STATEMENT OF INVESTMENT POLICY
Updated June 2026

THE EMPLOYES' RETIREMENT
SYSTEM OF THE CITY OF MILWAUKEE
789 N. Water Street, 3rd Floor
Milwaukee, WI 53202
(414) 286-3557

Individual manager guidelines are updated upon Annuity and Pension Board Approval

TABLE OF CONTENTS

PAGE

I. STATEMENT OF INVESTMENT POLICY 1
- Introduction
- Responsibilities of the Board
- Scope and Purpose of the Policy
- Duties of Fiduciaries
  - Staff
  - Investment Consultant
  - Investment Managers
  - Custodian
  - Transition Managers
  - Additional Professionals

II. INVESTMENT GOALS AND OBJECTIVES 8
- Funding Levels and Liquidity Requirements
- Asset Allocation Considerations
- Target Allocations
- Total Fund Performance Review and Evaluation
- Rebalancing Procedures

III. SELECTION OF INVESTMENT MANAGERS 12

IV. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION 13

V. DEFINITIONS AND CONCLUSION 14

VI. SPECIFIC OBJECTIVES AND GUIDELINES FOR MANAGED PORTFOLIOS 16
- Investment Objectives and Guidelines
- Risk Aversion
- Fully Invested
- Separately Managed Accounts
- Commingled Funds
- Brokerage and Execution of Transactions
- Private Equity; Real Estate; Absolute Return Managers
- Board Restrictions
- Derivatives
- Individual Investment Managers Objectives and Guidelines

VII. REQUIRED REPORTING OF ACTIVELY MANAGED INVESTMENT PORTFOLIOS 49

VIII. PROXY VOTING GUIDELINES 50

IX. POLICY AND GUIDELINES FOR BROKERAGE SERVICES 50

X. APPROVED SECURITIES LENDING PROGRAMS 51

XI. ADDENDUM 52

THE EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

- SECTION I -
STATEMENT OF INVESTMENT POLICY

INTRODUCTION

The Employes' Retirement System of the City of Milwaukee (the "ERS") was established to provide for the present and future retirement, disability, and death and survivor benefit payments for all city and city agency employees. All of the funds of the retirement system taken in the aggregate constitute a special trust subject to applicable local, state, and federal laws, including but not limited to sections 36-15, 36-09-1, and 36-09-6 of the Milwaukee City Charter.

The Annuity and Pension Board (the "Board") is responsible for the operation of the retirement system and making effective the provisions of the Employes' Retirement Act. The Board consists of three members appointed by the President of the Common Council, the City Comptroller ex-officio, three members elected by the present members of the Employes' Retirement System and one member elected by the retired members of the Employes' Retirement System.

RESPONSIBILITY OF THE ANNUITY AND PENSION BOARD OF THE EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

The Board is the trustee of the funds in the retirement system, and one of the missions of the Board is to assure prudent investment of the assets of the ERS. The Board is required to contract for investment management services. The Board must exercise prudence in selecting Investment Managers, but the exercise of prudence does not relieve the Board of all responsibilities. The responsibilities of the Board relating to the investment management of Fund assets include:

1. Establishing written investment objectives and guidelines governing the investment of Fund assets.

2. Using reasonable care, skill and caution in selecting investment professionals.

3. Determining the Fund's liquidity requirements, investment horizon and risk tolerance and communicating these to the appropriate parties.

4. Evaluating the performance of Investment Manager(s) and other qualified investment professionals on a systematic and regularly scheduled basis.

5. The Board and a person under contract to the ERS who invests and manages trust assets has a duty to comply with the prudent investor rule, s. 36-09-1-d and sub-unites thereof.

SCOPE OF THIS STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy reflects the investment policy, objectives, and constraints of the Employes' Retirement System of the City of Milwaukee ("ERS").

PURPOSE OF THIS STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy is set forth by the Board of the City of Milwaukee ERS in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish specific asset allocation and rebalancing procedures.
3. Establish a clear understanding for all parties of the investment goals and objectives of Fund assets.
4. Provide specific guidelines and define limitations for all Investment Managers regarding the investment of Fund assets.
5. Establish a basis for evaluating investment results.
6. Establish a framework for further review and revision of this policy.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

DUTIES OF FIDUCIARIES

Each member of the Board of the City of Milwaukee ERS is a fiduciary. The Investment Managers are also fiduciaries.

The Board and a person under contract to the ERS to invest and manage trust assets shall invest and manage assets as a prudent investor would by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the Board and such person shall exercise reasonable care, skill and caution. Investment and management decisions respecting individual investment assets must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the trust. A reasonable effort shall be made to verify facts relevant to the investment and management of trust assets. Assets may be invested in any kind of property or type of investment consistent with the standards set forth in the Employes' Retirement Act and the Board guidelines. A Board member or a person under contract to the ERS who invests and manages trust assets who has special skills or expertise or is named in reliance upon his or her representation that he or she has special skills or expertise has a duty to use those special skills or expertise.

To fulfill such responsibilities, the Trustees are authorized and in the case of Investment Managers, required to retain professional experts including but not limited to:

1. **Staff**: The Investment Staff, as designated by the Board is the agent of the Board. The Board does not delegate investment management responsibility through the use of its Staff. Staff duties include:

   A. Monitoring Investment Managers for adherence to contract terms, policies, and guidelines.

   B. Evaluating and managing the relationships with the Investment Consultant to ensure they are providing all necessary assistance to Staff and the Board as agreed to in service contracts, in accordance with Board Rules and Regulations section II(c)(6)(m).

   C. Monitoring the Investment Consultant's manager search process, and conducting due diligence on any Investment Manager selected for hire by the Investment Committee that was considered and recommended to ERS by its Investment Consultant.

   D. Monitoring the Fund's cash amounts. This includes ensuring the Fund has cash available to pay Fund benefits, expenses, and capital call commitments by identifying Investment Managers to withdraw funds from. This also includes determining whether to invest contributions into cash, deposit contributions with Investment Managers, or some combination of both. Staff retains discretion in the planning and implementation of this task, which includes identifying the amount to be deposited or withdrawn into or from a respective Investment Manager. Staff works within the parameters of the asset allocation ranges and structures incorporated within this Statement of Investment Policy, strives to take actions that are consistent with the long-term risk and return objectives approved in the most recent Asset-Liability Study, and considers factors including, but not limited to, liquidity management considerations that arise during stock market downturns that often result in elevated withdrawals from Fixed Income and/or index funds. Staff will include a report on cash activity at regularly scheduled Board meetings.

   E. Restructuring the portfolio following manager terminations, changes to the Fund's strategic asset allocation targets, and changes to an asset class's structure.

   F. Organizing and/or participating in any special research required to manage the Fund more effectively and in response to any questions raised by the Board.

   G. Supporting the Board in the development and approval of the Investment Policy Statement, implementing the Policy Statement and reporting at least monthly on investment activity and matters of significance.

   H. Monitor the Investment Managers reporting systems to ensure they are sufficient to provide Staff with the information necessary to permit the Staff to provide the Board with timely, accurate and useful information.

I. Performing on-site (or video conference, when conditions do not allow for travel) due diligence meetings with ERS Investment Managers every two years or as required by the Board in accordance with Board Rules and Regulations section – Duties of the Chief Investment Officer.

J. With the advice of the City Attorney's Office, and outside legal counsel when the City Attorney's Office deems necessary, approve and execute ministerial Private Real Estate and Private Equity contract amendments, pursuant to MCO 36-09-1-d-5, under the following conditions:
   - Use of delegated authority under this paragraph must be consistent with any Real Estate and Private Equity investment plan or strategy approved or adopted by the Board. For the avoidance of doubt, the prudent manner may not always be the quickest manner. Specific to Private Real Estate only, the use of delegated authority must be consistent with the philosophy that CMERS' ultimate goal is to transition its Real Estate portfolio to 4-5 commingled, open-end fund managers in a prudent manner;
   - Delegated authority may not be used to execute any contract amendments that may be reviewed and executed within the confines of the regular Board schedule;
   - Delegated authority cannot be used to execute legal documents for a new Real Estate or new Private Equity vehicle;
   - Delegated authority cannot be used to agree to terms that are more disadvantageous than what's already included in the existing agreement (with the exception of term extensions mentioned in the first bullet point);
   - Staff may not use delegated authority against the advice of CMERS' Investment Consultant or the City Attorney's Office;
   - Staff or the City Attorney's Office will report to the Board, at the next Board meeting when possible, on actions taken under this plan (including fees);
   - CMERS Executive Director may sign amendments executed under this delegation of authority on behalf of the Board;
   - Board may revoke the delegated authority at any time.

2. **Investment Consultant**: The Investment Consultant is an advisor to the Board retained to provide investment management advice and a fiduciary for the purposes of the duties assumed under the Consulting Services Agreement. The Investment Consultant will provide investment management advice concerning the investment management of fund assets. Specific responsibilities of the Investment Consultant include:

   A. Assisting in the development and periodic review of investment policy.

   B. Conducting Investment Manager searches as authorized by the Board.

   C. Providing "due diligence" reports or research on each of the Fund's Investment Managers.

   D. Monitoring the performance of the Investment Managers to provide the Board with the ability to determine progress toward the investment objectives.

E. Communicating advice on matters of policy, manager research, and manager performance to the Board.

F. Reviewing Fund investment history, historical capital markets' performance and the contents of this Statement of Investment Policy with all Trustees when necessary.

G. Providing topical research and education on investment subjects that are relevant to the Fund.

H. Providing asset/liability allocation review and specific recommendations as appropriate.

I. Communicating with all investment related professionals retained by the Fund as required or prudent.

J. Reviewing contracts between the Fund and all Investment Managers and providing a summary of suggested changes when necessary.

3. **Investment Managers**: The Board must contract for investment management but exercise discretion in selection of Investment Managers. When selecting Investment Managers, the Board shall only consider Investment Managers recommended to ERS by its Investment Consultant. The Board may contract with Investment Managers based on an evaluation of their investment philosophy, performance and ability to complement existing portfolio styles. The Board requires any Investment Manager recommended by its Investment Consultant to disclose to ERS whether or not they utilize a placement agent. The Board delegates fiduciary responsibility to Investment Managers through Investment Manager agreements and Board guidelines. The Investment Manager acknowledges that it is a fiduciary of ERS with respect to the investment and management of the Assets. In performing its delegated functions, the Investment Manager owes a duty to the trust to exercise reasonable care to comply with the terms of the delegations as set forth in Chapter 36 of the City Charter, 36-09-1-d, 1-d-1, 1-d-3, 1-d-4 and the Board guidelines. City Charter 36-09-1d through d-8, as of July 27, 2010, are attached as an addendum.

   Each specific manager must manage Fund assets according to their role as stated in the guidelines of this Investment Policy and contracted with the Board. No deviation from this discipline is authorized unless first discussed with the Board and its Investment Consultant and written approval issued. If ERS assets are invested in collective investment funds maintained by an Investment Manager, the plan and/or trust document with respect to such collective investment funds shall be part of the guidelines and controlling in the event of a conflict with any other provision of the guidelines.

   This Statement of Investment Policy communicates policies regarding the current asset allocation strategies for the assets and the duties and obligations of Investment Managers. Each Investment Manager has full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints and philosophies as outlined in this Statement.

Each Investment Manager is required to manage assets as a prudent investor in accordance with s. 36-09-1-d of the Charter and sub-units thereof.

Specific responsibilities of the Investment Managers are specified in the Investment Management Agreement and Board guidelines and generally include:

A. Exercise discretionary investment authority including decisions to buy, sell, or hold individual securities within the guidelines established in this Statement. An Investment Manager has a fiduciary duty under federal securities laws to allocate securities fairly among its various accounts. The ERS will be provided a copy of the Investment Manager's trade allocation policy and procedures and will be advised, in writing, of changes to the policy and the potential impacts on ERS' account.

B. Communicate in a timely manner any significant changes regarding economic outlook, investment strategy, or any other factors which may have an impact upon the achievement of the Fund's investment objectives.

C. Inform the Board regarding changes within the investment management organization within a timely manner (3 days): Examples include but are not limited to: changes in lead personnel assigned to manage the account and or other significant changes including ownership, ownership structure, investment philosophy.

D. Inform ERS of any significant asset value lost within 30 days due to termination or withdrawal. Significant asset value is indicated by 15% of the institutional assets under management in the strategy or 10% of the institutional assets under management of the firm.

E. Subject to such guidelines as the ERS' Board may from time to time establish, vote all proxies for securities held for the Fund so long as in the Manager's belief the result of the ballot would serve to increase the value of the investment or otherwise benefit the Fund. For additional details, refer to Section VIII, Proxy Voting Guidelines.

F. Provide timely reporting of investment activities. Each Investment Manager shall provide reports to the Board as outlined in Section VII.

G. Maintain records of security buy and sell transactions in accordance with industry standards.

H. Managers utilizing separately managed accounts must reconcile monthly accounting, transaction, and asset summary with custodian valuations, report separately on gains and losses on sales, and communicate and resolve any significant discrepancies. The month-end custodian valuations will be used to calculate rates of return for performance-reporting purposes and manager fee calculations.

I. Meet with the Board on an as needed basis.

4. **Custodian**: The Custodian acts in a ministerial capacity, which means that the Custodian does not assume fiduciary responsibility except as specified in the Custodial Agreement.

   In addition, the Custodian will conduct the following responsibilities:

   A. Perform regular accounting of all assets owned, purchased, or sold, as well as monitor the movement of assets into and out of the Fund accounts.

   B. Provide assistance to the Fund to complete activities including, but not limited to, annual audits and transaction verifications.

   C. If directed by the Board, manage a short-term income fund for investment of any cash not invested by managers.

   D. The Custodian, if directed by the Board, will manage the securities lending program.

5. **Transition Managers:** The Fund at times may need to utilize the assistance of a transition manager. Staff, working with its Investment Consultant, will develop a transition manager panel, with final approval from the Board. Transition managers may be used for, but not limited to, the following:

   – Rebalancing between asset classes to achieve the asset allocation target policy objectives
   – Terminating and funding new asset managers

   If Staff deems hiring a transition manager to be necessary, Staff will select a transition manager from the transition panel to conduct the transition, communicate with the transition manager on the goals and objects of the transition, and monitor the results of the transition. In accordance with Board Rules and Regulations section VII(G)(2)(c), Staff will be responsible for executing any contract amendments or letters of direction required by the transition manager, custodian, and investment manager, to implement the transition. Staff will be responsible for providing an update to the Board on all transition issues.

6. Additional Professionals: Additional Professionals, including but not limited to attorneys, actuaries and auditors may be retained by the Board as necessary to assist toward the prudent administration of the Fund.

- SECTION II -
INVESTMENT GOALS AND OBJECTIVES

The overall investment goal is to provide participants with retirement, disability and death and survivor benefits. The purpose of the Fund establishing an investment policy is to obtain the highest return possible on Fund investments within corresponding acceptable levels of minimum investment risk and liquidity requirements in recognition of prudent person standards and compliance with applicable local, state, and federal laws governing the operation and activities of the Fund. In particular, the Fund is bound by the City of Milwaukee Charter Chapter 36.

FUNDING LEVELS AND LIQUIDITY REQUIREMENTS

The Board seeks to keep Plan benefits as well funded as possible at all times. Additionally, the Board wishes to remain as fully invested as possible at all times, while maintaining appropriate liquidity.

ASSET ALLOCATION CONSIDERATIONS

The Board implements an asset allocation policy that is predicated on a number of factors, including:

1. A projection of actuarial assets, liabilities, and benefit payments and the cost of contributions;
2. Historical and expected long-term capital market risk and return behavior;
3. An assessment of future economic conditions, including inflation and interest rate levels; and
4. The current and projected funding status

The asset allocation policy provides for diversification of assets in an effort to maximize the Fund's investment return consistent with market conditions. Asset allocation modeling identifies asset classes that the Board will utilize and the percentage that each asset class represents of the total Fund. Due to fluctuations in market values, positioning within a specific range is acceptable and constitutes compliance with the policy. It is anticipated that periodic revisions to the policy may occur and implementing such changes may require an extended period of time.

The Board's asset allocation policy is summarized on the following page. The Board, Staff and Investment Consultant will monitor and assess the actual asset allocation versus the policy and will evaluate any deviation deemed significant.

The Board will implement the asset allocation policy through the use of external Investment Managers. Assets will be invested subject to guidelines incorporated into individual investment management agreements (see SECTION VI - SPECIFIC OBJECTIVES AND GUIDELINES FOR MANAGED PORTFOLIOS).

TARGET ALLOCATIONS

The Board has determined that the following asset allocation policy is appropriate for the Fund. This allocation policy will be reviewed periodically and may be modified, if appropriate, in light of changes in the structure or goals of the Fund. The Target, Minimum, and Maximum allocations are monitored by Staff using data from the Custodian's Manager Mix Daily Data report (Daily Data), modified as necessary by Staff to incorporate performance estimates, and any other information that impacts market value estimates, that are not incorporated into the Daily Data. To calculate the numerator, each individual investment manager mandate, with the exception of the Employes' Reserve Fund, is sorted into one of the categories below, and the entire estimated market value of each respective mandate is added together for each respective category. The denominator represents the Total Market Value from the Daily Data, excluding the Employes' Reserve Fund, modified as necessary to incorporate any information that impacts market value estimates not yet incorporated into the Custodian's data.

Public Equity	**Target**	**Minimum**	**Maximum**
Domestic Equity			
Passive Large Cap	6.39%		
Active Large Cap	3.15%		
Active Mid/Small Cap	6.66%		
Total Domestic Equity	**16.20%**		
Total International Equity	**13.68%**		
Total Global Equity	**6.12%**		
Total Public Equity	**36%**	**32%**	**40%**
Fixed Income			
Cash	1%	0%	5.0%
Passive Fixed Income	7.75%		
Active Fixed Income	23.25%		
Total Fixed Income	**32%**	**27%**	**35%/37%***
Private Real Estate	**12%**	**9%/6%****	**15%**
Private Equity	**11%**	**8%**	**16%**
Absolute Return	**9%**	**6%**	**14%**
Total	**100%**		

*Fixed Income Maximum 37% through March 31, 2027 to accommodate an investment manager restructure. Maximum reverts back to 35% on April 1, 2027.
**Private Real Estate Minimum 6% through March 31, 2027 to accommodate an investment manager restructure. Minimum reverts back to 9% on April 1, 2027.

TOTAL FUND PERFORMANCE REVIEW AND EVALUATION

Investment Objectives

Performance Standard

Time Horizon	Index
One market cycle (rolling 5-year periods).	Exceed the return on a benchmark Index net of fees.[1]

Investment Guidelines

- The investment guidelines governing each asset class/manager will together constitute the Total Fund guidelines.
- The Board is responsible for the overall asset allocation of the Fund. Each manager will be responsible for adhering to the guidelines for its portion of Fund assets only.

[1] As measured by a composite index designed to track the target asset allocation.

From: To:	1/1/00- 4/30/06	5/1/06- 6/30/08	7/1/08– 9/30/10	10/1/10– 12/31/12	1/1/13– 12/31/13	1/1/14– 12/31/14	1/1/15– 12/31/15	1/1/16- 6/30/16	7/1/16– 12/31/16	1/1/17- 3/31/18	4/1/18– 12/31/18	1/1/19– 12/31/19	1/1/20- 3/31/21	4/1/21- 3/31/22	4/1/22- 9/30-22	10/1/22– 6/30/23	7/1/23– 6/30/25	7/1/25- 3/31/26	4/1/26- Present
ACWI IMI (net)	-	-	-	-	-	-	-	56%	56%	55%	50%	47%	43%	44%	44%	44%	39%	36%	36%
Bloomberg U.S. Agg.	30%	28%	28%	28%	28%	28%	28%	25%	22%	22%	25%	25%	26%	23%	23%	23%	29%	32%	32%
NFI-ODCE (1 Qtr Arrears)		-	-	-	-	-	7%	7%	7%	7%	7.7%	7.7%	7.7%	9.1%	9.1%	9.7%	9.7%	8.7%	12%
90-Day T-bill + 3%	-	-	-	-	-	-	5%	5%	8%	8%	9%	9%	10%	10%	10%	10%	7%	9%	9%
Russell 3000 + 2% (1 Qtr Arrears)			-	-	-	-	-	-	-	-	-	-	10%	10%	10%	10%	12%	11%	11%
15% Bloomberg U.S. TIPS / 30% S&P Global Infrastructure / 15% S&P Global Natural Resources / 25% FTSE EPRA/NAREIT Developed / 15% Bloomberg Commodity Total Return								-	-	-	-	-	-	-	3.9%	3.3%	3.3%	3.3	-
35% Barclays TIPS / 20% S&P Global Infrastructure / 20% Global Natural Resources / 10% FTSE EPRA/NAREIT Developed / 15% Bloomberg Commodity Total Return							-	-	3%	3%	3.3%	3.3%	3.3%	3.9%	-	-	-		-
Russell 3000 + 3% (1 Qtr Arrears)			-	-	2%	2%	2%	4%	4%	5%	5%	8%	-	-	-	-	-		-
40% ACWI / 40% Barclays TIPS / 20% Bloomberg Commodity Total Return				-	-	-	-	3%	-	-	-	-	-	-	-	-	-		-
Russell 3000	50%	45%	45%	33%	31%	31%	28%	-	-	-	-	-	-	-	-	-	-		-
MSCI EAFE (net)	15%	20%	20%	22%	22%	22%	20%	-	-	-	-	-	-	-	-	-	-		-
ACWI (net)	-	-	-	-	-	10%	10%	-	-	-	-	-	-	-	-	-	-		-
NCREIF (NPI 1 Qtr Arrears)		-	7%	7%	7%	7%	-	-	-	-	-	-	-	-	-		-		-
MSCI World (net)	-	-	-	10%	10%	-	-	-	-	-	-	-	-	-	-	-	-		-
NCREIF (NPI)	5%	7%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-

REBALANCING PROCEDURES

The Fund routinely needs cash for payroll or other expenses; has cash flows to and from real estate or private equity investments; or has other cash needs as approved by the Board, required by a court order, or required by a governmental body. Cash needs or investment experience may move the Fund's investments away from the asset allocation targets, including taking one or more of the Fund's asset classes outside of the established asset allocation ranges.

As determined necessary given cash flows or market movements, Staff, guided by the established ranges set forth in the Target Allocations page of this document, will determine what, if any, rebalancing activity is prudent to implement. Rebalancing activity is permitted even when the fund's asset allocations are within the established asset allocation ranges. If Staff deems rebalancing to be necessary, Staff will develop and execute a rebalancing plan. To limit the amount of liquidations and associated transaction costs, Staff will look to rebalance concurrently with liquidity requirements of the Fund when Staff determines it makes sense to do so. Staff will retain discretion regarding rebalancing issues.

- SECTION III -
SELECTION OF INVESTMENT MANAGERS

The Board of Trustees must use reasonable care, skill and caution in selecting the Investment Managers, establishing the scope and terms of the obligations of fiduciary responsibility and periodically reviewing the Investment Manager's actions in order to monitor performance in conjunction with the terms of the delegation. When selecting Investment Managers, the Board shall only consider Investment Managers recommended to ERS by its Investment Consultant that have disclosed whether or not they utilize a placement agent. The Board may contract with Investment Managers based on an evaluation of their investment philosophy, performance and ability to complement existing portfolio styles.

Accordingly, when selecting investment managers, the Board will employ a competitive search process, including the following steps or such other steps as the Board determines in the situation:

1. Formulation of specific investment manager search criteria that reflect the requirements for the investment manager role under consideration.
2. Identification of qualified candidates from the manager search database maintained by the Investment Consultant.
3. Analysis of qualified candidates in terms of:
    - Quantitative characteristics, such as GIPS-compliant composite return data, risk-adjusted rates of return and relevant portfolio characteristics.
    - Qualitative characteristics, such as key personnel, investment philosophy, investment strategy, research orientation, decision-making process, and risk controls.
    - Organizational factors, such as type and size of firm, ownership structure, client-servicing capabilities, ability to obtain and retain clients, and fees.
4. Selection and interview of finalist candidates based on a due diligence report prepared for the Committee by the Investment Consultant summarizing the analysis described above.

The Investment Manager has a duty to the Board to exercise reasonable care to comply with the terms of the delegations. To be considered by the Board for engagement, Investment Managers must:

1. Be a registered investment advisor or a "bank" exempt from registration under the Investment Advisers Act of 1940, and be recognized as demonstrating experience over a number of years in the management of institutional, tax-exempt assets within a defined investment capacity.

2. Adhere to investment style, concepts and principles for which they are being considered.

3. Offer services in exchange for fees that are competitive with industry standards for the product category.

- SECTION IV -
INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Specific investment goals and constraints for each Investment Manager shall be incorporated as part of this Statement in Section VI: SPECIFIC OBJECTIVES FOR INDIVIDUALLY MANAGED PORTFOLIOS. Each manager shall receive a written statement outlining specific goals and constraints as approved by the City of Milwaukee Retirement System.

The goal of each Investment Manager, over the investment horizon, shall be to:

A. Exceed the market index, or blended market index, selected and agreed upon by the Board that most closely corresponds to its style of investment management.

B. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified.

Performance reports generated by its Investment Consultant and Staff, using custodial data, shall be compiled quarterly and communicated to the Board for review. The investment return of total portfolios, as well as asset class components, will be measured against performance benchmarks, appropriate for each portfolio, as adopted by the Board. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this Statement. The Board reserves the right to terminate a manager at its discretion for any reason including, but not limited to, the following:

1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

2. Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements.

3. Significant changes to the investment management organization, including but not limited to loss of key personnel.

4. Evidence of illegal or unethical behavior by the investment management firm.

5. Lack of willingness to cooperate with reasonable requests by the Board and/or Staff for information, meetings, or other material related to its portfolios.

6. Loss of confidence by the Board in the Investment Manager.

7. A change in the Fund's asset allocation program that necessitates a shift of assets to another sector or asset class.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters and other factors that may impact their ability to achieve the desired investment results.

- SECTION V -
DEFINITIONS

1. **"The Fund"** shall mean the Employes' Retirement System of the City of Milwaukee Fund.

2. **"Annuity and Pension Board"** shall refer to the governing Board of Trustees established to administer the Fund as specified by applicable ordinance.

3. **"Fiduciary"** shall mean any entity or person who exercises any discretionary authority or discretionary control respecting management of the Fund or exercises any authority or control respecting management or disposition of the Fund's assets, or renders investment advice for a fee or other compensation, direct or indirect, with respect to monies or property of the Fund, or has any discretionary authority or responsibility in the administration of the Fund.

4. **"Investment Consultant"** shall mean any entity or person employed to provide advisory services, including advice on investment objective and/or asset allocation, manager search, and performance monitoring.

5. **"Investment Manager"** shall mean any individual, or group of individuals, employed to manage the investment of Fund assets.

6. **"Broker-Dealer"** shall mean any entity or person in the business of effecting securities transactions for its own account and/or of others and registered as such with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc.

7. **"Staff"** shall mean the Chief Investment Officer and the investment team under the Chief Investment Officer's direct supervision.

CONCLUSION

This Statement is a working document structured to accomplish long term and short term planning. Investment Managers and other fiduciaries are invited to contact the Fund or its Investment Consultant with any questions about the interpretation or application of any provisions. This Statement of Investment Policy will be reviewed regularly. All changes will be communicated to all appropriate parties in writing.

Please address reports, correspondence and communications to:

EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
David M. Silber, Chief Investment Officer
789 N. Water Street
3rd Floor
Milwaukee, WI 53202
(414) 286-3557

Please address all manager fee bills to:

EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
Patrick McClain, Executive Director
789 N. Water Street
3rd Floor
Milwaukee, WI 53202
(414) 286-3557

- SECTION VI -
SPECIFIC OBJECTIVES AND GUIDELINES FOR MANAGED PORTFOLIOS

INVESTMENT OBJECTIVES AND GUIDELINES

The Board expects to receive results from the Investment Managers that are consistent with the policies included herein. The following sections outline the specific objectives and guidelines established for each asset and management category. These objectives and guidelines will provide a basis for evaluating the effectiveness of each Investment Manager and the overall investment program over time.

Each Investment Manager within the Fund will be chosen for a specific discipline and will be required to adhere to these general investment guidelines.

1. **Risk Aversion**: Investment Managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the return of the portfolio under management is commensurate with the level of risk that is assumed within any given discipline.

2. **Fully Invested**: The Board has adopted a long-term Asset Allocation Policy and grants Investment Managers discretion over assets within the portfolios they manage. The Board has set specific guidelines concerning the allowable levels of cash that may be maintained in each actively managed portfolio (Section VI).

3. **Carry Appropriate Insurance:** Provide the Board with proof of liability and fiduciary insurance coverage.

4. **Separately Managed Accounts**: Each separately managed portfolio will have specific guidelines and objectives established by the Board. Investment Managers are expected to adhere to the investment discipline for which they were hired. Managers will be evaluated for adherence to their stated investment discipline.

   The Investment Managers are charged with the responsibility of maintaining their portfolios in compliance with the investment guidelines as described in Section VI. The Investment Manager is expected to identify policy items that may have an adverse impact on performance and to initiate discussion with the Staff regarding possible modification of such policies. Under no circumstances shall an Investment Manager take an action that causes the portfolio to be in conflict with the guidelines without prior written consent of the Board. If there is a deviation from the guidelines because of an Investment Manager's action, the manager will be reviewed by the Board at the next meeting following notification of the deviation. If there is a deviation from the guidelines because of a change in the market value of an Investment Manager's portfolio or a particular holding, or a change in quality rating of a particular holding, the Investment Manager shall take action that is prudent and appropriate to the intended purpose of the portfolio. If for any reason a portfolio deviates from the guidelines, the Investment Manager is responsible for reporting the deviation from the guidelines to the Board and its Investment Consultant in writing within 3 business days of when the deviation occurred. The Investment Manager is required to give this notice even if they have taken

immediate action to correct the deviation. The Investment Manager will explain the deviation from the guidelines and suggest appropriate action. After receiving notification of a deviation from the investment policy guidelines, the Board will respond to the manager's recommendation and will direct appropriate action. Depending upon the circumstances, the consequences of deviating from the investment policy guidelines could range from an Investment Manager merely explaining what caused the deviation to occur, to the manager's termination.

5. **Commingled Funds**: In circumstances where the Fund is invested in a commingled vehicle, the Investment Manager will be held to the investment performance standards and guidelines set forth in the goals and guidelines of the commingled vehicle. For voting of proxies, commingled fund managers will use their master trust agreement proxy voting policy standards, however, reporting of proxy voting activity will be in accordance with ERS' policy. Brokerage decisions, including commission recapture, will be made according to the master trust document of the commingled investment vehicle.

6. **Brokerage and Execution of Transactions**: Investment Managers with authority over fund assets must use sound professional judgment in conducting each transaction to obtain the best possible unit price and terms of execution and to work in the best interest of the Fund.

   Additionally, the Fund may utilize commissions generated on securities to obtain performance evaluation and other investment related services and benefits for the Fund.

   (Please see Section IX: POLICY AND GUIDELINES FOR BROKERAGE SERVICES)

7. **Private Equity; Real Estate; Absolute Return Managers**: In circumstances where the Fund is invested in a Private Equity, Real Estate, or Absolute Return investment vehicle, the Investment Manager will be held to the investment performance standards and guidelines set forth in the goals and guidelines of the respective vehicle.

BOARD RESTRICTIONS

- No transaction that is prohibited under the Uniform Prudent Investor Act promulgated by the National Conference of Commissioners on Uniform State Laws (1994) and the Restatement of Trusts 3d (City of Milwaukee Charter, Chapter 36-09-1-d-7).

- No unauthorized investment under the Wisconsin Statutes.

- For separately managed accounts, prohibited investments include mortgage interest only (IO), principal only (PO), inverse floaters or other CMO derivatives that have uncertain or volatile duration or price movement.

- For separately managed accounts, no assets shall be invested in restricted (lettered) stock or in private placements. This restriction is not meant to preclude purchases of securities issued under SEC Rule 144a. Rule 144a allows trading among qualified institutional investors within a segment of the private placement market.

DERIVATIVES

A derivative is broadly defined as a financial instrument whose value, usefulness and marketability, is derived from or linked to the value of an underlying security, commodity, or index that represents either direct ownership of an asset or direct obligation of an issuer. Investment Managers may use derivatives traded on a recognized derivatives exchange for hedging and efficient portfolio management purposes subject to compliance with the following specific guidelines at all times.

a) Futures

- Treasury futures contain embedded leverage, and may create leverage in portfolios where their usage is permitted. This usage is governed by account specific guidelines.
- For separate account managers using futures other than treasury futures, futures shall never be used for leverage purposes.
- With the exception of absolute return and hedge fund strategies, as well as certain limited partnership vehicle strategies, the effective economic exposure to any asset class after allowing for the impact of short futures positions shall never be negative.

b) Reporting

- Separate account managers shall report derivative positions and transactions in the Investment Manager's monthly or quarterly reporting.

c) Over-the-counter derivatives not traded on a recognized exchange can only be used with prior specific written consent of the Board.

- For separate account managers whose guidelines allow the purchase of securities denominated in a foreign currency, forward contracts may be used at the manager's discretion to enable the purchase or sale of securities denominated in a foreign currency, or to hedge currency exposure. No other use of forward contracts is allowed, unless permitted by an Investment Manager's account specific guidelines. In the rare instance where an account with a domestic mandate comes into possession of a foreign security, the separate account Investment Manager is allowed to use forward contracts to enable the disposition of said security.

Note that certain fixed income managers may be allowed to buy and sell treasury futures and/or sell index credit default swaps, as specified in their individual guidelines. In addition, transition managers have permission to use futures on financial contracts and forward currency contracts in the management of portfolio transitions and in the management of portfolio rebalancing activity, according to the above-referenced Derivatives Guidelines. The use of these instruments by transition managers for these purposes will typically begin and end in short periods of time.

Absolute return and hedge fund strategies, as well as certain limited partnership vehicle strategies, may make extensive use of derivatives, including but not limited to, equity index futures, equity index swaps, commodity futures, currency forwards, options, futures, options on futures, warrants, equity swaps, total return swaps, credit default swaps, notional principal contracts, caps, collars, floors and forward rate agreements, structured notes and other financial or derivative instruments. The ability to use derivatives is specified in the individual manager guidelines.

Manager: **Northern Trust**
Role: **Passive Domestic Equities**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	**Index**
One market cycle (rolling 5-year periods).	Not Applicable	Track the performance of S&P 500 Index within 10 basis points

Investment Guidelines

- The portfolio will be invested in a sufficient number of stocks, which in aggregate fairly represent the S&P 500 Index.
- Eligible investments for the portfolio shall be limited to units of the NTGI – QM Collective Daily S&P 500 Equity Index Fund – Lending.
- Cash will be held to a minimum.
- The portfolio will be rebalanced as necessary – selling issues that are removed from the Index and purchasing new issues added to the Index.
- Derivatives may be used to equitize cash.

Manager: **BlackRock**
Role: **Passive Index Value Domestic Equities**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	**Index**
One market cycle (rolling 5-year periods).	Not Applicable	Track the performance of Russell 1000 Value Index within 10 basis points

Investment Guidelines

- The portfolio will be invested in a portfolio of equity securities with the objective of fairly approximating as closely as practicable the capitalization weighted total rate of return of that segment of the U.S. market for publicly traded equity securities as represented by the Russell 1000 Value Index.

- Eligible investments for the portfolio shall be limited to units of the BlackRock Russell 1000 Value Fund.

- Cash will be held to a minimum. We aim to keep the equitized cash balance in the fund to less than 1%, although the percentage at any point could be higher.

- Futures and other derivatives may be used to invest all or any portion of the Fund in one or more futures contracts or other similar assets for the purpose of acting as a substitute for investment in securities. The fund will always have an equitized cash position.

Manager: **Dimensional Fund Advisors**
Role: **Active Large Capitalization Value Domestic Equities**

ACCOUNT SPECIFIC INVESTMENT GUIDELINES

Investment Approach

The investment objective of the Account is to achieve long-term capital appreciation. The Manager's investment approach for the Account is to capture the return and diversification benefits of securities of large U.S. companies, as determined from time to time by the Manager, that the Manager determines to be value stocks and anticipates a weighted average total market capitalization generally lower than the benchmark. The Manager does not provide any guarantee with regard to the performance of the Account or that any investment objective will be successfully achieved.

Benchmark

Russell 1000 Value Index

Authorized Investments

- The Account may invest in any of the following:
  - Common Stocks, preferred stocks, convertible securities, warrants, rights and other securities with equity characteristics, as determined by the Manager
  - Depository receipts including "ADRs", "EDRs", "NVDRs" and "GDRs" (whether the underlying company is listed or unlisted) and foreign listings
  - Futures contracts and options on futures contracts for U.S equity securities and indices. These contracts may be used to adjust market exposure based on actual or expected cash inflows to or outflows from the Account. The Account does not intend to sell futures contracts to establish short positions in individual securities or to use derivatives for purposes of speculation or leveraging investment returns.
  - Participation notes
  - Real estate investment trusts ("REITs")
  - Exchange Traded Funds ("ETFs")
  - Securities received in connection with corporate actions from time to time
  - Cash and cash equivalents

Investment Guidelines

- Appropriate investments consist of authorized investments as noted above.
- At time of purchase, investment in any one company should not exceed 5% of the Account.

- At time of purchase, investments in any one industry as defined by 6-digit GIC should not exceed 25% of the value of the Account's total assets.
- The Manager is expected to maintain an invested position with no more than 10% of the Account invested in fixed income, cash or cash equivalents, except after cash inflows or prior to expected outflows.
- Under normal circumstances, at least 80% of the Account will be invested in securities of large cap U.S. companies.
- Under normal circumstances, the weighted average total market capitalization of the Account should not exceed 150% of the weighted average total market capitalization of the Russell 1000 Value Index.

Additional Considerations

The Manager may consider a company's size, value, and/or profitability relative to other eligible companies when making investment decisions for the Account. The Manager may adjust the representation in the Account of an eligible company, or exclude a company, after considering such factors as free float, momentum, trading strategies, liquidity, profitability, and other factors that the Manager determines to be appropriate, given market conditions. Securities are considered value stocks primarily because a company's shares have a high book value in relation to their market value. In assessing profitability, the Manager may consider different ratios, such as that of earnings or profits from operations relative to book value or assets. The criteria the Manager uses for assessing value or profitability are subject to change from time to time.

Manager: **EARNEST Partners**
Role: **Active Mid Capitalization Domestic Equities**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	**Index**
One market cycle (rolling 5-year periods).	Rank in upper 40% of a Peer Group.[1]	Exceed (after fees) the Russell Mid Cap Index.

Investment Guidelines

- Appropriate investments consist primarily of common and preferred stocks and/or convertible securities. Convertible securities may represent up to 5% of the portfolio at market value.
- Holdings in any one company should not exceed 7% of the portfolio, measured at market value.
- Holdings in one economic sector should not exceed the greater of 30% of the portfolio or 200% of the Index weighting, measured at market value.
- The manager is expected to maintain a fully invested position at all times with no more than 10% of the portfolio in fixed income, cash equivalents or Exchange Traded Funds. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation immediately to the attention of the Board.
- Holdings may include up to 10% American Depository Receipts (ADRs), measured at market value.
- Holdings may include Real Estate Investment Trusts (REITs) at a level of up to 1.2 times the proportion of REITs in the Russell Mid Cap Index.

[1] As measured by the Callan Mid Cap Equity Peer Group.

Manager: **Dimensional Fund Advisors**
Role: **Active Small Capitalization Value Domestic Equities**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	**Index**
One market cycle (rolling 5-year periods).	Rank in upper 40% of a Peer Group.[1]	Exceed (after fees) the Russell 2000 Value Index.

Investment Guidelines

- Appropriate investments consist of common and preferred stocks and cash equivalents.
- Holdings in any one company should not exceed 5% of the portfolio measured at cost; 10% measured at market value.
- Holdings in one industrial sector should not exceed the greater of 30% of the portfolio or 150% of the Index weighting, measured at market value.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in fixed income or cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation immediately to the attention of the Board.
- At least 80% of the portfolio will be invested in small capitalization companies.
- Holdings may include up to 10% American Depository Receipts (ADRs), measured at market value.

[1] As measured by the Callan Small Capitalization Value Equity Peer Group.

Manager: **Brandes Investment Partners**
Role: **Active International Equities**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	**Index**
One market cycle (rolling 5-year periods).	Rank in the upper 40% of a Universe.[1]	Exceed (after fees) the MSCI EAFE Index.[2]

Investment Guidelines

- Holdings in any one company should not exceed the greater of 7% of the portfolio or 5% over the Index weighting, measured at market value.
- Adequate diversification by sector, country and currency block should be maintained.
- Japan's and the United Kingdom's combined weighting is limited to their combined benchmark weighting plus 15% while Canada's is limited to 12%. Other countries' maximum is the greater of the benchmark plus 10% or 200% of the benchmark weighting.
- A maximum of 30% of the portfolio may be invested in non-EAFE markets. Canada is not counted towards this 30% limitation.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in fixed income or cash equivalents. If a manager believes that a change in this guideline is in the best interest of the Fund, the manager should bring this recommendation immediately to the attention of the Board.
- Foreign currency forward contracts are permitted for defensively hedging purposes only. The total exposure of all hedges is limited to 100% of the total portfolio value, at market. Shorting currency exposure in countries without any underlying security exposure is prohibited.
- Warrants are not to exceed 20% of the portfolio value.

[1] As measured by the Callan International Equity Peer Group.
[2] MSCI EAFE is the Morgan Stanley Capital International Europe, Australasia and the Far East

Manager: **DFA International Small Capitalization Value Portfolio**
Role: **Active International Small Capitalization Equities**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	**Index**
One market cycle (rolling 5-year periods).	Rank in the upper 40% of a Universe.[1]	Exceed (after fees) the MSCI EAFE Small Cap (Net)[2] Index.

Investment Guidelines

- Holdings in any one company should not exceed the greater of 7% of the portfolio or 5% over the Index weighting, measured at market value.
- Investments are limited to small Japanese, United Kingdom, European, Canadian and Asia Pacific companies, or small companies in such other countries as the manager's Investment Committee may from time to time determine.
- At least 80% of the portfolio will be invested in small capitalization companies.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in fixed income or cash equivalents. If a manager believes that a change in this guideline is in the best interest of the Fund, the manager should bring this recommendation immediately to the attention of the Board.
- Foreign currency forward contracts are permitted for defensive hedging purposes only. The total exposure of all hedges is limited to 100% of the total portfolio value, at market. Shorting currency exposure in countries without any underlying security exposure is prohibited.
- Warrants are not to exceed 20% of the portfolio value.

[1] As measured by the Callan International Equity Small Cap Peer Group.
[2] MSCI EAFE is the Morgan Stanley Capital International Europe, Australasia and the Far East (MSCI EAFE).

Fund: **AQR Emerging Equities Fund, L.P.**
Managing Member: **AQR Capital Management, LLC**
Role: **Active Emerging Markets Equities**
Date: **8/1/2016**

Objectives and Guidelines

AQR Emerging Equities Fund, L.P. (the "Fund") is not subject to the investment objectives and guidelines contained in this Investment Policy. The operative investment objective and guidelines of the Fund are set forth in the governing documents and the Confidential Private Placement Memorandum of the Fund ("PPM"). Notwithstanding, the Manager has informed ERS that as of the date of ERS' initial investment, the investment objectives and guidelines set forth below are consistent with the operative investment objectives and guidelines of the Fund. The Manager has further informed ERS that the investment guidelines and objectives of the Fund are subject to change.

Investment Objectives

Time Horizon	Performance Standard Index
One market cycle (rolling 5-year periods).	Exceed (after fees) the MSCI Emerging Markets Index.

Investment Guidelines

- ERS will invest in the AQR Emerging Equities Fund, L.P., a commingled fund. Therefore, ERS' investment is subject to the terms and provisions of the governing documents for the Fund, such as the objectives and guidelines as outlined in the governing documents and PPM.

Current Investment Policy

- This Fund seeks to add value by employing a disciplined approach emphasizing both bottom-up security selection decisions and top-down country/currency allocation.
- This Fund intends to utilize a set of valuation, momentum and economic factors to generate an investment portfolio based on asset allocation models and security selection procedures aimed at assisting the Fund in meeting its investment objective.
- This Fund generally will be managed by both underweighting and overweighting securities, countries and currencies relative to the Benchmark; however, the Fund has the ability to trade in securities of issuers in countries and currencies not included in the benchmark.
- This Fund will invest primarily in equity and equity-related securities and currency forwards.
- The Investment Manager is not restricted as to the percentage of the Fund's assets that may be invested in any particular issuer, industry, instrument, market or strategy. The Fund does not and will not maintain any fixed limits, guidelines or requirements for diversifying its portfolio

among strategies, issuers, industries, instruments, markets or sectors. However, as of the date of this document, typical maximum deviations are as follows: stock selection, +/- 2.5%; sector selection, +/- 5.5%; country selection, +/- 10%; and currency selection, +/- 15%.

- Permissible Investments include the following:
  - Equity and Equity-Related Securities
  - Currency Forwards
  - Fixed-Income Securities (Corporate and Governmental)
  - Exchange-Traded Funds ("ETFs")
  - Equity Index Futures
  - Equity Index Swaps
  - Options
  - Warrants
  - Equity Swaps
  - Futures
  - U.S. Government Securities
  - Bank Deposits
  - Money Market Instruments

- Further, AQR will implement the Fund's portfolio using whatever financial instruments are deemed appropriate. These include, but are not limited to, the instruments identified in the general description of each investment strategy employed by the Fund in the PPM. AQR may, at any time, discontinue using any of these financial instruments or may add additional financial instruments.

- The Fund will use leverage as part of the investment program. Leverage may take the form of, among other things, financial instruments including, without limitation, derivative instruments which are inherently leveraged and products with embedded leverage such as options, short sales, swaps and forwards. The Fund generally will not be economically leveraged. Economic leverage occurs when the total value of equity securities held long, plus the notional market value of equity derivatives held long, minus the notional market value of equity derivatives held short, is greater than 100% of the total market value of the Fund.

The representations of the Manager are made solely as of the date of ERS' initial investment in the Fund and solely with respect to the current version of this Investment Policy. For avoidance of doubt, the Manager expressly disclaims any amendment or revision of this Investment Policy.

Manager: **BlackRock Institutional Trust Company, N.A.**
Role: **Enhanced Index Core Global Equities**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	**Index**
One market cycle (rolling 5-year periods).	Rank in upper 40% of a Peer Group.[1]	Exceed (after fees) the MSCI All Country World Index

All active weight restrictions set forth below will be measured relative to the MSCI All Country World Index.

Investment Guidelines

- Appropriate investments consist primarily of common and preferred stocks and/or convertible securities. Convertible securities may represent up to 5% of the portfolio market value.
- Holdings in any one company should not exceed the greater of 10% of the portfolio or 5% over the Index weighting, measured at market value.
- Holdings in any one sector should not exceed the greater of 25% of the portfolio or 10% over the Index weighting, measured at market value.
- Holdings in any one country should not exceed the greater of 25% of the portfolio or 10% of the Index weighting, measured at market value.
- A maximum of 25% of the portfolio may be invested in emerging markets.
- Holdings may include up to 25% American Depository Receipts (ADRs), measured at market value.
- The manager is expected to maintain a fully invested position at all times with no more than 10% of the portfolio in fixed income or cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation immediately to the attention of the Board.
- Holding Foreign currency forward contracts are permitted for defensively hedging purposes only. The total exposure of all hedges is limited to 100% of the total portfolio value, at market. Shorting currency exposure in countries without any underlying security exposure is prohibited.
- Derivatives may be used to equitize cash.

[1] As measured by the Callan Global Equity Peer Group.

Manager: **MFS Institutional Advisors, Inc.**
Role: **Active Growth Global Equities**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	**Index**
One market cycle (rolling 5-year periods).	Rank in the upper 40% of a Universe.[1]	Exceed (after fees) the MSCI All Country World Index

All active weight restrictions set forth below will be measured relative to the MSCI All Country World Index.

Investment Guidelines

- If the portfolio deviates from these Guidelines for any reason, manager will notify the Board and its Investment Consultant in writing within three business days of *discovery* of the variance and take further action pursuant to Section III. 3. of the Statement of Investment Policy.

- Permissible Investments include the following:

  - Common Stock
  - Preferred Stock
  - Convertible Securities, including Convertible Preferred Stock and Convertible Bonds
  - Rights, Warrants, and Participatory Notes (P-Notes)
  - Exchange-traded Funds ("ETFs")
  - Index Futures
  - ADRs, ADSs, GDRs, and GDSs (and other depository receipts and shares)
  - Real Estate Investment Trusts ("REITs")
  - Publicly-traded Partnerships ("PTPs")
  - Units
  - IPOs. The portfolio may participate in initial public offerings. For purposes of investment in U.S. IPOs, the Board represents that the portfolio is not restricted from participating in such offerings under FINRA Rule 5130 or FINRA Rule 5131.
  - Unlisted securities are allowed (including securities traded in the over the counter market, Regulation S securities, and Rule 144A securities as further described herein).

[1] As measured by the Callan Global Equity Peer Group (data to be provided to MFS on a quarterly basis)

- Holdings in any one company should not exceed the greater of 7% of the portfolio or 3% over the Index weighting, measured at market value.

- Adequate diversification by sector and country should be maintained, meaning that holdings in any one sector should not exceed the greater of 30% of the portfolio or 200% of the Index weighting (as defined by GICS sector scheme), measured at market value. The portfolio will be invested in at least 10 countries at all times, one of which will be the United States.

- A maximum of 25% of the portfolio, measured at market value, may be invested in emerging markets as classified by MSCI.

- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in fixed income or cash equivalents. If a manager believes that a change in this guideline is in the best interest of the Fund, the manager should bring this recommendation immediately to the attention of the Board.

- Foreign currency forward contracts are permitted for defensive hedging purposes only. The total exposure of all hedges is limited to 100% of the total portfolio value, at market. Shorting currency exposure in countries without any underlying security exposure is prohibited. (Manager is not required to execute foreign currency trades through the custodian but may trade with those foreign exchange counterparties that manager believes will provide the best service in accordance with its fiduciary duty to seek best execution.)

- Rights, warrants, and P-Notes are not to exceed 10% of the portfolio value.

- 144A securities and Regulation S securities are not to exceed 10% of the portfolio value. 144A securities that are exchange traded do not count against the 10% limit.

- Settlement Practices/Lock-Ups**.** It is understood that certain foreign markets may require free or partial free delivery (e.g. initial partial escrow payments) regarding settlement of trades. It is further understood that certain securities, including pre IPOs, are subject to "lock-up" provisions in certain markets.

- For purposes of the restriction in Section VI of the IPS prohibiting investment in restricted (lettered) stock or private placements (other than Rule 144A securities with registration rights which are allowed), lettered stock shall be defined as private placements other than Rule 144A with registration rights.

Other:

For the avoidance of doubt, where the limitations above are affected by items out of the manager's control (e.g., cash inflows, cash outflows, market action), they will not be considered as a breach of the guidelines and the manager will take action to resolve the temporary non-compliance as soon as practicable. The time to bring the portfolio back into compliance could take several days (e.g., 5 days) to resolve.

Trading Currency:
The trading currency for the portfolio is US Dollars (USD) unless specifically instructed by the Board to the manager to the contrary.
Reporting Currency:
The reporting currency of the portfolio is US Dollars.

The manager shall comply with its Operational and Compliance Standards, a copy of which shall be provided to the Board.

Manager: **BlackRock**
Role: **Passive Fixed Income**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	Index
One market cycle (rolling 5-year periods).	Not Applicable	Seek to track the performance of the Bloomberg Barclays U.S. Government Bond Index

Investment Guidelines

- The Fund will be invested and reinvested primarily in a portfolio of fixed income securities issued or guaranteed by the U.S. government and shares of investment companies (including exchange-traded funds), with the objective of approximating as closely as practicable the total rate of return of the Bloomberg Barclays U.S. Government Bond Index.

- The Fund is an "index fund" that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Bloomberg U.S. Government Bond Index (its "Underlying Index"). The Underlying Index is sponsored by an organization (the "Index Provider") that determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index.

- Futures and other derivatives may be used to invest all or any portion of the Fund in one or more futures contracts, forward contracts or other similar assets for the purpose of acting as a temporary substitute for investment in securities.

- The Fund is permitted to engage in securities lending to enhance returns.

Manager: **Reams Asset Management**
Role: **Opportunistic Fixed Income**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	Index
One market cycle (rolling 5-year periods).	Rank in upper 40% of a Peer Group.[1]	Exceed (after fees) the Benchmark Index.[2]

Investment Guidelines

- The duration of the aggregate portfolio should be no more than 2 years below or above the Barclays Capital Aggregate Index.
- A maximum of 20% of the market value of the portfolio may be invested in corporate, non-corporate and 144(a) securities rated at or below BB+ or Ba1. An additional 5% of the market value of the portfolio may be invested in non-rated issues.
- A maximum of 10% of the market value of the portfolio may be invested in non-dollar securities.
- Corporate, non-corporate and 144(a) securities that are downgraded below B- or B3 by both Standard and Poors and Moody's Investor Services must be sold within 90 days following the downgrade. Reams must notify ERS of the downgrade in writing within 3 business days and provide a written update to ERS on the downgraded security on a weekly basis.
- Asset-backed securities that are downgraded below BBB- or Baa3 by both Standard and Poors and Moody's Investor Services must be sold within 90 days following the downgrade. Reams must notify ERS of the downgrade in writing within 3 business days and provide a written update to ERS on the downgraded security on a weekly basis.
- The average quality of the portfolio must be A-/A3 or better. Unrated U.S. Treasury and U.S. Federal Government Agency securities are permissible and will be treated as AAA rated for purposes of average quality calculations.
- No one security or aggregation of one company's securities, except securities issued or guaranteed by the U.S. Government or its agencies, will comprise more than 2% of the portfolio, as determined at the time of purchase.
- Long-only (sell protection) indexed credit default swaps may be utilized to gain exposure in the fixed income market with a notional value limit of 30% of the portfolio. The indexed credit default swaps shall not be used to create leverage or for speculative purposes and will be calculated at their notional value for guideline purposes. In addition, any portfolio liabilities resulting from the indexed credit default swaps must be fully collateralized by cash, cash equivalents, or U.S. Treasury securities.
- A maximum of 3% of the portfolio, at the time of purchase, may be invested in the Reams Unconstrained Bond Fund, a commingled fund, managed by Reams, subject to guidelines set forth in the goals and guidelines of the commingled vehicle.
- Sector limitations (as a percentage of the portfolio's market value) are limited to the following ranges:

Sector	Min	Max
US Treasuries	0%	100%
US Agencies	0%	80%*
Corporates	0%	100%
Mortgage-Backed Securities	0%	80%**
Asset-Backed Securities	0%	25%
Non-Corporates[3]	0%	20%
Emerging Market Debt[4]	0%	0%
Non-Dollar Securities	0%	10%
144(a) Securities	0	25%

*US Agencies excluding Mortgage-Backed Securities Max is 50%.
**Non-Agency Mortgage-Backed Securities Max is 25%.

- Minimum credit ratings for individual holdings, specific to the sectors, are as follows:

Sector	Minimum Rating
Corporates & Non-Corporates	B-/B3
Asset-Backed Securities	BBB-/Baa3
144(a) Securities	B-/B3
Cash equivalents, commercial paper and repurchase agreements	A1/P1

1 As measured by the Callan Fixed Income Core Opportunistic Peer Group
2 As measured by the Barclays Capital Aggregate Index
3 Non-Corporates replaced Yankees in the Barclays Capital Aggregate Index and include dollar denominated supranational, sovereign, foreign agency, and foreign local debt.
4 Emerging markets as defined by the International Finance Corporation.

Manager: **Loomis, Sayles & Company**
Role: **Opportunistic Fixed Income**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	Index
One market cycle (rolling 5-year periods).	Rank in the upper 40% of a Peer Group[1]	Exceed (after fees) the Benchmark Index.[2]

Investment Guidelines

- The effective duration of the aggregate portfolio should be no less than 50% and no more than 250% of the Bloomberg Barclays US Aggregate Index.
- Up to 20% of the market value of the portfolio may be issues rated B- by Standard and Poor's and Fitch or B3 by Moody's. If the ratings assigned to an instrument by Standard & Poor's, Moody's, and/or Fitch are not the same, the highest rating of these ratings agencies will be used.
- If an instrument is not rated by Standard & Poor's, Moody's, and Fitch, the equivalent rating determined by the Loomis Sayles Research Department will be used.
- An additional 5% may be invested in issues not rated by Standard & Poor's, Moody's, and Fitch..
- Loomis must notify ERS of the downgrade of corporate, non-corporate and 144(a) securities below B- or B3 by Standard and Poor's, Moody's Investors Service and Fitch within three (3) business days. Loomis must provide quarterly credit updates so long as it retains the security(ies). Corporate, non-corporate and 144(a) securities rated below B- and B3 by Standard and Poor's, Moody's Investors Service and Fitch may not exceed 3% of the market value of the portfolio.
- Asset-backed securities that are downgraded below BBB- or Baa3 by Standard and Poor's, Moody's Investor Services and Fitch must be sold within 90 days following the downgrade. Loomis must notify ERS of the downgrade in writing within 3 business days and provide a written update to ERS on the downgraded security on a weekly basis.
- The average quality of the portfolio must be BBB-/Baa3 or better. U.S. Treasury and U.S. Federal Government Agency securities are permissible and will be treated as AAA/Aaa rated for purposes of average quality calculations.
- No security, except securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, or index derivatives will comprise more than 5% of the portfolio, at the time of purchase.
- Up to 20% of the market value of the portfolio may be invested in total equities (common and preferred) as determined at the time of purchase. Common stock shall be limited to 5% of the market value of the portfolio, as determined at the time of purchase.

- Sector limitations (as a percentage of the portfolio's market value) are limited to the following ranges:

Sector	Min	Max
US Treasuries	0%	100%
US Agencies	0%	50%
Corporates	0%	100%
Mortgage-Backed Securities	0%	50%
Asset-Backed Securities, including a 5% sub-limit in Collateralized Loan Obligations	0%	25%
Investment Grade Yankees and Non-Corporates(3)	0%	25%
Non-Investment Grade Yankees and Non-Corporates(3)	0%	20%
Non–US Dollar / Non-Canadian Dollar	0%	20%
144(a) Securities	0%	65%
Individual Bank Loans*	0%	15%
Canadian Dollar Issues	0%	20%
Eligible derivatives include currency forwards (deliverable and non-deliverable) (4) and US Treasury Futures (5)	N/A	N/A
Long-only (sell protection) Index Credit Default Swaps	0%	30%(6)

- Minimum credit ratings for individual holdings, specific to the sectors, are as follows:

Sector	Minimum Rating
Corporates & Non–Corporates	B-/B3
Asset-Backed Securities	BBB-/Baa3
Collateralized Loan Obligations	BB-/Ba3
144(a) Securities	B-/B3
Cash equivalents, commercial paper and repurchase agreements	A1/P1

1 As measured by the Callan Core Opportunistic Fixed Income Peer Group
2 As measured by the Bloomberg Aggregate Index
3 Canadian issued bonds do not count towards the Yankee limit.
4 Currency forwards may be used for hedging purposes only.

[5] US Treasury Futures may be used for both hedging and non-hedging purposes. Derivatives used to manage duration, interest rate and yield curve strategies may require notional amounts in excess of the portfolio's market value. US Treasury Futures will be limited by the duration restriction of the portfolio.

[6] Notional limit of 30%. Index credit default swaps shall not be used to create leverage or for speculative purposes and will be calculated at their notional value for guideline purposes. Liabilities resulting from CDX must be fully collateralized by cash, cash equivalents and U.S Treasuries.

* Investment in individual bank loans will generate a transaction cost associated with both the purchase and sale of these loans. The counterparty on these trades determines how they will settle and most choose ClearPar. ClearPar is the primary platform and supported by most banks. Bank loans that do not settle on this platform are prohibitively labor intensive and it is not likely many trades will occur away from the ClearPar platform.

Portfolios participating in a bank loan trade will be charged by ClearPar a pro-rata share of the trade (a "subtrade"). ClearPar will deliver the invoice to the Loomis and, in turn, Loomis will deliver this invoice to your custodian to pay from the assets of the portfolio. While you may elect to pay the invoice directly, directing the custodian to pay the invoices from the portfolio assets will facilitate proper performance calculations for your portfolio. As of the current date, the subtrade fee structure is as follows:

Subtrades per Master Trade	Subtrade Fee per Subtrade
1-5	$19
6-21	$110 divided by number of subtrades
22 or more	$5

There is also a volume discount schedule that is applied once trades on the platform exceed 5,000.

Manager: **Galliard Capital Management**
Role: **Core Fixed Income**

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	Universe	**Index**
One market cycle (rolling 5-year periods).	Rank in upper 40% of a Peer Group.[1]	Exceed (after fees) the Benchmark Index.[2]

Investment Guidelines

- The primary investment objective of the portfolio is to provide for the safety of principal and appropriate liquidity, while generating a competitive yield on invested assets.
- All securities will be rated Baa3/BBB- or better at time of purchase by Standard and Poor's, Moody's, or Fitch. In the case of a split rating on securities, the higher rating shall apply.
- Cash equivalents, commercial paper, and repurchase agreements shall have a rating of A1/P1 or better (this does not apply to custodian sweep vehicles).
- The minimum weighted average quality of the underlying assets will be maintained at A1/A+.
- In the event a security held in the portfolio is downgraded below Baa3/BBB- Galliard shall notify ERS of the downgrade within 3 business days. Galliard must provide a written update to ERS on a quarterly basis so long as it retains the securities. Securities rated below Baa3/BBB- may not exceed 3% of the market value of the portfolio.
- The effective duration of the portfolio will be maintained within +/- 15% of the benchmark's effective duration.
- No more than 5% of the market value of the portfolio will be held in securities of any one issuer, excluding securities issued or guaranteed by the U.S. Government, U.S Government Agencies and U.S. Government Sponsored Enterprises. The issuer for any non-Agency structured security shall be the specific trust or special purpose corporation that holds the associated collateral backing such security.
- All securities shall be denominated in US dollars.
- Sector limitations (as a percentage of the portfolio's market value) are limited to the following ranges:

Sector	Min	Max
Cash & Short-Term Money Market Securities	0%	100%
U.S. Treasury/U.S. Agency/ Other U.S. Gov't	0%	100%
Corporates (including Foreign Gov't/Supra)	0%	65%

Mortgage-Backed Securities (Including Residential and Commercial)*	0%	65%
Asset-Backed Securities**	0%	25%
Municipals (Taxable and Tax-Exempt)	0%	25%
144A Securities	0%	20%

*Non-Agency Mortgage-Backed Securities Max is 25%.
**Collateralized Loan Obligation Max is 5%.

- The following types of securities are permissible for inclusion in the portfolio:

  1. Cash equivalents, commercial paper, and repurchase agreements
  2. U.S. Treasury securities, U.S. Agency securities, and issues or loans guaranteed by the U.S. Government or its Agencies
  3. Direct obligations of a Government Sponsored Enterprise (GSE) and issues or loans guaranteed by a GSE
  4. Corporate debentures of domestic and foreign issuers
  5. Foreign government securities and supranationals
  6. Residential mortgage-backed securities
  7. Commercial mortgage-backed securities
  8. Asset-backed securities
  9. Municipal securities
  10. Forward purchase agreements and dollar rolls
  11. U.S. Treasury Futures[3]
  12. Securities issued under 144A

- Leverage - The Account may not be leveraged. The Account will not be considered leveraged as a result of derivatives positions, provided the Account maintains securities and/or collateral at least equal to the value of the obligations created by its net derivatives positions in order to cover such obligations.

[1] As measured by the Callan Fixed Income Core Peer Group

[2] As measured by the Bloomberg U.S. Aggregate Index

[3] U.S. Treasury Futures may be used for hedging purposes only. Derivatives used to manage duration, interest rate and yield curve strategies may require notional amounts in excess of the portfolio's market value. US Treasury Futures will be limited by the duration restriction of the portfolio.

Manager: **Robert W. Baird**
Role: **Short-Term Fixed Income Manager**

Objectives and Guidelines

Investment Objectives

Primary: Provide principal preservation and liquidity of assets to meet projected payouts.

Secondary: Track the Barclays 1-3 year Government/Credit Index, and provide competitive investment returns over time.

Investment Guidelines

- Meet liquidity requirements that currently anticipate payouts beginning in January 2013 through at least December 2014. These liquidity needs shall be reviewed on a regular basis.

- The maximum effective duration of the short-term fixed income portfolio, including any investments in approved money market and short-term bond funds, shall be 2 years.

- The portfolio may be invested in securities having a rating of AAA or AA by Standard and Poor's or Aaa and Aa1 by Moody's Investors Service.

- Baird must notify ERS of downgrades of securities below AA or Aa1 by both Standard and Poor's and Moody's Investors Service, and make a recommendation within three (3) business days. If the security is retained, Baird must provide weekly credit updates so long as it retains the security(ies).

- No security, except securities issued or guaranteed by the U.S. Government or its agencies, will comprise more than 5% of the portfolio. No limitation with regard to money market sweep funds or short term bond funds.

- Eligible Investments:

  1. The following shall be eligible investments:
     a. U.S Treasury and Agency Obligations
     b. Approved money market and short term bond funds
     c. Agency mortgage-backed securities including collateralized mortgage obligations
     d. Mortgage and asset backed securities rated AAA
     e. Corporate notes and bonds, U.S. dollar-denominated, including 144a securities
     f. Repurchase agreements – U.S. government collateral only
     g. Short-term fixed income mutual funds whose holdings are consistent with the characteristics of the eligible investments
  2. Convertibles, options, futures or other derivative instruments are prohibited

Fund: **CMERS Low Beta LLC**
Managing Member: **UBS Hedge Fund Solutions LLC**
Role: **Hedge Fund of Funds Strategy**

Investment Objectives

The Investment Manager will attempt to construct a broad based neutral portfolio with exposure to a number of hedge fund strategies

The Fund seeks to target limited beta to equity markets over an economic cycle (3-5 years), as measured relative to the MSCI World Index USD.

Time Horizon	Performance Standard
	Index
Less than one market cycle (rolling 3-year periods).	
One market cycle (rolling 5-year periods).	Exceed (after fees) the Secured Overnight Financing Rate (SOFR) by 400 basis points.

Investment Guidelines

Strategies and Anticipated Allocation Ranges

Equity Hedged: (0-50%)

- The Fund will retain flexibility to invest in managers who may exhibit either long or short bias to risky assets depending on market environment provided downside risk is seen to be adequately restrained. Sub-strategies currently include: Fundamental and Equity Event.

13F Strategy: (0-5%)

- The Fund is permitted to invest in a Portfolio Fund managed by the Investment Manager which pursues the Investment Manager's "13F Strategy," an equity trading strategy that seeks to replicate the aggregate performance characteristics of a portfolio of equity securities held by a select number of Submanagers which have listed them on their respective filings under SEC Form 13F. The 13F Strategy shall be considered a subset of Equity Hedged such that the allocation range for the 13F Strategy and Equity Hedge together shall be (0-50%).

Credit / Income (0-50%)

- Credit: These strategies in aggregate are subject to a guideline of no more than 50% of the total portfolio. The Fund will retain flexibility to invest in managers who may exhibit either long or short bias to risky assets depending on market environment provided downside risk is seen to be adequately restrained.

- Sub-strategies currently include: Distressed, Corporate Long/Short, Structured Products and will not exceed 40% of the total portfolio.
- Income: The Fund will retain flexibility to invest in managers that participate in reinsurance strategies. Reinsurance strategies will not exceed 10% of the portfolio.

Relative Value: (0-60%)

- The Fund is permitted to invest in all Relative Value strategies, including: Quantitative Equity, Merger Arbitrage, Capital Structure/Volatility Arbitrage, Fixed Income Relative Value (FIRV), and Agency MBS.

Trading: (0-40%)

- The Fund is permitted to invest in all Trading strategies, including Global Macro, Commodities and Systematic CTAs. Sub-strategies currently include: Systematic, Global Macro, Commodities.

Other: (0-10%)

- This category contains investment approaches that are outside of the mainstream hedge fund strategies (Equity Hedged, Credit, Relative Value, and Trading). The category includes other alternative strategies, such as tactical asset allocation/risk parity, private equity, and real estate dealings, as well as new niche investment approaches that do not fit into any of the other mainstream strategies.

Direct Trading (0-5%)

Multi-Strategy:

- The Fund is permitted to invest in Multi-Strategy managers, which include allocations to a combination of strategies. These offerings are often the result of commonalties in the research and trading talent required for successful execution of the strategies. These funds allocate capital opportunistically among strategies believed to offer a suitable risk-adjusted return profile going forward.
- Applicable guidelines for multi-strategy managers will be monitored on a look-through basis to the underlying Strategies and will count toward the specified limits above.

<u>Investments in Portfolio Funds Managed by Affiliates of the Investment Manager</u>

Investments in Portfolio Funds managed by affiliates of the Investment Manager will be capped at 20% and would be limited to Customized Baskets ("CBs"), Managed Accounts ("MAs") or other Special Purpose Vehicles ("SPVs") where the Investment Manager may seek to attain certain exposures pursuant to the investment objectives of the Fund and where such exposure may otherwise not be accessible to the Fund. In the event such investments are implemented, the Investment Manager will not charge the Fund additional management fees or performance fees within the CBs, MAs or SPVs. Aside from such investments in CBs, MAs or SPVs, no investments will be made to UBS affiliates (e.g. O'Connor).

Diversification

The Investment Manager will determine the appropriate number of Portfolio Funds in its sole discretion. However, the number will typically range between 15-39 Portfolio Funds, excluding co-investments, unless otherwise agreed by the Fund.

Liquidity Considerations

The Investment Manager will seek to invest in Portfolio Funds with a mix of different liquidity profiles. However, the Investment Manager will seek to maintain:

- At least 70% of the net asset value of the Fund to be allocated to Portfolio Funds with stated liquidity terms (with penalties) that allow for redemption within 1 year.
- Up to 30% of the net asset value of the Fund may be allocated to Portfolio Funds with stated liquidity terms that allow for redemption greater than a 1 year hard lock up. Up to 1/3 of these Portfolio Funds (approximately 10% of the Fund) may have a hard lock up of greater than 2 years, but no more than 3 years unless they fall into the category of Portfolio Funds with no predefined redemption period. The latter shall also fall inside the 10% limitation.
- An investor gate can cause a position to fall into multiple liquidity buckets. For example, a 1/8th quarterly liquidity fund would have 50% of its position in the "within 1 year " bucket and the remainder in the "greater than 1 year bucket", none of which would fall into the greater than 2 year bucket.

The above terms do not include audit withholds imposed by Portfolio Funds. The Fund acknowledges and understands that disbursements of any withheld amounts could take between 12 and 18 months to receive and will not be counted toward the above liquidity considerations.

From time to time, a manager may segregate certain securities from its Portfolio Fund and establish a "side pocket" structure and/or share class, which may have less liquid characteristics. The Investment Manager will attempt to limit the Fund's exposure to side pocket holdings. However, the ultimate side pocket exposure will be at the discretion of the each underlying manager.

Leverage

The Investment Manager does not expect to employ leverage above and beyond what may be undertaken by the underlying Portfolio Funds. The Fund indicated it is able to provide additional cash with sufficient notice for operating purposes such as funding short term subscriptions or coverage for FX currency hedging.

Investment Manager Bespoke Structures/Co-Investments

The Fund is eligible to participate in A&Q bespoke structures and co-investments with full discretion of the Investment Manager.

Investment Eligibility

The Fund may invest in both US tax transparent funds and/or offshore vehicles.

Tail/Overlay Hedging

The Fund is eligible to participate in A&Q Tail/Overlay Program (TAU).

New Issues

The Fund is eligible to participate in new issues, and as such the Fund may invest in the new issues eligible share classes, if deemed appropriate.

Fund: **CMERS Low Beta 2 LLC**
Managing Member: **Aptitude Investment Management LP**
Role: **Hedge Fund of Funds Strategy**

Investment Objectives

The Fund's investment objective is to target attractive risk-adjusted long-term returns. The Fund will seek to achieve its investment objective while referencing an annualized volatility, as measured by standard deviation of returns, of approximately 5.0%, an equity beta target of approximately 0.20 (which is not expected to exceed 0.25) to the MSCI World Index over rolling three-year periods, and a Sharpe ratio of over 0.5, in each case, measured over the long term.

Investment Guidelines

Strategies and Anticipated Allocation Ranges

The Managing Member generally classifies the hedge fund strategies utilized by Advisors into four broad categories: the equity long/short sector, the relative value sector, the event driven sector and the tactical trading sector (the "Hedge Fund Sectors"). These Hedge Fund Sectors are subjective classifications made by the Managing Member in its sole discretion, based on internal guidelines. Such classifications are based on information provided by the Advisors to the Managing Member and may differ from classifications of similarly named sectors made by other industry participants. Advisors may utilize some or all of these strategies. In addition, certain Advisors may also utilize other investment strategies that are not within these sectors but are either related or unrelated to any such sectors.

Once the Fund is fully invested, the Managing Member will seek to manage portfolio exposure to the Hedge Fund Sectors within the following target ranges:

Relative Value:	20% -- 70%
Equity Long Short:	10% -- 50%
Tactical Trading:	10% -- 40%
Event Driven:	0% -- 40%

Investments in Portfolio Funds Managed by the Managing Member or its Affiliates

The Fund may access particular Advisors or Portfolio Funds directly or indirectly by among other means, through intermediate entities managed by the Managing Member or an affiliate of the Managing Member in which other funds or assets managed by the Managing Member have an interest. The Fund will not be charged any additional fees payable to the Managing Member or its affiliates in connection with the foregoing.

Diversification

The Managing Member will generally seek to select Portfolio Funds subject to the following diversification limits:

1. Once the Fund has made allocations to at least 10 Portfolio Funds, no more than 20% of the Fund's net assets to be allocated to any single Portfolio Fund.

2. Once the Fund has made allocations to at least 20 Portfolio Funds, no more than 15% of the Fund's net assets to be allocated to any single Portfolio Fund.

Liquidity Considerations

The Managing Member will generally seek to select Portfolio Funds for the Fund subject to the following liquidity guidelines:

1. At least 50% of the Fund's net asset value will have a Liquidity Profile (as defined below) of no more than 12 months; at least 90% of the Fund's net asset value will have a Liquidity Profile of no more than 36 months; and 100% of the Fund's net asset value will have a Liquidity Profile of no more than 5 years. The Liquidity Profiles will be determined at the time of investment.

2. The "Liquidity Profile" of a Portfolio Fund is the minimum number of days, as determined by the Managing Member, for redemption in full (excluding audit holdbacks or reserves and side pockets) from such Portfolio Fund, without taking into account notice periods or the timing of payment of redemption proceeds. In determining the Liquidity Profile of a Portfolio Fund for purposes of these Investment Guidelines, the Managing Member will use the Portfolio Fund's stated redemption terms under normal market conditions, including normal redemption dates and investor-level gates. However, required notice periods, soft lock-ups and initial hard lock-ups with respect to such Portfolio Fund, and the right of an Advisor to suspend redemptions or otherwise further limit redemptions, holdback amounts related to redemptions, side pocket assets, segregate assets, or make distributions in kind will not be taken into account in calculating a Portfolio Fund's Liquidity Profile.

3. The Managing Member may (and it is expected that it will) invest the Fund's assets in Portfolio Funds that make side pocket investments.

4. Co-Investments shall not be considered for purposes of compliance with this liquidity guideline.

Compliance with Guidelines

The Managing Member will use commercially reasonable efforts to comply with the Investment Guidelines. The compliance of any investment decisions for the Fund with the Investment Guidelines is to be determined on the date that the applicable investment is made.

Rebalancing

The Managing Member will use commercially reasonable efforts to review the conformity of the Fund's portfolio with the Investment Guidelines on a periodic basis (expected to be no more frequently than quarterly). If the Managing Member determines that the Fund is not in compliance with the Investment Guidelines, the Managing Member shall promptly notify the Members, and promptly after discussing such non-compliance with the Members at the next quarterly performance review, the Managing Member will initiate a remedial plan by which it will seek to reallocate the Fund's assets in order to bring the Fund's investments back into conformity with the Investment Guidelines.

Leverage

The Fund may employ leverage above and beyond what may be undertaken by the underlying Portfolio Funds only with the consent of a Majority in Interest.

Managing Member Bespoke Structures/Co-Investments

The Fund is eligible to participate in co-investments or similar opportunities, subject to the investment guidelines and the consent of a Majority in Interest.

New Issues

The Fund is eligible to participate in new issues, and as such the Fund may invest in the new issues eligible share classes, if deemed appropriate.

PRIVATE EQUITY

A separate Private Equity Statement of Investment Policy has been adopted by the Board. This policy is an extension of the Statement of Investment policy and will be reviewed as needed.

REAL ESTATE

A separate Real Estate Investment Policy Statement has been adopted by the Board. This policy is an extension of the Statement of Investment policy and will be reviewed as needed.

- SECTION VII -
REQUIRED REPORTING OF ACTIVELY MANAGED INVESTMENT PORTFOLIOS

The Board has determined that each Investment Manager given discretionary authority over a portion of the Fund's assets shall provide to Staff, on a monthly and quarterly basis, reporting that is appropriate given the Investment Manager's asset class, strategy type, and vehicle type, as determined by Staff. Staff shall develop and maintain appropriate reporting schedules for each Investment Manager.

On an annual basis, Investment Managers shall complete an Annual Compliance Certificate that the ERS provides.

The manager will notify Staff within 3 days of any change in the lead personnel assigned to manage the account.

In addition, the manager will meet with the representatives of the Board as often as deemed necessary by the Board. In the interim, the manager will keep Staff, the Board, and the Investment Consultant apprised of any relevant information regarding its organization, personnel and/or investment strategy.

- SECTION VIII -
PROXY VOTING GUIDELINES

The Board of the ERS has delegated the responsibility for voting proxies to their Investment Managers. Each Investment Manager has the responsibility for voting proxies in the best interests of plan participants. Collective and commingled fund managers will comply with their master trust agreement proxy voting policy guidelines; however, reporting of proxy voting activity will be in accordance with ERS' policy.

The Board will monitor the proxy voting of its Investment Managers. As of June 30 of each year, each Investment Manager will supply to the Board and its Investment Consultant an acknowledgement that it is responsible for voting proxies in the best interests of plan participants, a copy of the Investment Manager's proxy voting procedures and guidelines and a list of how the Investment Manager voted on all proxy issues during the 12 months preceding the report.

- SECTION IX -
POLICY AND GUIDELINES FOR BROKERAGE SERVICES

This policy statement is intended to serve as a guide for Investment Managers engaged on behalf of the Employes' Retirement System of the City of Milwaukee (the "System") in the course of investing the retirement funds of the System. Each Investment Manager engaged by the System is responsible to exercise its responsibility prudently and solely in the interests of the participants and beneficiaries of the System. This document outlines the policies and procedures to be considered by Investment Managers in fulfilling this obligation.

1. General Policies and Principles: The Board requires that these principles guide all transactions:

    a) Each manager is charged with the responsibility for all aspects of the investment process with respect to assets entrusted to it and consistent with the specific terms of this engagement by the System.

    b) Each manager is expected to act prudently with respect to decisions to buy or sell securities as well as with respect to the decision who will execute the transaction.

    c) Each manager shall secure best execution for each transaction it enters on behalf of the System. This requires that each manager execute securities transactions for the System in such a manner that the System's total cost or proceeds in each transaction is the most favorable under the circumstances. Each manager shall consider the full range and quality of a broker's services in placing brokerage, including, but not limited to, the value of research provided as well as execution capability, commission rate, financial responsibility and responsiveness to the manager. Lowest commissions paid in connection with a trade is not determinative of whether the transaction represents the best qualitative execution of the trade.

2. Trading Policies and Guidelines: Consistent with its fiduciary and best execution responsibilities described above, each manager, excluding the collective or commingled fund managers, should use its best efforts to minimize total commission dollars generated by buy and sell transactions of exchange traded or electronically traded securities in accordance with the following action and policy of the Board:

    a) The System desires to minimize total transaction costs (commission plus net price) through the use of electronic trading services.

3. The Board may utilize the services of a transaction cost provider to monitor the individual manager transactions.

- SECTION X -

APPROVED SECURTIES LENDING PROGRAMS

The Board has authorized the execution of a Securities Lending Program which will be performed by the Fund's custodian or qualified third-party securities lending agent(s). The program is monitored and reviewed by the Staff and was established by a written agreement authorized by the Board. The Securities Lending Program is detailed in the Securities Lending Authorization Agreement with the Fund's custodian, presently The Northern Trust Company.

- SECTION XI -
STATEMENT OF INVESTMENT POLICY ADDENDUM

d. Prudent Investor Rule. Except as otherwise specifically provided in this chapter, the board and a person under contract to the Employes' Retirement System who invests and manages trust assets owes a duty to comply with the prudent investor rule.

d-1. Standard of Care; Portfolio Strategy; Risk and Return Objectives. The board and a person under contract to the Employes' Retirement System to invest and manage trust assets shall invest and manage assets as a prudent investor would by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the board and such person shall exercise reasonable care, skill and caution. Investment and management decisions respecting individual investment assets must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the trust. A reasonable effort shall be made to verify facts relevant to the investment and management of trust assets. Assets may be invested in any kind of property or type of investment consistent with the standards of this sub. d. A board member or a person under contract to the Employes' Retirement System who invests and manages trust assets who has special skills or expertise or is named in reliance upon his or her representation that he or she has special skills or expertise has a duty to use those special skills or expertise.

d-2. Diversification. The board and person under contract to the Employes' Retirement System to invest and manage trust assets shall diversify the investment of the trust unless the board reasonably determines that because of the special circumstances, the purposes of the trust are better served without diversifying.

d-3. Loyalty. The board and a person under contract with the Employes' Retirement System to invest and manage trust assets shall invest and manage the trust assets solely in the interests of the beneficiaries.

d-4. Investment Costs. In investing and managing trust assets, the board and a person under contract to the Employes' Retirement System to invest and manage trust assets may only incur costs that are appropriate and reasonable in relation to the assets for the purposes of the trust.

d-5. Delegation. The board has a duty to personally perform the responsibilities of trusteeship except as those responsibilities are by this section delegated to others or except as a prudent person might delegate those responsibilities to others. In deciding whether and to whom and in what manner to delegate fiduciary authority in the administration of the trust and thereafter supervising agents, the board is under a duty to the beneficiaries to exercise fiduciary discretion and to act as a prudent person would in similar circumstances. In performing a delegated function, a person under contract to the Employes' Retirement System to invest or manage funds owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation. The board shall not be liable to the beneficiaries or to the trust for the decisions or actions of a person to whom a function was delegated provided that the board shall have used reasonable care, skill and caution in selecting the person; establishing the scope and terms of the delegation consistent with the purposes and terms of the trust; and periodically reviewing the person's actions in order to monitor performance in compliance with the terms of delegation.

d-6. Reviewing Compliance. Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of the decision or action and not by hindsight.

d-7. The text and comments to the Uniform Prudent Investor Act promulgated by the National Conference of Commissioners on Uniform State Laws (1994) and the Restatement of Trusts 3d: Prudent Investor Rule (1992) are interpretive of the provisions of this par.

d-8. Nothing in this par. prevents the board and the Employes' Retirement System from requiring indemnification or insurance from a contractor, nor does anything in this par. preclude the board and the Employes' Retirement System from obtaining indemnification or insurance for their activities.