

Retirement Board

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PERS' FUND

INVESTMENT OBJECTIVES & POLICIES

Amended by the Retirement Board
June 19, 2013

I. MISSION

It is the mission of the Public Employees' Retirement System to:

- Provide public workers and their dependents with a retirement program that provides a reasonable base income for retirement or for periods where a disability has removed a worker's earning capacity.
- Encourage those workers to enter into and remain in government service for such periods of time to give public employers and the people of the State of Nevada the full benefit of their training and experience.

The investment program is to be managed for the exclusive benefit of the System's members and retirees and support the actuarial funding and investment objectives of the System within the framework of the Nevada Revised Statutes, specific policies and directives adopted by the Board.

The purpose of this document is to define the Board's investment objectives and policies and to delineate the duties and responsibilities of the entities involved in the investment process.

II. OBJECTIVE

It is the investment objective of the **Public Employees Retirement System of Nevada (System)** to:

- Generate an 8% return with the least possible volatility by producing a long-term total return from investments which exceeds the rate of inflation (CPI) by 4.5% by capturing market returns within each asset class;
- Invest so that the short-term volatility of returns will not cause the System to alter its long-term strategy; and
- Structure an investment program which is sufficiently uncomplicated to control the ability to consistently meet return and risk objectives.

III. INVESTMENT PHILOSOPHY

Maintain consistent exposure to capital markets and systematically buy assets low and sell them

high. To implement this strategy, we emphasize a simple, low cost structure that relies primarily on intelligent asset allocation and rebalancing.

- **Consistently Apply Time Tested Investment Principles**
 - Focus on the long term
 - Maintain consistent exposure to the capital markets
 - Buy weakness, sell strength
 - Broadly diversify
 - Implement changes intelligently – act from a position of strength
 - Align strategy with risk tolerance and goals
 - Emphasize an uncomplicated structure
 - Keep costs low

- **Implementation**
 - Primary focus on asset allocation
 - Make asset allocation changes at opportunistic points in the market cycle
 - Emphasize index management
 - Adhere to an intelligent, disciplined rebalancing process
 - Utilize fewer portfolios/managers
 - Keep manager and asset turnover low
 - Emphasize higher quality assets

IV. POLICIES

A. Retirement Board (Board):

1. Each member of the Board shall discharge duties with respect to the fund solely in the interest of the member and benefit recipients, and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
2. The Board shall:
 - a. Make investment decisions recognizing the System's funding requirements and in accordance with these Investment Objectives and Policies or adopt necessary revisions;
 - b. Employ Investment Consultant (Consultant) and Investment Counsel (Counsel) services as well as Investment Staff (Staff), to ensure that the System's funds are invested effectively and with proper risk control;
 - c. Issue Interim Directives that provide for the dispersal of funds;
 - d. Enter into written agreements covering performance expectations with Staff, Consultant, and Counsel; and
 - e. Formally review the System's Investment Objectives and Policies at least annually.
3. The Board and its individual members are not liable for investment decisions made by Counsel if they obtain qualified Counsel, establish proper Investment Objectives and Policies, issue appropriate Interim Directives, and monitor Counsel.

B. The System's Staff shall:

1. Provide advice and recommendations to the Board on all investment matters and discharge their investment duties solely in the interest of the members and benefit recipients with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
2. Make sufficient information available so that Board members can reasonably be expected to make prudent investment policy decisions.

3. Prepare necessary revisions to Investment Objectives and Policies, Investment Plans, Interim Directives, and other operating guidelines for Board consideration and adoption and effectively implement the Policies, Plans and Directives.
4. Ensure that monitoring programs, including Global Investment Performance Standards compliant performance reporting, are in place in order to adequately inform the Board.
5. Conduct an asset allocation review annually and an asset liability study as needed.

C. Consultants and Counsel:

1. Consultants and Counsel are fiduciaries and shall discharge their duties with respect to this fund solely in the interest of the members and benefit recipients with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
2. Counsel shall be liable for any investment decision that is not made in accordance with Investment Objectives and Policies and applicable Interim Directives established by the Board.
3. Qualified Consultants include those professionals with the background, expertise, and demonstrated success as institutional investment consultants for at least ten years, and research/database access, to provide investment program advice, including selection of qualified Counsel.
4. Qualified Counsel includes SEC registered investment advisors, banks, or insurance companies recognized by the System's Consultant and the Board as providing investment expertise with demonstrated success for at least the prior five years.
5. The Board's hiring process shall include directing Staff and Consultant to:
 - a. Screen manager profiles which shall include, but not be limited to:
 - Investment style/process
 - Return/risk criteria
 - Assets under management
 - Organization/personnel
 - Trading capabilities
 - b. Staff shall meet with semi-finalists and recommend finalists for consideration by the Board.
 - c. The Board shall conduct interviews in a public meeting and take action as they deem appropriate.
6. Staff and Consultant shall provide evaluations to the Board at any time it is not likely that Counsel will achieve the System's performance objectives. The Board shall then take action which may include, but not be limited to, more frequent special reporting, on-site staff reviews, or termination. Prior to termination, staff shall notify the custodian of potential action. Upon termination staff shall notify the custodian as soon as possible to sever account trading authority as appropriate.
7. No more than 10% of the System's assets shall be managed on a permanent basis by a single investment firm in active strategies. A single firm may manage up to 25% of the System's assets on a permanent basis in index strategies. No asset manager may oversee more than 25% of the System's assets. The System's assets shall not permanently constitute more than 20% of any firm's assets within the asset class (equity, bonds, real estate, or private equity) managed for PERS. Staff shall provide an annual report to the Board of assets under management consistent with this policy.

8. Staff shall provide a report to the Board of investment costs including management fees and commission costs annually.
9. Securities and foreign exchange transactions are considered by the Board to be investment decisions. As such, they will be carried out at the discretion of Counsel for the benefit of PERS with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to PERS. Any commission arrangements (including commission recapture) are to be between the broker and Counsel. *No broker is to be excluded* from consideration solely due to their office location. Counsel will select brokers based on:
 - Execution capability;
 - Transaction size/execution difficulty;
 - Research services;
 - Institutional experience/firm infrastructure; and
 - Commission rates.

Counsel shall annually provide a written report of brokerage activity which staff will summarize and submit to the Board in the annual investment cost report. The report shall include:

Bonds:

- Total transactions detailed by brokerage firm.

Equities:

- Total transaction and commission activity, including commissions per share, and commissions as a percent of total, detailed by brokerage firm.

Foreign Exchange

- Total transactions detailed by brokerage firm

For any soft dollar arrangements used provide the following:

- A description of goods and services obtained.
- How the goods and services directly benefited Nevada PERS.
- Names of applicable brokers.
- The total costs.
- The percentage cost paid by Nevada PERS.
- Whether the same goods and services are available for purchase with hard dollars.

10. All investment transaction decisions shall be made by qualified Counsel.
11. Proxy voting is considered by the Board to be a component of the investment decision process, therefore, Counsel is responsible for voting all proxies in a manner consistent with the best economic interest of PERS. Counsel shall provide an annual report of proxy votes to PERS' staff.
12. In the event of a change in a security's characteristics such that it is no longer compliant with the System's policies, the security shall be liquidated within 90 days of the date of the change. Counsel shall notify staff of policy violations as soon as possible. Staff will notify Board of any individual security violation in excess of \$20 million.
13. The System's assets must not be loaned to the State of Nevada or invested to purchase any obligations of the State.
14. The System shall monitor security class action lawsuit settlements and file as necessary to ensure PERS receives damages to which it is entitled, unless PERS' investment counsel deems another course of action is in the best financial interest of the System. Monitoring, filing and collection of class action proceeds shall be coordinated by PERS' custodian bank.

V. ASSET ALLOCATION

A. Long-range (10+ years) expectations shall be:

	<u>Total Return</u>	<u>CPI</u>	<u>Real Return</u>	<u>Risk Measure</u>
Actuarial Investment Assumption	8.00%			
U.S. Equity	9.00%	3.5%	5.50%	17.00%
International Equity	9.25	3.5	5.75	20.00
U.S. Bonds	3.75	3.5	0.25	6.00
International Bonds	3.50	3.5	0.00	11.00
Private Markets	10.66	3.5	6.80	22.46

B. Asset allocation shall be as follows:

	Target	Liquid Asset Target	Liquid Asset Rebalance Trigger
U.S. Equity	42%	46.7 %	44.3%-51.4%
International Equity	18%	20.0%	18.1%-22.4%
U.S. Bonds	25%	27.8%	22.0%
International Bonds	5%	5.6%	3.9%
Private Markets	10%		

Assets shall be rebalanced only if the liquid asset allocation reaches the rebalance trigger. When a trigger is hit, asset classes shall be brought all the way back to the liquid asset allocation target. The funding source/destination shall be those asset classes that are the farthest from their policy target.

Contributions/Distributions of assets will be added/removed proportional to the liquid asset allocation at the time of the cash flow.

The total fund policy performance benchmark shall be comprised of market index returns (as defined in Section VI below for each asset class) weighted consistent with the above allocations.

C. Asset class investments shall be consistent with the following targets. The portfolios below shall be rebalanced when they exceed $\pm 10\%$ of their target.

1. Equity -

a. The targeted allocation within U.S. Equities is:

75% S & P 500 Index
 9% growth, (stocks with above average prospects for long-term earnings growth,)
 9% value, (stocks believed to be under valued by the market,)
 7% core, (stocks representing the broad market)

b. The targeted allocation within International Equities is:

75% MSCI EAFE Index
 25% Active

2. Bonds –

a. The targeted allocation within U.S. Bonds is:

25% Active Core
 75% Barclays Aggregate Index

- b. The targeted allocation within International Bonds is:
 - 100% Citigroup Non-Dollar Government Bond Index
- 3. Private Markets -
 - a. The targeted allocation within Private Markets is:
 - 50% Core Private U.S. Real Estate
 - 50% Private Equity

VI. OBJECTIVES & POLICIES BY INVESTMENT CATEGORY

A. Short-term Investments:

- 1. The objective of short-term investments is to produce a return that equates to prevailing short-term rates applicable to the quality specified below.
- 2. All monies not deployed in permanent investments shall be invested in short-term investment vehicles as provided below.
- 3. Money market instruments shall include:
 - a. U. S. Treasury bills and agency discount notes.
 - b. Commercial paper provided it, or the guarantor, is rated A1, F1 and P1, or the equivalent by at least two of Moody's, Standard & Poor's or Fitch.
 - c. Certificates of deposit, banker's acceptances, and time deposits of banks with a minimum of \$10 billion in bank capital which have a quality rating of A-, A3 or better by at least two of Moody's, Standard and Poor's or Fitch.
 - d. Repurchase agreements with banks or dealers provided the agreement is collateralized by 102% with U. S. Treasuries or Government Sponsored Enterprise (GSE) mortgages and such collateral is delivered to the System's bank or its correspondent.
 - e. Money market mutual funds that are SEC registered 2(a)-7 and AAA rated by at least two of Moody's, Standard and Poor's or Fitch and whose investment guidelines are substantially equivalent to and consistent with the System's overall short-term investment criteria.
 - f. Corporate short-term investments of any Counsel shall be limited to 5% of a single issuer. Counsel's portfolio shall be suitably diversified as to assets with any single issuer (except U.S. government obligations) or class of issuers so that an adversity affecting a particular sector will not impact a substantial share of the total portfolio.

B. Bonds:

- 1. The investment objective of the U.S. Bond portfolio is to produce a total return (time weighted rate of return), after fees, which captures the return of the Barclays Aggregate Index over rolling 10-year periods with commensurate volatility.
- 2. The investment objective of the International Bond portfolio is to produce a total return (time-weighted rate of return), which captures the return of the Citigroup Non-Dollar Government Bond Index (unhedged) over rolling 10-year periods with commensurate volatility.
- 3. The following dollar denominated securities are authorized:
 - a. Bonds, notes, and pass-through securities issued or guaranteed by the United States Government or its agencies or instrumentalities,
 - b. Bonds and notes of United States corporations which are rated investment grade (BBB- or better by Standard & Poors/Fitch, Baa3 or better by Moody's). If the security

is rated by all three agencies, at least two of the three must be investment grade. If the security is rated by either one or two of the rating agencies, all ratings must be investment grade.

- c. Asset-backed instruments which are rated investment grade (BBB- or better by Standard & Poors/Fitch, Baa3 or better by Moodys). If the security is rated by all three agencies, at least two of the three must be investment grade. If the security is rated by either one or two of the rating agencies, all ratings must be investment grade.
- d. Debt issued in the United States by foreign entities located in countries in the Citigroup Non-Dollar Government Bond Index, provided that both interest and principal are payable in U.S. dollars and such debt is rated investment grade (BBB- or better by Standard & Poors/Fitch, Baa3 or better by Moodys). If the security is rated by all three agencies, at least two of the three must be investment grade. If the security is rated by either one or two of the rating agencies, all ratings must be investment grade.
- e. To Be Announced (TBA) mortgage transactions are utilized to provide access to mortgage securities. Sufficient short-term investments must be available at all times to settle TBA transactions. Determination of broker creditworthiness and reliability is the responsibility and liability of counsel. Outstanding TBA positions with a single broker may not exceed 10% of counsel's portfolio.
- f. All securities within the Barclays Aggregate Index.

Counsel with non-U.S. mandates may invest up to 25% of their portfolio in these securities.

4. The following international securities are authorized:
 - a. Bonds, notes, and deposits of foreign governments and government agencies included in the Citigroup Non-Dollar Government Bond Index.
 - b. Bonds, notes, and deposits of foreign corporations based in the countries permitted above and warranted by Counsel to be of the same credit quality as Moody's Aa3 and Standard and Poor's/Fitch's AA- ratings.
 - c. Bonds, notes, and deposits of U. S. entities described in policy 3 (a) and (b) above which are not denominated in U.S. dollars and are of Moody's Aa3 and/or Standard and Poor's/Fitch's AA- rating. If the security is rated by three agencies, at least two of the three must be above the policy minimum. If the security is rated by either one or two of the rating agencies, all ratings must be above the policy minimum.
 - d. Foreign currency deposits (non USD securities) in countries in the Citigroup Non-Dollar Government Bond Index.

Counsel with U.S. mandates may invest up to 25% of their portfolio in these securities.

5. Short selling and the use of leverage are not permitted.
6. Bond portfolios shall be suitably diversified as to assets with any single issuer (except Government Agency, or Government Sponsored Enterprise-guaranteed obligations) or class of issuers so that an adversity affecting a particular sector will not impact a disproportionate share of the bond portfolio. Corporate issuers shall be limited to 5% per issuer (including all subsidiaries for parent/subsidiary relationships). Asset-backed, commercial mortgage-backed, and private label MBS securities are limited to 5% per issuer (each pool or trust shall be considered a separate issuer for this purpose).

C. Equity:

1. The investment objective of the U.S. Equity portfolio is to produce a total return (time-weighted rate of return), after fees, which captures the return of the Standard and Poor's 500 Common Stock Index over rolling 10-year periods with commensurate volatility.

2. The investment objective of the International Equity portfolio is to produce a total return (time-weighted rate of return), after fees, which captures the return of the Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Standard Index (unhedged) over rolling 10-year periods with commensurate volatility.
3. Counsel with U.S. mandates are authorized to invest in the following securities:
 - a. Stocks of U. S. corporations with a market capitalization of at least \$200 million, provided they are listed on a major U.S. exchange. All securities within the S&P 500 Index are eligible for investment.
 - b. Securities of foreign companies with a market capitalization of at least \$200 million that are listed on a major U.S. exchange as ordinary shares or depositary receipts.
4. Counsel with international mandates are authorized to invest in the following securities:
 - a. Stocks of corporations with a market capitalization of at least \$200 million, provided they are listed on a major U.S. exchange.
 - b. Securities of foreign companies with a market capitalization of at least \$200 million based in countries, and listed on exchanges in countries, included in the Morgan Stanley Capital International Europe, Australia, Far East Index (MSCI EAFE) and Canada. All securities within the MSCI EAFE Index are eligible for investment.
 - c. Foreign currency deposits (non USD securities) in countries in the MSCI EAFE Index.
5. Short selling and the use of leverage are not permitted.
6. Equity portfolios shall be suitably diversified to the extent that an adversity affecting a particular sector or issuer will not impact a disproportionate share of Counsel's portfolio. No more than 10% of Counsel's portfolio shall be invested in any one security.

D. Private Markets:

The investment objective of the private markets portfolio is to produce a total return (time-weighted rate of return), which captures the blended return (based on PERS' actual allocation) of the NCREIF (National Council of Real Estate Investment Fiduciaries) Index less 0.75% per year and S&P 500 Index +4% per year over rolling 10 year periods with commensurate volatility.

1. Private Real Estate:
 - a. The investment objective of the U.S. real estate portfolio is to produce a total return (time weighted rate of return), which captures the return of the NCREIF (National Council of Real Estate Investment Fiduciaries) Property Index less 0.75% per year net of fees, over rolling 10-year periods with commensurate volatility (as measured by standard deviation). Net investment income shall exceed two-thirds of total return over rolling 10-year periods. The long term expected return from real estate is 7.25% with 18.5% risk.
 - b. Counsel will operate in accordance with the Investment Objectives and Policies, the Real Estate Reporting Guidelines and applicable Interim Directives.
 - c. The real estate portfolio shall be suitably diversified to the extent that an adversity affecting a particular sector will not impact a disproportionate share of the real estate portfolio.
 - d. Eligible property types for investment include industrial, multi-family, office, and retail.
 - e. Qualified investments include substantially leased (not less than 60%), income-producing properties located in areas in the U.S. which exhibit reasonable economic diversification.
 - f. The Real Estate portfolio shall maintain a minimum overall leased level commensurate with NCREIF or higher.

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- g. Leverage is permissible only as a means to enhance access to assets. Debt may be assumed on new acquisitions, not to exceed 65% loan to purchase price. Total portfolio leverage for each manager may not exceed 20%. Loans must be retired at or before maturity.
 - h. Real estate shall be acquired using 501(c)(25) holding corporations or limited liability companies with the System as sole shareholder unless Counsel deems another structure appropriate.
 - i. Forward commitments are agreements to acquire property at completion of construction and are limited to 15% of the manager's invested portfolio value. If a manager elects to use forward commitments they must meet the following parameters:
 - 1. The buyer must have the ability to void purchase if the project is not completed on time and on budget, and in accordance with plans and specifications.
 - 2. The forward commitment period shall not exceed eighteen months.
 - 3. The investment should generate a minimum initial income return at least 0.5% higher than a comparable investment that requires immediate funding.
 - 4. The developer of the property must have a strong track record of constructing quality buildings with creditworthy tenants on time and on budget.
2. Private Equity:
- a. The objective of the private equity portfolio is to produce a net return (internal rate of return), that exceeds the S&P 500 +4% per year over rolling 10-year periods with commensurate volatility. The total long term expected return from private equity is 13.00% with a 30% risk.
 - b. Counsel will operate in accordance with the Investment Objectives and Policies, the Private Equity Reporting Guidelines and applicable Interim Investment Directives.
 - c. The private equity portfolio shall be suitably diversified so that an adversity affecting a particular sector will not impact a disproportionate share of the private equity portfolio.
 - d. Private equity may include primary and secondary interests in U.S. and international investments in the following strategies:
 - Acquisitions - purchase of a majority interest of the stock of a company using leverage. Investments are categorized by size (small, medium, large and mega) as well as strategy (value, growth, industry consolidation and platform).
 - Growth Equity - purchase of a minority equity position in a company for the purpose of growth and expansion.
 - Debt Related - investment in the debt of the company. This may include mezzanine debt, subordinated debt, or debt of companies under varying levels of distress.
 - Special Situations - comprises several different partnership strategies, including industry-focused, turnaround, or a combination of multiple strategies.
 - Venture Capital - financing of rapidly growing companies that typically have a technology component. Investments are categorized by stage, ranging from seed to late-stage.
 - e. Private equity partnership minimum criteria:
 - 1. **Cohesive management team.** At least two partners must have a minimum of 5-years investment experience as a team.

2. **Strong identifiable deal flow.** Partnership must have access to investment opportunities in the stated strategy that are demonstrably superior.
 3. **Appropriate strategy.** Stated strategy must be in sync with current and expected investment environment.
 4. **Multiple cycle experience.** Team must have relevant experience over a long enough period of time to cover multiple business and investment cycles.
 5. **Successful, replicable performance.** Team has historically generated strong performance relative to peers.
 6. **Liquidations for profit.** Experience must include at least ten "roundtrip" (development through profit realization) investments of which most were for substantial profit.
- f. Commitment to each new partnership is limited to 15% of that partnership's total commitments at time of final closing.
 - g. A maximum of 15% of Counsel's portfolio may be invested with a single general partner. No more than 25% of Counsel's portfolio may be invested in partnerships whose primary focus is international investments in countries included in the MSCI EAFE Index and Canada.
 - h. Private equity investments shall be made using a limited partnership structure with the System as a limited partner unless Counsel deems another structure appropriate.
- E. Forward Contracts
1. Counsel may utilize foreign currency forward contracts to hedge currency exposure.
 2. The use of leverage is not permitted.
- F. Securities Lending:
1. The investment objective for the securities lending program is to maximize incremental income within a high quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification and tightly controls exposure to fluctuating interest rates. Mutually acceptable revenue objectives shall be established at the beginning of each fiscal year. Staff shall prepare an annual securities lending report reviewing actual performance vs. revenue objectives, collateral exposures and risks.
 2. The System's share of income earned shall be distributed within eight working days following the end of each month.
 3. The securities lending process shall be transparent to other Counsel.
 4. No more than 33 1/3% of total assets (not including collateral) may be on loan. Lending assets shall be defined as the value of assets on loan.
 5. In all cases, loans will be collateralized by cash or securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities. Collateral received for the lending of U.S. securities must equal at least 102% of market value, plus accrued interest in the case of fixed income securities. Collateral received for the lending of international securities must equal at least 105% of market value, plus accrued interest in the case of fixed income securities. Securities Lending Counsel shall be responsible for monitoring collateral levels and exercising daily marks to market.
 6. Loan maturities shall not be negotiated for longer than one year. No more than 15% of the portfolio shall be on loan longer than six months.
 7. Securities Lending Counsel shall perform ongoing credit analysis of brokers and establish individual concentration limits, which may be amended from time to time. Broker default

- indemnification, provided by Securities Lending Counsel, shall not relieve Securities Lending Counsel from ongoing credit review.
8. Securities Lending Counsel is authorized to invest cash collateral in the following investment vehicles:
 - a. U.S. government obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities.
Bank obligations including certificates of deposit, time deposits, medium term notes, or deposit notes provided the guarantor has a minimum of \$1.5 billion capitalization and is rated A or better by at least two of Moody's, Standard and Poor's or Fitch.
 - b. Commercial paper and other short-term securities including loan participations provided the issuer or guarantor has received an adequate credit rating by at least two of Moody's, Standard & Poor's or Fitch (A1 by Standard and Poor's/Fitch, P1 by Moody's).
 - c. Corporate and other debt obligations including high grade fixed, floating, and variable rate notes, variable rate demand obligations (master notes) and medium term notes with a credit quality rating of A or better, as rated by at least two of Moody's, Standard & Poor's or Fitch.
 - d. If a security is not rated by all three agencies, it must be rated A1 or P1 (in the case of commercial paper) or A or better (in the case of bank and corporate obligations) by at least two of Standard and Poor's, Fitch or Moody's.
 - e. Repurchase agreements, typically overnight, 102% collateralized by above authorized investments.
 - f. Money market mutual funds that are SEC registered 2(a)-7 and AAA rated by at least two of Moody's, Standard and Poor's or Fitch and are collateralized with U.S. Treasuries or agency securities or are secured by repurchase agreements and whose investment guidelines are substantially equivalent to and consistent with the System's overall short-term investment criteria.
 - g. If a security is not described above, it is not eligible for investment. For example, derivative instruments and structured securities such as leveraged structured notes, inverse floaters, CMT floaters, range floaters, dual index floaters, CDO's, SIV's and other speculative instruments are specifically prohibited.
 9. Securities Lending Counsel shall abide by the following diversification, maturity, and liquidity guidelines:
 - a. Suitable diversification shall be maintained by ensuring that no more than 2% of the portfolio at time of purchase and 3% of the portfolio on an ongoing basis shall be exposed to the term obligations of any one issuer except U.S. Government obligations. Overnight repurchase agreements shall be limited to 10% per name.
 - b. A minimum of 30% of the portfolio must be invested in overnight instruments or those that are redeemable upon demand.
 - c. The maximum maturity for any one investment shall not exceed 24 months. Weighted average maturity of the reinvestment portfolio shall not exceed 90 days.
 - d. The difference between the weighted average maturity of the reinvestment portfolio and the weighted average maturity of the loan portfolio (i.e., "GAP") shall be no greater than 60 days.