Monday, July 30

4-10

4-10 Investment Limitations

6/05/2018 Governance Policy

3/02/2018 Governance Policy

11/17/2016 Governance Policy

7/21/2016 Governance Policy

1/21/2016 Governance Policy

11/20/2014 Governance Policy

Effective: 11/20/2014

Board Policy:

Pursuant to its authority to delegate functions to employees of the system under section 104.1069, RSMo, the Board hereby delegates to the Executive Director the responsibility to manage the investment program at MOSERS subject to the Investment Policy which consists of the Investment Ends Policy and this Investment Limitations Policy. Regarding limitations on delegated authority, the Executive Director may not:

1) Operate the investment program without an Investment Implementation Policy approved by the Chief Investment Officer (CIO) and the Chief General Asset Consultant (CGAC) that is consistent with these governance policies and outlines the detail of how the overall investment program will be implemented and monitored.

2) Allow the CIO to violate fiduciary requirements, conditions, and limitations described in Chapter 104, RSMo, and sections 105.687 to 105.689, RSMo.

3) Allow the CIO to invest the assets of the system in a manner that is inconsistent with the asset allocation and the strategic risk ranges of the portfolio as approved by the Board and set forth in the Investment Ends policy.

4) Fail to have the CIO perform an asset allocation/liability study at least every 5 years and to report the results of that study to the Board.

5) Fail to have the CIO, or his designee prepare and present periodic reports to the Board as identified in the Investment Ends Policy.

6) Permit the CIO to hire outside service providers (securities lending managers, specialty consultants, the master custodian, and external money managers, including but not limited to external money managers who may be structured as a public or private entity in the form of a partnership, limited liability company, trust, separately managed account, commingled account, or some other form of operational structure in which assets may be held by an external custodian selected and monitored by the external manager) unless the CGAC(or in the case of direct hedge fund investments, the Hedge Funds Asset Consultant - HFAC) agrees in writing to the proposed hiring action by the CIO and the Executive Director certifies that the proposed hiring is in compliance with the Board's Investment Policy.

In the event of a hiring, the CIO shall follow a process that is based on a competitive Request for Proposal (RFP) with established selection criteria unless under the circumstances it is not prudent to do so. In the event of a hiring, the CIO shall also: i) document the proposed action by describing the decision-making process, expectations, and rationale for the decision, ii) within 14 days after the hiring decision is made, prepare a letter of notification to the Board of Trustees informing them of the action taken, the process, and the rationale for the decision including a justification if the CIO did not follow an RFP process, and iii) enter into a written contract with the new outside service provider on a form that has been reviewed by either the Chief Counsel, **Investment Legal and Compliance Counsel,** or MOSERS' outside legal counsel.

7) Permit the CIO to terminate an outside service provider as described in paragraph 7, unless the CGAC (or in the case of direct hedge fund investments, the HFAC) agrees in writing to the proposed termination action and the Executive Director certifies that the proposed termination is in compliance with the Board's Investment Policy. In the event of termination, the CGAC or in the case of direct hedge fund investments, the HFAC) and the CIO must agree and the underlying reason for the proposed termination action must be documented and shared with the Board as soon as is practical.

8) Except as otherwise noted, fail to have the CIO monitor the performance of and hold due diligence meetings with all external money managers at least semi-annually unless the Executive Director provides prior notice to the Board of the CIO's intention to meet less often, or fail to have the CIO file an annual report to the Board at the November board meeting confirming such meetings have been held or noting any exceptions if such meetings have not been held. Exceptions to the frequency and manner of due diligence meetings follow:

1. For multi-year partnership arrangements that offer less than annual liquidity, due diligence meetings shall be conducted annually.

2. For investment accounts where MOSERS has requested a full redemption and there is less than $5 million in remaining MOSERS assets, no due diligence report is required.

3. For investment accounts in distribution phase having less than $5 million in MOSERS assets under management, no due diligence report is required.

9) Allow the CIO to alter the equal weighted risk profile of the Beta Balanced Portfolio within broad risk bands approved by the Board unless the CIO receives approval from the CGAC and the Executive Director certifies that the change is in compliance with the Board's policy.

10) Permit the CIO to manage assets internally at MOSERS unless approval from the Board has been received prior to implementing any portfolio within the internal investment program. The following portfolios have been approved as of August 2003 and revised March 2009: Treasury Inflation Protected Securities (TIPS), Corporate Bonds, Government Bonds, Real Estate Investment Trusts, Master Limited Partnerships, S&P 500 Index and Short-term Investments.

11) Fail to have the CIO monitor the performance of MOSERS' internal investment program.

12) Fail to have the CGAC perform semi-annual due diligence meetings of the internally managed portfolios and report the results of those meetings to the Board.

13) Fail to notify the Board in writing in the event a member of the internal investment staff has materially underperformed against an applicable investment benchmark or has been terminated as a result of underperformance or potentially unlawful actions.

14) Fail to provide an annual report by an external consultant which evaluates the implementation costs of the investment program.

15) Cause MOSERS to seek lead plaintiff status in litigation arising under federal and state securities laws, unless MOSERS is among the largest shareholders of the defendant issuer and service as lead plaintiff is determined to be in the best interests of the system.

16) Allow the CIO to make investments that are economically or socially targeted (ETIs or STIs). For purposes of definition, ETIs or STIs are investments that are selected for the economic and social benefits they create in addition to the investment return to the employee benefit plan investor. The following criteria, applicable to any investment, will also be applied to investments that might be classified as ETIs or STIs:

a) The fiduciary principles of prudence and exclusive interest of participants will not be abrogated or modified in order to increase the attractiveness of ETIs or STIs.

b) There will be no concession on rate of return. This means there will be no hidden subsidies and that the classic "efficient frontier" test is applicable: a commensurate unit of return will be received for each unit of risk incurred.

c) All participation should be voluntary on the part of the System and should not stem from a legal or policy mandate.

d) Each ETI or STI will be evaluated using an integral, objective process that is, each will be meticulously analyzed solely on its own risk/return characteristics. No weight will be given to redeeming social interests.

e) The System will participate only if at least one other comparable investor is participating.

f) When evaluating an investment, appropriate consideration must be given to the role that the investment or investment course of action plays (in terms of diversification, liquidity, risk and return) with respect to the entire Investment Portfolio of the System. Consideration should also be given to alternative investments with similar risks available to the System. The Board believes this set of investment criteria is in full compliance with Section 105.688. RSMo.

17) Allow the CIO to operate without a rebalancing policy that requires the CIO to examine and comply with the broad asset allocation mix (80% of capital in the Beta Balanced Portfolio, 20% of capital in the Illiquid Portfolio) using the most cost efficient method that is reasonably possible unless under the circumstances it is not possible or prudent to do so in which case the CIO shall provide written notice and explanation to the Board within a reasonable period of time.

18) Allow the CIO to allow an external service provider to use leverage in their portfolio, fund or partnership except when that service provider has been given written authorization to utilize leverage by the Executive Director, CIO, and the CGAC, subject to written guidelines describing its use within the manager's governing contract.

19) Allow the CIO to allow an outside service provider to use derivative securities and synthetic products including futures, options, swaps, and forward contracts (and/or combinations of these instruments), and pooled, mutual or segregated funds that employ derivative and synthetic products except when that service provider has been given written authorization to use derivative securities and synthetic products by the Executive Director, CIO, and the CGAC, subject to written guidelines describing their use within the manager's governing contract.

20) Allow the CIO to allow an outside service provider to engage in short sales in the fund except when that service provider has been given written authorization to engage in short sales by the Executive Director, CIO, and the CGAC, subject to written guidelines describing their use within the manager's governing contract.

21) Fail to comply with a sunshine law information request except to the extent the Executive Director or CIO determines pursuant to a written policy that such request requires the release of information that constitutes a closed record pursuant to section 104.1069, RSMo, or any other provision under state law. The Board recognizes that the Executive Director and the CIO must make decisions with regard to the release of investment records that are timely and consistent so as to not jeopardize the system's ability to implement an investment decision or to achieve an investment objective.

22) Fail to establish policies for securities lending, proxy voting, soft dollar usage, and brokerage commissions that ensure that the interests of the system are adequately protected.

23) Fail to implement and comply with the following policies:

PERSONAL TRADING POLICY

Applicable Law

Rule 10b-5 under the Securities Exchange Act of 1934 and RSMo. § 409.5-501 provide that it is unlawful, in connection with the purchase or sale of a security:

- to employ any device, scheme, or artifice to defraud,

- to make any untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or
- to engage in any act, practice or course of business which operates or would operate as a fraud or deceit on any person.

Under Rule 10b-5, the SEC prohibits and prosecutes "insider trading" defined as:

- the purchase or sale of a security
- while aware of material, non-public information
- in breach of a duty of trust or confidence owed (directly or indirectly) to the issuer, the issuer's stockholders or the source of the information
- with scienter (*e.g.*, intent to defraud or recklessness)

Prohibition on Insider Trading

Any person, including any trustee, officer or employee of MOSERS, who has access to material non-public information with respect to investments made by MOSERS ("MOSERS Personnel") is prohibited from engaging in "insider trading" as defined by federal securities laws and shall act in accordance with federal securities laws and this policy as follows:

- MOSERS Personnel shall not purchase or sell any security, on behalf of MOSERS or through his/her Personal Account, while in possession of material non-public information about the issuer of such security, whether or not such information was obtained in the course of such MOSERS Personnel's involvement with MOSERS.
- Except in accordance with his or her lawful performance of the individual's duties to MOSERS, MOSERS Personnel shall not communicate any material non-public information about an issuer of a security to any other person outside MOSERS, including family and friends.
- MOSERS Personnel shall not purchase, sell, recommend or provide a "tip" about any security (or otherwise cause the purchase or sale of such security), on behalf of MOSERS or on behalf of any MOSERS Personnel's personal account while in possession of information about the issuer of such security that he/she has reason to believe is material and non-public, unless he/she first consults with, and obtains the advance written approval of MOSERS' Chief Counsel and/or Chief Auditor after such person's determination that no violation of federal securities laws would occur based on the information presented.

Definitions

"**Security**" includes stocks, notes, bonds, debentures, and other evidence of indebtedness (including loan participations and assignments), limited partnership interests, investment contracts, and all derivative instruments of the foregoing, such as options and warrants; *except that it does not include* U.S. government securities, money market funds, open end mutual funds, exchange-traded funds (ETFs), bankers' acceptances, bank CDs, commercial paper and other money market instruments, or savings or demand deposit accounts with banks.

Information is "**Material**" if a reasonable investor is likely to consider it significant in making an investment decision, or if the information is reasonably certain to have a substantial impact on the future market price of a company's securities. Information about an issuer that likely would be material includes (but is not limited to) the following:

- decisions by investors (such as MOSERS or its financial advisers) to purchase or sell such securities;

- significant changes in prospects;
- significant write-downs in assets or increases in reserves;
- developments regarding significant litigation or government agency investigations;
- liquidity problems;
- changes in earnings estimates or unusual gains or losses in major operations;
- major changes in management;
- changes in dividends;
- extraordinary borrowings;
- award or loss of a significant contract;
- changes in debt ratings;
- proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets;
- public offerings; and
- pending statistical reports (such as, consumer price index, money supply and retail figures, or interest rate developments).

Information is "**Non-public**" if it has not been generally disclosed to the marketplace. Even after the public disclosure of information, such information will remain "non-public" until the close of business on the second trading day after the information was publicly disclosed. Non-public information may include:

- information available to one or more analysts, brokers or institutional investors;
- undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
- information provided to MOSERS' investment staff on a confidential basis. For example, MOSERS' investment staff may receive information about a proposed spin-off by a public company from the sponsor of a private fund with which MOSERS co-invests, to allow MOSERS' staff to make an informed investment decision. MOSERS Personnel may not trade in the public company's stock for their Personal Account based on this material, non-public information, or disclose the information to another person where it is foreseeable that the person will trade on the information.

The "**Personal Account**" of a MOSERS Personnel includes any account where the MOSERS Personnel has the opportunity, directly or indirectly, to profit or share in any profit derived from the purchase or sale of securities. Personal accounts would include accounts held in the name of immediate family members of MOSERS Personnel, or any account over which the MOSERS Personnel has discretion or authority to trade securities.

Prohibition on "Front-Running"

MOSERS Personnel are prohibited from engaging in "front-running." Generally, front- running is trading that takes place when a person engages in a securities transaction timed to take advantage of material non-public information that would favorably affect that person's personal securities transaction. For MOSERS Personnel, this means that they are prohibited personally from buying (or selling) a security in an effort to take advantage of the anticipated market effect when the same security is subsequently bought (or sold) on behalf of MOSERS' account. The prohibition on buying a security that will be purchased (or sold) for MOSERS' account starts when a MOSERS Personnel knows, or reasonably

could conclude, that MOSERS or a third party portfolio manager intends to buy or sell a security in MOSERS' account, and it ends when that security has been bought or sold for MOSERS' account (trade date).

Notice to MOSERS' Financial Advisers

MOSERS' investment staff shall provide a copy of this policy to each investment adviser, asset consultant or other financial adviser with discretion to place trades on behalf of MOSERS not later than the time of engagement. In addition, MOSERS' investment staff shall request and retain a copy of such financial adviser's own policy prohibiting insider trading.

Reporting Obligations of MOSERS Personnel

MOSERS Personnel are expected to observe both the letter and the spirit of the principles contained in this Policy and to perform their duties and responsibilities with honesty, diligence and a commitment to professional and ethical responsibility.

Upon becoming aware of an unlawful conduct, MOSERS Personnel shall promptly report to the Chief Auditor and/or Chief Counsel: (i) any conduct or actions by any MOSERS personnel or any another person that does not comply with, or otherwise violates, the "Prohibition on Insider Trading" or the "Prohibition on Front-Running" set forth in this Policy; and (ii) any situation, activity or practice, including those involving third party managers, that such member of MOSERS Personnel reasonably believes could lead to a violation of any prohibition set forth in this Policy or any federal prohibition against insider trading or front running (the person reporting any suspected non-compliance with MOSERS' policies is referred to as the "Reporting Person").

The Chief Counsel or the Chief Auditor shall consider the report and respond to the Reporting Person within a reasonable time. To the extent that the Chief Counsel or the Chief Auditor, as the case may be, determines that a violation of this Policy has occurred, the Chief Counsel shall summarize and prepare a report to MOSERS' Executive Director, who shall report the violation to MOSERS' Board of Trustees not later than the next quarterly meeting.

If, after receiving a response, the Reporting Person concludes that appropriate action was not taken, he or she should consider any responsibility that may exist to communicate the situation, activity or practice in question to third parties, such as regulatory authorities. In this regard, the Reporting Person may wish to consult with his or her own legal counsel.-

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Enhanced Obligations of "Covered Persons"

"**Covered Persons**" subject to enhanced obligations under this Policy include the following MOSERS Personnel: members of MOSERS' Board of Trustees, MOSERS' Executive Director, the staff of the Office of Internal Audit, the Chief Counsel, the Deputy Executive Director for Operations, the Chief Investment Officer, and all other investment staff of MOSERS.

Covered Persons other than MOSERS' Board of Trustees shall:

- Acknowledge annually in writing that the Covered Person has read, understands, and agrees to the terms of this Policy.

- Submit personal trading or account information (including such trading directed by a Covered Person on behalf of such Covered Person's family or friends) with respect to any personal trade in a Security no less than annually to the Chief Auditor. In the case of the staff of the Office of Internal Audit, the Chief Counsel shall annually request such personal trading or account information.
- Obtain pre-approval in writing from MOSERS' Chief Auditor prior to acquiring any security in an initial public offering ("IPO") or serving on the Board of Directors of a public company. In the case of an IPO or board seat under consideration by the Chief Auditor, the Chief Counsel must authorize such action.

By May 1st of each year, the Executive Director, any Deputy Executive Director, the Chief Counsel, and the Chief Finance Officer must submit a Personal Financial Disclosure Statement to the Missouri Ethics Commission as required by § 105.485, RSMo, and provide a copy to the Operations Project Coordinator.

No Retaliation Against Reporting Person

The identity of any Reporting Person who reports a violation or suspected violation in good faith will be maintained in confidence, subject to legal and regulatory requirements. No retaliation shall be made against the Reporting Person and, any retaliation for the reporting of a violation of this Policy shall itself constitute a violation of this Policy.

Disciplinary Action

A violation of this Policy by MOSERS Personnel may result in disciplinary action up to and including termination of employment with MOSERS. Insider trading is prohibited by law. As such, MOSERS may report violations of this Policy to appropriate legal and regulatory authorities. Additional legal consequences, including, but not limited to, jail time and fines, may also be associated with any violation of federal securities laws and this Policy.

BAN ON PAY TO PLAY POLICY

Applicable Law

The SEC has adopted Rule 206(4)-5 under the Investment Advisers Act of 1940 (the "Pay-to-Play Rule") in order to eliminate the potential conflict that political contributions play in the selection of investment advisers and private funds by state and local governmental investors. The Pay-to-Play Rule includes a "Two-Year Timeout," which prohibits an investment adviser from receiving compensation from a government client for two years if the adviser or its employees make a political contribution to specified elected officials or candidates for office. The Pay-to-Play Rule permits personal contributions by an adviser's employee up to $350 per official for each election where the employee is entitled to vote.

Background

"Pay-to-play" practices range from kickbacks to making political contributions to government officials who have authority or influence over the hiring of investment advisers for public pension funds. Public pension funds can be vulnerable to such accusations when their boards include elected officials with limited financial investment experience who rely on outside investment advisors.

Purpose

The purpose of this policy is to protect the beneficiaries of MOSERS, by curtailing the ability of investment advisers, broker-dealers, asset consultants, swap dealers and a sponsor, adviser, manager or general partner of a private fund (collectively, "Financial Advisers") to use political contributions to influence a Missouri official whose office has authority to hire Financial Advisers on behalf of MOSERS, commonly known as "pay-to-play" practices. Pay-to-play practices potentially could result in higher fees charged by Financial Advisers in an attempt to recoup their political contributions, or because contracts are not negotiated at arms'-length. In addition, pay-to-play practices could result in inferior advisory services, by effectively blocking the most suitable Financial Adviser for a strategy from consideration if that Financial Adviser is a smaller firm that cannot afford to make, or if the Financial Adviser refuses to make, pay-to-play contributions. This policy addresses not only direct political contributions by Financial Advisers, but also other indirect methods calculated to influence government officials.

Policy

MOSERS' Board of Trustees has delegated authority to hire and fire Financial Advisers to MOSERS' investment staff. In addition, each private fund investment must be approved in writing by each of MOSERS' Executive Director, Chief Investment Officer and outside Asset Consultant. MOSERS believes that these policies currently in place result in the selection of Financial Advisers and private funds based on the stated investment objectives of MOSERS, and eliminate the ability of any Missouri official to influence the selection of a Financial Adviser or private fund.

MOSERS shall not hire any Financial Adviser if MOSERS is aware that such Financial Adviser has violated the Pay-to-Play Rule, as interpreted and/or amended by the SEC.

Prior to entering into a written agreement with a Financial Adviser, MOSERS shall: (1) deliver to the Financial Adviser a copy of this Policy; (2) require the Financial Adviser to confirm that it has complied with Rule 206(4)-5 under the Investment Advisers Act of 1940 in connection with its solicitation of MOSERS; and (3) require such Financial Adviser to agree to respond to requests from MOSERS' staff for information relating to political contributions made to any government official of Missouri (or candidate for Missouri office) by the Financial Adviser, its executives or key employees or any placement agent or solicitor engaged by the Financial Adviser during the two years immediately preceding MOSERS' engagement of the Financial Advisor and during the term of its engagement by MOSERS.

If any MOSERS personnel has reason to believe that a Financial Adviser may have violated the Pay-to-Play Rule, the person shall promptly report the suspected violation to the Executive Director, who shall advise the Chief Counsel and Chief Auditor to contact the Financial Adviser promptly to request information needed to make a determination. Any violation of the Pay-to-Play Rule by a Financial Adviser shall result in MOSERS' termination of its agreement with the Financial Advisor as promptly as practicable to the extent permitted under the applicable investment management agreement, limited partnership agreement or other governing document.

PLACEMENT AGENT POLICY

Applicable Law

The SEC has adopted Rule 206(4)-5 under the Investment Advisers Act of 1940 (the "Pay-to-Play Rule") relating to the use of placement agents and solicitors. The SEC adopted the Pay-to-Play Rule in order to eliminate the potential conflict that political contributions play in the selection of investment advisers and private funds by state and local government clients. The Pay-to-Play Rule contains a "Solicitor Restriction" that limits the ability of an adviser and its employees to compensate a third party (such as a placement agent) to solicit advisory business or an investment from a government client unless the third party is (1) registered with the SEC as an investment adviser, broker-dealer or municipal advisor and (2) subject to equivalent "pay-to-play" restrictions.

Background

A "Placement Agent" is any person (other than a *bona fide* employee or marketing staff) or firm retained by, or acting on behalf of, an investment adviser, broker-dealer, asset consultant, swap dealer or any sponsor, adviser, manager or general partner of a private fund (collectively, "Financial Advisers") as a finder, solicitor, marketer, consultant, broker or other intermediary to raise money or solicit investments from, or to obtain access to, MOSERS and its investment staff, directly or indirectly. Typically, private investment funds engage placement agents to perform services ranging from preparing marketing materials to making introductions that help the investment firms connect with potential investors. Many private equity funds use placement agents to solicit potential clients and raise capital. The placement agents typically receive a placement fee from the private equity fund or its investment manager. Placement fees are legal under certain circumstances, including where there is full disclosure of all material information regarding placement fees. Transparency issues arise if public pension officials (like the trustees, officers or employees of MOSERS) receive undisclosed payments or other benefits from, or have some type of interest in, a placement agent that received fees to procure an investment from MOSERS.

Purpose

MOSERS has a fiduciary obligation to invest its assets with prudence, care and loyalty. The purpose of this policy is to protect the beneficiaries of MOSERS by requiring the disclosure of payments to placement agents in connection with MOSERS' investments in (or through) a Financial Adviser. This policy is designed to ensure that this obligation is fulfilled, to prevent impropriety (or even the appearance of impropriety), and to provide transparency and confidence in the investment decision-making of MOSERS' investment staff.

Policy

Prior to entering into an agreement with a Financial Adviser (directly or through a private fund managed by the Financial Adviser), MOSERS shall provide a copy of this Policy to such Financial Adviser. The Financial Adviser shall provide the following information in writing, typically in a side letter:

1. A. Statement that the Financial Adviser and its executives, directors, employees, agents and affiliates have not compensated (or agreed to compensate) any person (other than a *bona fide* employee or marketing staff) or firm to act as a placement agent in connection with MOSERS' investment; or

    B. If the Financial Adviser cannot attest to 1.A. above, disclosure of the following information: (i) a description of all compensation of any kind provided, or agreed to be provided, to a placement agent, including the nature, timing and value; (ii) confirmation that the placement agent is registered with the SEC as an investment adviser, broker-dealer or municipal advisor and subject independently to "pay-to-play" restrictions; a

(iii) statement as to whether the placement agent or its affiliates is registered as a lobbyist with the State of Missouri or the federal government and

1. An agreement by the Financial Adviser to respond promptly to requests from MOSERS' staff by providing information relating to use of any placement agent and fees paid to any placement agent with respect to MOSERS' investment.

If any MOSERS' personnel have reason to believe that a Financial Adviser may be in violation of the Pay-to-Play Rule, the MOSERS personnel shall report it to the Executive Director, who shall contact the Financial Adviser promptly to request information needed to make a determination. Any violation of the Pay-to-Play Rule by a Financial Adviser shall result in MOSERS' termination of its agreement with such Financial Advisor as promptly as practicable to the extent permitted under the terms of the applicable investment management agreement, private fund limited partnership agreement or other governing document.

24) Allow the CIO to make investments that are contrary to this Anti-Terrorism Investment Policy:

At least annually, MOSERS' Staff will contact the Office of the Director of National Intelligence and any other federal agency deemed to have useful information in accurately identifying companies that are supporting terrorism. Specifically, Staff will request guidance from these agencies on countries and more specifically companies that are believed to be supporting terrorism. Once the information is received, Staff will compare the list of companies with current holdings. In the event that MOSERS is a holder of one of these companies, Staff will immediately contact the manager of the specific investment account to bring the situation to their attention and discuss appropriate actions for divesting from the company. In addition, Staff will forward on all information received from any of these federal government agencies to our investment managers so they can avoid making initial investments or divest of existing investments in companies that are identified as supporting terrorist activities. Staff will obtain from the custodian bank a letter of confirmation that the custodian bank maintains appropriate policies, procedures, and controls to comply with all U.S. and applicable non-U.S. economic sanctions programs including the use of the Office of Foreign Assets Control Specially Designated Nationals and Blocked Persons List (generally referred to as the "OFAC list"). Finally, Staff will provide a report to the Board on an annual basis that summarizes staff exchanges with the system's investment managers regarding terrorism and investing and identifies any investment actions taken due to links to terrorist activities.

This policy is intended to avoid 1) punishing companies whose activities abroad are supported by the US government; 2) punishing companies whose activities abroad do not further terrorism, 3) unnecessarily harming US companies and jobs; and 4) compromising the Board's fiduciary duties to the beneficiaries of the System. Recognizing the dynamic nature of this issue, annually staff will evaluate this policy to determine if changes need to be made to reflect recent developments in this area. In the event that Staff believes changes to this policy are warranted, they will bring the issue to the attention of the Board for consideration.

25) Fail to require the CIO to have individual investment guidelines describing specific investment strategies for all investment managers (internal and external).

26) Administer the College and University defined contribution plan pursuant to Sections 104.1200 to 104.1215, RSMo, (hereafter referred to as "the CURP") and the 457 deferred compensation plan/state match defined contribution plan pursuant to Sections 105.900 to 105.927, RSMo, (hereafter referred to as "the deferred compensation plans") unless the Executive Director ensures the following requirements are met:

a) The CIO and CGAC will hire, monitor, and terminate the third-party plan administrators for the CURP and the deferred compensation plans under the same procedures applicable to other service providers under this Investment Limitations policy.

b) The CIO and/or CGAC will monitor the performance of and hold due diligence meetings with all external service providers for the CURP and deferred compensation plans annually and report the results of those meetings to the board. The CIO and CGAC may delegate the due diligence meetings to appropriate MOSERS and CGAC staff.

c) The CIO and CGAC shall have authority to select the investment structure for participants of the CURP and the deferred compensation plans provided the structure selected is designed to allow participants to build a diversified investment portfolio at a competitive price. The executive director must certify that the proposed structure is in compliance with this Investment Limitations policy.

d) The investment structure may include the MOSERS total portfolio or subsets of the MOSERS portfolio subject to the following requirements:

i) The assets and income are held and invested in compliance with Subsection 2 of Section 105.915, RSMo,

ii) The CIO and CGAC agree in writing to the investment options,

iii) The executive director certifies that the proposed investment options are in compliance with the Investment Limitations policy,

iv) The offering will not negatively impact the potential performance of the MOSERS defined benefit plan portfolio, and

v) Staff obtains board approval of the proposed investment structure prior to implementation.

e) The investment structure may include newly created internally managed portfolios designed to track a diversified basket of mark indices subject to the following requirements:

i) The assets and income are held and invested in compliance with Subsection 2 of Section 105.915, RSMo,

ii) The CIO and CGAC agree in writing to the market based internally managed index portfolios,

iii) The executive director certifies that the proposed investment options are in compliance with this Investment Limitations policy,

iv) The market based internally managed index portfolios provide a cost savings to plan participants relative to vendor provided managed index portfolios,

v) The market based internally managed index portfolio offerings will not negatively impact the potential performance of the MOSERS defined benefit portfolio, and

vi) The CGAC holds annual due diligence meetings of the internally managed offerings that are made available to plan participants and reports the results of those meetings to the board.

27) Allow the CIO to alter the policy benchmarks noted in the Investment Ends Policy without prior approval from the board.

In the event any of the limitations described in this policy are violated, it is the responsibility of the Executive Director and/or the CIO to report the violation or exception to the Board in a timely fashion along with a detailed explanation of the violation and action being proposed or taken to remedy the situation.

28) Allow staff to serve on a board of an investment service provider unless the following conditions are met:

a) MOSERS Chief Counsel and MOSERS outside legal counsel review the external service provider's business organization documents to assess the level of legal risk for MOSERS (including the potential for a conflict of interest and breach of fiduciary duty) and report to the Executive Director.

b) Any compensation associated with such service must be made payable to MOSERS and not to the individual.

c) The Executive Director determines (i) that such service will not result in a material level of legal risk for MOSERS, (ii) that it is likely to put the system in a better position to evaluate any investment made by the system with the service provider, and (iii) that it will not adversely affect the system's ability to manage such investment.

29) Allow investment staff hotel and air transportation expenses to be paid by an investment service provider employed by the system except in connection with a limited partnership advisory committee meeting, a limited partnership annual meeting, or a board meeting (for service on a board under paragraph 28 of this policy) unless the Chief Investment Officer has provided prior approval before those expenses are incurred. The Chief Investment Officer may not have his hotel and air transportation expenses paid by an investment service provider employed by the system except in connection with a limited partnership advisory committee meeting, a limited partnership annual meeting, or a board meeting (for service on a board under paragraph 28 of this policy) unless the Executive Director has provided prior approval before those expenses are incurred. Documentation of all such approvals along with the supporting rationale for why these expenditures were paid by a third party shall be attached to the travel itineraries in connection with such travel made by investment staff or the Chief Investment Officer.

30) Allow the CIO to manage the Beta Balanced portfolio with a leverage limit of 1.25 times total beta balanced capital.

31) Allow the CIO to manage the Beta Balanced portfolio with an initial cash target of less than 25% of leveraged capital or within the cash replenishment policy, should cash fall below the initial 25% level, as described in the Investment Ends policy.

32) Allow the CIO to initiate new commitments to the Illiquid portfolio should the portfolio's pro-rata share of total capital be in excess of 23% at the time the commitment is being considered.

33) Allow the absolute level of the Illiquid portfolio to exceed 27% of total capital without an action plan, agreed to by the CGAC, to reduce this exposure to a level below the 27% threshold.

9/19/2013 Governance Policy

6/20/2013 Governance Policy

1/17/2013 Governance Policy

11/15/2012 Governance Policy

MOSERS exists to advance the financial security of its members.