. Advisory Board

The System should seek to obtain a limited partner advisory board seat for each partnership investment.

7. Illiquidity

By its nature, Alternative Investments are not designed to meet any short-term liquidity needs of the System. The Board should assume that the investments in this asset class are illiquid until the partnerships, at their discretion, sell investments and distribute proceeds.

8. Distribution

The Consultant is not responsible for investing or disposing of distributions from partnerships.

III. REVIEW OF INVESTMENT GUIDELINES

The Consultant will notify the System, via the Chief Investment Officer and Director, if the Guidelines would impede the System's investment performance. In this regard the Consultant may consider the guidelines and other relevant information adopted by its other clients that invest in Alternative Investments. The Consultant also will review the guidelines annually with the Chief Investment Officer and Director, and recommend any changes deemed beneficial to the System's program. In addition, the Consultant will prepare an annual Strategic Plan for the System's Alternative Investments to take advantage of changing market conditions.

(Adopted: 12/9/03)

Louisiana Venture Capital, Emerging Businesses, and Money Managers

As required by Act 788 of 2003, the Teachers' Retirement System of Louisiana ("TRSL") Board of Trustees has approved the establishment of a program for investing in venture capital, emerging businesses, and money managers focused on Louisiana (the "Program"). The Program is intended to enhance economic development in Louisiana by stimulating job creation and capital formation through investments in Louisiana businesses, as well as result in a market rate of return for TRSL. These potential investments should have several provisions that differ from the current TRSL private equity program. The provisions are listed below under "Louisiana Venture Capital and Emerging Businesses" and "Money Managers".

In selecting investments for the Program, the Board of Trustees of TRSL (the "Board") will seek attractive business opportunities that are expected to result in the greatest increase in employment and economic growth in the state of Louisiana. In addition to these goals, the Program is intended to produce significant capital gains for TRSL and additional diversification of the plan's assets. The Board will seek to accomplish these goals by investing in private

equity partnerships that invest in Louisiana companies and by co-investing with these partnerships or other qualified investors directly in Louisiana companies. The Program should include companies suffering a so-called capital gap, which means they cannot get conventional sources of funding.

The Board recognizes that portfolio risk may be higher and diversification may be lower in the Program when compared to TRSL's other investments, due to the relatively small size of the Louisiana economy and the industry concentrations within the state. Nevertheless, the returns earned on Program investments are expected to exceed public market returns and to equal or exceed returns on similar investments that are available outside of the Program.

Louisiana Venture Capital and Emerging Businesses

This part of the Program is intended to produce significant capital gains for TRSL and additional diversification of the plan's assets. An additional goal of the program is to promote economic development in Louisiana. These goals will be accomplished through investments in private equity partnerships and co-investments with these partnerships or other qualified investors directly in Louisiana companies. It is recognized that portfolio risk will be higher and diversification will be lower in this Program due to the small size and inherent characteristics of the Louisiana economy.

As with the current TRSL private equity program, commitments to Louisiana partnerships should be staged over time. The level of annual commitments will fluctuate as Louisiana opportunities arise.

In regard to co-investments and direct investments, TRSL will only invest in Louisiana companies that receive or have received equity investments from other qualified investors. Qualified investors are Louisiana private equity funds, current TRSL private equity program funds, or other qualified entities that have demonstrated abilities and relationships in making investments in new, emerging, or expanding businesses. TRSL will structure co-investments and direct investments at its discretion with the advice of its private equity consultants. In making co-investments and direct investments, TRSL will have the same objectives as those for investments in private equity funds: obtaining a reasonable, risk-adjusted rate of return.

Program Requirements

The Board will seek investments in funds that are committed to investing, or that help secure investing by others, in businesses that have their principal place of business in Louisiana and that hold promise for attracting additional capital from national sources for investment in the state. The Program will be governed by the Prudent-Investor Rule.

1. Investments may be made in funds that:
    a. accept investments from qualified investors only; and
    b. maintain an active office in Louisiana staffed by at least one full-time manager who is a Louisiana resident and who has at least three years of professional experience in assessing the growth prospects of businesses or evaluating business plans.

2. Co-investments and direct investments may be made in Louisiana entities that:
    a. receive equity investments from other qualified investors; and
    b. have their principal office and a majority of their full-time employees located in Louisiana or, if a limited partnership, have its principal place of business and the majority of its assets located in Louisiana. This includes a company that has agreed to relocate to Louisiana from another state.

3. The Program is subject to the following limitations:
    a. each investment by TRSL may not represent more than 51% of the total investment capital in a Louisiana business, provided that nothing in this policy prohibits the ownership of more than 51% of the total investment capital in a Louisiana business if the additional ownership interest:

        - is due to foreclosure or other action by TRSL pursuant to agreements with the business or other investors in that business; and
        - is necessary in the good-faith judgment of the Board to protect the investment.

    b. no more than 10% of the total Program may be invested in any one Louisiana business;

    c. if the investment exceeds $1 million in a Louisiana business, then TRSL's investment cannot exceed 10% of the Louisiana business.

Louisiana Money Managers

TRSL will continue its practice of allowing maximum participation in money manager searches by giving more managers the opportunity to compete. Increased participation by Louisiana money managers increases their opportunity to manage assets for TRSL.

Program Requirements

To allow maximum participation TRSL will reduce the minimum requirements to allow more managers to compete. This can be accomplished without any negative impact to the manager search process.

1. The assets under management requirement will be reduced to allow newer and smaller firms to participate. This parameter will be determined by staff and consultant and be consistent with the size and style of the mandate.
2. The five-year performance record requirement has been reduced to three years. The track record can be for an individual that developed the performance record while at another firm.

Glossary of Terms:

Co-Investment – An investment made in a Louisiana company in addition to the investment in that company by a private equity fund in which TRSL is an investor.

Direct Investment – An investment made in a Louisiana business that for the purposes of this Program has also received investments from other qualified investors.

Emerging Business – A start-up business or an established business that seeks capital to grow the business and/or expand its product lines.

Qualified Investor - May be Louisiana private equity funds, current TRSL private equity program funds or other qualified entities that have demonstrated abilities and relationships in making investments in new, emerging or expanding businesses.

Venture Capital – An investment strategy that provides start-up or growth capital to companies in the early stages of development. Venture investments generally involve a greater degree of risk, but have the potential for higher returns.

Securities Lending Guidelines (Rev. 8/6/96)

The System may engage in the lending of securities subject to the following guidelines:

(1) Collateral on loans is set at a minimum 102% of the market value of the security plus accrued interest.

(2) Collateral on loans of international securities is set at a minimum 105% of the market value of the security plus accrued interest.

(3) Securities of the System are not released until the custodian bank receives payment for the book-entry withdrawal of the loaned security.

(4) Funds from the lending of securities accrue to the System's account and not to investment manager's since they would not be involved in the process.

(5) The System's Investment Department may engage in the lending of all applicable securities.

Internal Cash and Cash Equivalents Guidelines (Rev. 3/6/98)

Cash and cash equivalents include daily cash balances above day-to-day needs and funds set aside for portfolio strategy reasons. Short-term securities managed by the System's Investment Department are subject to the approval of the director in accordance with the guidelines and restrictions set forth by the Board.

Short-term investments may be invested in:

(1) U.S. Treasury bills, other issues of the U.S. government, issues of federal agencies, and government-sponsored enterprises with a maturity of one year or less.

(2) Repurchase agreements collateralized by U.S. Treasury or agency securities subject to the market value of collateral, including accrued interest, meeting at least 100% of the amount of their purchase agreement.

(3) Commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's and having a senior bond rating of A/A or better. No single issue may exceed 10% of outstanding short-term obligations. The maximum maturity will be 90 days.

(4) Certificates of deposit limited to Louisiana banks, savings and loans, and credit unions provided that:

(a) Maximum amount in any one bank will be limited to $1 million

(b) All deposits in excess of federal insurance limits shall be collateralized subject to the same rules and regulations in effect for certificates of deposit placed by the Louisiana Department of the Treasury

(c) Maximum amount limited to 5% of capitalization

(d) Maximum maturity is 366 days

(5) Money market funds adhering to restrictions (1) through (4) above.

(6) Issues of commercial debt market with maturities of one year or less and having a rating of A or

better. The obligations of any single issuer may not exceed 10% of the total outstanding short-term obligations of the System.

CONTROL PROCEDURES

Review of Liabilities

All major liability assumptions regarding number of plan participants, payroll, benefit levels, and actuarial assumptions will be subject to an annual review. This review will focus on an analysis of the major differences between the System's assumptions and actual experience.

Review of Investment Objectives

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving these objectives. It is not expected that the investment policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment to the investment policy.

Review of Investment Managers (Rev. 2/6/01)

The Board will require each investment manager to report monthly in a manner agreed upon by the Board, staff, consultant, and manager.

The Board will meet at least annually, and preferably more frequently, with its investment managers and consultants. Additionally, with or without the investment managers, the Board will review investment results at least quarterly.

These reviews will focus on:

(1) Manager adherence to the policy guidelines.

(2) A comparison of manager results versus appropriate financial indices.

(3) A comparison of manager results using similar policies (in terms of commitment to equity, style, diversification, volatility, etc.).

(4) The opportunities available in both equity and debt markets.

(5) Material changes in the manager organizations, such as investment philosophy, personnel changes, acquisitions, or losses of major accounts, etc.

The managers will be responsible for advising the Board of any material change in personnel, investment strategy, or other pertinent information potentially affecting performance.

Performance Expectations (Rev. 4/4/08)

The most important performance expectation is the achievement of investment results that are consistent with the System's investment policy. A long-term average annual return of 3.9% above inflation as measured by the CPI-U seasonally adjusted or the actuarial rate (currently 8.25%), which ever is higher is reasonable in light of the policy. Implementation of the policy will be directed toward achieving this return and not toward maximizing return without regard to risk.

The Board recognizes that this real-return objective may not be meaningful during some periods. To ensure that investment opportunities available over a specific period are fairly evaluated, the Board will use comparative performance statistics to evaluate investment results. The Board expects the total fund to perform in the top third of a universe of total funds having similar size and investment policies. To stay abreast of what other state and local plans are achieving, the System's performance will also be compared to the results of other public plans. Each manager is expected to perform in the top half of his or her respective equity manager or fixed income manager universe and in the top quartile of his or her investment manager style universe. Additionally, each manager will be compared/evaluated versus their specific style benchmarks. This performance should be achieved over rolling three-year periods or over the length of each manager's contract, whichever comes first. Short-term results will also be monitored. For purposes of this evaluation, the universes maintained by the System's consultant, will be used.

TRSL's investment managers may be placed on a watch list in response to the Board's concern about the manager's recent or long-term investment results, failure of the investment advisor to comply with any of TRSL's investment guidelines, significant changes in the investment manager's firm, or for any other reason that the Board deems appropriate. Any manager placed on the watch list will be sent a letter advising of the Board's concern with the manager. Failure to correct problem situations to the satisfaction of the Board will lead to dismissal, at the discretion of the Board. However, investment managers can be dismissed for any reason, subject to contract provisions, even if they have not been previously placed on the watch list.

Responsibilities of Chief Investment Officer

This position administers the investment program of TRSL. Duties include:

(a) Responsible for all functions of the Investment Department
(b) Oversee all TRSL investments and investment managers
(c) Meet with the Investment Committee/Board to review investments and policies
(d) Monitor existing limited partnerships and review/recommend future investments
(e) Monitor investment portfolios to ensure they are within the Investment Policy Statement (Policy) established by the Board

(f) Research new investment vehicles and present viable investments to the Board for possible inclusion to the Investment Policy Statement
(g) Responsible for effectively implementing the Investment Policy Statement
(h) Implement asset allocation shifts to maintain portfolio allocations within Policy guidelines
(i) Direct the activities of the System's consultants for the best interest of TRSL and to leverage the activities of staff

(j) Make recommendations concerning the hiring/terminating of investment manager/advisors
(k) Represent TRSL at limited partnership meetings and Advisory Committee meetings.
(l) Assist the Director with legislative issues.
(m) During exigent circumstances, after consultation with and the concurrence of the Director, if practicable, and the Chairperson of the Investment Committee and/or the Chairperson of the Board, take such actions necessary to preserve and protect the assets and interests of TRSL.

Responsibilities and Review of Investment Consultant

The Investment Consultants shall assist the Board, the Director and the Chief Investment Officer in developing and modifying policy objectives and guidelines, including the development of an asset allocation strategy and recommendations on the appropriate mix of investment manager styles and strategies. The Consultants shall act as fiduciaries to the Fund.

Additionally, the Consultants shall provide assistance in manager searches and selection, investment performance evaluation, and any other relevant analysis. The Consultants shall provide timely information, written and/or oral, on investment strategies, instruments, managers and other related issues, as requested by the Board, the Director, or the Chief Investment Officer.
All consultants will be evaluated on an annual basis.

Responsibilities and Review of Custodian Bank

The custodian bank is responsible for performing the following functions, among others designated by contract:

- Safekeeping of securities;
- Process and settlement of all investment manager transactions;
- Accept instructions from designated TRSL staff concerning the movement or disbursement of cash and securities;
- Collection of interest, dividends, proceeds from maturing securities, and other distributions due TRSL;
- Daily sweep of idle cash balances into interest bearing accounts;
- Advise investment staff daily of changes in cash equivalent balances;
- Notify investment managers of tenders, rights, fractional shares or other dispositions of holdings;
- Notify appropriate entities of proxies;
- Provide holdings and performance reports as required by TRSL;
- Third party securities lending and related functions.

The Custodian Bank will be evaluated on an annual basis.

Alternative Investment Guidelines

The Alternative Investment Manager guidelines are incorporated by reference.

Investment Manager Watch List Policy

The Manager Watch List Policy is incorporated by referenced.

Placement Agent and Finder Disclosure

The purpose of this section of the Investment Policy is to ensure the integrity of all TRSL investment transactions and conformity with the highest fiduciary, ethical, and legal standards by all parties involved.

This section applies to all agreements between TRSL and any external investment management firm/partnership.

The Public Markets Consultant and Private Markets Manager are responsible for collecting and evaluating the relevance of the following information and disclosing this information to the Chief Investment Officer and General Counsel. This information must be disclosed at the time investment discussions are initiated with an external investment management firm/partnership. A summary of the information obtained must be presented to the TRSL Board in conjunction with presentations and/or recommendations made to the Board concerning the external investment management firm/partnership.

(1) The name of each placement agent, finder, third-party intermediary or any other individual or entity hired or otherwise engaged, or expected to be hired or otherwise engaged, in connection with any fundraising activity related to the investment product. A detailed description of the services to be performed and specific details on how the external investment management firm/partnership was introduced to such person or entity should be included.

(2) Details on who will bear the cost of any compensation of any kind or value paid to any placement agent, finder, third-party intermediary or other individual or entity. To the extent the bearer of the cost is the external investment management firm/partnership, detail exactly how this cost is being borne.

(3) Details on whether or not any placement agent, finder, third-party intermediary or other individual or entity has provided, or is expected to provide, any services in respect of any client of either TRSL's Public Markets Consultant or Private Markets Manager.

(4) Details on the amount of compensation of any kind or value paid, or expected to be paid, to any placement agent, finder, third-party intermediary or other individual or entity for any services provided in respect of any client of either TRSL's Public Markets Consultant or Private Markets Manager. The timing of any compensation and the expected compensation should also be included.

(5) Certification by the external investment management firm/partnership that the investment product and its principals and affiliates are in compliance with all state and local laws and regulations related to the solicitation of, and investment by, governmental agencies and authorities, including but not limited to "pay-to-play" laws and regulations.

(6) Certification by the external investment management firm/partnership that the investment product and its principals and affiliates are in compliance with the State of Louisiana Code of Government Ethics, La. Revised Statutes 42:1101 et seq, and Louisiana's laws governing Executive Branch Lobbying, La. Revised Statutes 49:71 et seq. The Louisiana Code of Governmental Ethics and Executive Branch Lobbying laws, including any updates thereto, may be found at http://www.ethics.state.la.us/EthicsPublicationSearch.aspx?portal=Laws.

(7) A statement whether any placement agent, finder, third-party intermediary or other individual or entity is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar regulatory agent in a country other than the United States and the details of such registration or explanation of why such registration is not required. A statement whether any said placement agent, finder, third-party intermediary or other individual or entity is registered as a lobbyist with any state or national government.

(8) An update of any changes to any of the information included as a response to the items above within five business days of the occurrence of the change in information.