

## 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 10-17-11)

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
<b>Equities</b>		
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
<b>Global Asset Allocation</b>	12.0	MCSI World/CITI WGBI/Barclays Aggregate
<b>Fixed-Income</b>		
Domestic Core Bonds	10.0	Barclays Capital Aggregate
Domestic High-Yield	5.0	Barclays High Yield
Global Bonds	6.0	Citigroup World Governments
<b>Credit Opportunities</b>	2.0	Barclays Corp & High Yield/S&P/LSTA
<b>Market Neutral</b>	4.0	S&P 500 Market Neutral Index
<b>Hedge Fund Strategies</b>	5.0	HFRI Funds of Funds
<b>Real Estate</b>	5.0	NCREIF
<b>Private Equity Investments</b>	3.0	Based On Strategy and Vintage Year
<b>Real Assets</b>	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 III – Performance Benchmarks** (Revised 10-17-11)

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.

<b>Asset Class/ Managers/ Product Names</b>	<b>Rating Index/ Benchmark</b>	<b>Peer Group Assignment</b>	<b>Guideline Exceptions &amp; Clarifications</b>
<b>U.S. EQUITY MANAGERS</b>			
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	
<b>U.S. BOND MANAGERS</b>			
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	
<b>NON-U.S. EQUITY MANAGERS</b>			
International Equity Managers	MSCI-EAFE/EM Index	The ICC* Universe International Equity Managers	
<b>GLOBAL BOND MANAGERS</b>			
Global Bond Manager	Citigroup World Government Bond Index	The ICC* Universe of Global Bond Managers	
<b>CREDIT OPPORTUNITY MANAGERS</b>			
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
<b>GLOBAL ASSET ALLOCATION MANAGERS</b>			
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
<b>REAL ESTATE MANAGERS</b>			
Existing Manager	NCREIF	The ICC* Universe of Real Estate Managers	Excluded from certain guidelines by agreement
<b>ALTERNATIVE INVESTMENTS</b>			
Private Equity Managers	Venture Economic Private Equity	Internal Rate of Return based on Vintage Year	Excluded from certain guidelines by agreement
<b>MARKET NEUTRAL MANAGERS</b>			
Existing Manager	S&P 500 Market Neutral Index	The ICC* Universe of Short-Term Bond Managers	Excluded from certain guidelines by agreement
<b>HEDGE FUND MANAGERS</b>			
Existing Managers	HFRI Fund of Funds Index	Variable – Depending on the Manager’s Style	Excluded from certain guidelines by agreement
<b>REAL ASSETS MANAGERS</b>			
Real Assets Managers	DJ UBS Commodity/Other	Variable – Depending on the Manager’s Style	Excluded from certain guidelines by agreement
* Independent Consultants Cooperative			