Employees Retirement System
of the
City of St. Louis

Statement of Investment Policy

Amended June 9, 2023

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Operating Addenda to Investment Policy

Manager Instructions

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I. Mission Statement

The Board of Trustees ("Board") of the Employees Retirement System of the City of St. Louis ("System") is designated as the named fiduciary of the System and as such has a fiduciary responsibility to administer the System's retirement plan, manage the System's operations and invest the System's assets. In recognition of this responsibility, the Board hereby adopts the following Mission Statement:

To play an important role in the future financial security of System participants by providing useful information, quality service and attractive and progressive benefits through professional plan administration and prudent investment management of System assets.

Using this mission statement as a guiding principle, the Board hereby adopts the following Statement of Investment Policy.

II. Purpose of this Statement of Investment Policy

A. The System sponsors a defined benefit pension plan ("Plan") administered by the Board for the purpose of providing retirement benefits to the System's participants. The System is funded by contributions from eligible employers. The Board is responsible for ensuring adherence to Plan provisions, as well as the investment and administration of System assets.

B. This Statement of Investment Policy ("Policy" or "Statement") outlines the goals, objectives, and guidelines for the System and is set forth in order that:
   1. There be a clear understanding of the financial needs of the System;
   2. There be a determination of the collective risk tolerance of the Board;
   3. The investment managers and other service providers be given guidance and limitation in the investment of System assets; and
   4. The Board Members have a meaningful basis for evaluating: the effectiveness of investment strategy; the achievement of goals and objectives; and the performance of investment managers in order that the Board Members meet their fiduciary responsibility to prudently monitor the System's investments.

C. The System shall at all times be managed in accordance with Missouri statutes, the City of St. Louis ordinances, and any other applicable law or rule, and in accordance with standard prudent investment practices. The Board, System Staff, investment consultant, investment managers, custodian/trustee, and all other service providers, as applicable, shall exercise due care in accordance with Missouri Revised Statues, Sections 105.687 – 105.690, as amended and the Revised Code of the City of St. Louis, Section 4.16.100 (E), as amended.

D. It is the intent of the Board, in the adoption of this Policy, to state the general attitudes, guidelines, and a philosophy concerning the investment of System assets so that the desired investment results shall be achieved. It is the Board's intention that the investment policies be sufficiently specific to be meaningful, but adequately flexible to be practicable. However, the policies as stated herein are not to be deviated from by any responsible party without the written permission of the Board.

E. A set of Investment Manager Instructions ("Instructions") will be developed for each investment manager and approved by the Board. Such instructions will contain the manager's benchmark by which the manager's performance is measured, any internal account restrictions or limitations, and any necessary exceptions to the Policy. The Board may periodically approve changes or permit exceptions to this Policy in order to maintain flexibility in the investment of the System's assets, adjust to changes in the capital markets, or take advantage of market opportunities. Such changes or exceptions will be noted in the Instructions.

III. General Investment Principles

A. An investment fiduciary includes, but is not limited to, a person who exercises discretionary authority or control in the investment of the assets of the System or who renders, for a fee, advice for the System. The term investment fiduciary includes, but is not limited to the members of the Board, the Investment Consultant, Investment Managers, and Custodian.

B. An investment fiduciary shall discharge his or her duties exclusively in the interest of the participants in the System and their beneficiaries and shall:

1. Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
2. Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered;
3. Make investments for the sole purpose of providing benefits to participants and their beneficiaries, and of defraying reasonable expenses of supervising, safeguarding, and investing the assets of the System; and
4. Give appropriate consideration to those facts and circumstances that an investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role which the investment or investment course of action plays in that portion of the investments for which an investment fiduciary has responsibility. For purposes of this subdivision, "appropriate consideration" shall include, but is not necessarily limited to, a determination by an investment fiduciary that a particular investment or investment course of action is reasonably designed, as part of the investments of the System, to further the purposes of the System, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course

of action. The Board shall give consideration of the following factors as they relate to the total System's investment course of action:

a. The diversification of the investments of the System;
b. The liquidity and current return of the investment of the System relative to the anticipated cash flow requirements of the System; and
c. The projected return of the investments of the System relative to the funding objectives of the System.

IV. System Circumstances

A. The Plan is an "on-going" pension plan with an open population. It has some liquidity needs which are projected to be met partly from new contributions and is demographically mature. The System's assets shall be invested for total rate of return, with appropriate recognition given to both current income and capital appreciation.

B. The System is less than 100% funded in comparing the actuarial value of assets to the actuarial accrued liability.

C. It is the Board's policy to try to maintain a fully funded status, to the extent possible. The Board's commitment to maintain a fully funded condition allows the adoption of a long-term investment time horizon, which is consistent with the long-term nature and liabilities of the System without undue concern for short-term variation in the market value of the System's assets.

D. The actuarial economic and decremental assumptions and cost method being employed with regard to the System have been examined by the Board and are considered to be reasonable and conservative in relation to the investment policies defined herein.

V. Responsibilities of Board

A. The Board is charged as a named fiduciary with the responsibility for administering and investing assets of the System. The primary responsibilities of the Board are:

1. As a primary objective, to ensure that sufficient assets are available to provide the benefits promised to the System's participants and beneficiaries at the time they are payable;
2. As a secondary objective, to achieve an optimum level of return while avoiding excessive risk; and
3. To accomplish 1 and 2 above effectively and prudently, in full compliance with applicable laws, regulations and rulings.

B. The specific responsibilities of the Board in managing the investment process include, but are not limited to, the following:

1. Complying with state statutes, the city ordinances, and this Policy.
2. To delegate certain responsibilities to qualified agents or advisors and administrative and operational responsibilities to System Staff in order to assist the Board in fulfilling its fiduciary duties and responsibilities noted above.
3. Determining the System's projected financial needs and communicating such to the System's actuary, investment consultant, investment managers, and other service providers as necessary.
4. Minimizing operational risk and potential conflicts of interest by separating the functions of consulting, investment management, trading, and custody of assets to the extent prudent.
5. Establishing realistic investment goals and objectives, as well as reasonable investment policies and limitations and reviewing these on a regular basis.
6. Establishing the System's asset allocation (defined as determining an appropriate mix of the System's assets between various asset classes and investment styles) in a manner projected to achieve the System's goals and objectives while minimizing risk.
7. Expressing the collective risk tolerance of the Board, primarily through the System's asset allocation.
8. Selecting qualified actuaries, investment consultants, investment managers, custodians, and other service providers. Also communicating the duties and responsibilities to those accountable for achieving investment results and to whom specific responsibilities have been delegated.
9. Monitoring and evaluating performance results to assure compliance with investment guidelines and that objectives are being met.
10. Taking appropriate action to add or replace investment managers or other service providers as necessary.
11. Maintaining all records dealing with the System and its assets, and the investment of those assets.
12. Undertaking such work, studies, or education as may be necessary to keep the Board adequately informed and educated so as to properly fulfill its fiduciary duties.

VI. <u>Responsibilities of System Staff</u>

A. The Staff is delegated day-to-day management responsibilities for System assets and the relationships with other agents and advisors. These responsibilities include authority to make and put into effect administrative and operational decisions with respect to the System and reinvest System assets not allocated by the Board. The Staff will report its actions to the Board and meet with the Board at its request and comply with applicable laws, regulations and rulings.

B. The Staff's responsibilities include, but are not limited to, the following:

1. Making and executing administrative and operational decisions, as assigned by the Board, dealing with the investment and reinvestment of all System assets, and all other administrative and operational decisions which are delegated to the Staff.
2. Maintaining liquidity to meet pension obligations.
3. Managing the day-to-day custodial banking, securities lending, and directed brokerage relationships.
4. Reporting to the Board on all matters requested.
5. Working with the investment consultant to assure compliance with this Policy on an ongoing basis and reporting exceptions to the Board.

VII. <u>Responsibilities of the Investment Consultant</u>

A. The primary duty of the investment consultant is to work with the Board and System Staff, supporting the Board's management of the investment process. This includes meeting regularly with the Board to provide information, perspective, and evaluation as to the System's goals, objectives, investment structure, and investment managers which encompass the development, implementation, and monitoring of a properly diversified investment portfolio. To this end, it is imperative that the investment consultant be free from conflicts of interest and comply with applicable laws, regulations and rulings. Therefore the investment consultant should be:

1. A registered investment advisor under the Investment Advisors Act of 1940, as amended.
2. Have substantial knowledge and experience in working with institutional clients having large asset sizes, with special expertise in working with public pension systems.
3. Be independent and free from conflicts of interest. To ensure this, there shall be a separation of duties so that the investment consultant shall not: manage System assets, provide brokerage services or execute trades, or custody System assets.

B. Specific duties of the investment consultant include, but are not limited to, the following:

1. Make recommendations to the Board of appropriate actions which will enhance the probability of achieving overall objectives such as use of various asset classes, implementation of investment strategy, changes in investment policy, and changes in investment managers or other service providers.

2. Assist the Board in developing an appropriate asset mix through the use of regular asset-liability and asset allocation studies, the former of which employ analysis of both the assets and liabilities of the System.
3. Assist the Board in deploying an appropriate asset mix through the development of specific investment strategies and supporting policies and making recommendations with respect to rebalancing.
4. Provide comprehensive evaluation, on a regular basis, of the investment results of the System's total portfolio and individual asset managers, in light of the investment guidelines and performance standards contained in this Policy. Such evaluation shall include comparisons to performance universes of other institutional separate accounts, including public pension funds, as well as performance, style, and attribution analysis of all the System's portfolios and managers.
5. Notify the Board of changes in the structure, personnel, ownership, investment philosophy, or process of investment managers serving the System and present a course of corrective action when necessary.
6. Conduct searches for investment managers and other service providers, as necessary.
7. Monitor compliance with this Policy by all responsible parties.
8. Disclose potential conflicts of interest as they become known.
9. Give consideration to minority- and women-owned firms who otherwise meet appropriate search criteria.
10. Provide ad hoc investment research and other support as may be necessary to support the Board's educational and informational needs.
11. The investment consultant assumes fiduciary responsibility for its duties and responsibilities outlined above.

VIII. <u>Responsibilities of the Investment Managers</u>

A. Investment managers retained by the Board must be competent professional investment managers capable of prudently managing System assets and comply with applicable laws, regulations and rulings. No managers will be retained who have not demonstrated by their record, experience, investment expertise, fiduciary responsibility and their capacity to undertake the mandate for which they are being considered. Therefore the managers must:
   1. Acknowledge in writing the acceptance of fiduciary duty with respect to System assets under the manager's control;
   2. Be currently registered and maintain registration as an investment advisor under the Investment Advisors Act of 1940, be a bank as defined by the Act, or be a multi-state insurance company qualified to perform investment management services;
   3. Provide the Board with proof of liability and fiduciary insurance coverage.

B. Unless otherwise approved on an exception basis and fully disclosed to the Board, investment managers shall not: custody assets under their control, execute trades through brokers affiliated with the investment manager or investment consultant, or otherwise pay any fees to the investment consultant.

C. Adherence to Statement of Investment Policy:

1. The investment managers shall respect and observe the specific limitations, guidelines, and philosophies expressed herein, or as expressed in any written addenda to this Policy, or manager instructions.
2. The investment managers' acceptance of the responsibility to manage assets of the System will constitute an acceptance of this Policy, affirming the belief that they are realistically capable of achieving the System's objectives within the guidelines and limitations stated herein.

D. Discretionary Authority:
1. Each investment manager will be responsible for making all investment decisions on a fully discretionary basis regarding all assets placed under its control and will be held accountable for achieving the investment objectives indicated. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that are reflective of the investment manager's current investment strategy and compatible with the System's investment guidelines.
2. The investment managers will construct and manage investment portfolios consistent with the investment philosophy, style and discipline for which they were retained. They will also execute trades and allocate brokerage commissions according to this Policy.

E. Communication:
1. Investment managers will keep the Board and investment consultant informed on a timely basis of: major changes in their investment outlook, investment strategy, asset allocation; significant changes in the ownership, organizational structure, financial condition, or professional staffing of the investment management firm or investment product utilized (including client service personnel); and other matters affecting their investment policies or philosophy.
2. Whenever investment managers believe that any particular guideline should be altered or deleted, it will be the investment manager's responsibility to initiate written communications with the Board expressing its views and recommendations.
3. Investment managers will meet with the Board on a regular, ongoing basis. At this time, they shall review changes within the firm, review past investment performance and performance attribution, evaluate the current investment outlook, and discuss portfolio structure and any inherent or specific tactics (for example, the significant over/under weighting of an economic sector relative to a market benchmark) in the portfolio as well as investment strategy with the Board. (See the Manager Presentation Addendum for more information).

F. Reporting:
1. The Board and investment consultant shall receive timely notices of transaction activities as may be required as well as quarterly performance reports, commission summaries, and reports on proxy voting.
2. In addition, any information needed to assist the Board in conducting their evaluation of the investment manager's performance as it relates to System

assets will be presented on a timely basis.

G. Proxy Voting:

1. The Board, as part of its duties and responsibilities, has the right to vote any and all proxies solicited in connection with securities held by the System, but chooses to delegate to the investment manager the responsibility to vote any and all proxies. The investment manager has the responsibility to vote solely in the interest of the System's participants and to protect the value of the securities within the System. Investment managers shall keep accurate records with respect to their proxy voting policy and their voting of proxies. Investment managers shall forward to the Board on a regular basis a summarization of all proxy voting, including all instances where votes were cast against management, or where votes were cast against the manager's internal proxy voting policies, along with the manager's supporting rationale for each.
2. The Board hereby delegates all proxy voting to the investment managers.

H. Compliance with Appropriate State and Federal Laws:

1. The investment managers are responsible for strict compliance with the provisions of the state statutes, the city ordinances, and all other applicable state and federal laws, rules and regulations as they pertain to investment manager's duties and responsibilities as a fiduciary.
2. The investment managers shall acknowledge in writing their recognition and acceptance of full responsibility as a fiduciary under applicable federal or state law with regard to System assets.

I. Investment Transactions:

1. All transactions shall be completed on a best price, best execution basis.
2. Understanding that the investment managers, as fiduciaries, have the responsibility to execute every transaction in the best interest of the System, the Board reserves the right to set specific brokerage policies as follows:
    a. All active domestic equity managers shall manage the commissions paid by the System to not exceed a targeted <u>annual</u> <u>average</u> of three cents per share for large capitalization portfolios and five cents per share for small-mid capitalization portfolios. The Board shall review the commission costs on a quarterly basis. Failure by any active domestic equity manager to be at or lower than the targeted cents per share, as applicable, on average at the end of any calendar quarter, shall cause the manager to provide a letter explaining why such goal was not achieved to the System's Staff by the 15th day of the month following quarter-end. The average commission cost shall be formally reviewed by the Board with each manager during the manager's annual presentation to the Board.
    b. On a case-by-case basis, the Board may direct any manager not achieving the targeted per share average commission rate above to execute its trades through one or more commission recapture services selected by the Board.

IX. <u>Responsibilities of Other Service Providers</u>

A. Custodian: The System shall retain a trust company or bank to act as custodian for the System's assets. The duties and responsibilities of such custodian shall include, but not be limited to the following:
   1. Comply with all applicable laws, regulations and rulings.
   2. The safekeeping of all System's assets under trust or custodial arrangement.
   3. Provide the Board, investment consultant, and managers a regular valuation, transaction listing, and accounting of System assets. Such valuation, listing, and accounting shall occur at least on a monthly basis.
   4. Settle all purchases and sales of securities and other related transactions by the investment managers employed by the System.
   5. Sweep all System accounts daily into a cash management account to ensure no System assets are left uninvested.
   6. To properly make available and return all securities eligible to participate and loaned through the securities lending agent employed by the System.
   7. Management of all uninvested cash and cash awaiting disbursement to the System's investment managers in liquid, safe, interest-bearing instruments.
   8. To provide all other custodial services not mentioned above necessary for the efficient investment, custody, and administration of System assets.

B. Actuary: The Board shall retain a qualified actuary who shall have, among others, the following duties and responsibilities:
   1. Comply with all applicable laws, regulations and rulings.
   2. Prepare an annual valuation of all the System's assets and liabilities. Such valuation shall be provided to the Board to determine the financial condition of the retirement plan and determine the contribution rate necessary to fully fund the plan.
   3. Recommend to the Board adoption of certain assumptions including those concerning contribution rates, death, disability, withdrawal, retirement, and investment returns.
   4. Compare forecasted assumptions against actual System experience.
   5. Assist the investment consultant in the preparation of all asset-liability studies and specifically the analysis of the System's liabilities and plan provisions.
   6. Provide guidance and perspective regarding special actuarial studies, experience studies, benefit changes, and all things of an actuarial nature as may be required by the Board.

C. Legal Counsel: The Board shall retain a qualified attorney to represent the System in all legal matters and to provide such legal advice and insight as may be necessary in compliance with applicable laws, regulations and rulings.

X. <u>Investment Objectives</u>

A. The broad investment objective of the System is to ensure, over the life of the System, that an adequate level of assets are available to fund the benefits payable to the System's participants and beneficiaries at the time they become payable. In meeting this objective, the Board seeks to achieve a high level of investment return consistent with a prudent level of portfolio risk.

B. In addition to A. above, another investment objective of the System is to earn a total rate of return after all expenses that equals or exceeds the actuarial investment return assumption. The Board, with help from the actuary and investment consultant, will use the System's asset allocation as the primary tool to achieve this objective. As this is a long-term projection and investments are subject to short-term volatility, the main investment focus of the Board towards the total System's assumed rate of return and that of each investment manager will be on performance relative to the appropriate asset class, mix of asset classes, and peer performance over relevant time periods. Each manager is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, and add incremental value after costs.

C. Long-term growth of capital. It is recognized that short-term fluctuations may result in the loss of capital earned on occasion (i.e., negative rates of return). However, in the absence of contributions and withdrawals, the asset value of the System should grow over the long run and achieve the investment goals set out below.

D. Preservation of Purchasing Power. The preservation of purchasing power is another long-term investment objective for the System. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation (as measured by annual CPI) over the long term in order to preserve purchasing power of future benefits.

E. Investment Goals:

1. Total Fund: It is expected that the System shall achieve an annualized total rate of return, net of fees, over a market cycle (generally 3-5 years) which:
   a. Meets or exceeds the annual actuarial investment return assumption;
   b. Meets or exceeds the return of the ERS Total Fund Policy Index, the "Benchmark". The Benchmark will be comprised of indices, such as the S&P 500, Bloomberg US Aggregate Bond Index and other relevant indexes weighted the same as the target asset allocation of the Fund as shown on the Asset Allocation Addendum to this Policy.

   Note: The term "annualized total rate of return" used above and throughout this Policy, is defined as total rate of return, including all dividend and interest income and both realized and unrealized capital gains or losses, as measured on a compounded or time-weighted (geometric mean) basis.

2. Investment Mangers:
   a. It is expected that each active Investment Manager shall achieve an annualized total rate of return, over a market cycle (generally 3-5 years) which exceeds a broad market benchmark, net of fees and ranks above median in a style peer performance universe. The broad market benchmarks are shown in each investment manager's Investment Instructions attached to this Policy.
   b. It is expected that each passive Investment Manager shall achieve an annualized total rate of return, gross of fees, that matches the underlying market benchmark.

XI. Asset Allocation

A. The Board believes that the level of risk assumed in the System is a function, in large part, of the System's asset allocation. The proportion of assets allocated for equity investments is the most important determinant of volatility for future returns. As indicated by long-term historical data, the risk of equity ownership has been rewarded with a higher rate of return and is necessary in the current market environment to fully fund future liabilities.

B. The System's investments are invested in a diversified portfolio composed of equity securities (both domestic and international), fixed income securities, diversifying assets (such as real estate or alternative assets) and cash equivalent securities, and as such, are intended to be more aggressive than fixed income only portfolios and less aggressive than equity only portfolios. Aggressive refers to the tradeoff between risk and return.

C. Based on its determination of the appropriate risk posture for the System, and its long-term return expectations, the Board, along with the investment consultant and actuary, have established asset-mix guidelines for the System, based on market values. The System's target asset allocation can be found under the Asset Allocation Addendum to this Policy.

D. The asset allocation is a strategic asset allocation. The long-term target allocation percentage and permitted range for each asset class shall be based upon the most recent asset liability study performed by the investment consultant, generally every 3-5 years, and as adopted by the Board. Both the target allocations and permitted ranges should be adhered to under normal circumstances. However, because the target allocations and permitted ranges are long term in nature, periodically the target asset allocation may be adjusted based on the investment consultant's asset-only allocation review to: take advantage of market opportunities, introduce new asset classes or strategies, or to reduce risk. The investment consultant shall review the target asset allocation and expected return with the Board every 12-18 months. Other times when the asset allocation may fall outside of target or range for a short period of time include dollar-cost-averaging, portfolio transition, or other cases where the Board determines deviation from the target or range is in the best interest of the System. This in no way should be considered tactical asset allocation or market timing and is not viewed as such by the Board.

E. The Board, in conjunction with their investment consultant and actuary, are responsible for broad asset allocation decisions. A manager's cash holdings can disrupt this position and therefore should be limited to five percent (5%) of its portfolio market value, unless another agreement has previously been agreed upon in writing. This exception is consistent with the Board's decision to have managers avoid market-timing decisions stated above.
Therefore, each manager's portfolio is to be fully invested, although cash can be held briefly when a security is sold prior to reinvestment. An exception to this will be when cash is used as part of a duration or term-structure strategy of a fixed income manager. This exception is consistent with the Board's decision to have managers avoid market-timing decisions stated above.

F. Rebalancing:
1. Until such time as the Board changes the broad asset class targets, a routine rebalancing of the various portfolios back to the target allocation shall be implemented as necessary. The first tool used to achieve this rebalancing shall be regular cash flows. After that, manager cash and portfolio liquidation shall be used.
2. When markets experience moves the portfolio allocation outside the permissible range at month end, the System's Staff will consider any necessary action to rebalance back to the target allocation. Priority of rebalancing shall be asset class before style or individual manager.

XII. Investment Guidelines

Domestic Equity

A. *Permissible Investments:* Unless given authorization in writing, domestic equity managers are allowed to invest only in separate accounts, mutual funds or commingled vehicles made up of the security types listed below:
1. Domestic Common Stocks
2. Domestic Preferred Stocks
3. Convertible Preferred Stocks and Bonds

4. Stock Index Futures
5. American Depository Receipts
6. Real Estate Investment Trusts
7. Master Limited Partnerships

B. *Role in the Portfolio:* The principal purpose of equity investments is to provide capital appreciation over the long term. The low correlation between stocks, bonds, real estate, hedge funds, or cash equivalents also helps create a portfolio with acceptable volatility.

C. *Restricted Investments – with the exception of the Hedge Fund and Defensive Equity portfolios, the following investments are restricted:*
   1. Futures and option transactions (except those used for hedging purposes)
   2. Letter stock
   3. Short sales or margin transactions
   4. Investments in commodities or commodity contracts
   5. Unregistered securities and private placements (except those securities regulated by SEC Rule 144A)

D. *Limitations – with the exception of the Hedge Fund and Defensive Equity portfolios, the following limitations apply:*
   1. Diversification: All equity portfolios should be well-diversified according to each manager's internal guidelines to avoid excessive exposure to any single economic sector, industry group, or individual security.
   2. The overall equity portfolio should be diversified by style and capitalization also to avoid excessive risk.
   3. Capitalization: Equity investments should be made in seasoned companies whose market capitalization is at least $20 million.
   4. Sector weighting: No equity portfolio, measured at market value, shall have an economic sector weighting which exceeds the greater of 30% or 2 times the sector weighting of the underlying benchmark.
   5. Issue weighting: No single issue shall exceed 10% of the portfolio's market value at cost.

E. *Investment Goals:* Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 3-5 years), the following are the performance expectations:
   1. The total return of the domestic equity composite after fees should exceed the total return of the Russell 3000 Index.

<u>Domestic Fixed Income</u>

A. *Permissible Investments*: Unless given authorization in writing, fixed income managers are allowed to invest only in separate accounts or commingled vehicles made up of the security types listed below:
   1. U.S. Treasury and Agency Bills, Notes and Bonds
   2. Corporate and Municipal Notes and Bonds
   3. Mortgage-Backed Securities
   4. Asset-Backed Securities

5. Convertible Securities
6. Cash-Equivalent Securities
7. Money Market Funds

B. *Role in the Portfolio*: The principal purpose of fixed income investments is to provide relative safety of principal and a predictable source of income.

C. *Restricted Investments – with the exception of the Hedge Fund portfolios, the following investments are restricted:*
   1. Futures and option transactions (except as stated below and those used for hedging purposes)
   2. Direct loans or extension lines of credit to any interested party
   3. Private placement bonds or unregistered securities (except those securities regulated under SEC Rule 144A)
   4. Non-U.S. Dollar bonds

D. *Limitations – with the exception of the Hedge Fund portfolios, the following limitations apply:*
   1. Unless expressly permitted by the Board, fixed income securities shall be limited to those with an S&P/Moody's rating of investment grade (BBB/Baa) or better.
   2. Unless expressly permitted, the overall weighted average portfolio credit rating shall remain A or better at all times.
   3. Anytime a security drops below the level of acceptance or causes the portfolio to be below the level of acceptance, the investment manager must use best judgement to determine whether to sell or hold the security in the portfolio. The Trustees and consultant must be notified, in writing, if securities that have been downgraded to below investment grade comprise more than 10% of the portfolio.
   4. Investments in any one issuer (excluding obligations of the U.S. Government, either direct or implied) shall not exceed 5% of any fixed income portfolio's market value, unless otherwise authorized by the Board.
   5. Without specific written permission by the Board, the effective duration of any fixed income portfolio shall not exceed 120% of the effective duration of the manager's broad market benchmark.
   6. Collateralized mortgage obligations cannot be more sensitive to interest-rate changes than the underlying mortgage-backed security.

E. On an opportunistic basis and only after express written permission by the Board, the following exceptions to the Restricted Investments and Limitations stated above may be permitted:
   1. Below investment grade credits rated BB, B.
   2. Non U.S. Dollar bonds.
   3. The aggregate of 1 and 2 above shall not exceed 20% of the manager's portfolio.
   4. Interest rate futures used to adjust portfolio duration.

F. *Investment Goals:* Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 3-5 years), the following are the performance expectations:

1. The total return of the fixed income composite after fees should exceed the total return of the Bloomberg U.S. Aggregate Bond Index.

International Equity

A. *Permissible Investments:* Unless given authorization in writing, international equity managers are allowed to invest only in separate accounts or commingled vehicles made up of the security types listed below:
   1. Common and preferred stocks issued by non-U.S. corporations domiciled in developed and emerging market countries.
   2. Forward foreign currency exchange contracts for hedging purposes.
   3. American and Global Depository Receipts.
   4. The same issuer, sector and capitalization restrictions contained in the domestic equity guidelines shall apply.
   5. Units of commingled or mutual funds investing in substantially the same permissible investments.

B. *Role in the Portfolio:* The primary purpose of international equity investments is to provide diversification while still providing the opportunity for capital appreciation. A low correlation between stocks, bonds, hedge funds, and real estate creates reduced portfolio volatility.

C. *Restricted Investments – with the exception of the Hedge Fund portfolios, the following investments are restricted:*
   1. Futures, option and currency transactions (except those used for transaction settlement or defensive currency hedging purposes or those shown below)
   2. Any investment restricted by the domestic equity restrictions provisions.

D. *Limitations – with the exception of the Hedge Fund portfolios, the following limitations apply:*
   1. Each portfolio will be diversified by country, economic sector, industry, number of issues held and other investment characteristics.
   2. Use of derivatives such as options and futures to establish unleveraged long positions are permissible.
   3. Net short foreign currency positions may not be taken.
   4. Currency management is at the discretion of each manager.

E. *Investment Goals:* Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 3-5 years), the following are the performance expectations:
   1. The total return of the international equity composite after fees should exceed the total return of the MSCI ACWI ex US Index.

Global Fixed Income

A. *Permissible Investments:* Unless given authorization in writing, global fixed income managers are allowed to invest only in separate accounts or commingled vehicles made up of the security types listed below:
   1. All permissible domestic fixed income investments.

2. Obligations of foreign governments and agencies.
3. Foreign corporate bonds, rated investment grade.
4. Foreign money markets.

B. *Role in the Portfolio*: The principal purpose of global bond portfolios is to provide diversification. A low correlation to equities, hedge funds, and real estate creates reduced portfolio volatility.

C. *Restricted Investments – with the exception of the Hedge Fund portfolios, the following investments are restricted:*
1. Futures, options, and currency contracts (except those used for defensive currency hedging).
2. Below investment grade securities.

Real Estate and Other Real Assets

A. *Permissible Investments*: Unless given authorization in writing, investments in real estate shall be made only in discretionary commingled vehicles such as: insurance company separate accounts, open-end or closed-end funds, and real estate investment trusts (REITS) holding either leveraged or unleveraged positions in real property and real property related assets.

B. *Role in the Portfolio*: The purpose of the real estate in the portfolio (whether equity real estate or fixed income real estate or balanced) is to enhance the overall investment portfolio's expected return primarily though steady streams of income and/or reduce the overall volatility primarily through low correlation with other asset classes.

C. *Limitations and Restrictions*:
1. Investment managers should be registered as Investment Advisers under the Investment Advisers Act of 1940 and/or be a Qualified Professional Asset Manager.
2. Core diversified vehicles are expected to:
   a. All be of institutional investment quality as evidenced by a precedent of institutional investment in similar assets; expert analysis supporting the economic viability of the market; high quality construction features; and a current or potentially competitive position within the property's immediate market area.
   b. Be diversified by property type (having exposure across at least apartment, industrial, retail, office) and geographic location.
   c. Have leverage limited to only non-recourse debt secured solely by the property being acquired, refinanced or improved with such debt, and shall not exceed 35% of the total fund value.
   d. Be invested primarily in existing properties that:
      i. Demonstrate predictable income flows with a high proportion of total return arising from current income;
      ii. Are located in economically diversified metropolitan areas;
      iii. Have credit quality tenants and a staggered lease maturity schedule; and

iv. Has a reasonable assurance of a broad pool of potential purchasers at disposition.

D. *Investment Goals:* Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 5-10 years), the following are the performance expectations:

1. The total return of the real estate composite after fees should exceed the total return of the NCREIF ODCE Index.

Hedge Funds

A. *Permissible Investments:*

1. In order to build a diversified program of hedge fund managers, each using different strategies, fund of funds vehicles ("Fund") will be used. These are either separate or commingled accounts managed by a fund of funds manager ("Investment Manager"). Although fees charged by the Fund and Investment Manager are possibly higher than those charged by long-only equity managers, the Board believes using the fund of funds vehicle is currently the most attractive option for achieving diversified hedge fund exposure due to: the diversification of strategies and managers; the Investment Manager's expertise in the due diligence process of evaluating, hiring, firing, and monitoring individual hedge funds; and establishing the target allocation, as well as rebalancing between strategies and managers. The Investment Manager is solely responsible for selection of the underlying hedging strategies and the hiring and firing of managers who carry out those strategies. The Board shall establish investment guidelines for the hedge fund portfolio in aggregate and shall select Investment Managers to achieve the stated objectives.
2. The Investment Manager shall be an investment fiduciary to the Plan. Preference shall be given to Investment Managers who are registered investment advisors under the Investment Advisers Act of 1940.
3. Preference shall be given to those Investment Managers who commit a significant amount of their capital together with the Plan in the Fund.
4. The underlying hedge fund managers contained within the Fund shall employ a variety of skill-based and generally proprietary strategies. All strategies are permitted and are generally defined as Relative Value strategies (equity market neutral, convertible arbitrage, and fixed income arbitrage); Event-Driven strategies (merger arbitrage and distressed securities); and Opportunistic strategies (long/short equity, short-biased, and global macro). However, emphasis shall be placed on Relative Value and Event-Driven strategies and, at the composite level, directional strategies (strategies that rely on the direction of equity or fixed income markets) shall be minimized relative to the other strategies.
5. Short-term strategies, especially trading-based strategies, may also be used by the underlying managers in the Fund. Accordingly, the following is permitted: short sales of securities; purchase and sale of options, commodities, futures and private placements, all types of publicly-traded securities and currencies; and the use of leverage and derivatives. Further

definition of permissible strategies is contained in the Investment Manager's Instructions.

B. *Role in the Portfolio:* The long-term role of hedge funds as an asset class in the overall portfolio is to improve the risk-adjusted return of the overall portfolio by reducing systematic (market) risk, providing low correlation with traditional asset classes, and providing consistently positive absolute returns. The role of hedge funds is to provide a "fixed income surrogate", offering returns commensurate with volatility of 4-6% over a full market cycle. Strategies employed by hedge fund managers in aggregate should emphasize low correlation relative to publicly traded stock and bond markets over a full market cycle.

C. *Restricted Investments:*

1. The Board's investment in any single fund of hedge funds vehicle shall not exceed 10% of the market value of that vehicle (which includes all the Investment Manager's strategies which are substantially similar to the vehicle or fund utilized by the Board).
2. Each Fund shall be diversified according to each Investment Manager's internal policies regarding permissible strategies, asset classes, and risk management (strategy concentration, manager concentration, sector or industry exposure and level of leverage). Accordingly, at the composite level, no limitations are imposed on exposure to any single: strategy, economic or industry sector, hedge fund manager, use of derivatives, or use of leverage within strategies. However, each Investment Manager is responsible for managing these exposures and their accompanying risks and shall outline such limitations contained within their internal policy which shall be enumerated in their Investment Manager Instructions.
3. Although there are no restrictions on the strategies employed, emphasis shall be placed on Relative Value and Event-Driven strategies while directional strategies relative to other strategies shall be minimized at the composite level.
4. Financial leverage at the fund of funds level is prohibited, unless specifically permitted by the Board. Leverage at the manager or strategy level shall be fully disclosed and regularly updated.
5. Lock-up periods shall not exceed one year. Thereafter, quarterly liquidity is preferred.
6. In the event any Investment Manager invests any Plan assets in any hedge fund, strategy or manager in which the Investment Manager has an ownership interest, stands to materially benefit from or present the Board with a conflict of interest, such investment shall be fully disclosed to the Board by the Investment Manager in advance whenever possible.

D. *Investment Goals*: It is expected that the hedge fund composite (the aggregation of all hedge funds employed by the Board) should outperform LIBOR + 4%, net of fees, over rolling 3-5 year periods with 4-6% standard deviation of returns over similar periods. Where possible, peer comparisons will be made using statistically valid performance universe(s) such as the Hedge Fund Research (HFR) with the expectation that performance will rank above median over rolling 3-5 year periods.

Private Equity Limited Partnerships

A. *Permissible Investments:* The Plan's investment in Private Equity shall be implemented through investing with one or more Private Equity Managers via a direct investment or through an allocation to a fund of funds. The Plan shall seek a diversified portfolio of private market investments, by both type and vintage. It is expected that the cash-on-cash return on these investments, after all fees and expenses, will exceed the return of the S&P 500 Index plus 3%, on average, over multiple rolling periods of one, three, and five years.

B. *Committed Capital Relative to Meeting Target Private Equity Allocation:* The Plan has a target allocation of 5% of total assets to private equity. Achieving the 5% target allocation objective is complicated by several factors. First, there is a time lag between commitment of capital and when it is drawn down. This time lag is primarily related to market conditions and the ability of the Private Equity Managers to find attractive investments and invest in the same. Second, the timing and magnitude of distributions (return of invested capital) from Private Equity Managers is uncertain and dependent on overall conditions in the equity market.

C. The selection of a Private Equity Manager will include the following factors:

1. Depth and breadth of research and portfolio management experience in the major asset sub-classes in private markets. This is to be measured by the number of investment professionals and their years of experience in the industry and working together with the firm.
2. The firm's access to deal flow.
3. Ability to identify successful areas of investment and add value to the program in the future.
4. Institutional assets under management.
5. Quality of limited partner base.
6. Track record of previous successful private equity investments.
7. Structured process in researching individual partnerships.
8. Investment management fees.
9. Lack of conflicts of interest.
10. Alignment of financial interests between the general partner's key principals and limited partners.

D. *Investment Goals:* It is expected that the Private Equity Composite, after all fees and expenses, will exceed the return of the S&P 500 Index plus 3.0%, on average, over multiple rolling periods of 3, 5, and 7 years.

<u>Commingled Funds</u>

The Board of Trustees of the Retirement System may invest in commingled vehicles such as mutual funds or common (group) trust funds which are institutional in nature (e.g., without loads, 12b-1 fees, open only to institutional investors) invested in substantially the same manner and same investments as are permitted by this Investment Policy and the associated Portfolio Guidelines. However, when utilizing such a commingled vehicle, the Retirement System's portfolio will be managed according to the fund's prospectus or trust document and said prospectus or trust document shall be considered and are hereby adopted as a part of the Retirement System's Investment Policy and plan documents for the purposes of compliance with Revenue Ruling 81-100 and Section 401(a) of the Internal Revenue Code. In the event of any conflict between such a prospectus or trust document and this Investment Policy and/or its associated Portfolio Guidelines, the prospectus or trust document will control and the areas of conflict will be outlined in detail by the investment manager to the Board of Trustees of the Retirement System. In addition, the Retirement System's investment consultant shall advise the Board of Trustees of the Retirement System whether or not such differences are reasonable. The investment manager shall immediately notify the Board of Trustees of the Retirement System of any change or amendment to the prospectus or trust document or the investment guidelines thereto.

XIII. Review and Evaluation

A. Investment performance shall be measured on at least a quarterly basis. Performance benchmarks shall include those stated in the Investment Goals section above as well as comparisons to other public pension funds with similar market value and asset allocation.

B. Investment manager investment performance shall be measured on at least a quarterly basis. Performance benchmarks shall include those stated in the Investment Goals section above and any applicable manager instructions.

C. Investment performance will be compared using a statistically valid universe provided by the investment consultant as authorized by the Board.

D. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Statement.

E. While the Board intends to fairly evaluate the portfolio performance, they reserve the right to change investment managers, without liability except payment of current charges, for any reason which in the exercise of the Board's discretion is deemed sufficient, including but not limited to those stated below.
   1. Change of Board's investment philosophy;
   2. Unacceptable justification for poor results;
   3. Failure to meet stated performance goals;
   4. Failure to meet Board's communication and reporting requirements;
   5. Deviation from the stated investment philosophy or style for which the investment management firm was hired; or
   6. Change of decision-making personnel or ownership of the investment management firm.

F. Investment managers' communication with the System and investment consultant:
   1. Provide portfolio valuation and transaction listings on at least a quarterly basis as shown in the Manager Reporting Addendum.
   2. Meet regularly with the Board and as requested by them.

3. Communicate as outlined in this Policy regarding all other issues.

G. Board communication with investment managers:
1. On a timely basis, the Board will provide the investment managers with changes to the Statement of Investment Policy.
2. Meet regularly with the investment managers to:
   a. Review and discuss any modifications and changes to the System's investment objectives, goals, and guidelines;
   b. Identify any significant anticipated changes in the System's cash flow or plan circumstances; and
   c. Any other matter which may bear upon the System's assets.

H. This Statement of Investment Policy, as well as the System's circumstances, shall be reviewed annually by the investment consultant with the Board and possibly revised periodically to ensure this Policy continues to reflect the Board's objectives, goals, philosophy, etc.

I. At least annually, the Board will review:
1. The actuary's valuation of System assets, liabilities, and related information.
2. The System's asset allocation in light of the consultant's current capital markets assumptions.
3. Actual investment results to determine whether the System's asset allocation remains reasonable and each manager's decision making process remains consistent with the style and methodology for which the manager was originally retained.
4. The investment manager's proxy voting procedures and proxy voting records.
5. Commissions generated, commission rates charged and firms used by the investment managers to execute trades.
6. Manager fee schedules.

XIV. Investment Manager Evaluation Terminology

The following terminology has been developed by Marquette Associates, Inc. to facilitate communication among the Investment Manager(s), investment consultant, and the System. Each term signifies a particular status with the Fund and any conditions that may require improvement. In each case, communication is made only after consultation with the Trustees.

A. "In-Compliance" – The investment manager states it is acting in accordance with the Investment Policy Guidelines.
B. "Alert" – The investment manager is notified of a problem in performance (usually related to a benchmark or volatility measure), a change in investment characteristics, an alteration in management style or key investment professionals, and/or any other irregularities.
C. "On Notice" – The investment manager is notified of continued concern with one or more "Alert" issues. Failure to improve upon stated issues within a specific time frame justifies termination.

D. “Termination” – The Trustees have decided to terminate the investment manager. The investment manager is notified, and transition plans are in place.

Amended this twenty-seventh day of April 2023

Asset Allocation Addendum to Statement of Investment Policy

Asset Class/Style	Target Allocation	Permitted Range
Large Cap Equity	**20.50%**	**15.50-25.5%**
Large Value	5.50%	0.50-10.50%
Large Core	9.50%	4.50-14.50%
Large Growth	5.50%	2.00-12.00%
Mid Cap Equity	**7.00%**	**2.00%-12.00%**
Mid Value	3.50%	0.00-8.50%
Mid Growth	*3.50%*	*0.00-8.50%*
Small Cap Equity	**6.00%**	**1.00%-11.00%**
Small Value	2.00%	0.00-7.00%
Small Core	2.00%	0.00-7.00%
Small Growth	2.00%	0.00-7.00%
International Equity	**15.00%**	**10.00-20.00%**
International Value	4.50%	0.00-9.50%
International Growth	4.50%	0.00-9.50%
International Small Cap	3.00%	0.00-8.00%
Emerging Markets Equity	3.00%	0.00-8.00%
TOTAL PUBLIC EQUITY	**48.50%**	**43.50-53.50%**
Fixed Income	**28.00%**	**23.00-33.00%**
Core Fixed Income	**11.00%**	**6.00-16.00%**
Core Plus Fixed	11.00%	6.00-16.00%
Bank Loans	3.00%	0.00-8.00%
High Yield	3.00%	0.00-8.00%
Real Estate	**7.50%**	**2.50-12.50%**
Infrastructure	**5.00%**	**0.00-10.00%**
Hedge Funds	**3.00%**	**0.00-8.00%**
Defensive Equity	**3.00%**	**0.00-8.00%**
Private Equity	**5.00%**	**0.00-10.00%**
TOTAL NON-EQUITY	**51.50%**	**46.50-56.50%**

Policy Index	Index Weight
Russell 3000 Index	33.50%
MSCI ACWI Ex-US Index	15.00%
Bloomberg U.S. Aggregate Bond Index	28.00%
NCREIF ODCE Fund Index	7.50%
CPI +4% (Infrastructure)	5.00%
Hedge Funds	3.00%
Blended Defensive Equity Index	3.00%
Cambridge Associates All PE Index	5.00%

Operational Addendum to Statement of Investment Policy

Vendor Procedures for the Employees Retirement System of the City of St. Louis

The Board of Trustees normally conducts a competitive search for a new manager through its Investment Consultant, but when a Trustee requests that a firm be considered for a special presentation the following procedures should be followed:

1. All requests from vendors to present information to the Board of Trustees should be submitted in written form to the Secretary.

2. The Secretary shall forward any such requests to the Investment Consultant and shall keep a list of all such requests.

3. The Investment Consultant shall review the vendor and provide a brief written report to the Secretary.

4. The Secretary shall forward the Investment Consultant's Report to the Trustees.

5. The Trustees will then evaluate the Investment Consultant's Report at the next regularly scheduled Board meeting. If it is the decision of the Board of Trustees to hear the presentation, the Secretary will notify the vendor of the time and place of the Board meeting.

6. The Trustees shall then listen to the vendor's presentation and may take action no sooner than the next regularly scheduled Board meeting.

In the event that the System is in the process of conducting a competitive search for a new manager, the following policy shall apply. During the time period from the issue date of an RFP until issuer has notified all respondents of its decision, all contact with any employee or board/committee member concerning the RFP is prohibited. Failure to adhere to this provision may be cause for disqualification.

Operational Addendum to Statement of Investment Policy

Investment Advisor's Acceptance for the
Employees Retirement System of the
City of St. Louis

The undersigned investment manager hereby acknowledges its appointment as a named fiduciary in accordance with the Advisory Agreement between the investment manager and the Board and agrees that this Statement of Investment Policy (Amended August 2012) shall be incorporated as part of the investment manager's Advisory Agreement with the Board and shall be substituted for any previous Statement of Investment Policy, if any, agreed to by the Board and the investment manager.

If at any time the investment manager believes that the objectives and guidelines contained in this Statement of Investment Policy cannot be met or performed in strict compliance with this Statement, the investment manager agrees to promptly notify the Board in writing. In consideration of the investment manager's initial engagement by the Board and the investment manager's ongoing relationship as an investment advisor for the Board, the investment manager hereby acknowledges a complete understanding of these objectives and guidelines of this Statement and agrees to abide by each of said requirements during the course of the investment manager's engagement.

______________________________	______________________________
(INVESTMENT MANAGER SIGNATURE)	(DATE)
______________________________	______________________________
(PRINTED NAME)	(TITLE)
______________________________	
(FIRM NAME)	

Manager Reporting Addendum to Statement of Investment Policy

For the
Employees Retirement System of the
City of St. Louis

A. **Monthly Reporting**

1. Investment managers must reconcile their accounting statements with those of the System's custodian bank on a monthly basis.
2. Investment managers must submit to the System's Staff on a monthly basis, reconciled accounting statements showing all assets at both cost and market value, all purchases and sales for the month and investment performance results for the month, quarter-to-date, year-to-date, trailing1, 3, 5, and 10 years (on a calendar quarter-end basis) and since inception.

B. **Quarterly Reporting**

1. Investment managers shall provide the Board, System, Staff, and investment consultant a quarterly report detailing the following:
    a. The same information contained in A.2. above;
    b. A listing of all brokerage firms used for transactions that quarter and year-to-date, along with size of trades as a percent of trades executed, and commission cost of the trades;
    c. Change in personnel;
    d. Clients and assets gained/lost for the strategy utilized by the System;
    e. Proxy voting summary as detailed in the Policy;
    f. Market commentary for the quarter; and
    g. Summary of investment strategy going forward.

C. **Hedge Fund Reporting**

1. Each Investment Manager shall follow the provisions listed above for monthly and quarterly reporting at the funds of funds level, as may be applicable. In addition, the Investment Manager shall include the following in their quarterly written reports:
    a. Net asset value at the fund level;
    b. Investment performance at the fund level;
    c. Percentage of the fund long, percentage of the fund short and net exposure;
    d. Allocation of the fund to all managers and strategies;
    e. Sector exposures;
    f. Volatility;
    g. List of all managers hired and fired during the quarter and level of turnover;
    h. Level of financial or market leverage, such as borrowed cash or derivative exposure, utilized by the Investment Manager at the fund level; and
    i. Amount of the General Partner's co-investment in the Fund (as a percentage of the Fund and in dollars).

**Emerging Investment Manager Policy for the
Employees Retirement System of the
City of St. Louis**

1. It is the primary goal of the Employees Retirement System of the City of St. Louis (the “System”) to develop and maintain an investment program that will help secure the retirement benefits of the participating retirement plans. In order to achieve this objective, investment advisers are selected based on their long-term records of performance, depth of investment staff, and consistency of approach among other characteristics.

   However, the Board recognizes that even large, experienced and successful investment organizations were once small, start-up firms, with few assets under management. These firms are often started by experienced investment professionals, who show great promise, but find it difficult to compete with larger organizations. The firms typically do not meet the minimum standards set for investment advisers by large investment programs such as the System. Consequently, they are not considered.
   In order to take advantage of these emerging organizations, the System has adopted this Emerging Investment Manager Policy (the “Policy”) to seek increased participation by emerging investment managers for the System’s investment program.

2. In accordance with the System’s fiduciary obligations, emerging investment managers who submit qualified proposals that meet the criteria for any Board approved Request for Proposals shall be directly and contemporaneously compared, via quantitative and qualitative analysis, against other qualified firms. The System shall give consideration to all said qualified emerging investment managers whose economic value to the System, its participants and beneficiaries is economically preferable to or indistinguishable from other qualified firms. The System hereby instructs its Investment Consultant to provide the System with the quantitative and qualitative analysis for any qualified emerging investment manager and to make a recommendation to the System regarding whether or not the economic value to the System, its participants and beneficiaries is preferable or indistinguishable from other qualified investment managers.

3. For purposes of this Policy, firms will be considered emerging if all of the following conditions are met:
   a. At least one year of operation as an investment management firm.
   b. The principals must have at least 10 years of relevant experience managing assets in a similar manner.
   c. Firm assets under management must be at least $10 million, but no greater than $2 billion.
   d. It is preferred that the product have at least one tax-exempt account under management.
   e. The product must have at least three distinctly different clients.
   f. At the time of contribution, the System’s account can comprise no more than 10% of the manager’s assets under management in the strategy.
   g. The investment manager must agree to abide by the Missouri Fiduciary Standards 105.687-105.690.

4. Firms retained as part of the emerging investment manager program will be subject to the same review and evaluation procedures as all other investment managers, as spelled out in the Statement of Investment Policy.

5. The System's total investment in emerging investment managers shall be limited to 5% of the System's assets based on market value.

6. Graduation Policy: The System expects that successful emerging investment management firms will grow beyond the maximum $2 billion in assets under management required to be categorized as an emerging investment manager. Investment managers will "graduate" the System's emerging manager program once the firm's assets grow beyond $2 billion, and the investment manager will no longer be considered an emerging manager. Upon graduation, it will be at the Board's discretion whether this manager will stay in the System's portfolio or be eliminated. Opportunities for larger mandates may occur for graduated emerging investment managers, from time to time, as the System evaluates asset class structure or conducts manager replacement searches. Prior to conducting an external search for an active manager, managers that have participated in the System's emerging investment manager program that meet the minimum investment criteria will be considered for the larger mandate.

7. The System will review this Emerging Manager Policy annually after its adoption. Based on the review, the System will determine whether any changes in the Policy are necessary.

8. This Emerging Manager Policy shall only apply prospectively.

Operational Addendum to Statement of Investment Policy

Procurement Action Policy for the
Employees Retirement System of the
City of St. Louis

In accordance with Section 4.16.100(E) of the Revised Code of the City of St. Louis 1994, as amended, and Section 105.702 of the Missouri Revised Statutes 2000, as amended, and within the bounds of its fiduciary responsibilities under law, including but not limited to the provisions of Section 105.688 RSMo., the Board of Trustees of the Employees Retirement System of the City of St. Louis (the "Board") desires to take actions to encourage diversity and assure equal opportunities for minorities and women with respect to contracts and agreements involving the Employees Retirement System of the City of St. Louis (the "System"). To accomplish that goal, the Board adopts the following plan:

1) In soliciting proposals from service providers, the Board will include, as a specification, the requirement the proposed firm describe its efforts to recruit, encourage or enhance diversity in its workplace and describe minority or women ownership interests (partnership or equity ownership interest) in the firm.

    a. Service providers will provide sufficient information to ascertain the percentage of minorities and the percentage of women in key decision-making positions in the firm, along with a description of their positions.

    b. Service providers will provide a copy of their current processes and/or policies established to help recruit, hire, and develop a diverse workforce, including but not limited to, minorities and women at their firm.

    c. Service providers will describe the extent and nature of ownership interests of the firm (partnership or equity interests) held by diverse persons, including but not limited to minorities and women. Said service providers will also outline the extent and nature of the key decision-making roles held by diverse persons, including but not limited to, minorities or women with a partnership or equity ownership interest in the firm

2) In soliciting proposals from Investment Managers and Investment Consultants, the Board's Investment Consultant will publicize the contract or agreement process in a manner likely to inform qualified firms owned by diverse persons, including, but not limited to, minorities and women.

3) In accordance with the Board's fiduciary obligations, diversely owned service providers, including but not limited to, minority or women-owned service providers who submit qualified proposals that meet the criteria for any Board approved Request for Proposals shall be directly and contemporaneously compared, via quantitative and qualitative

analysis, against other qualified firms submitting proposals. The Board shall give consideration to all said qualified diversely owned service providers, including but not limited to, minority or women-owned service providers whose economic value to the System, its participants and beneficiaries is economically preferable to or indistinguishable from other qualified firms that have submitted proposals. The Board hereby instructs its Investment Consultant to provide the Board with the quantitative and qualitative analysis for any qualified diversely-owned Investment Manager, including but not limited to minority or women-owned Investment Manager and to make a recommendation to the Board regarding whether or not the economic value to the System, its participants and beneficiaries is preferable or indistinguishable from other qualified Investment Managers who have submitted proposals.

4) The Board will gather information from each System service provider on a periodic basis pertaining to the following:

   a. The efforts the firm made to recruit a diverse workforce, including but not limited to, minorities and women as employees;

   b. The positions of diverse persons, including but not limited to, minorities and women employed by the firm;

   c. The diverse persons, including but not limited to minorities and women, who have a partnership or equity interest in the firm and whether or not they have a combined significant ownership interest; and

   d. The key decision-making firm roles played by diverse persons, including but not limited to, minorities and women who have a partnership or equity interest in the firm.

5) Each solicitation for System service providers performing any services pursuant to a contract or agreement awarded pursuant to a Request for Proposals must state that neither the bidder nor anyone under the bidder's control, will permit discrimination against any employee, worker or applicant for employment because of race, color, age, religion, sex, familial status, disability, sexual orientation, gender identity or expression, national origin, ancestry or genetic information. In addition, each bidder must agree that the bidder will take affirmative action to ensure that applicants are employed, and that employees are treated fairly during employment, without regard to their race, color, age, religion, sex, familial status, disability, sexual orientation, gender identity or expression, national origin or ancestry.

6) The Board will review this Procurement Action Policy periodically after its adoption. Based on the review, the Board will determine whether any changes in the Policy are necessary.

7) This Procurement Action Policy shall only apply prospectively.

8) To qualify as a diversely owned or minority or women-owned service provider, such firm shall:

   a. be domiciled in the United States;

   b. be owned or controlled by one or more individuals who collectively are diverse persons, women or who qualify as a minority as defined below. Ownership is classified as having a combined significant or controlling interest in the firm; and

   c. have such diverse persons or women or minority owners involved in the daily business operations of the firm.

As used herein, the term “diversity” or “diverse person” encompasses efforts to expand opportunity to persons protected under Missouri laws and/or City of St. Louis (“City”) ordinances which bar discrimination in places of public accommodation, state and/or City contracting, employment or housing based on race, color, religious creed, age, familial status, national origin, ancestry, disability, sexual orientation, genetic information, gender identity or expression, but also to Missouri-based firms, and to emerging firms which have been in business less than five (5) years.

As used in this policy, the term “minorities” includes, but is not necessarily limited to, African Americans, Native Americans, Hispanic Americans, and Asian Americans.

a. <u>African American</u> (not of Hispanic Origin) - All persons having origins in any of the Black racial groups of Africa.

b. <u>Hispanic</u>- All persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese speaking culture or origin, regardless of race.

c. <u>Asian or Pacific Islander</u>- All persons having origins in any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent, or the Pacific Islands. This area includes China, India, Japan, Korea, the Philippine Islands, and Samoa.

d. <u>Native American</u>- All persons having origins of at least one quarter descent in any of the original peoples of North America, and who maintain cultural identification through tribal affiliation or community recognition as evidenced by a tribal enrollment card recognized by the Federal Bureau of Indian Affairs, a Native Hawaiian organization, or an Alaska Native Corporation.

Investment Manager Instructions
for
EARNEST Partners

<u>Objectives</u>

Asset Type:	Equity
Capitalization:	Midcap
Style	Value
Benchmark:	Russell Midcap Value Index
Long-Term Objective:	Russell Midcap Value Index +100 Basis Points Net
Style Objective:	Top quartile of Midcap Value Manager Universe
Objective:	Median of Midcap Value Manager Universe

The investment manager should take advantage of opportunities to achieve a higher rate of return than the targeted minimum goal, provided the manager maintains this portfolio within the limitations set out in these objectives. Client acknowledges that any statements made by investment manager or contained in these investment guidelines regarding investment performance expectations, risk and/or return targets shall not constitute a representation or warranty that investment manager will achieve such objectives.

<u>RISK</u>

Standard Deviation: Typically no higher than 10 percentage points in excess of the Russell Midcap Value Index over rolling 3-year periods
Beta: Typically 1.1 or less
Number of holdings: Approximately 40-70

I. INVESTMENT POLICIES

A. General

1. Assets of the Employees Retirement System of the City of St. Louis (the "System" and sometimes "Fund" or "Client") must be invested in compliance with the Investment Policy Statement of the System (the "Investment Policy") and the investment objectives, guidelines and policies set out in this statement (the "Statement"). Investment Manager hereby agrees to abide by the Policy and Statement and hereby acknowledges receipt of the Policy and Statement.

2. The investment manager is granted full investment discretion regarding the purchase and sale of individual securities consistent with this statement and the investment management agreement.

3. Realization of gains or losses should be viewed solely in terms of investment merits.

4. The investment manager shall not engage in investment transactions involving options, short sales, purchases on margin, letter stocks, private placements or commodities except to the extent specifically authorized in writing, by the Trustees.

B. Equity Securities

1. Equity securities are defined to include convertible securities as well as common stocks.

2. Domestic equity securities are to include common stocks traded in U.S. dollars on U.S. exchanges, foreign companies traded directly on U.S. exchanges and American Depository Receipts (ADRs). Exchange Traded Funds (ETFs) may be used up to a maximum of 10.0% as a temporary placeholder for the purpose of keeping this portfolio totally invested. Foreign equity securities are defined as common stocks traded in foreign currencies on foreign exchanges. Investment in foreign securities is not permitted.

3. Equity securities are to be selected in accordance with criteria to be determined by the investment manager and applied on a consistent basis. Purchases and sales of such investments are the direct responsibility of the investment manager under the discretion granted by the individual manager guidelines contained in this Statement.

4. Funds available for investment in equity securities may be temporarily invested, up to a maximum of 7.0% of this portfolio, in cash or cash equivalents including; short-term U.S. Treasury obligations, short-term obligations of government sponsored enterprises, Federal Agencies, demand notes, repurchase agreements bankers acceptances, commercial paper rated A-1 by Standard & Poor’s or P-1 by Moody’s and Federal or Treasury money market funds, including the sweep account selected by the Client or the custodian. It is the manager’s responsibility to assess the credit worthiness and relative return attractiveness of each cash equivalent fund selected by the investment manager.

5. The maximum position size of the securities of any one company in this portfolio shall be 7.0% of the assets.

6. The maximum investment in any one sector shall be 35.0% or the benchmark weight of the sector plus 5.0%, whichever is greater of the market value of this portfolio as defined by the Global Industry Classification Standard.

7. The aggregate investment of this portfolio in the equity securities of any issuing corporation shall not exceed 1% of the outstanding capital stock of that corporation.

II. COMMUNICATIONS

A. Communications between the Fund and manager shall be in writing.

B. It is expected the investment manager will be available to meet with the Trustees at least annually and as required by the individual investment management agreement.

C. Any significant changes in investment strategy by the investment manager will be communicated in writing to the Trustees and Consultant prior to change.

D. Any material change in ownership or partners of the manager will be communicated in writing to the Trustees and Consultant as soon as reasonably practicable.

E. Performance results, portfolio listing and valuations and transaction summaries shall be provided on at least a quarterly basis, preferably in electronic form.

III. TRANSACTIONS

Portfolio turnover rates, consistent with this Statement, are to be determined by the investment manager.

IV. PERFORMANCE REVIEW

The Trustees have requested that performance reports including risk adjusted returns, be prepared by an independent investment consultant on a quarterly basis, to ascertain current and long-term absolute levels of achievement toward the goals in this Statement. Evaluation will include, but not limited to, performance on a relative basis to the benchmark, performance versus a universe of peers and adherence to style.

V. PROXY VOTING

The Trustees believe that because of the expertise and research activities of the Fund's investment managers, and their familiarity with the particular investments selected by them for the Fund, each investment manager is ordinarily in the best position to determine how to exercise, in the interest of the Fund, voting rights ("proxies") with respect to the securities selected by such manager. The Trustees therefore authorize and direct each investment manager of the Fund to vote, on behalf of the Fund, all proxies on securities selected by such manager for the Fund, subject to the following additional terms and conditions and to investment manager's established policies and procedures.

1. Each investment manager shall vote proxies on behalf of the Fund solely in the best interest and for the exclusive benefit of the participants of the Fund.

2. The investment manager shall keep a record of all votes cast and annually, shall provide the Trustees a written summary of all such proxy votes.

3. The proxy voting authority granted to investment managers is revocable in writing by the Trustees at any time. If the Trustees should direct the voting of proxies in writing on any future occasion, investment managers shall vote proxies on securities of the Fund in accordance with such written direction.

4. The investment manager shall supply a copy of their proxy voting guidelines to the Trustees and shall report to the Trustees in writing, any changes to this policy on an annual basis.

VI. REVISIONS

Changes in the Policy and/or this Statement may be made, from time to time, by the Trustees independently or upon recommendation by the Consultant or the investment manager and shall be effective upon written acceptance by the investment manager. These guidelines are not to be construed as restrictive to EARNEST Partner's ability to follow the strategies they consider are the most appropriate given the Board's investment mandate, but rather as an exercise of the Board's fiduciary responsibility. If at any time EARNEST Partners feels that these instructions are unrealistic or may be a hindrance in pursuing their investment style, the Secretary, Trustees and the investment consultant are to be notified immediately in writing. The Trustees shall communicate any revisions, in writing, to the investment manager immediately.

Investment Manager Instructions for *Granite Investment Partners, LLC*

Policy:

The portfolio under the supervision of Granite Investment Partners LLC (Granite) is intended to be an equity-oriented portfolio. Granite has been selected to pursue an investment style, which the Board has defined as a small capitalization core equity style. The Board has selected the investment style to be different, yet complement the other equity managers employed. Granite is expected to produce investment returns that are 200-400 basis points over the Russell 2000 Index on an annualized basis over rolling three-five year periods, net of fees and rank above median compared to their style peers over the same period.

Guidelines:

A. The portfolio is to be a small capitalization equity-oriented portfolio. Granite may purchase short-term cash equivalent instruments which, for the purpose of measurement, will be treated as equity reserves, not as fixed income securities. Convertible securities are also permissible; however, they will be measured as equities as well.

B. It is Granite's decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of each alternative cash equivalent fund used.

C. The portfolio will be adequately diversified according to the internal policies established by Granite regarding individual securities and industries to avoid the undue risk inherent in non-diversified holdings.

D. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.

E. Granite will be reviewed quarterly based on the following characteristics:

   1. Adherence to style risk assignment.
   2. The value-added over the Russell 2000 Index
   3. The trend of value-added over the Russell 2000 Index.
   4. The value-added over median similar style investment managers.

F. Written summary reports of transactions, market values, portfolio structure, and rates of return, portfolio structure and professional staffing as it relates to the management and servicing of the product, are to be provided to the Secretary and the investment consultant as early as practical after the close of each quarter's business activity.

These guidelines are not to be construed as restrictive to Granite's ability to follow the strategies they consider are most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time Granite feels that these instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Secretary and the investment consultant are to be notified immediately in writing.

Investment Manager Instructions
for
LSV Asset Management

Policy:

The portfolio under the supervision of LSV Asset Management (LSV) is intended to be a domestic equity portfolio.

LSV has been hired to pursue an investment style, which the Board has defined as a large cap value domestic equity style. The Board has selected this investment style to be different, yet complement the other domestic equity managers employed. LSV is expected to produce investment returns that are 200 basis points over the Russell 1000 Value Index on an annualized basis over rolling three-to-five year periods, net of fees and rank above median compared to their style peers over the same period.

Guidelines:

A. The portfolio is to be a large cap value, domestic equity-oriented portfolio. LSV may purchase short-term cash equivalent instruments, which for the purpose of measurement, will be treated as equity reserves, not as fixed income securities. Convertibles are also permissible, however, they will be treated as equities as well. The portfolio is expected to remain fully invested.

B. It is LSV’s decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of each cash equivalent fund used.

C. Except as specifically limited by the Policy, the portfolio will be adequately diversified according to the internal policies established by LSV regarding individual securities and industries to avoid the undue risk inherent in non-diversified holdings.

D. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.

E. LSV will be reviewed quarterly based on the following characteristics:

   1. Adherence to style risk assignment.
   2. The value-added over the Russell 1000 Value Index.
   3. The trend of value-added over the Russell 1000 Value Index.
   4. The value-added over median similar style investment managers.

F. Written summary reports of transactions, market values, rates of return, portfolio structure and professional staffing as it relates to the management and servicing of this product, are to be provided to the Executive Director and investment consultant as early as practical after the close of each quarter's business activity.

These guidelines are not to be construed as restrictive to LSV's's ability to follow the strategies they consider are the most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time LSV feels that these instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Secretary and the investment consultant are to be notified immediately in writing.

Investment Manager Instructions
for
Payden & Rygel

Policy:

The portfolio under the supervision of Payden & Rygel is intended to be a global fixed income portfolio.

Payden & Rygel has been hired to pursue an investment style, which the Board has defined as a global fixed income style. Payden & Rygel is expected to produce investment returns that are 75 basis points over the Bloomberg Global Aggregate Index - Hedged to US Dollars on an annualized basis over rolling three-to-five year periods, net of fees and rank above median compared to their style peers over the same period.

Guidelines:

A. It is Payden & Rygel's decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of each cash equivalent fund used.

B. Except as specifically limited by the Policy, the portfolio will be adequately diversified according to the internal policies established by Payden & Rygel regarding individual securities, industries, economic sectors and countries, and types of issuers to avoid the undue risk inherent in non-diversified holdings.

   1. No more than 3% of the portfolio's market value will be invested in securities of any single issuer, except for government guaranteed or agency securities (including U.S. and foreign). For split-rated securities, the higher rating will apply.

C. Fixed income instruments such as the following are permitted in the portfolio:

   1. Obligations of the US Government or its agencies;
   2. Obligations of foreign governments or agencies;
   3. Mortgage Pass-Through, Collateralized Mortgage Obligations, and Commercial Mortgage Backed Securities;
   4. Obligations of U.S. & foreign corporations including private placements issued under Rule 144a;
   5. Asset-backed securities;
   6. Commingled funds offered by the manager that invest in securities authorized in these guidelines, as long as the average fund quality meets the credit guidelines below;
   7. Money-market instruments including, but not limited to, CD's, CP, BA's, TD's, Repurchase & Reverse-repurchase agreements, Floating-rate instruments, US money market funds and Bank STIF, etc.; and
   8. Financial derivative instruments such as, forwards, futures, and options will be permitted only to manage duration and foreign currency exposure and bond

exposure; however, open currency exposure is limited to 10%, the larger of long or short positions, at the portfolio level.

D. The duration of the portfolio will not deviate from the duration of the benchmark by more than +/- 50%.

E. The quality guidelines at purchase for the portfolio are as follows:

1. The minimum average quality of the portfolio must be at least A-.
2. The minimum quality of any individual security must be at least B-.
3. Below investment grade securities are limited to 20% of the portfolio; this is a specific exception to the main body of the policy.

F. In the event that a security is downgraded below the levels permitted by the credit guidelines contained in these Instructions and the Policy, Payden & Rygel will notify the Board upon discovery thereof and recommend a course of action.

G. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.

H. Payden & Rygel will be reviewed quarterly based on the following characteristics:

1. Adherence to style risk assignment.
2. The value-added over the Bloomberg Global Aggregate Index – Hedged to US Dollars.
3. The trend of value-added over the Bloomberg Global Aggregate Index – Hedged to US Dollars.
4. The value-added over median similar style investment managers.

I. Written summary reports of transactions, month-end market values, monthly rates of return, portfolio structure and professional staffing as it relates to the management and servicing of the product, are to be provided to the Secretary and investment consultant as early as practical after the close of each quarter's business activity.

These guidelines are not to be construed as restrictive to Payden & Rygel's ability to follow the strategies they consider are the most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time Payden & Rygel feels that these instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Secretary and the investment consultant are to be notified immediately in writing.

Investment Manager Instructions
for
Peregrine Capital Management

Policy:

The portfolio under the supervision of Peregrine Capital Management (Peregrine) is intended to be a domestic equity portfolio.

Peregrine has been hired to pursue an investment style, which the Board has defined as a small cap growth domestic equity style. The Board has selected this investment style to be different, yet complement the other domestic equity managers employed. Peregrine is expected to produce investment returns that are 250 basis points over the Russell 2000 Growth Index on an annualized basis over rolling three-to-five year periods, net of fees and rank above median compared to their style peers over the same period.

Guidelines:

A. The portfolio is to be a small cap domestic equity-oriented portfolio. Peregrine may purchase short-term cash equivalent instruments, which for the purpose of measurement, will be treated as equity reserves, not as fixed income securities. Convertibles are also permissible, however, they will be treated as equities as well. The portfolio is expected to remain fully invested.

B. It is Peregrine's decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of each cash equivalent fund used.

C. Except as specifically limited by the Policy, the portfolio will be adequately diversified according to the internal policies established by Peregrine regarding individual securities and industries to avoid the undue risk inherent in non-diversified holdings.

D. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.

E. Peregrine will be reviewed quarterly based on the following characteristics:

    1. Adherence to style risk assignment.
    2. The value-added over the Russell 2000 Growth Index
    3. The trend of value-added over the Russell 2000 Growth Index.
    4. The value-added over median similar style investment managers.

F. Written summary reports of transactions, market values, rates of return, portfolio structure and professional staffing as it relates to the management and servicing of the product, are to be provided to the Executive Director and investment consultant as early as practical after the close of each quarter's business activity.

These guidelines are not to be construed as restrictive to Peregrine's ability to follow the strategies they consider are the most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time Peregrine feels that these instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Secretary and the investment consultant are to be notified immediately in writing.

Investment Manager Instructions
for
PNC Capital Advisors, LLC

Policy:

The portfolio under the supervision of PNC Capital Advisors, LLC (PCA) is intended to be a domestic fixed income portfolio.

PCA has been hired to pursue an investment style, which the Board has defined as a core domestic fixed income style. PCA is expected to produce investment returns that are 50 basis points over the Bloomberg Government/Credit Index on an annualized basis over rolling three-to-five year periods, net of fees and rank above median compared to their style peers over the same period.

Guidelines:

A. The portfolio is to be an investment grade, core fixed income portfolio. PCA may purchase short-term cash equivalent instruments, which for the purpose of measurement, will be treated as part of the fixed income portfolio. The portfolio is expected to remain fully invested.

B. It is PCA's decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of each cash equivalent fund used.

C. Except as specifically limited by the Policy, the portfolio will be adequately diversified according to the internal policies established by PCA regarding individual securities and types of issuers to avoid the undue risk inherent in non-diversified holdings.

D. Yankee bonds and other U.S. dollar denominated bonds of foreign domiciled issuers, which register with the U.S. Securities and Exchange Commission, such as supranational agencies and Canadian provinces, are specifically permitted.

E. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.

F. PCA will be reviewed quarterly based on the following characteristics:

1. Adherence to style risk assignment.
2. The value-added over the Bloomberg Government/Credit Index.
3. The trend of value-added over the Bloomberg Government/Credit Index.
4. The value-added over median similar style investment managers.

G. Written summary reports of transactions, month-end market values, monthly rates of return, portfolio structure and professional staffing as it relates to the management and servicing of the product, are to be provided to the Executive

Director and investment consultant as early as practical after the close of each quarter's business activity.

These guidelines are not to be construed as restrictive to PCA's ability to follow the strategies they consider are the most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time PCA feels that these instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Secretary and the investment consultant are to be notified immediately in writing.

Investment Manager Instructions
for
State Street Global Advisors

Policy:

The portfolio under the supervision of State Street Global Advisors (SSgA) is intended to be a domestic fixed income portfolio.

SSgA has been hired to pursue an investment style, which the Board has defined as passive core domestic fixed income style. SSgA is expected to produce investment returns that are equal to the Bloomberg U.S. Aggregate Bond Index an annualized basis over rolling three-to-five year periods, gross of fees.

Guidelines:

A. The portfolio utilized is State Street's commingled trust fund indexed to the Bloomberg U.S. Aggregate Bond Index. As such, the portfolio will be managed according to the fund's prospectus or trust agreement. Accordingly:

   1. The portfolio shall be invested to substantially replicate the benchmark using stratified sampling; and
   2. Futures contracts may be used to keep the portfolio fully invested. State Street shall immediately notify the Board should the investment guidelines contained in the prospectus or trust agreement change, or when they conflict with this Policy.

B. It is SSgA's decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of each alternative cash equivalent fund used.

C. Except as specifically limited by the Policy, the portfolio will be adequately diversified according to the internal policies established by SSgA regarding individual securities and types of issuers to avoid the undue risk inherent in non-diversified holdings.

D. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.

E. SSgA will be reviewed quarterly based on the following:

   1. Adherence to style risk assignment, including portfolio characteristics relative to those of the benchmark.
   2. Tracking error compared to the Bloomberg U.S. Aggregate Bond Index.

F. Written summary reports of transactions, market values, rates of return, portfolio structure and professional staffing as it relates to the management and servicing of this product, are to be provided to the Administrator and investment consultant as early as practical after the close of each quarter's business activity.

These guidelines are not to be construed as restrictive to SSgA's ability to follow the strategies they consider are the most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time SSGA feels that these instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Secretary and the investment consultant are to be notified immediately in writing.

Investment Manager Instructions
for
Walter Scott & Partners Limited

<u>Policy:</u>

The portfolio under the supervision of Walter Scott & Partners Limited (Walter Scott) is intended to be an international equity portfolio.

Walter Scott has been hired to pursue an investment style, which the Board has defined as a growth, developed country, equity style. The Board has selected this investment style to be different, yet complement the other international equity managers employed. Walter Scott is expected to produce investment returns that are 300 basis points over the MSCI EAFE Growth Index on an annualized basis over rolling three-to-five year periods, net of fees and above median compared to their peers over the same period.

<u>Guidelines:</u>

A. The portfolio is to be an international equity-oriented portfolio. The vehicle utilized is the Walter Scott & Partners Group Trust – International Fund. As such, the portfolio will be managed according to the System's Adoption Agreement, side letter of agreement with Walter Scott, and the Fund's prospectus or trust document. When in conflict with the Investment Policy, the terms of the prospectus, trust document, Adoption Agreement and side letter of agreement between Walter Scott and the System will control. Walter Scott shall timely notify the Board and investment consultant should investment guidelines in the prospectus or trust document change or when they conflict with the Policy.

B. Except as specifically limited by the Policy, the portfolio will be adequately diversified according to the internal policies established by Walter Scott regarding individual securities, industries, and economic sectors and countries, to avoid the undue risk inherent in non-diversified holdings.

C. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.

D. Walter Scott will be reviewed quarterly based on the following:

    1. Adherence to style risk assignment, including portfolio characteristics relative to those of the benchmark.
    2. The value-added over the MSCI EAFE Growth Index.
    3. The trend of value-added over the MSCI EAFE Growth Index.
    4. The value-added over median similar style investment managers.

E. Written summary reports of transactions, market values, rates of return, portfolio structure and professional staffing as it relates to the management and servicing of this product, are to be provided to the Administrator and investment consultant as early as practical after the close of each quarter's business activity.

These guidelines are not to be construed as restrictive to Walter Scott's ability to follow the strategies they consider are the most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time Walter Scott feels that these instructions are unrealistic, or may be a hindrance in pursuing its investment style, the Secretary and the investment consultant are to be notified immediately in writing.

Investment Manager Instructions
for
Wasatch Global Investors

<u>Objectives</u>

Asset Type:	Equity
Capitalization:	Small Cap
Style	Value
Benchmark:	Russell 2000 Value Index
Long-Term Objective:	Russell 2000 Value Index +200 Basis Points Net
Style Objective:	Top quartile of Small Cap Value Manager Universe
Minimum Acceptable:	Median of Small Cap Value Manager Universe

The investment manager should take advantage of opportunities to achieve a higher rate of return than the targeted minimum goal, provided the Fund is not subjected to any undue risk and the manager maintains the Fund within the limitations set out in these objectives.

<u>RISK</u>

Standard Deviation:	In line with the Russell 2000 Value Index
Beta:	Typically, 1.1 or less
Number of holdings:	Approximately 40-70

I. INVESTMENT POLICIES

A. General

1. Fund assets must be invested in compliance with ERISA, the Trust Agreement and the investment objectives and policies contained in this statement.

2. The investment manager is granted full investment discretion regarding the purchase and sale of individual securities consistent with this statement and the investment management agreement.

3. Realization of gains or losses should be viewed solely in terms of investment merits.

4. The investment manager shall not engage in investment transactions involving prohibited transactions, options, short sales, purchases on margin, letter stocks, private placements or commodities except to the extent specifically authorized in writing, by the Trustees.

B. Equity Securities

1. Equity securities are defined to include convertible securities as well as common stocks.

2. Domestic equity securities are to include common stocks traded in U.S. dollars on U.S. exchanges, foreign companies traded directly on U.S. exchanges and American Depository

Receipts (ADRs). Exchange Traded Funds (ETFs) may be used up to a maximum of 10.0% as a temporary placeholder for the purpose of keeping the portfolio totally invested. Foreign equity securities are defined as common stocks traded in foreign currencies on foreign exchanges. Investment in foreign securities is not permitted.

3. Equity securities are to be selected in accordance with criteria to be determined by the investment manager and applied on a consistent basis. Purchases and sales of such investments are the direct responsibility of the investment manager under the discretion granted by the individual manager guidelines contained in this Statement.

4. Funds available for investment in equity securities may be temporarily invested, up to a maximum of 10.0% of the portfolio, in cash or cash equivalents including; short-term U.S. Treasury obligations, short-term obligations of government sponsored enterprises, Federal Agencies, demand notes, repurchase agreements bankers acceptances, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's and Federal or Treasury money market funds, including the sweep account at the custodian. It is the manager's responsibility to assess the credit worthiness and relative return attractiveness of each cash equivalent fund used.

5. The maximum position size of the securities of any one company in the portfolio shall be 6.0% of the assets at time of purchase and a maximum of 10.0% at market value.

6. The maximum investment in any one sector shall be 35.0% or the benchmark weight of the sector plus 5.0%, whichever is greater, and the maximum exposure to any one level 3 industry shall be limited to 20% of the market value of the portfolio as defined by the Global Industry Classification Standard.

7. The aggregate investment of this Fund in the equity securities of any issuing corporation shall not exceed 1% at market value of the outstanding capital stock of that corporation.

II. COMMUNICATIONS

A. Communications between the Fund and manager shall be in writing.

B. It is expected the investment manager will be available to meet with the Trustees at least annually and as required by the individual investment management agreement.

C. Any significant changes in investment strategy by the investment manager will be communicated in writing to the Trustees and Consultant prior to change.

D. Any significant change in ownership or key personnel of the manager will be communicated in writing to the Trustees and Consultant as soon as reasonably practicable but no later than 5 business days.

E. Performance results, portfolio listing and valuations and transaction summaries shall be provided on at least a quarterly basis, preferably in electronic form.

III. TRANSACTIONS

Portfolio turnover rates, consistent with this Statement, are to be determined by the investment manager and are further subject to manager guidelines and investment management agreement.

IV. PERFORMANCE REVIEW

The Trustees have requested that performance reports including risk adjusted returns, be prepared by an independent investment consultant on a quarterly basis, to ascertain current and long-term absolute levels of achievement toward the goals in this Statement. Evaluation will include, but not limited to, performance on a relative basis to the benchmark, performance versus a universe of peers and adherence to style.

V. PROXY VOTING

The Trustees believe that because of the expertise and research activities of the Fund's investment managers, and their familiarity with the particular investments selected by them for the Fund, each investment manager is ordinarily in the best position to determine how to exercise, in the interest of the Fund, voting rights ("proxies") with respect to the securities selected by such manager. The Trustees therefore authorize and direct each investment manager of the Fund to vote, on behalf of the Fund, all proxies on securities selected by such manager for the Fund, subject to the following additional terms and conditions.

1. Each investment manager shall vote proxies on behalf of the Fund solely in the best interest and for the exclusive benefit of the participants of the Fund.

2. The investment manager shall keep a record of all votes cast and annually, shall provide the Trustees a written summary of all such proxy votes.

3. The proxy voting authority granted to investment managers is revocable by the Trustees at any time. If the Trustees should direct the voting of proxies on any future occasion, investment managers shall vote proxies on securities of the Fund in accordance with such direction.

4. The investment manager shall supply a copy of their proxy voting guidelines to the Trustees and shall report to the Trustees in writing, any changes to this policy within 30 days of the change.

VI. REVISIONS

Changes in this Statement may be made, from time to time, by the Trustees independently or upon recommendation by the Consultant or the investment manager. These guidelines are not to be construed as restrictive to Wasatch's ability to follow the strategies they consider are the most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time Wasatch feels that these instructions are unrealistic or may be a hindrance in pursuing their investment style, the Secretary and the investment consultant are to be notified immediately in writing. The Trustees shall communicate any revisions, in writing, to the investment manager immediately.

Investment Manager Instructions
for
Wellington Midcap Growth Horizons Equity

Objectives

Asset Type:	Equity
Capitalization:	Mid Cap
Style	Growth
Benchmark:	Russell Midcap Growth Index
Long-Term Objective:	Russell Midcap Growth Index +100 Basis Points Net
Style Objective:	Top quartile of a broad and widely accepted U.S. Midcap Growth Equity Manager Universe over a full market cycle.
Minimum Acceptable:	Median rank within a broad and widely accepted U.S. Midcap Growth Equity Manager Universe

The investment manager should take advantage of opportunities to achieve a higher rate of return than the targeted minimum goal, provided the Fund is not subjected to any undue risk and the manager maintains the Fund within the limitations set out in these objectives.

RISK

Standard Deviation:	Typically, no higher than 15 percentage points in excess of the Russell Midcap Growth Index
Beta:	Typically, 1.1 or less
Number of holdings:	Approximately 60-90

I. INVESTMENT POLICIES

A. General

1. Fund assets must be invested in compliance with the Missouri fiduciary standard set out in Sections 105.687-105.690 of the Missouri Revised Statutes, the Trust Agreement and the investment objectives and policies contained in this statement.

2. The investment manager is granted full investment discretion regarding the purchase and sale of individual securities consistent with this statement and the investment management agreement.

3. Realization of gains or losses should be viewed solely in terms of investment merits.

4. The investment manager shall not engage in investment transactions involving prohibited transactions, options, short sales, purchases on margin, letter stocks, private placements or commodities except to the extent specifically authorized in writing, by the Trustees.

B. Equity Securities

1. Equity securities are defined to include convertible securities as well as common stocks.

2. Domestic equity securities are to include common stocks traded in U.S. dollars on U.S. exchanges, foreign companies traded directly on U.S. exchanges and American Depository Receipts (ADRs). Exchange Traded Funds (ETFs) may be used up to a maximum of 10.0% as a temporary placeholder for the purpose of keeping the portfolio totally invested. Foreign equity securities are defined as common stocks traded in foreign currencies on foreign exchanges. Investment in foreign securities is not permitted.

3. Equity securities are to be selected in accordance with criteria to be determined by the investment manager and applied on a consistent basis. Purchases and sales of such investments are the direct responsibility of the investment manager under the discretion granted by the individual manager guidelines contained in this Statement.

4. Funds available for investment in equity securities may be temporarily invested, up to a maximum of 10.0% of the portfolio, in cash or cash equivalents including; short-term U.S. Treasury obligations, short-term obligations of government sponsored enterprises, Federal Agencies, demand notes, repurchase agreements bankers acceptances, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's and Federal or Treasury money market funds, including the sweep account at the custodian. It is the manager's responsibility to assess the credit worthiness and relative return attractiveness of each cash equivalent fund used.

5. The maximum position size of the securities of any one company in the portfolio shall be 6.0% of the assets at time of purchase and a maximum of 10.0% at market value.

6. Sector weights are generally < 2x the weight of the index. The maximum exposure to any one level 3 industry as defined by the Global Industry Classification Standard shall be limited to the greater of 25% of the market value of the portfolio or the index weight +10% at the time of purchase.

7. The aggregate investment of this Fund in the equity securities of any issuing corporation shall not exceed 1% at market value of the outstanding capital stock of that corporation.

8. If we identify an incident as a result of market movement, we will allow three (3) business days to see if market movements will correct it and then will notify the Consultant in advance of taking corrective action and request your input.

II. COMMUNICATIONS

A. Communications between the Fund and manager shall be in writing.

B. It is expected the investment manager will be available to meet with the Trustees at least annually and as required by the individual investment management agreement.

C. Any significant changes in investment strategy by the investment manager will be communicated in writing to the Trustees and Consultant prior to change.

D. Any significant change in ownership or key personnel of the manager will be communicated in writing to the Trustees and Consultant as soon as reasonably practicable but no later than 5 business days.

E. Performance results, portfolio listing and valuations and transaction summaries shall be provided on at least a quarterly basis, preferably in electronic form.

III. TRANSACTIONS

Portfolio turnover rates, consistent with this Statement, are to be determined by the investment manager and are further subject to manager guidelines and investment management agreement.

IV. PERFORMANCE REVIEW

The Trustees have requested that performance reports including risk adjusted returns, be prepared by an independent investment consultant on a quarterly basis, to ascertain current and long-term absolute levels of achievement toward the goals in this Statement. Evaluation will include, but not limited to, performance on a relative basis to the benchmark, performance versus a universe of peers and adherence to style.

V. PROXY VOTING

The Trustees believe that because of the expertise and research activities of the Fund's investment managers, and their familiarity with the particular investments selected by them for the Fund, each investment manager is ordinarily in the best position to determine how to exercise, in the interest of the Fund, voting rights ("proxies") with respect to the securities selected by such manager. The Trustees therefore authorize and direct each investment manager of the Fund to vote, on behalf of the Fund, all proxies on securities selected by such manager for the Fund, subject to the following additional terms and conditions.

1. Each investment manager shall vote proxies on behalf of the Fund solely in the best interest and for the exclusive benefit of the participants of the Fund.

2. The investment manager shall keep a record of all votes cast and annually, shall provide the Trustees a written summary of all such proxy votes.

3. The proxy voting authority granted to investment managers is revocable by the Trustees at any time. If the Trustees should direct the voting of proxies on any future occasion, investment managers shall vote proxies on securities of the Fund in accordance with such direction.

4. The investment manager shall supply a copy of their proxy voting guidelines to the Trustees and shall report to the Trustees in writing, any changes to this policy within 30 days of the change.

VI. REVISIONS

Changes in this Statement may be made, from time to time, by the Trustees independently or upon recommendation by the Consultant or the investment manager. These guidelines are not to be construed as restrictive to Wellington's ability to follow the strategies they consider are the most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time Wellington feels that these instructions are unrealistic or may be a hindrance in pursuing their investment style, the Secretary and the investment consultant are to be notified immediately in writing. The Trustees shall communicate any revisions, in writing, to the investment manager immediately.

Investment Manager Instructions
for
Xponance, Inc. S&P 500 Index Fund

Policy:

The portfolio under the supervision of Xponance, Inc. ("Xponance") is intended to be a domestic equity portfolio.

Xponance has been hired to pursue what the Board has defined as a passive US large cap core equity investment style matching the S&P 500 Index. Xponance is expected to produce investment returns that are equal to the S&P 500 Index on an annualized basis, gross of fees.

Guidelines:

A. The portfolio is expected to remain fully invested.

B. It is Xponance's decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of each cash equivalent fund used.

C. Xponance is expected to replicate the individual securities, economic sectors, and industries of the S&P 500 as closely as reasonably possible in order to avoid tracking error within the portfolio.

D. Xponance may temporarily use exchange traded funds (ETFs) to maintain sector exposure during a rebalancing or to equitize cash dividends and corporate actions.

E. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.

F. Xponance will be reviewed quarterly based on the following:

1. Adherence to style risk assignment and portfolio characteristics compared to the S&P 500 Index, on a gross of fees basis.
2. Tracking error compared to the S&P 500 Index, on a gross of fees basis.
3. Beta versus the S&P 500 Index, on a gross of fees basis.

G. Written summary reports of transactions, market values, rates of return, portfolio structure and professional staffing as it relates to the management and servicing of this product, are to be provided to the Secretary and investment consultant as early as practical after the close of each quarter's business activity.

These guidelines are not to be construed as restrictive to Xponance's ability to follow the strategies they consider are the most appropriate given the Board's directive, but rather as an exercise of the Board's fiduciary responsibility. If at any time Xponance feels that these instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Board and the investment consultant are to be notified immediately in writing.

Investment Manager Instructions
for
Xponance, Inc. U.S. Equity Large Cap Growth Index Fund

<u>Policy:</u>

The portfolio under the supervision of Xponance, Inc. (“Xponance”) is intended to be a domestic equity portfolio.

Xponance has been hired to pursue what the Board has defined as a passive US large cap growth equity investment style matching the Russell 1000 Growth Index. Xponance is expected to produce investment returns that are equal to the Russel 1000 Growth Index on an annualized basis, gross of fees.

<u>Guidelines:</u>

H. The portfolio is expected to remain fully invested.

I. It is Xponance’s decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of each cash equivalent fund used.

J. Xponance is expected to replicate the individual securities, economic sectors, and industries of the Russell 1000 Growth as closely as reasonably possible in order to avoid tracking error within the portfolio.

K. Xponance may temporarily use exchange traded funds (ETFs) to maintain sector exposure during a rebalancing or to equitize cash dividends and corporate actions.

L. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.

M. Xponance will be reviewed quarterly based on the following:

4. Adherence to style risk assignment and portfolio characteristics compared to the Russell 1000 Growth Index, on a gross of fees basis.
5. Tracking error compared to the Russell 1000 Growth Index, on a gross of fees basis.
6. Beta versus the Russell 1000 Growth Index, on a gross of fees basis.

N. Written summary reports of transactions, market values, rates of return, portfolio structure and professional staffing as it relates to the management and servicing of this product, are to be provided to the System and investment consultant as early as practical after the close of each quarter’s business activity.

These guidelines are not to be construed as restrictive to Xponance’s ability to follow the strategies they consider are the most appropriate given the Board’s directive, but rather as an exercise of the Board’s fiduciary responsibility. If at any time Xponance feels that these instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Board and the investment consultant are to be notified immediately in writing.