

I.

Worcester Regional Retirement System

INVESTMENT POLICY STATEMENT
JUNE 2016

**Worcester Regional Retirement System
Investment Policy Statement
June 2016**

I. INTRODUCTION AND PURPOSE

The Worcester Regional Retirement System (the "Plan") has been established to provide retirement income for the town's eligible employees and their beneficiaries. The Retirement System is a governmental qualified defined benefit plan governed by Massachusetts General Laws, Chapter 32 and 34B, and subject to the fiduciary standards set forth in M.G.L. c. 32 s. 23 (3). The Plan is also subject to investment restrictions imposed by Massachusetts General Laws and the Investment Regulations (840 CMR) of the Public Employee Retirement Administration Commission (PERAC).

This policy statement outlines the goals and investment objectives for the Plan. This document is also intended to provide guidelines for managing the Plan, and to outline specific investment policies that will govern how those goals are to be achieved. This statement:

- Describes the investment objectives of the Plan;
- Defines the responsibilities of the Board and other parties responsible for the management of the Plan;
- Establishes investment guidelines regarding the selection of investment managers and diversification of assets;
- Specifies the criteria for evaluating the performance of the investment managers and of the Plan as a whole.

II. INVESTMENT OBJECTIVE

The Plan's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plan, the Board has taken into account the financial needs and circumstances of the Plan, the time horizon available for investment, the nature of the Plan's cash flows and liabilities, and other factors that affect their risk tolerance. Consistent with this effort, the Board has determined that the investment of these assets shall be guided by the following underlying goals:

- To achieve the stated actuarial target of the Plan;
- To maintain sufficient liquidity to meet the obligations of the Plan;
- To diversify the assets of the Plan in order to reduce risk;
- To achieve investment results over the long-term that compare favorably with those of other pension plans, professionally managed portfolios and to appropriate market indexes.

Worcester Regional Retirement System
Investment Policy Statement
June 2016

III. ASSIGNMENT OF RESPONSIBILITIES

Retirement Board - The Worcester Regional Retirement Board (the "Board") is charged with the responsibility of overseeing the assets of the Plan. To that end, the Board's responsibilities include: establishing and maintaining the Plan's investment policy, objectives and portfolio guidelines with respect to asset allocation, risk parameters, and return evaluation and for specific interpretation of said investment policy, as well as selecting the investment vehicles, and periodically monitoring the performance of the investments. The Board, however, may establish rules or other resolutions governing its investment policy and may delegate to the Board members or agents, the authority to act. The Board will meet periodically. As set forth in M.G.L. c.32 s.23 (3) and 840 CMR 1.00, the Board shall discharge its duties "with the care, skill, prudence and diligence appropriate to the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims and by diversifying the investments of the system so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so". The Board recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives.

Investment Consultant - The Board may engage the services of an Investment Consultant. The Investment Consultant's role is that of a non-discretionary advisor to the Board. The Investment Consultant will assist in the development and periodic review of an Investment Policy Statement and the Plan's asset allocation, conduct manager searches when necessary, monitor the performance of the managers/funds, and communicate on other matters of relevance to the oversight of the Plan.

Custodian(s) - The Board may engage the services of a Custodian as may needed to custody and safe keep separate account assets. If the Board is required to engage a Custodian, the Custodian will be responsible for the safekeeping and custody of assets. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plan (for example, to accommodate distribution needs).

IV. ASSET ALLOCATION

The asset allocation target ranges set forth in Appendix A represent a long-term view. Short-term market volatility may cause the asset mix to fall outside the targeted range.

**Worcester Regional Retirement System
Investment Policy Statement
June 2016**

V. REBALANCING

The Board, at its discretion, may or may not institute rebalancing as necessary. Such adjustments should be made with consideration to turnover, transaction costs, and realized losses over the long term. The necessity to rebalance will be reviewed periodically.

VI. SELECTION CRITERIA FOR INVESTMENT MANAGERS/FUNDS

The Board intends to delegate the investment management of the System's assets to qualified investment managers as set forth in Massachusetts General Laws, Chapter 32, Sections 23(2)(b) and 23B. The Board shall utilize a competitive process for the evaluation and selection qualified investment managers in compliance with the procurement provisions of M.G.L. Ch.32, section 23B. Investment managers retained by the Plan shall be chosen using various criteria, including but not limited to the following:

- Past results, considered relative to appropriate indexes and other investments having similar investment objectives with consideration granted to consistency of performance and the level of risk taken to achieve results;
- The investment style and discipline of the investment manager;
- How well the manager's investment style or approach complements other assets in the Plan;
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund;

The Plan will utilize a multi-manager structure of complementary investment styles and asset classes to invest the Plan's assets. The Board has allocated a majority of the Plan's assets to the PRIT General Allocation Fund ("PRIT Fund") and may continue to allocate the majority of, or a portion of, assets that, combined with the assets delegated to selected Investment Manager(s), maintains the portfolio's broad asset allocation within the guidelines as outlined in Appendix A.

Should additional contributions and/or market value growth permit, the Board may retain additional investment managers to invest the assets of the Plan. Additional managers would be expected to diversify the Plan by investment style, asset class, and management structure and thereby enhance the probability of the Plan achieving its long-term investment objectives.

VII. SECURITIES GUIDELINES

The Plan's investments may include separately managed accounts and/or mutual funds/commingled funds and exchange traded funds. The Board understands that managers have full responsibility for security selection, diversification, turnover and allocation of holdings among selected securities and industry groups, as particularly detailed in the investment policy statement of each of the Plan's separately managed accounts or in the

**Worcester Regional Retirement System
Investment Policy Statement
June 2016**

prospectus/offering memorandum for each mutual fund/commingled fund/exchange traded funds in the portfolio.

Managers are expected to be cognizant and comply with all Massachusetts General Laws and the Investment Regulations (840 CMR) promulgated by the Public Employee Retirement Administration Commission (PERAC).

With respect to mutual/commingled funds, the Board may consider the following to insure proper diversification and function for each of the funds:

1. The mutual fund/commingled pool organizations selected should demonstrate: (a) a clearly defined investment philosophy; (b) a consistent investment process; (c) an experienced and stable organization; and (d) cost-effectiveness
2. The mutual fund/commingled pool used will generally have at least a full three-year track record, or its equivalent, and the individual fund/pool must have at least \$25 million under management (or, as an organization, \$100 million in the same strategy) at the time of selection.
3. Each mutual fund/commingled pool will be regularly evaluated for proper diversity and each will provide material information on a timely basis.

VIII. PROXY VOTING

Each investment manager is responsible for and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. Each investment manager shall vote proxies in the best interest of the Plan. A copy of each firm's guidelines, and/or summary of proxy votes shall be provided to the Board upon request.

IX. INVESTMENT MONITORING AND REPORTING

The Board will periodically review performance of the investments in the Plan. Performance monitoring is the mechanism for revisiting the investment selection process and confirming that the criteria originally satisfied remain intact and that an investment continues to be appropriate for the Plan. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

Monitoring should occur on a periodic basis. The monitoring process will utilize the same criteria that formed the basis of the investment selection decision. In addition, a set of "watch list criteria" may be employed to track important quantitative and qualitative elements, assist in the evaluation process, and focus the Board on potential areas of concern.

**Worcester Regional Retirement System
Investment Policy Statement
June 2016**

Watch list criteria may include the following:

- Performance relative to benchmark performance over various time frames;
- Deterioration of risk-adjusted performance;
- Notable style drift / change in investment objective;
- Relative investment management fees;
- Significant organizational or manager change.

In addition, the Board shall meet with its qualified investment manager(s) at least annually and require investment managers to report to the Board, on a quarterly basis, with a comprehensive written review of investment performance, a review of the System's investments, and a report on the investment manager's current investment outlook and future strategy. The annual investment review process will utilize the same criteria that formed the basis of the investment selection decision.

X. TERMINATION OF AN INVESTMENT MANAGER OR FUND

A manager/fund may be terminated when the Board has lost confidence in the manager's ability to:

- Achieve performance and risk objectives;
- Comply with investment guidelines;
- Comply with reporting requirements;
- Maintain a stable organization and retain key investment professionals.

There are no hard and fast rules for manager termination. However, if the investment manager has consistently failed to adhere to one or more of the above conditions, termination may be considered. Failure to remedy the circumstances of unsatisfactory performance by the manager/fund, within a reasonable time, may be grounds for termination.

Worcester Regional Retirement System
Investment Policy Statement
June 2016

XI. APPROVAL

It is understood that this investment policy is to be reviewed periodically by the Board to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, actuarial assumptions, risk tolerance, or changes involving the investment managers. The Board shall notify PERAC, as required by 840 CMR 18.03, of any changes to its investment objectives within ten days of the effective date, if applicable, and by the end of each calendar year whether or not any changes were made in the investment objectives.

This Investment Policy Statement has been adopted by:

The Worcester Regional Retirement Board

By:

**Worcester Regional Retirement System
Investment Policy Statement
June 2016**

**Appendix A
Target Asset Allocation**

Target Asset Allocation Table

Asset Class	Minimum %	Long Term Target %	Maximum %	Benchmark Index
Short Term Liquidity	0.0	0.0	5.0	90 Day US Treasury Bill
Fixed Income				
Core Fixed Income	8.0	13.0	18.0	Barclays Aggregate Index / US Tsy STRIPS 20+Yr / Barclays US TIPS / Barclays LB US\$ Hedged
High Yield Fixed Income	0.0	3.0	6.0	BofA ML High Yield Master Constrained II / S&P LSTA Leveraged Loan Index
Emerging Markets Debt	0.0	3.0	6.0	50% JPMorgan EMBI Global Diversified Index/50% JPMorgan GBI EM Global Diversified Index
Domestic Equity				
Domestic Large Cap	10.0	14.5	20.0	S&P 500 Index
Domestic Small Cap	0.0	3.5	7.0	Russell 2000 Index
International Equity				
International Developed	10.0	16.0	22.0	MSCI EAFE Index
International Emerging	0.0	6.0	10.0	MSCI Emerging Markets Index
Alternatives/Other				
Real Estate	7.5	10.0	12.5	80% NCREIF One Qtr Lag / 20% FTSE EPRA NAREIT Dev Index
Hedge Funds	0.0	9.0	12.0	HFRI Fund of Funds Composite Index
Private Equity	0.0	10.0	15.0	Russell 3000 + 3%
Private Debt	0.0	4.0	8.0	Altman NYU Salomon Combined Defaulted Public Bond/Bank Loan Index
Diversifying Alternatives*	0.0	8.0	10.0	Custom Blend

*Currently - Includes Timberland and Portfolio Completion Strategies - complementary investment strategies with low correlations to existing asset classes.

Worcester Regional Retirement System
Investment Policy Statement
June 2016

XI. APPROVAL

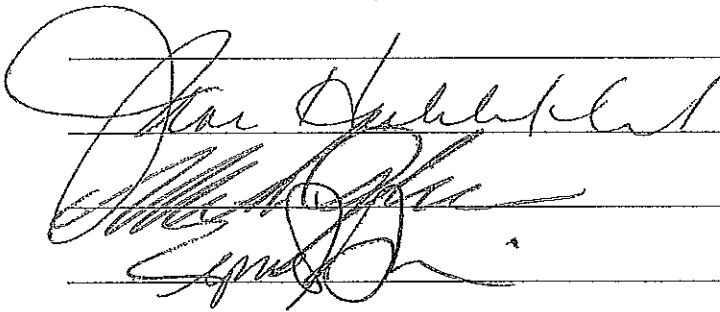
It is understood that this investment policy is to be reviewed periodically by the Board to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, actuarial assumptions, risk tolerance, or changes involving the investment managers. The Board shall notify PERAC, as required by 840 CMR 18.03, of any changes to its investment objectives within ten days of the effective date, if applicable, and by the end of each calendar year whether or not any changes were made in the investment objectives.

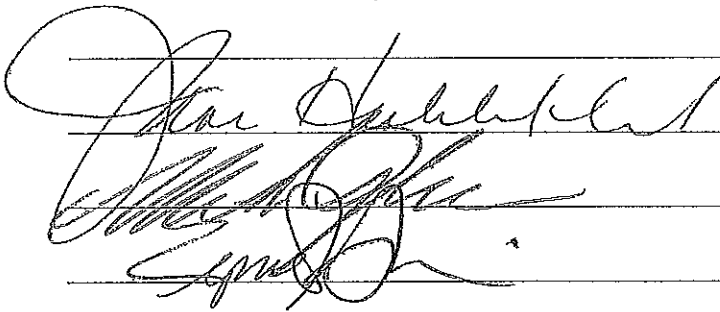
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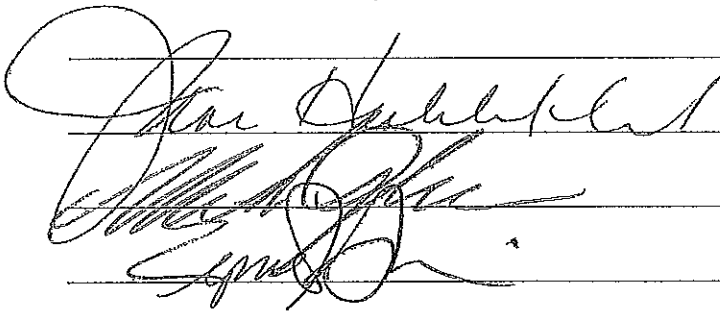
The Worcester Regional Retirement Board

By:

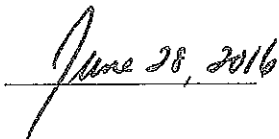








Date:



Statement of

Investment Objectives (Issued: 8/03)

840 CMR 18.01 requires every retirement board to develop an investment policy and statement of investment objectives. This form is to be completed by the retirement board and filed with PERAC.

Worcester Regional Retirement Board

Name of Retirement Board

Seven to Ten Years

Time Period of Objectives

6/1/2016

Date

It is expected that answers will require additional space. Please use this form as a checklist and provide separate attachments.

1. State the name, address, background, and responsibilities of each retirement board fiduciary, including every qualified investment manager employed or expected to be employed by the board.

Please see attachment.

2. State the terms of employment and compensation of every:

- A. qualified investment manager
- B. consultant employed by the board
- C. custodian bank employed by the board
- D. actuary employed by the board
- E. attorney employed or used by the board, and
- F. other contractor employed by the board

Please see attachment.



3. State the investment policy of the retirement board indicating how investment objectives are to be accomplished including the investment philosophy and method of investment, whether a consultant will be employed, whether a qualified investment manager will be employed, the method to be used to select brokers on a competitive basis for investment transactions, guidelines for proxy voting, and tender offer exercise procedures and other practices of the board.

Please see attached IPS.

4. State the rate of return objective for each asset class and for the entire portfolio, provided that the statement also includes the assumed rate of return used in the most recent actuarial valuation of the system. The rate of return objective for the entire portfolio should not exceed the assumed rate of return used in the most recent actuarial valuation of the system by more than 1.00%.

Please see attachment.

5. State the expected level of risk for the equity portion of the portfolio expressed in terms of an annual average beta coefficient, standard deviation, or other statistical risk measures and the expected duration of the fixed income portfolio. Risk levels shall also be established for other asset classes and the total portfolio.

Please see attachment.

6. State the expected portfolio asset mix, expressed as a percentage of the entire portfolio, of equities, fixed income investments, cash and short term investments, real estate, alternative investments, and international investments.

Please see attached IPS.

7. State the expected degree of diversification within each asset class for:

- A. equities, including capitalization, industry diversification, number of issues, and rate of turnover
- B. fixed income investments, including quality ratings, maturity schedule, industry diversification, number of issues, par value of issues, and rate of turnover
- C. cash and cash equivalent investments, including types of instruments and insurance coverage
- D. real estate investments
- E. alternative investments such as venture capital and leveraged buyouts
- F. international equities, including capitalization, country and industry diversification, number of issues, and rate of turnover
- G. international fixed income investments, including quality, maturity schedule, country and industry diversification, number of issues, par value of issues, and rate of turnover, and
- H. international cash and cash equivalent investments, including country diversification, types of instruments, and insurance coverage

Please see attached IPS and attachment.

**Worcester Regional Retirement System
PERAC Statement of Investment Objectives**

**Attachments to be filed with PERAC with copy of Investment Policy Statement
Dated: June 2016**

1. State the name, address, background, and responsibilities of each retirement board fiduciary, including every qualified investment manager employed or expected to be employed by the board.

Worcester Regional Retirement System
23 Midstate Drive Suite 106
Auburn, MA 01501
(508) 532-6314

<u>Ex-Officio</u> Kevin P. Blanchette, Chairman CEO of WRRS	<u>Appointed Member</u> June Hubbard-Ward Finance Director, Town of Northborough
<u>Elected Member</u> Pauline Lajoie Retired Board Administrator of WRRB	<u>Elected Member</u> Michael J. Donoghue Retired Chairman and CEO of WRRB
<u>Board Member Appointed</u> Eugene Durgin Chairman, Board of Trustees – Bridgewater State University; Retired Investment Professional	<u>Staff</u> Colleen M. Canty Board Administrator Veronica A. Harris, Assistant Administrator Clerk to the Board Simone J. Carrigan Member Services Representative Anne M. McNamara Financial Analyst Rosemary Shaughnessy Member Services Representative Lauren Palazzolo Member Services Representative Michelle Ganolfo-Menezes Member Service Representative

Investment Consultant

Fiduciary Investment Advisors, LLC – currently project advisor
100 Northfield Drive
Windsor, CT 06095
(866) 466-9412 / (860) 683-4227 Fax
Kevin D. O'Brien, CFA, Senior Consultant

Investment Manager(s) – Please see Question 2.A

Custodian – The Retirement Board does not engage custody services at the current time

2. State the terms of employment and compensation of every:

A. Qualified Investment Managers

Investment Managers	
PRIM / PRIT Investments Contact: Paul Todisco MA PRIM Board 84 State Street Suite 250 Boston, MA 02109 Phone: (617) 946-8421 Fax: (617) 946-8475 Email: ptodisco@mapension.com General Allocation Fund Fee FY2015 for: 53 basis points Fees paid in 2015: \$2,852,771	
Legacy Private Real Estate and Private Equity Investments	
Hunt Investment Management (formerly Tuckerman) 4 International Drive Suite 230 Rye Brook, NY 10573 Phone: (914) 701-4400 Dominick Cristiano, Managing Director Dominick.cristiano@huntcompanies.com Hunt Redevelopment and Renovation Fund Fees paid in 2015: \$15,775 Investment expected to wind down in 2016	Intercontinental Real Estate Corp. 1270 Soldiers Field Road Boston, MA 02135 Phone: (617) 779-0440 Bart Weinstein, Associate Director bartw@intercontinental.net Intercontinental Real Estate Investment Fund (IREIF) III Fees paid in 2015: \$22,085 Investment expected to wind down in 2016
TA Realty 28 State Street 10 th Fl Boston, MA 02109 Phone: (617) 476-2771 Myra Kelley mkelley@tarealty.com TA Realty VII Fees paid in 2015: \$71,235 Investment expected to wind down in 2016	AEW Capital Management, L.P. Two Seaport Lane Boston, MA 02210 Phone: (617) 261-9136 Brennan Scott Brennan.scott@ae.com AEW Partners V, L.P. Fees paid in 2015: \$10,371 Investment expected to wind down in 2016

Ascent Venture Partners 255 State Street, 5 th Fl Boston, MA 02109 Phone: (617) 720-9494 Jason Molfetas, Finance Director jmolfetas@ascentvp.com Ascent Ventures II – Fees paid in 2015: \$0 Ascent Ventures IV – Fees paid in 2015: \$210,420	SL Capital Partners Ltd. One Beacon Street, 34 th Fl Boston, MA 02108 Phone: (617) 720-7948 Eric Albertson, Senior Investment Director Eric.albertson@slcapital.com North American Strategic Partners (NASP) 2006 – Fees paid in 2015: \$36,580
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B. Consultant

Fiduciary Investment Advisors, LLC
100 Northfield Drive
Windsor, CT 06095
(866) 466-9412 / (860) 683-4227 Fax
Kevin D. O'Brien, CFA, Senior Consultant
Fees paid in 2015: N/A
Project based fee expected to be incurred in first half of 2016: \$20,000

C. Custodian

Currently: none

D. Actuary

KMS Actuaries, LLC
814 Elm Street, Suite 204
Manchester, NH 03101
(603) 792-9494 / (603) 792-9492 Fax
Linda Bournival, FSA
info@kmsactuaries.com
Compensation paid in 2015: \$21,550

E. Attorney

Michael Sacco, Esquire
The Law Offices of Michael Sacco, P.C.
PO Box 479
Southampton, MA 01073-0479
(413) 642-3576 / (413) 642-5278 Fax
E-mail: msacco@msaccolaw.net
Attorney is used as needed
Compensation paid in 2014: \$20,424

F. Other contractor – N/A

3. State the investment policy of the retirement board indicating how investment objectives are to be accomplished including the investment philosophy and method of investment, whether a consultant will be employed, whether a qualified investment manager will be employed, the method to be used to select brokers on a competitive basis for investment transactions, guidelines for proxy voting, and tender offer exercise procedures and other practices of the board.

The assets of the Worcester Regional Retirement System (the Plan) shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plan, the Board has taken into account the financial needs and circumstances of the Plan, the time horizon available for investment, the nature of the Plan's cash flows and liabilities, and other factors that affect tolerance for risk. Consistent with this effort, the Retirement Board has determined that the investment of these assets shall be guided by the following underlying goals:

- To achieve the stated actuarial assumption of the Plan;
- To maintain sufficient liquidity to meet the obligations of the Plan;
- To diversify the assets of the Plan in order to reduce risk;
- To achieve investment results over the long-term that compare favorably with those of other pension Plans, professionally managed portfolios and to appropriate market indexes.

The Retirement Board has engaged an investment consultant, Fiduciary Investment Advisors to assist the Board in drafting an Investment Policy Statement and providing an up to date Statement of Investment Objectives. The Investment Consultant's role is that of a non-discretionary advisor to the Retirement Board. The Retirement Board may expand the scope of services to engage an investment consultant on a full retainer basis at some point in the future if deemed necessary.

The Retirement Board currently employs a multi-manager structure of complementary investment styles and asset classes to invest the majority of the Plan's assets through an active allocation to the PRIT General Allocation Fund. The PRIM Board is responsible for setting the investment policy of the Fund, managing the asset allocation, determining investment strategy and implementing security selection decisions through use of multiple specialized investment advisors and a multi-manager structure.

In addition to the allocation to the PRIT General Allocation Fund, the Retirement Board maintains legacy investments in Private Real Estate and Private Equity, most of which are in a final wind down and/or late divesting stage. The Board may at some point in the future decide to divest from PRIT but intends to maintain essentially the same underlying investment policy, principles and stated investment objectives. Any changes to the asset allocation and/or underlying investment managers will be expected to diversify the Plan by investment style, asset class, and management structure and thereby enhance the probability of the Plan achieving its long-term investment objectives.

4. State the rate of return objective for each asset class and for the entire portfolio, provided that the statement also includes the assumed rate of return used in the most recent actuarial valuation of the system. The rate of return objective for the entire portfolio should not exceed the assumed rate of return used in the most recent actuarial valuation of the system by more than 1.00%.

Expected Return Assumptions (Long Term 20-Year)

Total Portfolio:	7.00%
Actuarial Assumption:	7.75%
Core Fixed Income:	4.45%
Long Duration Fixed Income:	5.00%
High Yield Fixed Income:	6.00%
Global Fixed Income:	4.75%
Equities:	
Domestic Large Cap	7.80%
Domestic Small Cap	8.10%
International Developed	8.10%
Emerging Markets	9.05%
Private Real Estate:	6.35%
REITs:	6.75%
Hedge Funds:	6.00%
Private Equity:	10.00%

5. State the expected level of risk for the equity portion of the portfolio expressed in terms of an annual average beta coefficient, standard deviation, or other statistical risk measures and the expected duration of the fixed income portfolio. Risk levels shall also be established for other asset classes and the total portfolio.

Expected Risk Levels by Asset Class (Stdev)

Total Portfolio:	11.73%
Core Fixed Income:	5.50%
Long Duration Fixed Income:	10.50%
High Yield Fixed Income:	11.50%
Global Fixed Income:	8.00%
Equities:	
Domestic Large Cap	17.25%
Domestic Small Cap	21.00%
International Developed	19.75%
Emerging Markets	26.75%
Private Real Estate:	13.25%
REITs:	21.00%
Hedge Funds:	8.25%
Private Equity:	23.50%

Expected duration of the core fixed income portfolio, excluding the allocation to long duration Treasury STRIPS, is expected to be +/- 25% relative to that of the Barclays Aggregate Index

The Board recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives.

6. State the expected portfolio asset mix, expressed as a percentage of the entire portfolio, of equities, fixed income investments, cash and short term investments, real estate, alternative investments, and international investments.

Expected Asset Allocation Mix – Broad Asset Classes

Asset Class	Minimum Weight	Target Weight	Maximum Weight
Short Term Liquidity	0.0%	0.0%	5.0%
Fixed Income	10.0%	16.0%	30.0%
Domestic Equity	10.0%	18.0%	27.0%
International Equity	10.0%	22.0%	32.0%
Real Estate	7.5%	10.0%	12.5%
Hedge Funds	0.0%	9.0%	12.0%
Private Equity	0.0%	10.0%	15.0%
Private Debt	0.0%	4.0%	8.0%
Diversifying Alternatives	0.0%	8.0%	10.0%

7. State the expected degree of diversification within each asset class for:

A. equities, including capitalization, industry diversification, number of issues, and rate of turnover

The Retirement Board will utilize a multi-manager structure for the management of domestic equities. Any expected mix of managers will include a combination of passively managed index strategies with complementary active exposure to provide adequate diversification and potential alpha. The Board currently has a majority of equity exposure, via the General Allocation Fund, in passively managed strategies indexed to the S&P 500 and Russell 2500 Indexes. A modest allocation to active Small Cap and SMID Cap mandates complement the passive exposure where greater inefficiencies exist in the Small-to-Mid Cap equity markets.

Turnover for the portfolio's active managers vary but is generally expected to be less than 100% annually.

B. fixed income investments, including quality ratings, maturity schedule, industry diversification, number of issues, par value of issues and rate of turnover.

The Retirement Board will utilize a multi-manager structure for the management of fixed income investments with the underlying objective of preserving capital and providing a stable source of income generation for the Retirement System. Fixed income assets may consist of a combination of 'Core' strategies and complementary styles including high yield, bank loans, inflation protected securities, and global bonds and/or emerging markets debt. The latter "value add" allocations in high yield and emerging markets debt, while more specialized, serve to diversify the overall allocation and enhance the expected return profile of the portfolio.

Currently, the Board will maintain underlying exposure to both public market and value add fixed income mandates through its allocation in the PRIT General Allocation Fund.

C. cash and cash equivalent investments, including types of instruments and insurance coverage

The Investment Manager (s) are expected to be fully invested. Cash and equivalents will be held in a liquid government focused money market sweep or short term bank deposit vehicle at the custodian if the Board opts to engage such an arrangement at some point in the future. Cash may be held on a temporary basis as the Board raises funds to cover payroll and expenses or, during a transitional period of portfolio reallocation.

D. real estate investments

The Retirement Board will maintain an underlying position in the PRIT Real Estate account via its allocation to the PRIT General Allocation Fund. The PRIT Real Estate Fund consists of a core investment portfolio and a global REITs portfolio managed by multiple complementary real estate managers. PRIM recently added a credit facility to add leverage into the core portfolio in an effort to enhance returns. In addition, the Board may opt at a future point in time to allocate to additional funds, either open or closed end that will aim to further diversify the real estate allocation.

E. alternative investments such as venture capital and leveraged buyouts

Private Equity - The Retirement Board will maintain an underlying exposure to PRIT's Private Equity allocation through an existing allocation to the PRIT General Allocation Fund. The Board may opt, at a future point in time, to make dedicated commitments on a vintage year basis to the PRIT Vintage Year program or seek alternative options to invest in closed end Private Equity vehicles. Any investments outside of PRIT will serve to diversify and complement the existing allocation structure and enhance the return profile of the portfolio.

Hedge Funds – The Retirement Board will maintain an underlying exposure to PRIT Hedge Funds allocation via existing allocation to the PRIT General Allocation Fund. The PRIT Hedge Funds portfolio consists of one dedicated hedge fund of funds manager and a number of direct investments. The sole focus of the one fund of funds mandate is on emerging managers. Direct investments are made with differentiated hedge fund managers across strategies, geographies, sizes and years in business. The program is diversified across major strategies including Equity Hedge, Event Driven, Global Macro, Market Neutral, Credit Distressed, Multi-Strategy and a Hedge Fund Replication strategy. The Board may decide to explore other alternatives for Hedge Fund investments at some point in the future.

F. international equities, including capitalization, country and industry diversification, number of issues, and rate of turnover

The Retirement Board will maintain underlying exposure to active and passive international mandates, including emerging markets, through an existing allocation in the PRIT General Allocation Fund. An allocation to a passively managed mandate indexed to the MSCI ACWI World Ex-USA Index serves as the anchor investment for the International Equity allocation within PRIT. Three primary and complementary active managers focus on developed market strategies. An allocation to a passively managed MSCI Emerging Markets Index portfolio accounts for approximately 25% of the total exposure to emerging markets. The Emerging Markets allocation is biased to active management with several complementary managers. PRIT also has dedicated but modest allocations in emerging small cap and frontier markets, also actively managed. Turnover rates will vary across managers depending on specific investment strategy and style.

G. international fixed income investments, including quality, maturity schedule, country and industry diversification, number of issues, par value of issues, and rate of turnover, and

The Retirement Board will maintain modest underlying exposure to international fixed income investments through the "Value Add Fixed Income" allocation within the PRIT General Allocation Fund. The PRIT Fund has dedicated allocations to several complementary emerging market debt mandates, both in U.S. Dollar denominated and local currencies.

H. International cash and cash equivalent investments, including country diversification, types of instruments and insurance coverage

Not applicable. The Retirement Board does not invest directly in currency hedging or overlay strategies. The PRIT General Allocation Fund may invest in overlay strategies consistent with the policies established for the PRIT Fund.