STATEMENT OF INVESTMENT POLICY AND GUIDELINES
For
City of Alexandria Supplemental Retirement Plan
Draft (last modified June 13, 2013)

Date of Changes to the Investment Policy	Purpose of Changes to the Investment Policy
6/13/2013	Update liquidity section to include more detail
4/3/2013	To reflect Board's existence & responsibilities
2/19/2013	Update target allocations for farmland
10/12/2011	Manager specific guidelines, Separate accounts at Comerica, and Rebalancing limits in Addendum 1.
5/13/2010	
11/19/2009	Private equity & timber added to target allocation (pension)

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I. Statement of Purpose

The investment management of the City of Alexandria Supplemental Retirement Plan (the "Plan") shall follow this Statement of Investment Policy and Guidelines as approved May 13, 2010 and most recently amended 2/19/2013.

The Plan was originally effective August 1, 1970, and was amended and most recently restated in its entirety effective January 1, 2009, to qualify as a defined benefit pension plan under Code Section 401(a), and is a governmental plan under Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended.

This Statement of Investment Policy and Guidelines is intended to put forth the investment responsibilities implied by the Plan Document. Should any conflict arise between this Statement and the Plan Document, the Plan Document shall be the controlling document.

A. Purpose and Objectives

The purpose of the Plan is to provide supplemental retirement benefits to employees of the City of Alexandria not covered by the Firefighters and Police Officers Pension Plan. Benefits provided by the Plan are supplemental to benefits provided under the Virginia Retirement System (VRS). VRS covers only full time permanent positions. The Supplemental Retirement Plan covers these positions as well as part time employees regularly scheduled half time or more and certain employees of the Virginia Department of Health.

The objective of the Plan's investment policy is to preserve the actuarial soundness of the Plan and to meet contractual benefit obligations.

B. Fiduciary Standards

In striving to attain this objective, the Plan will be managed in a manner consistent with fiduciary standards, namely:

1. All transactions shall be in the sole interest of the participants and their beneficiaries, and

2. All investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in conduct of an enterprise of like character and with the same aims, and

3. All entities dealing with the Plan are required to disclose conflicts of interest in writing as soon as they become apparent. The disclosure will be to the Board or as part of a public meeting.

4. The Board must strive to make decisions solely for the benefit of Plan members. All entities dealing with the Plan must conduct themselves in a manner worthy of the public trust, keeping in mind that the Plan is subject to public review and evaluation.

5. Members of the Board and those delegated with investment authority under this Policy, when acting in accordance with the written procedures in this Policy, shall be relieved of personal responsibility and liability in the management of the portfolio.

C. Roles and Responsibilities

All parties serving the Plan at the date of the original adoption of this Statement of Investment Policy and Guidelines have 90 days to be in compliance with its provisions, or to notify the Administrator in writing as to why they cannot be in compliance.

1. Retirement Board

The Retirement Board (the "Board") has the responsibility of establishing and maintaining policies for all aspects of the Plan including:

- Setting of investment policy;
- Recommend communications to plan participants;
- Performing asset allocation studies;
- Selecting and replacing investment professionals for all components.
- Monitor asset allocation.
- Reset the target allocations as needed, typically 2-5 years.
- Consider an asset allocation study every 3-5 years or after significant changes in the assets, or liabilities of the plan or in the investment markets.
- Consider rebalancing every 6 to 12 months.
- Review vendor performance and vendor contracts.

The Board will meet as often as needed but no less than quarterly. The Board may select other professionals to assist in its duties.

2. Plan Administrator

The City Manager shall act as Plan Administrator (the "Administrator"). The City Manager may appoint person or persons to act on his or her behalf in that capacity. If more than one person is appointed to act on behalf of the City Manager as Administrator, they shall be known as the Administrative Committee. The Administrator shall be responsible for administering the Plan in accordance with the Plan Document and applicable law.

Unless the City Manager appoints another administrator, the CFO will act as the Administrator.

3. Chief Investment Officer

The Retirement Administrator shall act as Chief Investment Officer (CIO.) In the event the Retirement Administrator does not have the experience, education, and/or credentials to be the CIO, the Plan Administrator may serve as CIO or appoint a CIO. The CIO shall organize and operate the Plan under broad policy guidance from the Plan Administrator. These operations include accounting and claims operation; administration of investments, attorneys, accountants, actuaries, consulting and other contracts; and select investment oversight.

The Board shall work with other City Plans to coordinate efforts that reduce expenses and increase efficiencies.

The Board shall seek guidance from the Plan's Investment Consultant and staff in regard to major policy or investment decisions. Also, to the extent the Supplemental Retirement Plan is similar to the City's other Retirement Plans it should have a consistent target asset allocation. To the extent cash flows and durations of liabilities are different than the target allocations may differ. Also, some City Retirement funds may not have the scale required to invest in certain asset classes with large minimums. This too may lead to a variance in target allocations between plans.

All purchases and sales shall be countersigned by the Director of Finance. The sole exception is raising funds for capital calls for limited partnerships (currently Private Equity, Farmland and Timber). The Custodian will perform these transactions with written instructions from one person if accompanied by the capital call letter from the master partner.

The CIO has three tasks to accomplish in managing the Plan to:

- Adopt a realistic actuarial rate of return for the Plan;
- Recommend the level of contributions needed to keep the Plan financially sound; and
- Work with the Investment Consultant to recommend to the Board a portfolio construction with the goals of: a) Maximizing the probability of meeting investment assumptions, and b) minimizing volatility in assets, contribution rates, and the funding ratio.

The CIO may work with an actuary to assist in meeting the first two goals.

The CIO shall exercise an appropriate level of due diligence with respect to all aspects of the investments in the Plan: development of the asset allocation structure, selection of external investment managers, and the monitoring of investment performance.

4. Actuary

The Board in consultation with the CIO and other boards will select an actuary to perform a valuation of the Plan as often as needed.

5. Investment Consultant

The Board may engage a company to serve as the investment consultant. If the Board engages an investment consultant, the Investment Consultant will report directly to the Board.

The Investment Consultant will give an independent perspective on the Plan, help select investment managers, review the asset allocation, and provide investment performance measurement.

The Investment Consultant is expected to perform asset allocation studies as needed, but no less than once every three to five years.

The Investment Consultant will acknowledge in writing that they are a fiduciary of the Plan relative to the services it provides.

6. Funding Agent

The term "Funding Agent" refers to entities acting under the Funding Agreement, including 1) any trustee for a trust established pursuant to the Funding Agreement 2) any insurance company that issues an annuity or insurance contract pursuant to the Funding Agreement, or 3) any person holding assets in a custodial account pursuant to the Funding Agreement. The City may designate people other than the Funding Agent to fulfill any of these obligations.

7. Custodian

The Custodian will hold all cash and securities or evidence thereof. The Custodian will be responsible for maintaining records, providing fund accounting on a trade date basis, performance reporting, and other services as defined in its contract.

The Custodian may not engage in financial transactions related to the Plan that are based on written or oral instructions from any person other than the Administrator, or the CIO acting on the Administrator's behalf.

The Custodian will acknowledge in writing that they are a fiduciary of the Plan relative to the services it provides.

8. Investment Managers

In managing assets for the Plan, the Board may engage the services of investment managers. Investment managers buy and sell securities according to guidelines established for their particular asset class.

Investment managers are to acknowledge in writing that they are fiduciaries of the Plan relative to the services they provide.

II. Supplemental Plan Characteristics

For a complete Plan reference, see the Plan document, which may be amended from time to time.

The Supplemental Plan is a final average salary defined benefit plan with no Cost Of Living Adjustment (COLA.) Retirements prior to 1997 are backed by annuities purchased from Principal Financial Group. This makes the active liability disproportionately large and increases the liability duration.

Mutual funds and other commingled vehicles have separate guidelines and/or prospectuses. When employing such vehicles, the CIO acknowledges that those separate guidelines and/or prospectuses shall supersede the guidelines that follow pertaining to: permissible securities, prohibited securities, prohibited transactions, cash balances, marketability, and diversification. However, the CIO shall consider each of the preceding factors when selecting and monitoring an investment option.

A. Manager Responsibility

Managers of investments for the Supplemental Retirement Plan must acknowledge fiduciary responsibility relative to their work with the Plan. Managers shall be held to the prudent expert standard.

B. Performance Standards

Each manager hired will be assigned a benchmark. Managers are expected to exceed their benchmark net of fees, and to perform in the upper half of a universe of managers in a similar style over a market cycle. Guidelines for each of the asset classes follow. Each manager will have two goals. The most important is to outperform the benchmark. The second goal of lesser importance is to outperform the universe of managers.

C. Plan Characteristics

In constructing the portfolio for the Supplemental Retirement Plan, the CIO should consider the following characteristics.

1. Liquidity

At the time this document is revised in 2013, the sum of the plan's benefits and expenses slightly exceed the employee and employer contributions. Under these circumstances there is a modest need for liquidity. As the plan matures, the need for liquidity to meet its cash flow needs will increase. Individual investments may have limited liquidity so long as they do not interfere with the operation of the Plan as a whole.

Prior to committing to any illiquid investment staff and/or the investment consultant shall prepare and the Board shall discuss/review the investment's characteristics:

- The amount of the commitment,
- The expected duration of the investment lockup,
- The maximum duration of the investment lockup,
- The expected period that cash will be called,
- The expected period that distributions will be received,
- The length of the exit cue (if relevant), and
- The expected maximum cash call net of distributions received to that date.

Prior to committing to any illiquid investment staff and/or the investment consultant shall prepare and the Board shall discuss/review the plan's status:

- The cash flows to (contributions) and from (benefits & expenses) the plan,
- The cash flows from other illiquid investments,
- The plan's projected future cash flows,
- The investment's diversification and return benefits,
- The ability to sell other investments in anticipation of cash calls,
- The risks in not raising cash in advance,
- The availability of liquid alternatives to the illiquid investment under consideration,

Once committed to illiquid investments:

- The Fixed Income Allocation may include cash.
- Cash will normally be kept to a minimum.
- Cash will be reported in the monthly investment rebalancing report.
- Cash may be raised in anticipation of upcoming cash needs.
- The Chairman will appoint Board members to review the Investment Policy Statement's references to cash levels and report to the Board any recommended changes.
- Consider rebalancing when moving cash in anticipation of a cash call

2. Diversification

Assets should be diversified among asset categories, sectors and geographic areas to minimize volatility, manage risk and enhance rebalancing return.

3. Time Horizon

The time horizon of the Plan is perpetual. In projecting returns for the Plan, the Board may consider information from recent history (for example 20 years), long-term history (for example 70 years), mean reversion or some combination of the three. The Board must judge what data gives the best estimate for future returns by applying evidence from the past to current circumstances.

4. Risk Tolerance

The primary investment emphasis of the Plan is to meet the actuarial rate of return over an extended period (several decades). Secondary goals are to preserve capital and achieve consistency of results. The Board should strive to attain these secondary goals while still meeting the actuarial rate of return.

The Board recognizes that risk is present in all investments. The assumption of risk is needed to achieve satisfactory long-term results. It is the responsibility of the Board to manage the tradeoff between risk and return given the projected needs of the Plan, always attempting to minimize risk of the overall portfolio for any given level of return.

5. Asset Allocation

The Board shall conduct an asset allocation study once every three to five years, or if changed circumstances warrant such a study. The asset allocation study requires a projection of cash flows, which are dependent on contributions made into the Plan and disbursements made from the Plan in the form of benefits and expenses. The purpose of the asset allocation study is to understand the trade off between risk and return, and to aid in the construction of a portfolio that has a high probability of earning the actuarial rate of return while minimizing volatility.

6. Rebalancing

Once policy targets are set in the asset allocation study, the CIO should allocate receipts and make disbursements from the various asset classes so as to maintain an asset allocation as close to the policy targets as possible.

Rebalancing may take place:

- Annually,
- When the allocation falls outside the allowable range, or
- When recommended by the Investment Consultant and staff.

If an asset allocation deviates from the policy range the CIO may authorize a lump-sum transfer to restore the asset allocation to within the original policy range.

In applying this rebalancing policy, the CIO should also be mindful of minimizing transactions costs.

D. Investment Alternatives

Investment alternatives are divided into four broad categories: fixed income, domestic equity, international equity, and alternative investments.

Fixed income investments shall be used primarily to provide stability of principle. Domestic equity and international equity may be added to enhance return. Alternative investments may be added to enhance return, and to provide diversification that will reduce volatility as well.

E. Performance Standards

Each manager hired will be assigned a benchmark. Managers are expected to exceed their benchmark net of fees, and to perform in the upper half of a universe of managers in a similar style over a market cycle or rolling three to five year periods. Guidelines for each of the four asset classes are outlined in the next section. Benchmarks are listed in Addendum 1.

III. Manager Guidelines – Asset Classes

A. Fixed Income Managers

1. Investment objective. Active bond managers are expected to beat a benchmark appropriate to their style, and to perform in the top half of a universe of similar portfolios. The benchmark used for comparison should be assigned to the manager as part of the selection process.

2. Permissible securities. Fixed income managers may invest in U.S. Government and agency bonds, U.S. domestic corporate bonds, asset-backed and mortgage-backed securities, and convertible bonds.

3. Non-permissible securities. Fixed income managers are prohibited from investing in equity securities (except for term trusts) and municipal bonds. Managers should not invest in any securities rated less than A-3 by Moody's or A- by Standard & Poors or Fitch. Should an issue receive a split rating, the lower rating will apply. Should an issue already in the portfolio fall below the prescribed level, the Manager has 10 business days to sell the bond or to explain to the Board why the bond is being held. Fixed income managers are also prohibited from investing in commodities, unregistered letter stock, foreign securities (other than those evidenced by American Depository Receipts which are listed on the New York Stock Exchange (NYSE), warrants, loans of portfolio

securities, venture capital issues and private placements. Securities of a contributing employer, derivatives, interest-only and principal-only strips and currency swaps or other specialized investment activities are also prohibited. Derivatives include collateralized mortgage obligations other than sequential pay preferred issues. The purchase of mortgage securities on a To be Announced "TBA" basis is permitted provided that delivery of the mortgage pool is taken. Dollar rolls are prohibited.

4. Non-permissible transactions. Fixed income managers are prohibited from purchasing securities on margin or selling short.

5. Cash balances. Managers are expected to remain fully invested. However, the decision to maintain cash balances is left to the manager's discretion, keeping in mind that the benchmark will be applied to the manager's total portfolio and not just to the non-cash portion. Managers should inform the Board within 10 business days if cash balances exceed 10%. Cash and equivalents may be invested in commercial paper rated A1 or P1, repurchase agreements, U.S. Treasury Bills and money market fund.

6. Marketability. Fixed income securities should be readily marketable. Managers are not to invest in private placements without the express written authorization from the Board.

7. Diversification. Fixed income obligations of any one issuer, other than securities subject to the guarantee of the United States government or any of its agencies, should represent no more than 5% of the aggregate fair market value of a manager's portfolio. Corporate bonds are limited to no more than 50% of the aggregate fair market value of a manager's portfolio.

B. Domestic Equity Managers

1. Investment Objective. Active equity managers are expected to outperform a benchmark appropriate to their style (value, core or growth) and market capitalization (large, mid and small). In addition, active equity managers should be ranked in the upper half of a universe of similar portfolios. Passive equity managers are expected to track their appropriate benchmark.

2. Permissible securities. Equity managers may invest in common stocks, convertible securities, and ADRs for listed securities of foreign corporations. Listed securities are those traded on the NYSE, American Stock Exchange (AMEX) and National Association of Securities Dealers Automated Quotation System (NASDAQ) exchanges. Any investment in convertible debentures must carry an investment grade rating of "A" or better.

3. Non-permissible securities. Equity managers may not invest in foreign securities other than those evidenced by listed ADRs as defined above, fixed income securities, commodities, unregistered letter stock, warrants, real estate mortgages, all options and futures, real or personal property, oil and gas property, loans of portfolio securities,

venture capital issues, private placements, securities of a contributing employer, and derivatives. Derivatives include collateralized mortgage obligations, interest-only and principal-only strips, and currency swaps or other specialized investment activities.

4. Non-permissible transactions. Except with the written consent of the Board, equity managers may not purchase securities on margin or sell short.

5. Cash balances. Managers are expected to remain fully invested. However, the decision to maintain cash balances is left to the manager's discretion, keeping in mind that the benchmark will be applied to the manager's total portfolio and not just to the non-cash portion. Managers should inform the Board within 10 business days if cash balances exceed 10%. Cash and equivalents may be invested in commercial paper rated A1 or P1, repurchase agreements, U.S. Treasury Bills and money market fund.

6. Marketability. Securities should be marketable. It is understood that small- and mid-capitalization stocks offer less liquidity than more widely held securities.

7. Diversification. Equity investments by a Manager in any single corporation shall be limited to no more than 5% of the Manager's total portfolio based on the fair market value of the portfolio at the time of purchase, and no more than 10% of the Manager's total portfolio at any quarterly valuation. The portfolio should also be appropriately diversified by industry sector. The manager should inform the Board in writing of any violation within 10 business days of its occurrence.

8. Income. There are no minimum yield or dividend requirements.

C. International Equity Managers

International equity is designed to add diversification to the Plans. This segment of the portfolios will be committed exclusively to foreign securities. There are different risks associated with this segment due to factors such as political and currency risk.

1. Investment objective. Active international equity managers are expected to outperform a benchmark appropriate to their style. In addition, active international equity managers should be ranked in the upper two quartiles of a universe of similar portfolios.

2. Permissible securities. International equity managers must invest in securities of companies not domiciled in the United States, including common stocks traded on any major stock exchange or ADRs traded in the United States, global depository receipts (GDRs) and preferred stocks traded on any major stock exchange. International equities include equities of both developed countries and emerging markets. International managers may hold no more than 10% of their portfolio in emerging markets unless they are hired expressly for an emerging markets mandate.

3. Non-permissible securities. Foreign equity managers may not invest in equities of U.S.-domiciled companies, fixed income securities, commodities, unregistered letter

stock, warrants, real estate mortgages, all options and futures, real or personal property, oil and gas property, loans of portfolio securities, venture capital issues, private placements, securities of a contributing employer, and derivatives. Derivatives include collateralized mortgage obligations, interest-only and principal-only strips, and currency swaps or other specialized investment activities.

4. Non-permissible transactions. Except with the written consent of the Board, equity managers may not purchase securities on margin or sell short.

5. Cash Balances. Managers are expected to remain fully invested. However, the decision to maintain cash balances is left to the manager's discretion, keeping in mind that the benchmark will be applied to the manager's total portfolio and not just to the non-cash portion. Managers should inform the Board within 10 business days if cash balances exceed 10%. Cash and equivalents may be invested in commercial paper rated A1 or P1, repurchase agreements, U.S. Treasury Bills and money market fund.

6. Marketability. Securities should be marketable. It is understood that international equity securities, especially in emerging markets, offer less liquidity than more widely held securities.

7. Diversification. Equity investments by a Manager in any single corporation shall be limited to no more than 5% of the manager's total portfolio based on the fair market value of the portfolio at the time of purchase, and no more than 10% at any quarterly valuation. The portfolio should also be appropriately diversified by industry sector. The Manager should inform the Board in writing of any violation within 10 business days.

8. Income. There are no minimum yield or dividend requirements.

D. Alternative Investments.

The Board may consider allocating a portion of the portfolio to alternative investments including but not limited to timber, emerging market equity, private equity, international bonds, real estate, venture capital, farmland and hedge funds. Alternative investments should be considered with the goal of increasing the return of the portfolio without increasing risk, or lowering risk of the overall portfolio without lowering return.

Should the Board allocate part of the portfolio to an alternative asset class, separate investment guidelines specific to that asset class shall be adopted.

IV Manager Guidelines – General

A. Discretionary Authority

Managers are given full discretion to act in accordance with the Statement of Investment Policy and Guidelines. In placing portfolio transaction orders on behalf of the Plan, each manager shall obtain execution of orders through responsible broker/dealers at the most favorable prices and at competitive commission rates, taking into consideration the efficiency of execution of the transaction.

B. Reporting

1. Within 14 days a Investment Manager must inform the Board and Investment Consultant of changes in the Manager's organizational structure, ownership, or key personnel. Also, a Manager must inform the CIO of material litigation brought by a client or former client relating to investment advisory services, or any enforcement proceeding by a regulatory agency that would have a material effect on the Investment Manager, within 14 days after the Investment Manager has been notified of the litigation or the enforcement proceeding.

2. On a monthly basis each Investment Manager is to submit a portfolio statement. The monthly statement should include market and book values for all security holdings and performance results compared with the designated benchmark.

3. On a quarterly basis each Manager is to submit a brief letter or report on the status and outlook for his or her portfolio. The report should address the following:

- Economic investment and outlook,
- Investment strategy (short- and intermediate-term),
- Explanation of any high concentrations in any one sector or security,
- A list of portfolio holdings or a summary of the largest holdings,
- Commissions on trades upon request,
- Market and book values for all security holding,
- Performance results compared with designated benchmarks (listed in the Addendum),
- Brokerage commission reports (if any),
- Turnover ratio,
- Derivative use,
- Quality ratings with average quality (for fixed income portfolios), and
- Parameters that facilitate comparison of a manager's portfolio to the assigned benchmark. For equities this may include price/earnings ratio, price/book, dividend yield, Return on equity, expected earnings growth rate, etc. For Fixed income this may include: yield to maturity, coupon, percentage callable, duration, average quality, etc. (This data may only be available semi-annually).

4. On an annual basis each Investment Manager is to submit an annual proxy voting report and the filing of Form ADV with the Securities and Exchange Commission. Also on an annual basis, each Investment Manager or their agent is expected to meet with the Board to discuss management of the portfolio. The Board must receive a report covering the topics listed under No. 3 above five days before the meeting. Investment Managers may be asked to meet with the Board more frequently if special circumstances require it.

C. Proxy Voting

The Board requires that Investment Managers exercise authority with regard to proxy voting, acting solely in the interest of and for the exclusive purpose of providing benefits to participants and beneficiaries, and always acting in the best interests of participants and beneficiaries. With regard to corporate governance, proxy votes should be against proposals to limit or eliminate liability for violation of duty of care and to indemnify directors in instances of gross negligence.

The annual report on proxy voting covered under the previous section shall include:

- summation of all votes cast,
- affirmation that all stock holdings with votes due were voted,
- description of proposed changes in proxy voting policies,
- confirmation that all votes cast were consistent with policy, and
- explanation of any violation of the previous requirements.

D. Cost Management

1. Turnover

The Board acknowledges that turnover has costs and is a consideration in manager selection and retention.

2. Broker Relations

The investment manager is free to execute trades whenever it is in the best interests of the Plan, and will have the discretion to execute transactions with brokerage firms of his or her choosing.

- The selection of a broker should be based on the quality of executions. Factors affecting the quality of executions include the financial health of the brokerage firm, the business integrity of the brokerage firm, commission costs and overall efficiency.

- Commission dollars are a Plan asset and should not be used for purposes other than those that directly benefit Plan participants. The investment manager is required to provide reports and descriptions of all soft dollar arrangements involving the use of commission dollars to acquire resources of any type.

V. Execution of Investment Policy

IN WITNESS WHEREOF, this document has been approved and executed by the undersigned on this 13th day of June, 2013.

Date: 9/4/13 By: ____________________

Tom Gates, Chairman Supplemental Retirement Board
City of Alexandria
Deputy City Manager

Date: ______________ By: ____________________

Laura Triggs, CPA
City of Alexandria
CFO, Director of Finance

ADDENDUM 1
TO THE INVESTMENT POLICY STATEMENT
OF THE CITY OF ALEXANDRIA
SUPPLEMENTAL RETIREMENT PLAN
ASSET ALLOCATION
ADOPTED NOVEMBER 2009
REVISED OCTOBER 2011
REVISED FEBRUARY 2013
LATEST REVISION APRIL 2013

This Addendum formally recognizes action taken by the Plan Administrator of the City of Alexandria Supplemental Retirement Plan to establish an asset allocation. On November 19, 2009, the Board approved the target allocations to timber, real estate, and private equity and set the allocations that follow; the Benchmark has not yet been added:

A. Asset Allocation

<table>
<tr><th colspan="2">Asset Class</th><th>Sector</th><th>Target</th><th>Range</th><th>Benchmark</th></tr>
<tr><td colspan="2">Domestic Equity</td><td>Large Cap Value</td><td>10%</td><td>± 2%</td><td>Russell 1000 Value</td></tr>
<tr><td colspan="2">Domestic Equity</td><td>Large Cap Growth</td><td>10%</td><td>± 2%</td><td>Russell 1000 Growth</td></tr>
<tr><td colspan="2">Domestic Equity</td><td>Mid Cap Core</td><td rowspan="2">15%</td><td>± 3%</td><td>Russell Midcap</td></tr>
<tr><td colspan="2">Private Equity*</td><td>Secondary</td><td>N.M.F.</td><td>Cambridge U.S. Private Equity Index</td></tr>
<tr><td colspan="2">Domestic Equity</td><td>Small Cap Core</td><td>13%</td><td>± 3%</td><td>Russell 2000</td></tr>
<tr><td colspan="2">International Equity</td><td>Developed Markets</td><td>10%</td><td>± 2%</td><td>MSCI EAFE</td></tr>
<tr><td colspan="2">International Equity</td><td>Emerging Markets</td><td>10%</td><td>± 2%</td><td>MSCI Emerging Markets</td></tr>
<tr><td rowspan="4">Income Component</td><td>Domestic Fixed Income</td><td>Fixed Income 20%</td><td rowspan="4">32%</td><td>± 3%</td><td>Barclays Aggregate Index</td></tr>
<tr><td rowspan="3">Real Assets</td><td>Timber 5%**</td><td>N.M.F.</td><td>NCREIF Timber</td></tr>
<tr><td>Farmland 2%</td><td>Full Discretion</td><td>T.B.D.</td></tr>
<tr><td>Real Estate 5%</td><td>Full Discretion</td><td>NCRIEF Property Index</td></tr>
</table>

* Until commitments are called funds will remain in the mid cap allocation of plan assets.
** Until commitments are called funds will remain in the fixed income allocation.

B. Rebalancing Policy

The purpose of rebalancing is to maintain an actual allocation that is close to the policy allocation. The staff is directed to manage cash flows into and out of the plan in a manner to achieve that goal. Rebalancing may be initiated whenever the Administrator deems it appropriate. Rebalancing is required when any asset class sector or category falls outside the ranges listed above.

Rebalancing may be initiated by the Board. Staff may initiate rebalancing when an allocation's weighting deviates from the target by more than the permitted range. All instructions to Comerica require two signers: 1) Director of Finance, and 2) CIO. The one exception is wire transfers for capital calls for private equity or timber require one signature and a copy of the capital call letter.

Private Equity has unpredictable cash flows making effective rebalancing quite difficult and the results ephemeral. Private Equity funding will largely come from, and distributions go to, the Mid Cap allocation. Significant profits would be distributed amongst all allocations. Significant losses would call for rebalancing from other allocations to Midcap. The target allocation for the total of Midcap and Private Equity is 15% of the fund.

Real Assets, which include Timber, Farmland and Real Estate, have unpredictable cash flows making effective rebalancing quite difficult and the results ephemeral. Real Asset funding will largely come from, and distributions go to, the Fixed Income allocation. Significant profits would be distributed amongst all allocations. Significant losses would call for rebalancing from other allocations to Fixed Income. The Income Component is composed of fixed income and real assets. The target allocation for the Income Component is 32%.

Most assets will have readily available market values; however Private Equity will not. In evaluating allocations, rebalancing calculations may be based on lagged market values or cost basis.

C. Staff Responsibilities

Staff shall periodically monitor asset allocation and report to the Board when allocations are no longer within range of the target allocation.

1. Valuation is an extremely important component of asset allocation and hence of rebalancing. Staff will periodically provide this information to the Board.

2. Staff will regularly place rebalancing on the meeting agenda.

3. Staff will direct contributions to the fund, and withdrawals from the fund, to facilitate rebalancing.

4. If an allocation is not within range of its target staff is obliged to rebalance. Exceptions include:
    a. Specific direction from the Board is provided in advance.

   b. A Plan review with the Investment Consultant is scheduled within seven days.

5. Monitor vendor performance and vendor contracts for extension or expiration and renewing the RFP process.

Rebalancing is typically done to the target. However, staff may rebalance to any allocation that is closer to the target.