

Omaha Police & Fire Pension Fund

Investment Policy

Adopted November 2006
Implemented In Phases Throughout 2008

Table of Contents

INVESTMENT OBJECTIVES – TOTAL FUND.....	1
INVESTMENT GUIDELINES FOR ALL INVESTMENT MANAGERS.....	4
INVESTMENT AND PERFORMANCE GUIDELINES BY ASSET CLASS	
U.S. EQUITIES	
LARGE CAP EQUITIES.....	7
SMALL CAP EQUITIES	9
INTERNATIONAL EQUITIES	
DEVELOPED MARKETS	11
SMALL CAP EQUITIES	12
EMERGING MARKETS.....	13
FIXED INCOME	
INTERMEDIATE FIXED INCOME.....	14
INFLATION PROTECTED FIXED INCOME.....	15
REAL ESTATE	16
TIMBERLAND.....	17

Investment Objectives – Total Fund

I. Investment Philosophy – Long-term Objectives

- A. The primary objective of the Omaha Police & Fire Pension Fund is to provide eligible employees with regular pension benefits. Since the Plan is governed by the statutes of the State of Nebraska, the provisions contained are hereby recognized and will serve as guidance to the management of this fund. In particular, the “Prudent Investor” guideline is to be followed in regard to the investment management of the fund.
- B. Consistent with prudent standards for preservation of capital and maintenance of liquidity, the goal of the Plan is to earn the highest possible total rate of return consistent with the Plan’s tolerance for risk as determined by the Investment Committee in its role as a fiduciary. The Committee will review the assumptions used in establishing their risk tolerance and make adjustments as appropriate.
- C. In carrying out these objectives, short-term fluctuations in the value of the Plan’s assets shall be considered secondary to long-term investment results.
- D. Asset classes and ranges considered appropriate for investment of funds are shown below. Target allocations are intended to serve as guidelines; the Investment Committee will rebalance the portfolio as outlined in this section. Market conditions or an investment transition (asset class or manager) may require an interim investment strategy and, therefore, a temporary imbalance in asset mix.

<i>Asset Class</i>	<i>Minimum</i>	<i>Target</i>	<i>Maximum</i>
U.S. Large Cap Equities	20	25%	30
U.S. Small Cap Equities	10	15	20
International Equities – Developed Markets	10	13	16
International Small Cap Equities	2	5	8
International Equities – Emerging Markets	2	5	8
Intermediate Fixed Income	9	12	15
Inflation Protected Fixed Income	7	10	13
Private Real Estate	7	10	13
Timberland	2	5	8

- E. Diversification of assets will ensure that adverse or unexpected results from a security class will not have an excessively detrimental impact on the entire portfolio. Diversification is interpreted to include diversification by type, by characteristic, and by number of investments, as well as by investment styles of the management organizations.

F. The Investment Committee will formally review rebalancing semi-annually as of March 31 (May meeting) and September 30 (November meeting). Asset allocations will generally be allowed to drift within stated allocation parameters.

1. When a maximum allocation is exceeded, excess funds will be invested in asset classes that are below their target allocation.
2. When an asset class falls below a minimum allocation, assets from managers or asset classes that are most above target allocations will be transferred.

II. Total Fund Performance Criteria

A. Total Fund performance will be monitored and results measured against absolute and relative return objectives. Results will be reviewed over a three- to five-year period (or a full market cycle).

B. The Investment Committee expects Total Fund, through its investment managers to achieve the following long-term performance objectives:

1. A return objective based on a long-term return assumption of 8.0 percent.
2. An unmanaged market index of 25 percent Russell 1000, 15 percent Russell 2000, 13 percent EAFE, 5 percent EAFE Small Cap, 5 percent MSCI Emerging Markets, 12 percent Lehman Intermediate Government/Credit, 10 percent Lehman U.S. TIPS, 10 percent NCREIF, and 5 percent NCREIF Timberland.
3. Above median performance of peer plans.

III. Investment Committee Role

The Investment Committee recognizes that its role is supervisory, not advisory, and that discretion is delegated to a manager as long as they adhere to general guidelines established by Omaha Police & Fire Pension Fund. The primary roles of the Investment Committee are to:

- A. Establish and amend the Statement of Investment Objectives.
- B. Establish Investment Manager Guidelines and review periodically.
- C. Review investment results based on performance criteria established by the Committee.
- D. Select an investment consultant to help monitor prudent investor requirements as they pertain to the investment of Plan assets.
- E. Select, monitor and, if necessary, replace investment managers or advisors in a manner that reflects duty as a prudent investor.
- F. Maintain compliance to allocation parameters outlined in the Investment Policy Statement.

IV. Periodic Review of Performance Criteria and Guidelines

These objectives and guidelines should be reviewed by the Investment Committee at least annually (in the November meeting). Exceptions to these guidelines may be made at any time with the written approval of the Investment Committee. The Investment Committee will also review fund and manager performance on a regular basis.

Investment Guidelines For All Investment Managers

Introduction

The investment guidelines for investment managers are designed to provide managers with the opportunity to fully utilize their talents with minimal restrictions. The Committee believes this approach will enhance long-term investment returns for Omaha Police & Fire Pension Fund while maintaining controls necessary to achieve asset allocation and other objectives associated with safeguarding of pension fund assets. The Committee reserves the right to withdraw assets or to terminate the relationship at any time and for any reason with notice as required per each management agreement.

I. General Guidelines

- A. Managers are expected to comply with Nebraska statutes and ordinances of the City of Omaha as they relate to the investment of fund assets.
- B. Each manager is expected to manage assets in a style similar to the one utilized over the past five years. Any significant deviation from the manager's stated style will require written approval.
- C. Managers are normally expected to be fully invested in their assigned asset class; exceptions must have the prior written approval of the Committee.
- D. Investment managers are responsible for portfolio construction, security selection, security trading and strategies designed to exceed the performance of their benchmark.

II. General Restrictions

Prohibited investments for separate account managers include:

- A. All City of Omaha securities.
- B. Restricted stock, except Rule 144(a) securities which are not prohibited investments.
- C. Short-sale contracts.
- D. Non-financial commodities.
- E. Investment in private companies.
- F. Any levered investments resulting in portfolio leverage.

III. Cash Investments

To the extent that a manager holds cash:

- A. Cash investments must be rated or have equivalent quality characteristics to those rated at least A-2 and P-2 or BBB.
- B. Cash investments must be U.S.-dollar denominated unless specific authority to the contrary is given.

IV. Options, Futures and Derivative Investments

- A. Omaha Police & Fire Pension Fund must explicitly authorize, through individual manager guidelines, the use of options, futures or other derivative strategies (derivatives) by investment managers, based on proven expertise in derivative instruments.
- B. Derivatives may be used only to hedge an account's investment risk or to replicate an investment that would otherwise be made directly in the cash market.
- C. Leveraged use of derivatives is prohibited. The principal value of derivative exposure cannot exceed the position being hedged or replicated.
- D. Use of derivatives should not modify the characteristics, including investment risk, such that the account violates the guidelines for the underlying portfolio.

V. Proxy Voting Policy

- A. Proxy voting shall be delegated to investment managers. The manager's voting of proxies shall be solely in the interests of Plan participants and beneficiaries and for the exclusive purpose of providing benefits to those participants and beneficiaries.
- B. Managers of *separate accounts* are required to supply the Investment Committee with a current copy of any internal guidelines for proxy voting developed by the manager, as well as a periodic (at least annual) report detailing proxy voting activities.

VI. Communications

Communications with Omaha Police & Fire Pension Fund, at a minimum, should include:

- A. Quarterly statements via hard copy or electronic media, including actions taken in the portfolio, the economic outlook, and expected changes in the portfolio.
- B. On a quarterly basis, performance results should address the criteria established by Omaha Police & Fire Pension Fund and should be provided to Committee members and to the Investment Consultant within 45 days from the end of the quarter.

- C. Each quarter, the investment manager must confirm in writing within their regular report to Client and the Investment Consultant an affirmation of compliance to the guidelines and policies outlined in this "Investment Policy Statement." Any non-compliance should be identified and detailed in writing.
- D. Separate account managers are expected to conduct regular meetings with the Investment Committee of Omaha Police & Fire Pension Fund, with the location and time to be determined by the Committee.
- E. All pertinent changes in the firm should be reported *as they occur* by telephone and in writing. Included among the changes, but not limited to, are the following:
 - 1. Changes in personnel.
 - 2. Major changes in areas of responsibility.
 - 3. Changes in investment philosophy or major strategies.
 - 4. Any event which may impact the integrity or financial position of the manager.

VII. Guideline Review

In view of the rapid changes within the capital markets and investment management techniques, these guidelines should be reviewed by the Investment Committee and the investment manager as necessary. Any recommendations should be communicated in writing to the Investment Committee for review. Exceptions to these guidelines may be made at any time with the approval of the Investment Committee.

Investment Guidelines for U.S. Large Cap Value Equities

Brandywine Global Investment Management, DePrince, Race & Zollo and Hotchkis & Wiley Capital Management

In addition to the "Investment Guidelines For All Investment Managers," the following specific guidelines apply.

I. Guidelines

- A. Investments are permitted in large capitalization equity securities (generally stocks greater than \$5.0 billion in market cap size). Intended investments include common stocks or equivalents (issues convertible into common stocks, ADRs, etc.).
- B. Equity investment in any one company should not exceed 5 percent of the equity portfolio at time of purchase.
- C. The investment manager's aggregate investment in the stock of any one company should not exceed 5 percent of its equity outstanding.
- D. Equities securities not listed on a recognized U.S. exchange may not be purchased without prior written approval.
- E. The portfolio is expected to be fully invested. Cash should not represent more than 10 percent of the total equity portfolio.
- F. All purchases and sales transactions should be conducted with a view toward obtaining best execution, considering all relevant factors.

II. Performance

Manager performance shall be monitored over a three- to five-year moving average (or a full market cycle) and compared to:

- A. An unmanaged market index comprised of the Russell 1000 Value Index compounded annually.
- B. A relative return target in the top half of a DeMarche peer group.

Investment Guidelines for U.S. Large Cap Growth Equities

Columbia Management

In addition to the "Investment Guidelines For All Investment Managers," the following specific guidelines apply.

I. Guidelines

- A. Investments are permitted in large capitalization equity securities (generally stocks greater than \$3.0 billion in market cap size). Intended investments include common stocks or equivalents (issues convertible into common stocks, ADRs, etc.).
- B. Equity investment in any one company should not exceed 5 percent of the equity portfolio at time of purchase.
- C. The investment manager's aggregate investment in the stock of any one company should not exceed 5 percent of its equity outstanding.
- D. Equities securities not listed on a recognized U.S. exchange may not be purchased without prior written approval.
- E. The portfolio is expected to be fully invested. Cash should not represent more than 10 percent of the total equity portfolio.
- F. All purchases and sales transactions should be conducted with a view toward obtaining best execution, considering all relevant factors.

II. Performance

Manager performance shall be monitored over a three- to five-year moving average (or a full market cycle) and compared to:

- A. An unmanaged market index comprised of the Russell 1000 Growth Index compounded annually.
- B. A relative return target in the top half of a DeMarche peer group.

Investment Guidelines for U.S. Small Cap Value Equities

Mesirow Financial

In addition to the "Investment Guidelines For All Investment Managers," the following guidelines apply.

I. Guidelines

- A. Investments are permitted in small capitalization (generally less than \$2.0 billion in market cap size) equity securities including common stocks or equivalents (issues convertible into common stocks, ADRs, etc.).
- B. Equity investment in any one company should not exceed 5 percent of the equity portfolio at time of purchase.
- C. The investment manager's aggregate investment in the stock of any one company should not exceed 5 percent of its equity outstanding.
- D. Equities securities not listed on a recognized U.S. exchange may not be purchased without prior written approval.
- E. The portfolio is expected to be fully invested. Cash should not represent more than 10 percent of the total equity portfolio.
- F. All purchases and sales transactions should be conducted with a view toward obtaining best execution, considering all relevant factors.

II. Performance

Manager performance shall be monitored over a three- to five-year moving average (or a full market cycle) and compared to:

- A. An unmanaged market index comprised of the Russell 2000 Value Index compounded annually.
- B. A relative return target in the top half of the DeMarche peer group.

Investment Guidelines for U.S. Small/Mid Cap Growth Equities

Fuller and Thaler Asset Management

In addition to the "Investment Guidelines For All Investment Managers," the following guidelines apply.

I. Guidelines

- A. Investments are permitted in small to mid capitalization (generally companies with market capitalization in the \$500 million to \$8.0 billion range) equity securities including common stocks or equivalents (issues convertible into common stocks, ADRs, etc.).
- B. Equity investment in any one company should not exceed 5 percent of the equity portfolio at time of purchase.
- C. The investment manager's aggregate investment in the stock of any one company should not exceed 5 percent of its equity outstanding.
- D. Equities securities not listed on a recognized U.S. exchange may not be purchased without prior written approval.
- E. The portfolio is expected to be fully invested. Cash should not represent more than 10 percent of the total equity portfolio.
- F. All purchases and sales transactions should be conducted with a view toward obtaining best execution, considering all relevant factors.

II. Performance

Manager performance shall be monitored over a three- to five-year moving average (or a full market cycle) and compared to:

- A. An unmanaged market index comprised of the Russell 2500 Growth Index compounded annually.
- B. A relative return target in the top half of the DeMarche peer group.

Investment Guidelines for International Equities - Developed Markets

Philadelphia Investment Advisors

In addition to the "Investment Guidelines For All Investment Managers," the following guidelines apply.

I. Guidelines

- A. Investments are permitted in non-U.S. developed markets in equity securities including common stocks or equivalents where principal markets are outside of the U.S.
- B. Equity investment in any one company should not exceed 5 percent of the equity portfolio at time of purchase.
- C. The investment manager's aggregate investment in the stock of any one company should not exceed 5 percent of its equity outstanding.
- D. The manager should adequately diversify holdings across a range of countries avoiding undue influence of any one country.
- E. Because this manager invests Fund assets in a commingled fund, the manager may invest up to 10 percent in equity securities traded in emerging markets.
- F. The portfolio is expected to be fully invested. Cash investments should not represent more than 10 percent of the total equity portfolio and may be denominated in U.S. dollars or other major foreign currencies.
- G. All purchases and sales transactions should be conducted with a view toward obtaining best execution, considering all relevant factors.
- H. The use of options and other derivatives is permitted only for the purpose of controlling currency risk and enhancing portfolio values in a manner that is prudent.

II. Performance

Manager performance shall be monitored over a three- to five-year moving average (or a full market cycle) and compared to:

- A. An unmanaged market index comprised of the MSCI EAFE Index in U.S. dollars compounded annually. Note, this manager has a value bias but manages the portfolio to the EAFE Index, not EAFE Value Index.
- B. A relative return target in the top half of the DeMarche International Relative Value peer group.

Investment Guidelines for International Small Cap Equities (Developed Markets)

Dimensional Fund Advisors

In addition to the "Investment Guidelines For All Investment Managers," the following guidelines apply.

I. Guidelines

- A. Emerging Market assets are invested through an open-end mutual fund. The manager will adhere to the stated guidelines for that fund.
- B. Investments are permitted in non-U.S. developed markets in equity securities including common stocks or equivalents where principal markets are outside of the U.S.
- C. Equity investment in any one company should not exceed 1 percent of the equity portfolio at time of purchase.
- D. The investment manager's aggregate investment in the stock of any one company should not exceed 5 percent of its equity outstanding.
- E. The manager should adequately diversify holdings across a range of countries avoiding undue influence of any one country.
- F. Investments in emerging markets are not permitted.
- G. The portfolio is expected to be fully invested. Cash investments should not represent more than 10 percent of the total equity portfolio and may be denominated in U.S. dollars or other major foreign currencies.
- H. All purchases and sales transactions should be conducted with a view toward obtaining best execution, considering all relevant factors.
- I. The use of options and other derivatives is permitted only for the purpose of controlling currency risk and enhancing portfolio values in a manner that is prudent.

II. Performance

Manager performance shall be monitored over a three- to five-year moving average (or a full market cycle) and compared to:

- A. An unmanaged market index comprised of the MSCI EAFE Small Cap Index in U.S. dollars compounded annually.
- B. A relative return target in the top half of a DeMarche peer group.

Investment Guidelines for International Emerging Markets Equities

Lazard Asset Management

In addition to the "Investment Guidelines For All Investment Managers," the following guidelines apply.

I. Guidelines

- A. Emerging Market assets are invested through an open-end mutual fund. The manager will adhere to the stated guidelines for that fund.
- B. Investments are permitted in non-U.S. emerging markets in equity securities including common stocks or equivalents where principal markets are outside of the U.S.
- C. Equity investment in any one company should not exceed 5 percent of the equity portfolio at time of purchase.
- D. The investment manager's aggregate investment in the stock of any one company should not exceed 10 percent of its equity outstanding.
- E. The manager should adequately diversify holdings across a range of countries avoiding undue influence of any one country.
- F. The portfolio is expected to be fully invested. Cash investments should not represent more than 10 percent of the total equity portfolio and may be denominated in U.S. dollars or other major foreign currencies.
- G. All purchases and sales transactions should be conducted with a view toward obtaining best execution, considering all relevant factors.
- H. The use of options and other derivatives is permitted only for the purpose of controlling currency risk and enhancing portfolio values in a manner that is prudent.

II. Performance

Manager performance shall be monitored over a three- to five-year moving average (or a full market cycle) and compared to:

- A. An unmanaged market index comprised of the MSCI Emerging Markets Index in U.S. dollars compounded annually.
- B. A relative return target in the top half of a DeMarche peer group.

Investment Guidelines for Fixed Income

Denver Investment Advisors and Wells Fargo Investments and Trust

In addition to the "Investment Guidelines For All Investment Managers," the following guidelines apply.

I. Guidelines

- A. Investments are permitted in fixed income securities including obligations of the U.S. Government or its agencies, U.S. corporations, mortgages and other asset-backed securities.
- B. Corporate bonds shall be diversified by issuer type; for example, industry, utility, financial or telephone issues; and no more than 5 percent of the portfolio shall be invested in the obligations of any one issuer (no allocation restrictions on U.S. Government/Agency securities).
- C. Investments are permitted in investment grade securities with a maximum of 15 percent in BBB.
- D. Average quality of the portfolio shall be rated at least A.
- E. The portfolio is expected to be fully invested. Cash should not represent more than 10 percent of the total portfolio.
- F. All purchases and sales transactions should be conducted with a view toward obtaining best execution, considering all relevant factors.

II. Performance

Manager performance shall be monitored over a three- to five-year moving average (or a full market cycle) and compared to:

- A. An unmanaged market index comprised of the Lehman Government/Credit Intermediate Bond Index compounded annually.
- B. A relative return target in the top half of the DeMarche peer group.

Investment Guidelines for Inflation Protected Fixed Income

PIMCO Real Return

In addition to the "Investment Guidelines For All Investment Managers," the following guidelines apply.

I. Guidelines

- A. Fixed Income assets are invested through an open-end, mutual fund. The manager will adhere to the stated guidelines for that fund.
- B. Investments are permitted in fixed income securities including obligations of the U.S. Government or its agencies, U.S. corporations, mortgages and other asset-backed securities. Investments in non dollar-denominated foreign bonds are limited to 20 percent, which may include a maximum of 10 percent in emerging market debt.
- C. Corporate bonds shall be diversified by issuer type; for example, industry, utility, financial or telephone issues; and no more than 5 percent of the portfolio shall be invested in the obligations of any one issuer (no allocation restrictions on U.S. Government/Agency securities).
- D. Investments are permitted in investment grade securities with a maximum of 10 percent in non-investment grade credits.
- E. Average quality of the portfolio shall be rated AAA.
- F. The portfolio is expected to be fully invested. Cash should not represent more than 10 percent of the total portfolio.
- G. All purchases and sales transactions should be conducted with a view toward obtaining best execution, considering all relevant factors.

II. Performance

Manager performance shall be monitored over a three- to five-year moving average (or a full market cycle) and compared to:

- A. An unmanaged market index comprised of the Lehman U.S. TIPS Index compounded annually.
- B. A relative return target in the top half of the DeMarche peer group.

Investment Guidelines for Core Real Estate

Prudential Real Estate Investors - PRISA

I. Guidelines

- A. Real estate assets are invested through an open-end, commingled fund. The manager will adhere to the stated guidelines for that fund. The fund is to be well diversified by property type and geographical location.
- B. The manager is expected to be fully invested, however, the manager has discretion to use cash within the fund to maximize total return. If the manager intends to hold a significant amount of cash for an extended period of time, the manager must submit a formal written request explaining the rationale to the Investment Committee.

II. Performance

- A. Manager performance shall be monitored, using a three- and five- year moving average, and performance will be compared to:
 - 1. The NCREIF Private Real Estate Index
 - 2. A relative return target in the top half of the DeMarche peer group.

Investment Guidelines for Timberland

Timbervest Partners

I. Guidelines

- A. Timber investments are to be managed in accordance with the terms of the Timbervest Partners II LP fund, which was formed to generate capital appreciation by actively selecting, acquiring, owning, disposing and managing timberland.

II. Performance

- A. Manager performance shall be monitored, using a three- and five- year moving average, and performance will be compared to:
 - 1. A relative return objective of CPI Plus 5 percent, and (secondarily) an absolute objective of the NCREIF Timber Index
 - 2. A relative return target in the top half of the DeMarche peer group.

**Investment Committee Approval
of
Investment Policy Statement**

The undersigned hereby approves the Omaha Police & Fire Pension Fund Investment Policy Statement prepared and approved as of September 17, 2008.

Investment Committee	<i>Printed Name</i>	<i>Date</i>
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