BAY CITY POLICEMEN AND FIREMEN RETIREMENT SYSTEM

INVESTMENT POLICY STATEMENT

ADOPTED: March 2011
Amended: February 2012
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Amended: May 2013
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I. INTRODUCTION

The Board of Trustees (Board), established by city charter, is responsible for overseeing the administration of the Bay City Policemen and Firemen Retirement System (referred to herein as the Retirement System or Plan). The purpose of this document is to detail the procedures for managing the Retirement System's assets, including the investment objectives, an asset allocation policy, investment manager guidelines, and investment performance standards. The guidelines also incorporate the requirements of the Public Employee Retirement System Investment Act - Michigan Public Act 314 of 1965, MCL § 38.1132 *et seq.,* as amended (Act 314).

Investment objectives are formulated in response to the financial needs of the Plan. Financial needs are influenced by the City's benefit policies, funding objectives, Plan liabilities, and the successful management of Plan assets. Therefore, investment objectives consider the Plan's financial and liquidity needs and the Board's tolerance for investment risk and inflation expectations. The asset allocation policy is developed 1) to attempt to achieve the investment objectives, 2) to maximize expected investment returns with a prudent amount of investment risk, and 3) in recognition that the capital markets may behave differently over any time period, throughout the life of the Plan.

Investment guidelines are established for each manager (as defined below), consistent with their investment style and Plan return/risk objectives. The guidelines also incorporate state and local investment regulations.

Performance standards are developed as a means of independently determining whether or not investment objectives are being achieved. Each manager has specific performance standards based on their investment style, which incorporate return, risk and time horizon. Conformance to these standards and policies is closely monitored and evaluated in an unbiased analysis each quarter. This analysis includes an evaluation of each manager's contribution to the achievement of overall Plan investment objectives.

II. DELEGATION OF RESPONSIBILITIES

A. Board of Trustees

The Board of Trustees acknowledges its responsibility as a fiduciary to the System. In this regard, the Board must act prudently and for the exclusive interest of the Retirement System's participants and beneficiaries.

More specifically, the Board's responsibilities include:

1. Comply with the provisions of pertinent federal, state, and local laws and regulations, including Act 314.
2. With the advice of the Investment Consultant develop sound and consistent investment goals, objectives, and performance measurement standards which are consistent with the needs of the Retirement System.
3. Maintain an Investment Policy Statement, which includes the strategic investment policy for the Retirement System (asset allocation). The Board will periodically review these policies in light of any changes in actuarial variables and market conditions.
4. With the advice of the Investment Consultant select qualified Investment Managers and Consultants to manage and advise on the System's assets.

5. With the advice of the Investment Consultant monitor and review the investment performance of the System to determine achievement of goals and compliance with policy guidelines.
6. With the advice of the Investment Consultant review and evaluate the results of the Managers in context with established performance standards.
7. Conduct manager searches when needed for policy implementation.
8. When the Board is considering the engagement of a new Manager, the Board may perform due diligence site visits to the offices of the interview candidates.

B. Investment Consultant

The investment consultant's (Consultant) role is that of an advisor to the Retirement System, enabling the Board to make well-informed and timely decisions regarding the investment of the Retirement System's assets.

The Consultant acknowledges his/her responsibilities as a fiduciary under Act 314 and must act in the exclusive interest of the Retirement System. The Consultant acknowledges that it is a Registered Investment Advisor (RIA) under either the Investment Advisers Act of 1940 or Michigan Uniform Securities Act.

More specifically, the Consultant's responsibilities include:

1. Assist the Board in strategic plan for the Retirement System. Provide objective advice and counsel that will enable the Board to make well-informed and well-educated decisions regarding the investment of the Retirement System's assets.
2. Assist the Board in the development and periodic review of a policy statement that properly reflects the Board's tolerance for risk, and that best assists the Board in meeting its rate-of-return, funded status, administrative expense objectives, and overall investment policies associated with administering this retirement fund.
3. Assist the Board in the development and period review of the asset allocation policy and investment manager structure that provides adequate diversification with respect to the number and types of asset classes and investment managers to be retained and assists.
4. Determine the Retirement System's capacity to add new investments, participate in cash flow/liquidity forecasting for the Retirement System's needs, and advise on general compliance requirements.
5. Review, monitor, and advise the Board on the current asset allocation to determine whether the Retirement System complies with asset limitations under PA 314 (as amended) and the Board's investment objectives and guidelines.
6. Assist the Board in its due diligence and search for new investment manager(s) utilizing the appropriate data bases, both externally and proprietary.
7. Assist the Board in the development and review of performance standards and guidelines with which the Board can measure each investment manager's progress. These performance standards and guidelines will be outlined in each separate investment manager's addendum.
8. To provide to the Board quarterly performance measurement reports on each of the investment managers and on the Retirement System as a whole, and to assist the Board in interpreting the results.
9. Monitor and review monthly statements, review and advise the Board on information sent by the investment managers, review investment managers as necessary (based on the guidelines set forth in this IPS and the consultant's

internal research policies; including but not limited to legal and financial information provided by the managers).

10. The Consultant's report will be the main report the Board utilizes when evaluating the overall investment results of the Retirement System and individual managers. The Consultant will reconcile performance, holdings, and security pricing data with the Retirement System's custodian bank and when necessary staff reports/data. In the event of a discrepancy, the custodian's values will be used.
11. Provide general consulting services as requested by the Board and as deemed appropriate by the Investment Consultant. Attend necessary meetings as requested by the Board. Act as a liaison between investment managers and the Retirement System, and thereby facilitate the communication of important information in the management of the Retirement System.
12. Shall acknowledge in writing that they are a prudent expert for the Retirement System with all attendant duties and responsibilities, including without limitation, fiduciary responsibility.
13. Shall conduct themselves in accordance with this Investment Policy Statement.
14. Provide annual or such other periodic review of separately managed brokerage reports and, if relevant, commission recapture reports.
15. Such other duties as may be mutually agreed upon in writing.

C. Investment Managers

The investment managers (Managers) will acknowledge their responsibility as an investment fiduciary under Act 314. Each Manager will have full discretion to make all investment decisions for the assets placed under their control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.

More specifically, the Managers' responsibilities include:

1. Manage the Retirement System's assets under its supervision in accordance with the guidelines and objectives contained in this Investment Policy Statement.
2. Exercise investment discretion in regard to buying, managing, and selling assets held in the portfolio, subject to any limitations contained in this Investment Policy Statement.
3. Perform its investment management duties with respect to the assets 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 such matters would use in the conduct of a similar enterprise with similar aims..
4. Seek to obtain "best execution" with respect to portfolio transactions.
5. Vote all proxies consistent with the guidelines contained in the Manager's Investment Management Agreement or similar document. Investment managers shall provide documentation regarding the disposition of proxy solicitations to the Board upon request.
6. Comply with the reporting requirements outlined in Section VIII – Investment Manager Reporting of the Investment Policy Statement.
7. Acknowledge and agree in writing as to their fiduciary responsibility to comply fully with the entire Investment Policy Statement set forth herein.
8. Report to the Board, Staff, and Consultant quarterly regarding the status of the portfolio and its performance for various time periods and meet with the Board as requested to report on their performance and compliance with goals and objectives.

9. Promptly inform the Board and Investment Consultant regarding all significant matters pertaining to the investment of the Retirement System's assets. The Board shall be notified in writing of any material change in ownership, organizational structure, financial condition, senior staffing and management, or the management of the investment manager's portfolio.
10. Investment managers must acknowledge receipt and acceptance of this IPS by signing their specific Addendum A.
11. Michigan law shall apply to all investment manager contracts where individual investment manager agreements are negotiated.

D. Custodian

The custodian (Custodian) will provide safekeeping and accounting services for the Retirement System.

More specifically, the Custodian's responsibilities include:

1. Provide adequate safekeeping services.
2. Upon receipt of proper, executable trade instructions, Custodian shall seek to settle trades in a timely manner.
3. Collect interest and dividend income when due.
4. Notify Managers of corporate actions, including mergers, tender offers, stock splits and capital changes that require a decision.
5. Sweep daily cash balances into appropriate investment funds.
6. Accept instructions from the designated individuals.
7. Disburse funds as directed.
8. Provide monthly statements by Managers' accounts and a consolidated statement of all assets.
9. To perform other services for the Board as are customary and appropriate for custodians.

E. Actuary

The Actuary (Actuary) provides an accounting of the assets and liabilities of the System. In this role, the Actuary shall act as a fiduciary.

More specifically, the Actuary's responsibilities include:

1. Perform periodic actuarial valuations to determine liability and funding requirements for the Retirement System.
2. Calculate the benefits for the participants.
3. Monitor the funding progress of the System over time.
4. Make appropriate recommendations regarding actuarial assumptions to be used for valuations.

III. INVESTMENT OBJECTIVES

The objectives of the System have been established in conjunction with a comprehensive review of the current and projected financial requirements as presented in an asset allocation study performed by Gray & Company.

The objectives are:

- To have the ability to pay all benefit and expense obligations when due.

- The Plan's overall investment objective is to earn an average, annual return of 7.5% over rolling five-year periods. This return target represents an assumed rate of payroll inflation of 4.0% and a real rate of return of 3.5%.
- To maintain the purchasing power of the current assets and all future contributions by producing positive real rates of return on System assets.
- To achieve and maintain a fully funded status with regard to the accumulated benefit obligation.
- To control costs of administering the System and managing the investments.
- To meet all statutory requirements of the State of Michigan.

The Plan's objectives are based on the expected returns under the strategic asset allocation policy, which follows. This asset allocation policy should result in normal fluctuation in the Plan's actual return, year to year. The expected level of volatility (return fluctuation) is appropriate given the Plan's current and expected tolerance for short-term return fluctuations. Appropriate diversification of Plan assets will reduce the Plan's investment return volatility. All aspects of this statement should be interpreted in a manner consistent with the System's objectives.

IV. ASSET ALLOCATION

This strategic asset allocation policy is consistent with the achievement of the Plan's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward/risk characteristics, correlation with other asset classes, manager roles, and fulfillment of the Plan's long-term financial needs. Conformance with statutory investment guidelines is also considered.

The Board established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions. The Board selected the target allocation for each asset class based on the Plan's current investments and present market conditions. The Board intends to review these allocation targets at least annually, focusing on changes in the Plan's financial needs, investment objectives and asset class performance.

Asset Class	Target Allocation	Range
Cash	0.0%	0 – 5%
U.S. Fixed Income	20.0%	15% - 25%
High Yield	0.0%	0 – 15%
Global Fixed Income	5.0%	0 – 10%
Large Cap Equity	28.0%	23 – 33%
Small / Mid Cap Equity	24.0%	20 – 28%
International Equity	10.0%	7 – 13%
Real Estate	8.0%	0 – 10%
Hedge Funds	5.0%	0 – 10%

The Board's attitude regarding the System's assets combines both the preservation of capital and moderate risk-taking. The Board recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential of loss in purchasing power (due to inflation) are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and character of the System. The policies and restrictions contained in this statement should not impede the Manager to attain the overall System objectives, nor should they exclude the Manager from appropriate investment opportunities.

The Board acknowledges that alternative asset classes are available (e.g. - Timberland, Private Equity, etc.) and intends to periodically evaluate the merits of adding new asset classes. The Board also recognizes the benefits of diversifying manager roles within a given asset class, and intends to periodically evaluate this decision as well as the active versus passive manager decision.

The Board recognizes that from time to time the asset mix will deviate from the targeted percentages due to market conditions. A range has been established for each asset class to control the risk and maximize the effectiveness of the System's asset allocation strategy, while avoiding unnecessary turnover at the security level. The Board will review the percentage allocation to each asset class on a market value basis at least quarterly. To minimize turnover, an asset class that is outside of its allowable range, will be rebalance towards its target allocation in a prudent manner. When possible, contributions, disbursements, and/or cash positions will be utilized to rebalance the asset mix.

V. INVESTMENT GUIDELINES

Managers are fiduciaries with discretion to implement the guidelines within the direction provided by this Investment Policy Statement. All Managers are expected to be familiar with and follow the investment guidelines established under Act 314; however, it is understood that certain sections of Act 314 apply to the aggregate assets of the System and that no Manager shall be responsible for complying with any such sections in connection with the Manager's management of its portion of the System's assets.

Managers should present (and obtain approval on) material changes in their investment style, philosophy, or process to the Board before implementing changes for the Plan.

Managers (except commingled and mutual funds) are prohibited from using warrants, options, futures, collectibles, leveraging the portfolio, convertible securities, mutual funds (money market funds exempted), hedge funds, LLCs, unit investment trusts, margin purchases or short sales, securities of Plan service providers (custodial bank notwithstanding), and loaning or pledging securities. Managers may use exchange traded funds (ETF's) for the purpose of monetizing cash holdings; the maximum security weights listed below do not apply to ETF positions. For mutual funds, commingled funds, limited partnerships, or other collective investment vehicles, the Manager will adhere to the investment guidelines contained in the strategy's governing documents (prospectus, subscription agreement...).

If a Manager would like to purchase a security, which falls outside of this Plan's investment guidelines (mutual funds exempted), or is in doubt as to the goal and intent of these guidelines, they should submit a written request for clarification to the Board prior to purchase. Any security not specifically defined or permitted within these guidelines is prohibited for investment on behalf of this Plan.

Generally, Managers should maintain fully invested portfolios at all times (less than 10% in cash); however, the manager may raise cash if this is deemed appropriate under the circumstances. In the event a Manager maintains a cash position greater than 10% of their portfolio for an extended period (thirty days), the manager is to inform the Board and Consultant in writing of the decision and rationale.

A. Cash

Manager(s) who use cash equivalents in their portfolio are expected to follow the American Banking Association investment standards on security-type, quality, and maturity for short-term investment funds (a.k.a. STIF), money market funds exempted.

B. U.S. Fixed Income

Core Portfolio: The Manager(s) will invest in a diversified portfolio of U.S. dollar-denominated investment-grade debt securities issued by the U.S. Government, agencies, U.S.-domiciled companies, and foreign issuers (Core Portfolio). Manager(s) may also invest in issues of mortgage backed securities (MBS), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS). Manager(s) may not invest more than 5% of the Fixed Income portfolio's assets in the securities of one issuer, except for Treasury and Agency securities. Manager(s) may not invest in more than 5% of the outstanding securities of one issuer. The portfolio should exhibit market-like characteristics, including return and risk properties ("market-like is defined as the manager's performance index). The duration of the Fixed Income portfolio should be within a 20% range of the manager's performance index.

High Yield Portfolio (Limited to 30% of the Fixed Income Portfolio): The Manager(s) may invest in below investment-grade debt securities of U.S. and foreign issuers. Manager(s) may not invest more than 1% of the combined portfolio's assets in the securities of one issuer. Manager(s) may not invest in more than 5% of the outstanding securities of one issuer. The portfolio should exhibit market-like characteristics, including return and risk properties ("market-like is defined as the manager's performance index).

C. Global Fixed Income

The active Manager(s) will invest in a diversified portfolio of debt securities issued by the governments, agencies, and companies. Manager(s) may also invest in issues of mortgage backed securities (MBS), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS). Manager(s) may not invest more than 5% of the Global Fixed Income portfolio's assets in the securities of one issuer, except for government securities. Manager(s) may not invest in more than 5% of the outstanding securities of one issuer. The portfolio should exhibit market-like characteristics, including return and risk properties ("market-like is defined as the manager's performance index).

D. U.S. Equity

The active Manager(s) will invest in a broadly diversified portfolio of publicly held stocks, issued by companies domiciled in the United States. Up to 15% of the Equity portfolio's current market value may be invested in publicly held companies domiciled in foreign countries as long as they trade on any of the major U.S. exchanges.

Manager(s) may not invest more than 7.5% of the Equity portfolio's assets in the securities of one issuer at time of purchase. Manager(s) may not invest in more than 5% of the outstanding securities of one issuer.

Portfolios should exhibit market-like return and risk characteristics (market-like is defined as the manager's performance index). Portfolios should consist of stocks with growth or value characteristics and corresponding capitalization ranges which are consistent with the manager's style.

E. International Equity

The active Manager(s) will invest in a broadly diversified portfolio of publicly held stocks, issued predominately by companies domiciled outside the United States. Manager(s) may not invest more than 5% of the International Equity portfolio's assets in the securities of one issuer at time of purchase. Manager(s) may not invest in more than 5% of the outstanding securities of one issuer.

Portfolios should exhibit market-like return and risk characteristics (market-like is defined as the manager's performance index). Portfolios should consist of stocks with growth or value characteristics and corresponding capitalization ranges which are consistent with the manager's style.

F. Real Estate

The Manager(s) will invest in a diversified portfolio of institutional quality real estate properties located within the United States. The portfolio should be diversified across property types, geographical regions, and economic exposures. The manager may prudently use leverage to manage the portfolio, with a targeted range of 50% of the portfolio's total cost basis. The manager may not invest more than 5% of the System's assets in a single property.

G. Hedge Funds (Fund of Funds)

The Manager(s) will invest in a diversified portfolio of hedge fund strategies. The portfolio should be diversified among the underlying hedge fund managers; the managers' portfolios should be diversified across geographic regions, sectors, and securities. The underlying managers may prudently use leverage to manage the exposures of their portfolio.

VI. PERFORMANCE STANDARDS

A. Time Horizon

1. The Board acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term periods. Accordingly, the Board views interim fluctuations with an appropriate perspective.
2. Recognizing that short-term fluctuations may cause variations in the total portfolio's performance, the Board encourages each Manager to develop long-term investment strategies consistent with the guidelines contained in this Investment Policy Statement. A five-year time period reflects the Board's emphasis on the long term, although significant deviations from performance objectives will be monitored for appropriate action.

B. Performance Objectives

1. **Total Fund Performance:** The System's investment objectives are 1) to equal or exceed an annualized net return of 7.5% annually, 2) to exceed the rate of inflation (payroll inflation) by at least 3.5% annually for the same periods, and 3) to equal or exceed the return of the Policy Index. The Policy Index is comprised of the respective market indexes weighted in accordance with the target allocations. The System's investment risk is expected to be roughly equal to the Policy Index (the level of risk to commensurate with the return achieved).
2. **Manager Performance:**
   a. Each Manager will be evaluated quarterly to test their progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indexes and longer-term absolute and relative targets. During such times, greater emphasis shall be placed on peer group performance.
   b. Each Manager's performance shall be evaluated relative to an appropriate market index and a relevant peer group as indicated below. They are expected to rank in the top half of their respective peer groups over a minimum three-year period and exceed their respective market index (gross of fees) over a minimum five-year period as specified in this Investment Policy Statement.

Asset Category	Market Index	Peer Group
Fixed Income		
Core Fixed Income	Barclays Intm Govt/Credit Bond	Core Fixed Income
Global Fixed Income	Barclays Global Aggregate Bond	Global Fixed Income
Large Cap Equity		
Core	S&P 500	Large Cap Core
Growth	Russell 1000 Growth	Large Cap Growth
Value	Russell 1000 Value	Large Cap Value
Small/Mid Cap Equity		
Core	Russell 2000, 2500, or Mid Cap	Small/Mid Cap Core
Growth	Russell 2000, 2500, or Mid Growth	Small/Mid Cap Growth
Value	Russell 2000, 2500, or Mid Value	Small/Mid Cap Value
International Equity		
Core	MSCI ACWI – ex U.S.	International Equity
Real Estate		
Core	NCREIF ODCE	Real Estate
Core Plus	70% NCREIF, 30% NARIET	Real Estate
Value Added FoF	NCREIF Property Index	Real Estate
Hedge Funds		
Diversified Fund	HFRI Fund Weighted Index	Hedge Fund

VII. INVESTMENT MANAGER MONITORING

A. Watch List Procedures

A Watch List is hereby established which will serve as the first step towards the termination of a Manager's contract. The sections that follow describe the conditions leading to a Manager possibly being placed on the Watch List; and the conditions that lead to a Manager being removed from the list or terminated. The purpose of the Watch List is to provide an objective plan to assist the Board in deciding when a

Manager should be terminated.

1. Conditions for Listing
   a. Extraordinary firm specific events including but not limited to the following:
      i. Firm changes ownership structure.
      ii. Key personnel leave the firm.
      iii. Manager changes strategy it was hired to implement.
      iv. Manager is involved in material litigation, fraud, or SEC violation.
      v. Material client servicing problems.
      vi. Material violation of the Manager's investment guidelines.
   b. Shorter-term performance (rolling two or three-year total return, gross of fees) that is significantly less than the Manager's prescribed benchmarks.
   c. Longer-term performance (rolling five-year total return, gross of fees) that is less than the Manager's prescribed benchmarks.
   d. Neither subsection (b) nor (c) of this section precludes the Board from placing a Manager on the Watch List for poor performance over a lesser time period if deemed appropriate by the Board.
2. Conditions for Removal or Termination
   a. Upon completion of appropriate due diligence by the Board, a Manager may be terminated for extraordinary firm specific events, including those outlined above.
   b. Once a Manager is placed on the Watch List for performance reasons, it is given a six month period (two calendar quarters) to show improvement relative to the prescribed benchmarks.
      i. If, after six months on the Watch List, the Manager's performance shows improvement, the Board may either remove the Manager from the list or elect to keep them on the list for an additional six-month period. Upon further improvement, the Manager will be removed from the Watch List.
      ii. If, after any six-month period on the Watch List, there is no improvement in the Managers' relative performance, the Board may terminate its contract with the Manager.

B. Manager Termination Procedure

The performance of the Managers will be monitored on an ongoing basis and it is within the Board's discretion to take corrective action by replacing a Manager at any time if deemed appropriate, with or without cause. Performance factors, which may lead to terminating a Manager relationship, include:

1. Extraordinary Firm Specific Events (Organizational Issues) - events that need to be rigorously evaluated prior to a termination decision include such things as:
   a. Ownership changes (e.g., key people "cash out").
   b. Key people leave firm
   c. Manager changes the strategy it was hired to implement.
   d. Manager is involved in material litigation, fraud, or SEC violation.
   e. Material client-servicing problems.
   f. Material violation of the Manager's investment guidelines.
2. Shorter-Term Performance – performance (rolling two or three-year total return, gross of fees) that is significantly less than the Manager's prescribed benchmarks. If a Manager fails to generate a reasonable return as compared to the prescribed benchmarks, then the Board may decide to conduct appropriate due diligence and terminate its contract with the Manager.
3. Longer-term Performance – performance (rolling five-year and since-inception total return, gross of fees) that is less than the Manager's prescribed

benchmarks. If a Manager fails to generate a reasonable return as compared to the prescribed benchmarks, then the Board may decide to conduct appropriate due diligence and terminate its contract with the Manager.

VIII. INVESTMENT MANAGER REPORTING

A. Manager Meetings

From time to time, the Board expects to meet with each Manager. Such meetings shall take place at the request of the Board.

B. As Necessary (based on occurrence)

Managers are expected to inform the Board, Staff, and Consultant promptly regarding all significant matters pertaining to the investment of the System's assets. These include, but are not limited to the following:

1. A holding in the Manager's portfolio that no longer complies with the investment guidelines set forth in the Investment Policy Statement, the Manager's Addendum, Act 314, or any other applicable guidelines. The Manager shall include the investment thesis for this holding and an action plan to bring the portfolio back into compliance.
2. Material changes to the organization structure, the investment professionals responsible for managing the System's assets, the investment strategy, or liquidity profile of the portfolio.
3. Any investigation or sanction by the Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA). Public corporations will be expected to disclose this information at such time as the information becomes public knowledge.
4. Proposed modifications to this Investment Policy Statement.

C. Quarterly

Each Manager may be required to provide the Board with quarterly investment reports that include the following information:

1. A summary of the investment strategy and guidelines.
2. A summary of the portfolio's holdings with current market values.
3. Periodic returns versus benchmarks with performance attribution.
4. Portfolio characteristics relative to benchmarks.

D. Annually

Each Manager may be required to provide the Board with annual reports that include the following information:

1. A statement certifying compliance with the Investment Policy Statement throughout the year; or, if the portfolio has been out of compliance, an explanation.
2. An annual proxy voting report for all shares of stock in companies held on the System's behalf. These reports shall specifically note any instances where proxies were not voted in accordance with standing policy.
3. An annual commission and trading cost report for all of the trades executed into during the prior year on the System's behalf. The report should include a break down of the brokers, average commission per share, total shares traded, total commission expense, total trading volume, broker selection procedures (for best execution), and the firm's soft dollar policy.

IX. POLICY AND INVESTMENT REVIEW PROCEDURES

A. Policy Review

The Board will periodically review the investment policies and investment management guidelines to determine if any revisions are warranted by changing circumstances, including, but not limited to changes in financial status, risk tolerance, changes in the System, or changes involving the Managers.

B. Investment Performance Review

The Board will monitor the investment performance of each Manager and the overall deployment of the Plan's assets. Monitoring will include periodic meetings with the Managers and a quarterly performance evaluation performed by the Consultant.

Each performance evaluation will include:

1. The present economic climate.
2. Current period and historical, time-weighted rates of return for the overall Plan, including an evaluation against the previously specified performance standards.
3. Current period and historical, time-weighted rates of return for each Manager, including an evaluation against the previously specified performance standards.
4. Additional quantitative measures and analysis will be employed to objectively monitor the Manager's compliance with investment policies and guidelines.
5. Recommendations pertaining to the current asset allocation, manager structure, or other viable opportunities available to the System.

X. ADMINISTRATIVE PROCEDURES

A. Directed Brokerage

With regard to directed-brokerage, the Board does not require the investment managers to trade securities through an individual or set of broker-dealers. The Board wishes to give the managers full discretion over their choice of broker-dealers, so long as the Plan's total cost or proceeds of transactions are the most favorable under the circumstances. To accommodate the Board's desire to allow managers full trading discretion, yet reduce plan expenses whenever possible, the Board has implemented a commission recapture program. By participating in this program, the Plan will receive a portion of the trading revenue generated by the active management process. These earnings will be used to pay Plan expenses or reinvested to enhance the expected return on Plan assets.

XI. CONCLUSION

It is in the intent of this Investment Policy Statement to state an attitude and/or philosophy which will guide the Managers toward the performance desired. It is further intended that these objectives be sufficiently specific to be meaningful but sufficiently flexible to be practicable.

It is the opinion of the Board that these limitations and guidelines will not prevent the Manager from achieving the objectives set forth.

XII. APPROVAL

______________________________ 5/12/16

Chairperson, Board of Trustees — Date

______________________________ ______________

Investment Manager — Date

____

Investment Strategy(s)