

APPENDIX I - Glossary

This appendix to the Investment and Operating Guidelines for the Public School Retirement System of the City of St. Louis ("PSRSSTL") is written to provide additional background regarding the selection and interpretation of various standards contained within the guidelines.

- ◆ **Policy Index** - Total return should meet or exceed the System's Policy Index . . .
(Revised 09-16-10)

The Policy Index is constructed by using target asset class percentages applied to market rates of return. The Policy Index for the System is calculated using the following target allocations and indices:

Asset Class	Target %	Rating Index
Equities		
Domestic Large Cap	21.0	S&P 500/Russell 1000
Domestic Mid Cap	3.0	S&P 400
Domestic Small Cap	7.0	Russell 2000/Micro
Established International	9.0	MSCI-EAFE
Emerging International	5.0	MSCI-Emerging Markets
Global Asset Allocation	12.0	MCSI World/CITI WGBI/Barclays Aggregate
Fixed-Income		
Domestic Core Bonds	10.0	Barclays Capital Aggregate
Domestic High-Yield	5.0	Barclays High Yield
Global Bonds	6.0	Citigroup World Governments
Credit Opportunities	2.0	Barclays Corp & High Yield/S&P/LSTA
Market Neutral	4.0	HFRI Funds of Funds
Hedge Fund Strategies	5.0	HFRI Funds of Funds
Real Estate	5.0	NCREIF
Private Equity Investments	3.0	Based On Strategy and Vintage Year
Real Assets	3.0	DJ UBS Commodity or Based on Strategy

- ◆ **Risk-adjusted Returns** - Should be consistent . . .

Risk-adjusted returns are usually calculated by isolating the return earned in excess of the risk free rate (the T-bill rate), and evaluating that return in relation to the additional risk (volatility, or standard deviation) incurred in earning the incremental return.

For example:

	<u>Return</u>	<u>Risk</u>	<u>Excess Return</u>	<u>Excess Return Divided By Risk</u>
T-Bills	8%	--	--	
S&P 500	12%	16%	4%	4/16 = 0.25
Manager A	12%	20%	4%	4/20 = 0.20

In this example, both the Equity Manager and the market earned 4% over T-Bills, but the Equity Manager incurred somewhat more risk and had lower risk-adjusted return - not a desirable situation. A higher risk adjusted return indicates that more return was achieved for the amount of risk taken.

APPENDIX II - Asset Allocation Policy

The nominal rate of return objective for the Fund is 8.6%. In order to have a reasonable probability of achieving this return, the Trustees have adopted the asset allocation policy outlined below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Exposure Range</u>
Equities	45.0%	33 - 58%
Domestic Large Cap	21.0%	16 - 26%
Domestic Mid Cap	3.0%	2 - 5%
Domestic Small Cap	7.0%	5 - 9%
Established International	9.0%	7 - 11%
Emerging International	5.0%	3 - 7%
Global Asset Allocation	12.0%	10 - 14%
Fixed Income	21.0%	15 - 27%
Domestic Investment Grade	10.0%	8 - 12%
Domestic High-Yield	5.0%	3 - 7%
Global Bonds	6.0%	4 - 8%
Credit Opportunities	2.0%	1 - 3%
Market Neutral	4.0%	2 - 5%
Hedge Funds	5.0%	3 - 7%
Real Estate	5.0%	3 - 7%
Private Equity	3.0%	2 - 4%
Real Assets	3.0%	2 - 4%
Cash	0.0%	0 - 10%

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APPENDIX III – Performance Benchmarks (Revised 09-16-10)

This Appendix provides specific guidance regarding individual Manager assignments for classifications, benchmarks and guideline exceptions. Combined with the applicable sections of the Investment and Operating Guidelines and PSRSSTL Rule XIV, this Appendix provides a complete statement of investment objectives, rules and guidelines for each investment Manager, exclusive of rules or guidelines directly incorporated into contracts or other similar agreements.

Asset Class/ Managers/ Product Names	Rating Index/ Benchmark	Peer Group Assignment	Guideline Exceptions & Clarifications
U.S. EQUITY MANAGERS			
Small Cap Managers	Russell 2000/Micro Index	The ICC* Universe of Small Capitalization Managers	
Mid Cap Managers	S&P 400 Mid Cap Index	The ICC* Universe of Mid Capitalization Managers	
Large Cap Growth Managers	Russell 1000 Growth Index	The ICC* Universe of Large Capitalization Growth Managers	
Large Cap Value Managers	Russell 1000 Value Index	The ICC* Universe of Large Capitalization Value Managers	
Large Cap Core Managers	S&P 500 Index	The ICC* Universe of Large Capitalization Core Managers	
U.S. BOND MANAGERS			
High Grade Core Managers	Barclays Capital Aggregate Bond Index	The ICC* Universe of Core Fixed Income Managers	
High Yield Bond Managers	Barclays High Yield Index	The ICC* Universe of High Yield Fixed Income Managers	
NON-U.S. EQUITY MANAGERS			
International Equity Managers	MSCI-EAFE/EM Index	The ICC* Universe International Equity Managers	
GLOBAL BOND MANAGERS			
Global Bond Manager	Citigroup World Government Bond Index	The ICC* Universe of Global Bond Managers	
CREDIT OPPORTUNITY MANAGERS			
Existing Manager	50% Barclays Corporate/ 25% Barclays High Yield/ 25% S&P/LSTA Lev Loan	The ICC* Universe of Credit Opportunity Managers	Excluded from certain guidelines by agreement
GLOBAL ASSET ALLOCATION MANAGERS			
Existing Manager	60% MCSI World/40% CITI WGBI	The ICC* Universe of Balanced Managers	Excluded from certain guidelines by agreement
Existing Manager	65% MSCI World/ 35% Barclays Aggregate	The ICC* Universe of Balanced Managers	Excluded from certain guidelines by agreement
REAL ESTATE MANAGERS			
Existing Manager	NCREIF	The ICC* Universe of Real Estate Managers	Excluded from certain guidelines by agreement
ALTERNATIVE INVESTMENTS			
Private Equity Managers	Venture Economic Private Equity	Internal Rate of Return based on Vintage Year	Excluded from certain guidelines by agreement
MARKET NEUTRAL MANAGERS			
Existing Manager	HFRI Fund of Funds Index	The ICC* Universe of Short-Term Bond Managers	Excluded from certain guidelines by agreement
HEDGE FUND MANAGERS			
Existing Managers	HFRI Fund of Funds Index	Variable – Depending on the Manager's Style	Excluded from certain guidelines by agreement
REAL ASSETS MANAGERS			
Real Assets Managers	DJ UBS Commodity/Other	Variable – Depending on the Manager's Style	Excluded from certain guidelines by agreement
* Independent Consultants Cooperative			