City of Austin Employees’ Retirement System
Board Approved Policy

Subject: Investment Policy Statement

Review Committee: Investment Committee

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Signature of Chair: Eyna Canales-Zarate
Investment Policy Statement (IPS)

for

City of Austin Employees’ Retirement System (COAERS)

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Investment Policy Statement (IPS) 

for 

City of Austin Employees’ Retirement System (COAERS) 

I. STATEMENT OF POLICY

Purpose and Scope

This document is the official Investment Policy of the City of Austin Employees’ Retirement System (the “System”). The policies in this document (the “Policy”) have been adopted by the Board of Trustees of the System (the “Board”) to establish the objectives and policies of the System’s investment program. This document also articulates the policies and guidelines and procedures that are employed in the day-to-day management of System assets by Staff. No responsible party shall deviate from the terms and requirements of this policy without the prior authorization of the Board. Specific guidelines for the implementation of this policy, including contracting terms and the mandate details for each strategy/manager, are set forth in the Investment Implementation Policy, which is incorporated into and made a part of this policy by reference.

Investment Goals

The sole purpose of the Fund is to accumulate the financial reserves necessary to provide benefits to eligible members of the City of Austin Employees’ Retirement System and their beneficiaries. To achieve this outcome consistently and sustainably, the Fund will be structured and managed to maximize, net of all fees and expenses, the probability of:

1. Achieving a long-term, annualized nominal rate of return that:
   • Meets or exceeds the assumed actuarial rate of return for the System;
   • Ranks in the top quartile of peer comparisons consistently;

2. Achieving a long-term, risk-adjusted relative rate of return that:
   • Meets or exceeds the Passive Index (i.e. the Reference Portfolio); and
   • Meets or exceeds the Policy Index (i.e. the Strategic Benchmark).

3. Achieving these strategic objectives via fiduciary best practices that:
   • Ensure proper diversification of asset classes and factor exposures;
   • Maintain appropriate long-term risk and return expectations; and
   • Adapt the asset allocation to changing market conditions.

The Board, with consultation, advice and assistance from the System’s Staff and Investment Consultant, will use the Fund’s strategic asset allocation and its effective implementation as the primary tools to achieve these goals. A primary emphasis of the investment management of the Fund is consistency of growth by seeking to avoid both the permanent impairment of capital and the risk of inadequate long-term returns. Taxes shall not be a consideration except that the System’s tax exempt status should be preserved.
**Investment Beliefs**

The Fund is a permanent entity with long-lived liabilities and, as such, it should strive to be a thoughtful, analytical, and patient investor that is focused on achieving successful outcomes.

Clear governance and decision-making structures that promote decisiveness, simplicity, efficiency and accountability are effective and add value to the Fund.

Strategic asset allocation is the most critical aspect of the investment process, with the level of risk assumed by the Fund driven primarily by its allocation to equity investments.

To the extent possible, investment decision-making should be driven by data and analysis, including the findings of relevant research on financial markets and investment management.

The Fund should seek to be well compensated for the investment risks it chooses to bear, risks that should be articulated at the time of investment and revisited regularly.

Diversification across asset classes and risk factors is integral to the Fund’s design and, as a result, investments that may improve the risk/return profile of the fund will be considered.

Equities are the most prudent investment vehicle for long-term growth of real values, and the associated drawdown risk should be carefully managed in light of the Fund’s liabilities.

Costs can significantly reduce net returns and therefore must be carefully measured and managed when making decisions regarding investment strategy and implementation.

Implementation should occur passively and in public markets unless a high likelihood of success on a risk-adjusted, net-of-fees basis can be expected from other approaches.

**Interpretation, Review and Revision**

It is intended that this policy and all addenda hereto, be construed and administered such that they comply with all applicable federal and state laws and regulations, as such may be amended from time to time to reflect best practices for prudent investors.

The Executive Director is authorized to approve variances from the policies set forth herein in furtherance of such compliance. The Executive Director is also authorized to update this policy for strictly administrative items subject to approval by the General Counsel. Any variance approved for compliance with law shall be approved by General Counsel, Investment Counsel, or Tax Counsel as appropriate. The Executive Director shall report any such variances or administrative updates to the Board at its next regular meeting via the Investment Committee.

All previous System investment policies and objectives are superseded by this document. The Board will formally review this Policy at least annually to determine whether it remains appropriate in light of the Board’s investment philosophy and objectives. This document will also be reviewed periodically and updated as necessary to reflect changes in the capital markets and to reflect best industry practices for prudent investors. Any revisions to this document will be promptly supplied to the appropriate parties in written format.
II. INVESTMENT RESPONSIBILITIES

The System’s assets and investments (the “Fund”) are held in trust for the exclusive benefit of its members, beneficiaries, and retirees and may not be diverted under any circumstances. This “exclusive benefit” rule shall be strictly followed when making, implementing and monitoring investment decisions. Specific care should also be taken to structure the System’s investment relationships to maximize alignment while mitigating the conflicts of interest and agency problems that often exist in the financial services industry.

Specific duties and responsibilities are set forth below for the parties that are established to act as fiduciaries regarding the investment program for the Fund in achieving its objectives.

**Board of Trustees**

The Board has the fiduciary duty of overseeing the Fund and the associated investment process. In fulfilling this responsibility, the Board will establish, maintain and require compliance with this Investment Policy and the objectives stated in this document. Within this framework, the Board will select, retain, monitor, and evaluate the Investment Consultant, Investment Managers, Custodian (as defined herein), and other parties to serve the goal that actual results meet the objectives. At its discretion the Board may delegate authority for strategic and operational aspects of the Fund to Staff, though it may not delegate overall responsibility for the program.

The Investment Committee is chartered to assist the Board of Trustees in fulfilling its fiduciary oversight responsibility for the investment assets of the System. Duties of the Investment Committee may include, but are not limited to:

- formulating and recommending to the Board the overall investment policies of the System,
- establishing and recommending to the Board investment guidelines in furtherance of those policies, all of which shall be subject to approval by the Board,
- monitoring management of the Fund for compliance with relevant investment policies and guidelines, and
- monitoring investment performance relative to the strategic objectives and compliance with relevant investment risk guidelines set forth in policy.

**Professional Staff**

The Executive Director, the Chief Investment Officer, the Chief Financial Officer, and other Investment Staff will constitute the System’s Professional Staff (“Staff”). Staff is responsible for rendering to the Board objective, competent, professional investment advice that is free from conflicts of interest. Staff will make recommendations to the Board regarding the Fund and will be responsible for implementing both Board decisions and applicable portions of this Investment Policy.

**Executive Director**

The Executive Director is appointed by the Board to manage and administer the System and its assets under the supervision and direction of the Board, and in accordance with applicable
state and federal laws. In carrying out these responsibilities, the Executive Director has fiduciary responsibilities delegated by the Board under applicable law and is authorized to exercise his or her best judgment and discretion in planning, organizing, and administering the operations and investments of the System and ensuring that internal controls are in place to safeguard System assets. The Executive Director is hereby authorized by the Board to exercise his or her fiduciary responsibilities to take such action(s) as are necessary or appropriate to protect the assets of the System using his or her best judgment and discretion, based on advice of the Chief Investment Officer and Consultant(s), and as practicable and appropriate, reviewed by General Counsel, Investment Counsel, and/or Board Chair. The Executive Director is also responsible for informing the Board of any such action taken or other situation involving the investment program that merit its attention.

The Executive Director will establish procedures and controls for efficient implementation of investment programs by Investment Staff. The Executive Director may delegate to another COAERS employee any right, power or duty assigned to the Executive Director in this policy. Such delegation may include, but not be limited to, the Executive Director’s delegation to the Chief Investment Officer to supervise and oversee the performance of any responsibilities delegated to COAERS Investment Staff set forth in this policy, provided that the Executive Director shall be responsible for the supervision and oversight of the employee to whom such right, power, or duty is assigned.

**Investment Division Staff**

Investment Staff is authorized by the Board to provide professional investment analysis and support, exercising reasonable care consistent with COAERS’ fiduciary duty, and to maintain the integrity of the investment program. Responsibilities of Staff include investment analysis and research; asset allocation recommendations; risk management; rebalancing; and analysis of trade costs. Investment Staff are responsible for risk management and support the investment program at the strategic and operational levels through the establishment of appropriate policies and procedures. Investment Staff are also responsible for implementation and maintenance of analytical tools to measure and monitor risk as further described in this policy and internal procedures. Investment Staff will also advise regarding the development of this policy and its implementation, and provide assistance in selection and monitoring of all Managers, Consultants, and Custodians.

**Chief Investment Officer**

The Chief Investment Officer (CIO) is part of the Investment Staff and directs the COAERS investment program consistent with Board-adopted investment goals and objectives, this policy and the Investment Implementation Policy, and within applicable state and federal laws. The CIO works with the Executive Director to ensure that adequate resources are available to implement the Board’s investment policies, including custody relationships, internal procedures, qualified investment staff, and analytical and risk management tools, subject to the budget approval process. The CIO works closely with non-CIO Investment Staff and the Investment Consultant(s) to ensure that policies and procedures provide adequate controls to protect the integrity of the investment program, and oversees all investment processes including the selection and due diligence oversight of Managers.
Any reference to COAERS Investment Staff responsibilities in this policy, including any addendum to this policy, should be construed to mean that the Chief Investment Officer has supervisory and oversight authority of such delegated responsibilities.

**Non-CIO Investment Staff**

The non-CIO Investment Staff report to the CIO and are primarily responsible for the daily operation and implementation of the investment program. Investment Staff members work with the CIO and Consultant(s) to advise the Board on investment policy and management issues. Such issues may include without limitation, the development of investment goals and objectives, investment policies and strategies, investment risk management policies, asset allocation decisions, the hiring or termination of Managers, the establishment of investment performance benchmarks, and the development of investment management guidelines and restrictions.

**Finance Division Staff**

Finance Staff is independent of the Investment Staff and serves as the record keeper for the investment program. The Chief Financial Officer (CFO) directs the Finance Division Staff and is primarily responsible for cash management as outlined in this policy, including the monitoring of liquidity requirements to meet benefit payments. Finance Staff is also responsible for ensuring the timely payment of manager fees and tracking these fees for budgeting purposes.

**Investment Consultant(s)**

The Board may obtain the services of one or more qualified firms or individuals to assist and advise the Board and Staff regarding the structure, strategy, management, and investment of the Fund (a “General Investment Consultant”). The duty of a General Investment Consultant is to render objective, competent, professional advice and assistance that is free from conflicts of interest and to work with the Board and Staff regarding the investment process. This responsibility includes meeting regularly with the Board to provide perspective on the Fund’s goals, strategy, structure, and risk as well as the progress toward fulfilling the Fund’s long-term objectives.

A General Investment Consultant will advise, consult and work with the Board and Staff to develop and maintain a well-diversified portfolio of investments for the Fund. Fund allocation and performance will be reviewed regularly and recommendations will be made as appropriate. A General Investment Consultant will assist the Board and Staff in manager selection and monitoring as needed, including informing the Board promptly of material changes to portfolio investments. Within this process, a General Investment Consultant assumes fiduciary responsibility for advice given regarding the management of the investment process. A General Investment Consultant will perform its duties and obligations in conformance with generally accepted industry standards and its contract with the System.

The Board may also hire one or more qualified firms or individuals to assist and advise the Board and Staff regarding specialized mandates such as selection of managers and/or investments (a “Specialized Consultant”). For example, should the Board consider making
direct investments, it may obtain the services of one or more qualified firms or individuals to assist and advise the Board and Staff regarding the selection of specific investments (a “Direct Investments Consultant”). Within this context direct investments are defined for the purpose of this policy as investments that are not invested or managed by an investment manager appointed by the Board pursuant to Section 802.204, Texas Government Code.

The Specialized Consultants are hired by, and report to, the Board to assist in the management of the portfolio. The Specialized Consultants provide advice to the Board on specific asset class policies, recommends pacing commitments, Manager selection and terminations, Manager guidelines and restrictions, participates in the due diligence process and ongoing monitoring of Managers including policy compliance, provides analysis of investment performance, and provides advice on other investment-related issues. The Specialized Consultants work closely with Staff in all aspects of the investment portfolio.

It is imperative that Consultants have the independence and ability to inform the Board in the event of any concerns related to investment activity. If any Consultant learns of a material issue regarding deviation from prudence, objectivity, policy or parameter adherence or any other matter of concern involving the investment program, the Consultant has a duty to express that concern in writing to the Executive Director and CIO while also recommending any action to be taken as deemed necessary. The Consultant shall also contact the Board if it concludes that further immediate action is required and is beyond the authority granted to the Executive Director or Investment Staff. In any event, all such material matters will be reported to the Board at its next regularly scheduled meeting.

**Investment Managers**

Except for direct investments, investments for the Fund shall be made and managed by one or more investment managers (“Managers”) who meet the requirements of Sections 802.203(d) and 802.204, Texas Government Code. Managers will construct and manage a portfolio of investments (the “Portfolio”) consistent with the investment philosophy and strategy they are hired to implement in compliance with this policy and/or any agreement(s) they execute with the System. The Board’s Investment Implementation Policy sets out specific processes and procedures with respect to manager selection, contracting, monitoring, and retention.

**Custodian(s)**

Custodian bank(s) (“Custodian” or “Custodians”) will maintain custody of the cash, securities, commingled funds and other investments of the Fund. Custodians will be responsible for safekeeping, clearing and settling securities as appropriate for the accounts they are assigned. The Custodian(s) will regularly value, list and summarize these holdings for review by the Board, Staff and Consultant. In addition, a bank or trust depository arrangement with the Custodian may be utilized to invest cash in liquid, interest-bearing instruments.

A Master Custodian will be designated to accurately record all transactions affecting the Fund. The audited entries from the Master Custodian shall constitute the official book of record for the Fund. All Custodians will be directed to provide timely and accurate information to the Master Custodian.
III. FIDUCIARY CONDUCT

An investment fiduciary includes, but is not limited to, a person who exercises discretionary authority or control in the investment of the assets of the System or who renders, for a fee, advice for the System. The term investment fiduciary includes, but is not limited to the members of the Board, the General Counsel of the System, the System’s Staff, Investment Consultant(s), Managers, and the Custodian.

An investment fiduciary shall discharge his or her duties exclusively in the interest of the participants in the System and their beneficiaries and shall:

1. Act 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 those matters would use in the conduct of a similar enterprise with similar aims;

2. Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered;

3. Act in accordance with this Policy and ensure that the Fund is invested in a manner consistent with this Policy;

4. Make investments for the sole purpose of providing benefits to participants and participants’ beneficiaries, and of defraying reasonable expenses of supervising, safeguarding, and investing the assets of the System; and

5. Give appropriate consideration to those facts and circumstances that an investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role which the investment or investment course of action plays in that portion of the investments for which an investment fiduciary has responsibility. For purposes of this subdivision, “appropriate consideration” shall include, but is not necessarily limited to, a determination by an investment fiduciary that a particular investment or investment course of action is reasonably designed, as part of the investments of the System, to further the purposes of the System, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action. Trustees shall give consideration of the following factors as they relate to System’s investment strategy:

   (a) the diversification of the investments of the System;
   (b) the liquidity and income profile of the investments of the System relative to the anticipated cash requirements of the System; and
   (c) the projected return of the investments of the System relative to the funding objectives of the System.

Every investment will be subject to thorough due diligence, which shall be conducted by Staff with assistance from the Investment Consultant and reviewed by the Investment Committee. Notwithstanding the performance of such due diligence, the determination of whether prudence has been exercised with respect to an investment decision shall be made by taking into consideration the investment of all the assets of the Trust or all the assets of the collective investment vehicle, as applicable, over which the Board has management and control, rather
than considering the prudence of a single investment of the Trust or collective investment vehicle, as applicable.

In adopting this policy, the Board requires all Trustees and Staff involved in the investment of Fund assets to make all investment decisions in the best interest of the System and to abide by the COAERS Ethics Policy. This policy states that no covered person may solicit, accept, or agree to accept any gifts, personal benefits, or personal favors offered to them because of their position with COAERS. Within this context, the acceptance by Staff of invitations to seminars, conferences, receptions and business meals when (1) such event has a presentation or discussion of topics pertinent to the investment of Fund assets or relates to the official duties of the individual and (2) the sponsor or a representative of the sponsor is present are permitted if not otherwise prohibited by law. This exception also applies to the acceptance of transportation, lodging and meals in connection with conferences, seminars, and advisory committee meetings where the services rendered by Staff are more than merely perfunctory as in accordance with applicable laws. In all cases, Staff should use reasonable care and judgment to not place themselves in a situation that might cause, or be perceived to cause, a loss of independence or objectivity.

IV. ASSET ALLOCATION

Strategic Asset Allocation

The Board, with advice from Staff and Investment Consultant, is responsible for setting the Strategic Asset Allocation (SAA) of the Fund. Asset allocation refers to the distribution of investments among financial instruments sharing certain fundamental and risk-based characteristics. The SAA envisions that the Fund will seek to optimize expected return net of fees versus expected risk over a long-term investment horizon in providing the highest probability of meeting or exceeding the objectives set forth herein.

Since the Fund is designed to benefit current and future generations of beneficiaries, its time horizon is long. More specifically, the Board has established the SAA with a time horizon greater than ten years to meet the System’s investment objectives. In that the benefit obligations of the System must be met on a timely and regular basis, cash flow considerations will generally be given precedence over the liability stream when setting the SAA.

At least every five years (or more frequently if warranted by a material event in either the liability structure of the Fund or the capital markets) the Board will conduct a formal Asset/Liability Study to review asset classes, risk-return assumptions, and correlation of returns with applicable benchmarks and across asset classes. These periodic studies will provide the primary basis for significant changes to the Fund’s strategic asset allocation.

A key objective of the Asset/Liability Study shall be the development, through statistical modeling techniques, of a diversified portfolio that specifies a long-term target position for each asset class and sub-asset class (the “Strategic Target Allocation”) as well as prudent maximum and minimum ranges (“Rebalancing Ranges”) of portfolio exposures around those targets. The long-term target portfolio mix will represent the policy weights on a market value basis that, when implemented by Staff, are expected to meet the Board’s investment
objectives as specified herein. Annual reviews of the adopted SAA shall also be conducted based on updated capital market assumptions and other market-related inputs.

Each asset class is to be benchmarked by an associated index that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the index should serve as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Within each asset class, the Chief Investment Officer, in consultation with the Executive Director, shall adopt portfolio implementation strategies and investment styles to meet the overall investment objective of each asset class. Investment Staff shall report to the Board via the Investment Committee quarterly on the current status and historical performance of these implementation decisions.

**Asset Class Diversification**

Within the broad definition of equities and fixed income for allocation purposes, the Board has found it prudent to diversify within the major asset classes. Each major asset class outlined below provides a distinct and purposeful role within the Fund. The sub-asset class categories within each major asset class and their proportion of the total are shown below. While diversification is prudent, over-diversification can be detrimental to the Fund. Therefore, the Board will not typically consider a sub-asset class for inclusion in the SAA that does not warrant at a target weight of least 4%, with cash being the standing exception.

Based on its most recent determination of the appropriate risk tolerance of the Fund and its long-term return expectations, the Board in consultation with the Staff and Investment Consultant has established the Strategic Target Allocations, Strategic Rebalancing Ranges, and Tactical Rebalancing Ranges as percentages of the Fund’s asset classes and sub-asset classes shown below. These prescribed ranges for the policy weights allow for the fluctuations that are inherent in market values of portfolio investments and to allow for prudent risk management for the Fund.

These rebalancing ranges are established according to the following philosophy and criteria:

- **Tactical Rebalancing Ranges** are calibrated to reflect the diversity of asset mix among peers with second or third quartile allocations as determined by investment consultant data. These ranges aim to delineate the typical operating range of the actual allocation of the Fund under normal market conditions.

- **Strategic Rebalancing Ranges** are calibrated to reflect the diversity of asset mix among peers with first quartile and fourth quartile allocations excluding those peers in the top or bottom five percent as determined by investment consultant data. These ranges aim to delineate the less typical operating range of the actual allocation of the Fund under unusual market conditions.

In all cases the asset allocation shall conform to the prescribed ranges unless otherwise authorized at a regular or called meeting of the Board.
# Asset Class/Sub-Asset Class Policy Weights & Rebalancing Ranges

<table>
<thead>
<tr>
<th>Asset Class/Sub-Asset Class</th>
<th>Min(^S)</th>
<th>Min(^T)</th>
<th>Target</th>
<th>Max(^T)</th>
<th>Max(^S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>45.0%</td>
<td>50.0%</td>
<td>55.0%</td>
<td>60.0%</td>
<td>65.0%</td>
</tr>
<tr>
<td>US Equity</td>
<td>20.0%</td>
<td>27.0%</td>
<td>32.0%</td>
<td>37.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>DM Equity</td>
<td>10.0%</td>
<td>12.5%</td>
<td>15.0%</td>
<td>17.5%</td>
<td>19.0%</td>
</tr>
<tr>
<td>EM Equity</td>
<td>3.0%</td>
<td>5.5%</td>
<td>8.0%</td>
<td>12.5%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>15.0%</td>
<td>17.0%</td>
<td>20.0%</td>
<td>26.0%</td>
<td>32.0%</td>
</tr>
<tr>
<td>US Treasuries</td>
<td>8.0%</td>
<td>10.0%</td>
<td>12.0%</td>
<td>20.0%</td>
<td>24.0%</td>
</tr>
<tr>
<td>US Mortgages</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>6.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>US Credit</td>
<td>1.0%</td>
<td>2.5%</td>
<td>4.0%</td>
<td>7.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>10.0%</td>
<td>11.0%</td>
<td>15.0%</td>
<td>19.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Real Estate Equity</td>
<td>5.0%</td>
<td>7.0%</td>
<td>10.0%</td>
<td>13.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Infrastructure &amp; Other</td>
<td>0.0%</td>
<td>1.0%</td>
<td>5.0%</td>
<td>7.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Multi-Asset</td>
<td>5.0%</td>
<td>7.5%</td>
<td>9.0%</td>
<td>11.5%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Strategic Partnership</td>
<td>2.5%</td>
<td>3.5%</td>
<td>5.0%</td>
<td>7.5%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Asset Allocation</td>
<td>2.5%</td>
<td>3.5%</td>
<td>4.0%</td>
<td>6.5%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>-10.0%</td>
<td>-5.0%</td>
<td>1.0%</td>
<td>5.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Cash &amp; Equivalents in US Dollars</td>
<td>-10.0%</td>
<td>-5.0%</td>
<td>1.0%</td>
<td>5.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Other currencies</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>1.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

\(^T\): Tactical Rebalancing Range  \(^S\): Strategic Rebalancing Range

## Rebalancing

The goal of rebalancing is to ensure that the long-term investment objectives of the System are achieved by allowing Investment Staff the flexibility to adjust for market movements and to incorporate current market conditions into the asset allocation. The Board has chosen to adopt a rebalancing policy that allows Investment Staff to rebalance the portfolio between major asset classes as well as within the sub-asset classes, a framework that is governed by the Board approved ranges rather than fixed time periods. These ranges are specified in the table above and are a function of the volatility of each asset class and sub-asset class relative to the proportion of the total fund allocated to the asset class.

The Strategic Rebalancing Ranges serve to establish the outer bounds for the allocation of the Fund and to allow for flexibility during times of market stress or dislocation. The Tactical Rebalancing Ranges allow for routine fluctuations that are inherent in market values of portfolio investments and establish Board approved parameters for management of the Fund’s risk exposures by Staff.

Staff is authorized to effect rebalancing under any of the following three conditions:
• **Market drift:** Market movements and cash draws for benefit payments may cause the current asset allocation to drift away from the strategic target and potentially beyond the prescribed ranges above.

  o When a month end report shows that the asset allocation has drifted outside the Strategic Rebalancing Ranges at either the asset class or sub-asset class level, rebalancing shall be effected to increase the allocation to the midpoint of the Strategic Minimum and the Tactical Minimum (if the allocation has fallen below the Strategic Minimum) or to reduce the allocation to the midpoint of the Strategic Maximum and the Tactical Maximum (if the allocation has increased above the Strategic Maximum) by the end of the next month.

  o When two consecutive month end reports show that the asset allocation has drifted from within to outside the Tactical Rebalancing Ranges at either the asset class or sub-asset class level, rebalancing shall be effected to increase the allocation to the Tactical Minimum (if the allocation has fallen below the prescribed minimum) or to reduce the allocation to the Tactical Maximum (if the allocation has increased above the prescribed maximum) by the end of the next month unless a temporary deviation until the next Investment Committee meeting is granted in writing by the Executive Director.

  o Any rebalancing under this provision shall be carried out by Investment Staff after prior notification to the Executive Director and in consultation with the Investment Consultant.

• **Risk management:** Changing market conditions may cause the near-term risk/return characteristics of one or more asset classes or sub-asset classes to diverge from its long-term absolute fundamentals or from its peers on a relative basis. In such cases, a deviation from policy target weights may be desirable to improve the risk-return profile of the Fund overall.

  When the analytical framework employed by Investment Staff, which for the purposes of this policy shall be referred to as the Investment Risk Framework (IRF), leads to a determination that such a deviation is likely to be advantageous, Staff is authorized to rebalance the Fund within the Tactical Rebalancing ranges for both asset class and sub-asset classes. Such rebalancing authority under this provision shall be distinct from any authority to reallocate between managers granted by this policy or the IIP.

  The IRF, including its underlying philosophy and key inputs, will be approved by the Board prior to deployment and its outputs reported at regular meetings of the Investment Committee and more frequently if market conditions warrant. The Executive Director shall be responsible for ensuring that any rebalancing undertaken under this condition is based on the consistent application of the IRF.

  Rebalancing activities under this condition shall result in an asset allocation that falls within the Tactical Rebalancing ranges and conforms to the risk guidelines set forth
elsewhere in this Policy unless otherwise authorized by a regular or called meeting of the Board.

- **Phased transition:** During times of phased transition to a new SAA, interim rebalancing targets and procedures may be chosen until the implementation of the new allocation can be prudently completed. In addition, Staff and Consultant may each recommend to the Board temporary deviations from these target weights if it is believed that doing so can be reasonably expected to further the investment objectives set forth in this Policy or to more effectively implement the program. During the transition towards the Strategic Target Allocation, certain asset classes may exceed prescribed limits and will serve as either a funding source for new strategies or portfolios, or as a proxy pending implementation of certain allocations.

Investment Staff is responsible for developing and overseeing all portfolio rebalancing activities, and is authorized to carry out these activities in accordance with this section. All rebalancing activities permitted by this section must be authorized by the Executive Director in writing to the custodial bank. In all cases the potential benefits of rebalancing must be weighed against the costs, including explicit transaction costs such as commissions and market impact as well as opportunity costs such as Staff time and focus. The Investment Staff will report the results of rebalancing activity to the Executive Director and Investment Consultant upon completion of the rebalance. The Board shall be notified of any such changes (1) by email within one business day of initiating the rebalancing with the Custodian and/or Manager(s) and (2) in writing at the next regular meeting of the Investment Committee.

**Cash Management**

As a mature pension plan, cash disbursements of the System are expected to exceed cash receipts for the medium term. As such, sufficient funds must be made available for transfer from the System’s investments to cover the operating fund needs of the System. Annually, Staff will project the cash flow needs of the System based on the amount budgeted for administrative expenses and projected benefit payments, including retiree payroll. Cash draws should generally be made from asset classes and individual portfolios that are overweight relative to their strategic target, with those funds then transferred to the System’s cash account at the Custodian Bank. A standing direction may be issued for monthly transfers from managed investments to address projected cash flow needs.

Each month, the Chief Financial Officer will review the anticipated disbursements, and will compare the disbursement requirements to funds available at the Operating Bank. A recommendation of the amount of cash draw required from the Custodian Bank will be made to the Executive Director, who will authorize the Custodian Bank to transfer the required funds to the Operating Bank on a specified date. Each quarter Staff will provide to the Board via the Investment Committee a report detailing all cash movements from the prior quarter that are related to investment program operations.

V. INVESTMENT RISK MANAGEMENT

**Purpose and Scope**

The Board recognizes that bearing prudent levels of compensated investment risk is critical in meeting the Fund’s long-term return objectives, which are in turn essential to the
sustainable provision of adequate benefits. Indeed, while risk is typically defined in terms of market volatility or potential for loss, risk for the System is also defined more broadly to include the probability of not meeting its primary investment objective, which is to enable the provision of promised benefits in perpetuity. To this end, the Investment Risk Management effort seeks (1) to identify the key sources of uncertainty with the greatest potential impact on Fund performance, (2) to identify potential regime changes in market conditions that could have significant impact on the long-term performance of the Fund (such as economic growth and inflation) or affect the appropriateness of its asset allocation, and (3) to measure, monitor and manage those risks in view of the level of compensation that has been realized and is expected for bearing those risks.

Types of Investment Risk

The Board takes several steps throughout the investment process to identify, measure, and report on investment risk at a variety of different levels. The key risks that are identified and detailed in the internal procedures of the Investment Staff include:

- **Strategic Risk:** Strategic risk is the risk of pursuing an inferior investment strategy due to lack of clarity in investment beliefs, objectives and/or risk tolerance. To the extent any of these decision components change, the Strategic Asset Allocation may no longer be appropriate and may require review. To ensure that the Strategic Asset Allocation remains appropriate:
  
  o A formal pension financial (asset/liability) study will be conducted at least every five years, or whenever there have been material changes to the contribution or benefit policy.
  
  o A formal asset allocation study will be conducted at least every three years to verify or amend the targets.
  
  o The Strategic Asset Allocation will be reviewed at least annually for reasonableness relative to significant economic and market changes and to changes in the Board’s long-term goals and objectives.

- **Asset Allocation Risk:** the Board sets the Strategic Target Allocations and Rebalancing Ranges for the Fund as part of the SAA process in support of its goal of establishing an investment program that will allow the System to meet its long-term liabilities through investment returns as well as contributions. The Board via the Investment Committee will monitor the asset allocation relative to targets and ranges set forth elsewhere in this Policy at least quarterly.

- **Implementation Risk:** Implementation Risk is the risk of losses or unmet expectations due to either poorly designed investment guidelines or Managers not delivering on the expectations that are embedded in well-designed guidelines. These risks are managed through proper and timely initial and ongoing due diligence programs, portfolio oversight and monitoring, and a willingness to make timely changes when appropriate.

- **Liquidity Risk:** the Board acknowledges that sufficient liquidity must be maintained to meet benefit payment obligations. The allocation to highly liquid investments will be monitored on a quarterly basis, as will the Fund’s anticipated contributions, benefit payments, and any capital calls or other investment commitments. Liquid investments
may be used to meet short-term cash needs and due consideration will be given to transaction costs when raising cash to meet benefit payments and other commitments.

- **Active Risk (Tracking Error or Relative Risk):** Active Risk refers to the amount of risk in the portfolio that is attributable to the management decisions made by its fiduciaries. A common measure of active risk is commonly called tracking error, which can be best estimated within liquid portfolios of stocks and tradable income securities. The risk budgeting framework defines the Board’s tolerance for tracking error at the total Fund level and provides a transparent and measurable methodology for allocating risk to any actively managed portfolios in attempting to outperform their assigned benchmark. The Fund will have a target active risk level as well as a normal range, and any deviation from active risk ranges will be brought to the Board for ratification along with the justification and recommended remedy. Tracking error budgets relative to the passive benchmarks assigned within the Policy Index are established for the total Fund and its actively managed public market portfolios as follows:

<table>
<thead>
<tr>
<th></th>
<th>Neutral</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund</td>
<td>150 bps</td>
<td>300 bps</td>
</tr>
<tr>
<td>US Equity</td>
<td>200 bps</td>
<td>500 bps</td>
</tr>
<tr>
<td>Developed Market Equity</td>
<td>400 bps</td>
<td>700 bps</td>
</tr>
<tr>
<td>Emerging Market Equity</td>
<td>500 bps</td>
<td>800 bps</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>150 bps</td>
<td>300 bps</td>
</tr>
<tr>
<td>Real Estate</td>
<td>350 bps</td>
<td>500 bps</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>350 bps</td>
<td>500 bps</td>
</tr>
<tr>
<td>Strategic Partnership</td>
<td>300 bps</td>
<td>600 bps</td>
</tr>
<tr>
<td>Asset Allocation</td>
<td>300 bps</td>
<td>600 bps</td>
</tr>
</tbody>
</table>

These figures shall be measured on both a realized and prospective basis using rolling three and five year horizons. To ensure that this Risk Budget continues to be appropriate it will be reviewed at least annually concurrent with the Strategic Asset Allocation review and formal asset allocation study. A more in-depth study will be done at least every five years and coincide with the formal Asset/Liability Study.

- **Currency Risk:** to the extent that the Fund invests extensively in international markets, a negative currency return may result from adverse movements in foreign exchange rates. Over long periods of time, currency movements are not expected to add significant returns to the portfolio but may add to its volatility. As such, the Board may authorize Staff to hedge this risk or seek return from this risk by employing active currency management. The fund utilizes unhedged benchmarks and does not require its Managers to hedge the currency exposure in their portfolios.

- **Leverage Risk:** Leverage is an exposure to an asset class that is not fully collateralized by cash or an exposure to an asset that has been acquired without being fully funded. There are two primary types of leverage: financial leverage and economic leverage. Leverage by itself does not necessarily create additional market risk or variation in market returns, and can in fact help deliver greater diversification and better risk-adjusted returns than an unlevered but concentrated portfolio.
The Fund has exposure to leverage through different structures and vehicles and that leverage is inherent in some investment strategies as a means to achieve their target market exposures. While leverage is not prohibited, it will be monitored and in portfolios where derivatives or other forms of leverage are employed (such as in Real Estate and Infrastructure) and also at the Fund level.

- **Statutory Risk:** the Board will track compliance with any and all statutes or laws related to the investment program.

- **Solvency Risk:** trends that could serve to erode the long-term funded status of the System (such as low investment returns, weak global growth, and poor demographics) are to be identified, considered and evaluated on a regular basis.

Given the System’s purpose, liquidity requirements, and predictability of contributions, the Board elects to assume levels of absolute risk (i.e. a standard deviation of monthly returns over three or more years) that rank in the second or third quartile of its comparable peers in pursuing the investment program. Based on its absolute return objective, the Fund’s long-term expected volatility (i.e. absolute risk) is approximately 10%-12%.

**Risk Constraints**

For the purposes of the risk management program, investment activities are subject to the following strategic constraints:

- **Diversification.** The assets of the Fund will be broadly diversified in order to minimize the risk of large losses from individual investments. The Fund will have beneficial ownership (as determined pursuant to Rule 13d-3 of the Securities Exchange Act of 1934) of no more than:
  
  - 3% of its assets at market value in the securities of any one corporation;
  - 5% of any class of voting securities of any one public corporation; and
  - 20% of a single commingled investment vehicle, based on market values, except as explicitly approved by the Board as a seed investment.

- **Counterparty Requirements.** Counterparty creditworthiness will be monitored closely and the following restrictions shall apply:
  
  - The Custodian(s) shall maintain a credit quality rating of at least A+ or equivalent;
  - Futures Commission Merchants shall maintain a credit quality rating of at least A+ or equivalent;
  - Broker/dealers shall be selected by Investment Managers in accordance with their internal trading policies as reviewed during the due diligence process. Credit quality ratings criteria should be met on both a long-term and short-term basis as rated by two nationally recognized rating services organizations (NRSROs) such as Moody’s, S&P, and Fitch.

- **Leverage.** In addition to gross notional exposure, net exposure levels will be monitored at the asset class level and at the Fund level. Financial leverage is restricted at the Fund
level to risk management purposes as described further in this section. Financial leverage is permitted under this policy as a result of the following permissible activities:

- Derivative overlay strategies used to implement the strategic asset allocation;
- Derivative overlay strategies used to implement foreign exchange hedging;
- Embedded leverage within commingled fund structures; and
- Collateralized fundings including securities lending activities.

**Derivative Instruments.** The only authorized uses of derivative instruments are (1) to efficiently manage portfolios and risk and (2) to implement investment strategies authorized by this policy more effectively and at a lower cost. The following derivative instruments are allowable, subject to the constraints listed below: futures, forwards, structured notes, and options. At the Fund level, purchases or short sales, or both, of appropriate derivatives may be used to:

- Manage the total Fund more efficiently by altering its market (systematic) exposure in lieu of trading the underlying cash market securities;
- Hedge and control risks so that the risk-return profile of the total Fund is more closely aligned with its target risk-return profile; and
- Facilitate transition trading when rebalancing or reallocating among permissible investments as a result of policy changes.

Managers may only engage in derivatives transactions that are consistent with their investment guidelines as well as applicable laws and regulations. Specifically, these instruments may be used for constructing portfolios with risk and return characteristics that could not be created with cash market securities consistently with the objectives in this policy and in compliance with applicable law;

**Securities Lending:** The Board may select a(n) Securities Lending Agent(s) to lend eligible securities in order to generate incremental income from term loans of securities. Any such program shall not inhibit the trading activities of Managers and should not run counter to the investment strategy of the Fund overall. The agent(s) or its parent organization must:

- be experienced in the operation of a fully secured securities lending program;
- indemnify the System against any loss resulting from borrower default or from its own failure to properly execute its responsibilities under the lending agreement;
- maintain a SSAE16 or ISAE 3402 report reflecting appropriate risk controls;
- maintain a rating of at least “A” by two NRSROs; and
- maintain Tier 1 and Total Capital Ratios of at least 7% and 10%, respectively.

The agent(s) shall have full discretion over the selection of borrowers and shall continually review credit worthiness of potential borrowers through adequate analysis of all relevant information. The agent must act as a fiduciary in the management of the COAERS account and manage the market risk of the reinvestment of cash collateral through careful monitoring and consideration of the maturity structure of the reinvested cash collateral relative to the System’s outstanding loans.

The securities lending program shall utilize a high-quality and reasonably conservative cash collateral re-investment program that safeguards the return of principal and
maintains adequate daily liquidity to support trade settlement activity and portfolio restructuring activities. Cash collateral or US Government securities must be received by the Securities Lending Agent, and should be held in a fully-paid segregated account invested according to approved guidelines described below:

- All loans shall be fully collateralized with cash, government securities or irrevocable bank letters of credit. Collateralization of such loans shall be at least 102% domestic/105% international of the market value of the loaned securities plus accrued income for U.S. and non-U.S. loans, respectively. Such collateralization procedures should be marked-to-market daily by the agent.

- The securities lending agent must have written/internal guidelines for the investment of cash collateral, which shall be reviewed and incorporated into the System’s agreement with the securities lending agent. A copy of the agent’s cash collateral investment policy shall be sent to the System at least annually and any other time a material change is made to the document.

- Income earned from securities lending in separate accounts will be deposited monthly in an account specified by Staff and invested in short-term instruments until allocated or used as needed to meet the liquidity requirements of the System.

- The agent will be responsible for in-depth ongoing credit review of borrowers, independent of the agent’s securities lending decision-makers. Staff may work with the securities lending agent to create and maintain a custom approved borrower list.

Should a violation of these guidelines occur, the Agent will notify Investment Staff within 3 business days who will promptly notify the CIO of the guidelines breach and appropriate steps to remedy the breach (if any), accompanied by a recommendation. However, a breach will not in itself cause the suspension or termination of the lending program.

Cash collateral may also be reinvested through a pooled fund managed by the Securities Lending Agent. Investment Staff shall evaluate and may recommend the use of a commingled pool by considering any liquidity benefits a pooled structure may offer along with its investment objectives, guidelines, restrictions, and strategy. Such analysis will also consider transparency of the investment process and internal controls.

For commingled funds where securities lending is performed by the Manager, Staff is authorized to adjust the allocation between lending and non-lending share classes to manage the risk profile of the program. The Board shall be notified of any such changes (1) by email within one business day of initiating the transaction with the Custodian and/or Manager(s) and (2) in writing at the next regular meeting of the Investment Committee.

- **Securities Litigation**: As a large institutional investor, the Fund frequently holds securities that are the subject of individual and class action securities litigation. It shall be the Custodian’s responsibility to monitor all such lawsuits, report to the Executive Director, and file notice of claim as necessary. The Custodian shall notify Managers of any potential or pending legal action.

In its role as a fiduciary, the Board may, with the advice and assistance of the System’s General Counsel, determine that the Fund should pursue litigation where it has been harmed
due to securities fraud or other bad acts. In most cases, the Funds’ interest in securities litigation claims will be adequately addressed solely through participation as a class member, rather than taking a lead plaintiff role in such litigation. In such event, the filing of any claim shall be prepared, processed and managed by the Custodian on behalf of the fund, at the direction and with the oversight and approval of Staff.

In those rare cases it may be determined that the materiality of the financial loss to the Fund is exceptional and/or that the Trustee’s fiduciary obligation requires active participation or separate prosecution of claims. If so, the Executive Director may refer the case to appropriate legal counsel for evaluation and recommendation to the Board.

VI. REPORTING, EVALUATION AND REVIEW

Regular performance evaluation of the Fund by the Board is designed to monitor the effectiveness of the investment process in meeting the long-term objectives of the System. The purpose is to test the continued validity of the associated decisions and to prompt a review of underperformance or excessive risk. All performance measurement should be based on total returns, net of fees, adjusted for risk, as measured over a sufficient time period to reflect the benefits of any active decisions (typically a minimum of three years and preferably over five or more years and/or a full market cycle).

Investment Staff and Consultant, in consultation with the Executive Director, shall provide to the Board via the Investment Committee a written summary of the Fund’s performance each quarter. This report shall include a comparison to performance benchmark objectives as well as the investment performance of other appropriate funds. The Consultant will conduct an in-depth performance attribution analysis, which will quantify the extent to which specific allocations, strategies, and/or managers added or detracted from overall Fund performance.

**Strategic Objectives**

The central strategic criteria for Fund performance will be the ability of the Fund’s returns to fully fund the liabilities of the System over time. That is, the investment program overall should be oriented toward the outcome of achieving a long-term, annualized absolute rate of return that meets or exceeds the assumed actuarial rate of return for the System.

On a regular basis (typically quarterly but not less than annually) the Board will review actual investment results achieved and the attribution of those results to determine whether:

- the Fund meets or exceeds its long-term target rates of return;
- the extent to which Fund risk remains controlled in the pursuit of these objectives;
- the Fund’s Strategic Asset Allocation remains reasonable and appropriate in light of the long-term goals of the system (including its funding objectives and projected liabilities) and the prevailing conditions in the capital markets;

These assessments should also regularly consider the potential effects of past realized returns on future expected performance, such as whether high recent returns imply lower returns in the future or vice versa. Investment Staff shall report annually to the Investment Committee on the status and performance of delegated responsibilities including rebalancing, manager selection, and investment views.
Investment Risk

Widely accepted quantitative measures of risk such as volatility (i.e. standard deviation of returns) shall be regularly measured and monitored. The risk management efforts of the program are also to consider other statistical measures of historical and projected absolute risk such as Value-at-Risk (VaR) and maximum drawdown. While acknowledging that investment risk cannot be eliminated but can instead be managed through appropriate diversification, the Board seeks to ensure that investment risks are adequately rewarded over time and that return expectations are consistent with the level of risk expected within the strategic asset allocation. The program should target a Sharpe Ratio of at least 0.5 over the long term to ensure a level of investment efficiency in risk taking that is on par with its best-in-class peers.

Risk monitoring activities should also consider downside risk, which for these purposes is considered to be the permanent impairment of capital. However, since many risk models assume normality of returns and thus often fail to anticipate the severity of drawdowns, it is imperative to monitor the Fund’s downside risk using forward-looking techniques such as scenario analysis and stress testing. These techniques can provide insight into potential future downside risks by utilizing historical market dislocations and potential future events to consider the resulting impacts on the portfolio. As such, these approaches will be incorporated into the Asset/Liability Studies and should also be incorporated into regular reporting where possible.

For actively managed strategies, the investment program should target an Information Ratio of at least 0.5 to ensure that the associated risk is adequately compensated. However, when relying on relative measures of risk such as tracking error, it is critical to note that the tracking error calculation does not distinguish between strategies that increase absolute risk from those that reduce it. As such, relative measures should be evaluated in conjunction with the absolute level of risk borne by that asset class or investment strategy. For example, when an asset class or investment strategy is outperforming its stated benchmark, if it does so with substantially more absolute risk than the benchmark that investment may in some cases be deemed unsuccessful. Likewise, the underperformance of a stated benchmark with substantially less risk may in some cases be deemed a success.

Fund/Asset Class/Sub-Asset Class Performance

The primary performance objective for the Fund is to obtain risk adjusted net returns equal to or greater than the stated benchmark, plus incremental returns that are proportionate to the amount of risk (tracking error or other appropriate risk metric) assumed. Benchmark returns for composite allocations are weighted according to the Strategic Target Allocations. Specifically, the Fund’s net return shall aim to meet or exceed the:

- **Passive Index**: This benchmark is intended to reflect the investment mix prevailing among institutional peer portfolios as implemented via low cost passive investable indices. Outperformance relative to this index should represent the value added through decisions made in the strategic asset allocation process and should be evaluated on a risk-adjusted basis. The Passive Index will be set as outlined in the table below.
### Major Asset Classes

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Weight</th>
<th>Benchmark Index</th>
<th>Bloomberg Ticker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equities</td>
<td>60%</td>
<td>MSCI All Country World Net Total Return USD Unhedged</td>
<td>NDUEACWF</td>
</tr>
<tr>
<td>Global Fixed Income</td>
<td>40%</td>
<td>Bloomberg Global Aggregate Total Return USD Unhedged</td>
<td>LEGATRUU</td>
</tr>
</tbody>
</table>

- **Policy Index**: This benchmark is intended to reflect a passive implementation of the strategic target allocations established by the Board within the SAA, and outperformance should represent the value added by investment implementation and rebalancing activities. The Policy Index is a target weighted composite of the benchmarks for the major asset classes in the Strategic Asset Allocation and as such shall be known as the Fund’s Strategic Benchmark. The Strategic Benchmark will be set as outlined in the table below.

### Asset Class/Subasset Classes Benchmarks

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark Index</th>
<th>Bloomberg Ticker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>MSCI All Country World IMI Net TR</td>
<td>MIMUAWON</td>
</tr>
<tr>
<td>US Equity</td>
<td>MSCI USA Net TR</td>
<td>NDDUUS</td>
</tr>
<tr>
<td>DM Equity</td>
<td>MSCI World ex-US Net TR</td>
<td>M1WOU</td>
</tr>
<tr>
<td>EM Equity</td>
<td>MSCI Emerging Markets Net TR</td>
<td>NDUEEGF</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Bloomberg Global Aggregate Bond TR</td>
<td>LEGATRUU</td>
</tr>
<tr>
<td>US Treasuries</td>
<td>Bloomberg US Treasuries TR USD</td>
<td>LUATTRUU</td>
</tr>
<tr>
<td>US Mortgages</td>
<td>Bloomberg US MBS TR USD</td>
<td>LUMSTRUU</td>
</tr>
<tr>
<td>US Credit</td>
<td>Bloomberg US Credit TR USD</td>
<td>LUACTRUU</td>
</tr>
<tr>
<td>Real Assets</td>
<td>Target weighted blend of sub-asset class benchmarks</td>
<td>.COAERSSSRA</td>
</tr>
<tr>
<td>Real Estate</td>
<td>FTSE NAREIT All Equity REITS TR</td>
<td>FNERTR</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>S&amp;P Global Infrastructure Net TR</td>
<td>SPGTINNT</td>
</tr>
<tr>
<td>Multi-Asset</td>
<td>COAERS Policy Index</td>
<td>.COAERSPOL</td>
</tr>
<tr>
<td>Strategic Partnership</td>
<td>COAERS Policy Index</td>
<td>.COAERSPOL</td>
</tr>
<tr>
<td>Asset Allocation</td>
<td>COAERS Policy Index</td>
<td>.COAERSPOL</td>
</tr>
<tr>
<td>Cash</td>
<td>Bloomberg 1-3 Month US T-Bill</td>
<td>LD12TRUU</td>
</tr>
<tr>
<td>US Dollars</td>
<td>Bloomberg 1-3 Month US T-Bill</td>
<td>LD12TRUU</td>
</tr>
<tr>
<td>Other currencies</td>
<td>Bloomberg 1-3 Month US T-Bill</td>
<td>LD12TRUU</td>
</tr>
</tbody>
</table>

- **top quartile** of peers, which is to be used as a measure of the performance realized from the prevailing opportunity set within the global capital markets.
The baseline time period for achieving these objectives is three years, though shorter and longer time periods should also be considered. These benchmarks should be reviewed annually for potential adjustment, with attention paid to the selection of the constituent indices for continued relevance, applicability and investability. These benchmarks are not expected to change except to reflect substantial changes in either long-term market opportunities and/or asset allocations by the System or its institutional peers.

Similar to the total Fund, the performance objective for asset class and sub-asset class composites is to obtain risk-adjusted returns in excess of those of the stated return objective and peer results. Active returns relative to the adopted benchmark returns are expected to exceed the cost of management and be proportionate to the amount of risk assumed.