

**VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY**

**OPTIONAL RETIREMENT AND
CASH MATCH PLANS**

INVESTMENT POLICY STATEMENT

May 2007

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EXECUTIVE SUMMARY

Key Information

- Name of Plan: Virginia Polytechnic Institute and State University Optional Retirement and Cash Match Plans
- Plan Fiduciary: Virginia Polytechnic Institute and State University
- Trustee: Executive Vice President and Chief Operating Officer
- Contact: Senior Human Resources Manager
- Administrator: Executive Vice President and Chief Operating Officer
- Defined Contribution Advisory Committee: The University Treasurer, the VP for Budget and Financial Management, the Assistant VP for Human Resources, the Director of Benefits Programs, the Associate Treasurer, General Counsel, a member of the faculty or staff appointed by the Plan Administrator, and the representatives of the Faculty and Staff Senate.
- Contracting Officer: VP for Budget and Financial Management

Plan Provisions

- Plan Year: Twelve month period commencing January 1
- Enrollment Dates: Within 60 days of becoming eligible, employee must designate the retirement program in which he/she would like to participate or default to the Defined Benefit Virginia Retirement System ("VRS"). Open enrollment is a 30-day period designated by the Administrator prior to the beginning of the Plan Year, which takes place no earlier than ninety-days prior to the beginning of the Plan Year.
- Employee Eligibility: An Employee can enroll in the Optional Retirement Plan who is a member of the General Faculty of the University, as defined by the Faculty Handbook and has full time salaried appointment that is not a temporary one. Any full or part time university salaried faculty or staff can participate in the 401(a) Cash Match program.
- Transfers: The Plan shall accept no transfers of any kind on behalf of a participant other than accrued benefits from the Virginia Retirement System.

- **University Contribution:** A contribution of base salary as determined by the General Assemble and approved by the BOV, currently at 10.4%, for the 401(a) Optional Retirement Plan with contributions to that plan being according to Section 415(c)(1)(a) of the IRS Code. Employer contributions to the 401(a) Cash Match will be in accordance Commonwealth of Virginia policies and procedures pertaining to the Cash Match for state employees. Contributions in aggregate will be made according to IRS limits.
- **Investment Options:** The Participant shall allocate the University's contributions among those investment options offered by the Plan. Participants can only change Optional Retirement Plan providers during the open enrollment period; however, approved funds within companies can be changed by mutual agreement between the Participant and the company at any time. Approved investment options can be changed in the Cash Match program at any time by mutual agreement between the Participant and the Company.

PURPOSE OF THE INVESTMENT POLICY STATEMENT

These guidelines and objectives have been developed for use in managing the assets of the Virginia Polytechnic Institute and State University **Optional Retirement Plan** and **Cash Match Plan** (collectively the “Plans”). Although the University is not required to follow ERISA standards, the Board of Visitors of Virginia Polytechnic Institute and State University (the “BOV”) are utilizing ERISA section 404(c) as a guideline.

The purpose of this Investment Policy Statement (IPS) is as follows:

- to outline for the Defined Contribution Advisory Committee (“Advisory Committee” or “DCAC”) the overall structure of the Plans’ investment program, the duties and responsibility of the Advisory Committee and the general policies and procedures under which the Advisory Committee operates;
- to establish guidelines and procedures to be followed by the Advisory Committee or its staff in performing their duties in connection with selection of investment funds to be offered as investment options under the Plans; and
- to outline for the Advisory Committee criteria and procedures the Advisory Committee will utilize in evaluating the performance of the investment funds in which the Plans invests to ensure the investment policies are consistent with the goals of the Plans.

The Plans’ investment choices are designed:

- to provide an opportunity for participants to exercise control over assets in their individual account on a timely basis; and
- to provide participants an opportunity to choose from a broad range of diversified and distinct investment alternatives sufficient for participants to create portfolios with varied aggregate risk and return characteristics.

In general, it is understood that the Investment Policy Statement is intended to incorporate sufficient flexibility so as to accommodate current and future economic and market conditions and changes in applicable accounting, regulatory, and statutory requirements. The DCAC will review this IPS periodically to determine if modifications are necessary or desirable.

The Advisory Committee’s primary objective is to select investment options that meet the needs of a diversified employee group and to select these options on the basis of risk and return characteristics. To accomplish this investment goal, annuity products and publicly traded mutual funds will comprise the principle investment options made available under the Plans.

INVESTMENT POLICY

Investment Objective

The investment objective of the Plans is to provide participants an opportunity to attain a range of possible returns within reasonable and prudent levels of risk by offering participants a broad range of investment alternatives.

ERISA standards require having at least three investment alternatives which have materially different risk and return characteristics so that, taken together, they enable a participant to arrange a portfolio with aggregate risk and return characteristics that are in a range that is appropriate for each participant. While the Plans are not subject to ERISA, this does suggest guidelines for achieving the objective of offering an appropriate range of investment alternatives for the Plans.

Time Horizon

The investment guidelines for fund selection and monitoring are based upon an investment horizon of between three and five years. Interim fluctuations in investment performance should be viewed in light of this perspective. Depending on the investment vehicle, other time frames may also be evaluated, including rolling three- and five-year time periods.

Participants with shorter-term liquidity needs will have the ability to select a short-term investment fund with a primary objective of providing a non-fluctuating principal value.

Risk Tolerances

Plan participants must recognize the difficulty of achieving their investment objectives in light of the uncertainties and complexities of the investment markets. It is understood that participants will seek to assume various individual levels of risk in order to achieve their various investment objectives.

In summary, several factors suggest collectively that the participants will need to tolerate some interim fluctuations in market value and rates of return in order to achieve their investment objectives. The Advisory Committee will evaluate each investment fund's risk and return characteristics in order to effectively discharge its responsibilities under the Plan in the best interests of participants and their beneficiaries.

INVESTMENT OPTION SELECTION GUIDELINES

The investment guidelines set for each asset class will be reviewed and interpreted by the Advisory Committee on an annual basis. Adjustments to the guidelines will be made when necessary to ensure participants have adequate and distinct investment options available to them.

In addition to the guidelines established for each asset class, the following should be met for all investment options selected to be included under each Plan:

- A clearly articulated investment strategy that is consistent with the IPS asset class guidelines.
- Fund information on such items as the history of the firm, key personnel, and current fee schedule or current expense ratios.
- A cost structure that is reasonable and competitive.
- Performance and risk consistent with the asset class and competitive with peer group funds.

ASSET CLASSES

Based on participants' varying time horizons and risk tolerances, the following asset classes may be made available for Plan participants. Participants may diversify between these asset classes in order to achieve their own optimum level of risk and return.

- Stable Value and Guaranteed Investment
- Fixed Income
 - Short-term
 - Core
 - Global
 - Treasury Inflation Protected (TIPs)
- Balanced
- Equity
 - Large Cap
 - Mid Cap
 - Small Cap
 - Multi Cap
 - Global
 - International
 - Emerging Markets
- Specialty
 - Real Estate (REITs)

STABLE VALUE AND GUARANTEED INVESTMENT FUNDS

Objective

Stable Value Funds (including but not limited to money market funds) and guaranteed investment contract funds (GICs) provide stability of principal and current income. These Funds may provide contractually specified interest rates and a guarantee of return of principal backed by the claims paying ability of the contract issuer.

Representative Performance Benchmark(s)

The 90-day Treasury Bill Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors who seek to preserve principal and produce income.
- Investors who are currently evaluating other investment options before determining their appropriate asset allocation.
- Investors moving to more conservative investments in anticipation of retirement.

Investment Strategy

Stable Value Funds invest in a variety of options that may include stocks, bonds, real estate investments, mortgage loans, and direct business loans.

Investment Selection Guidelines

- Above average claims paying ability as rated by Standard & Poor's or Moody's.
- Income that is consistent with current interest rates and competitive with other stable value type funds.

FIXED INCOME FUNDS - SHORT-TERM

Objective

Short-Term Fixed Income Funds should provide a competitive level of current income and preservation of principal consistent with Funds having an average duration between one and two years.

Representative Performance Benchmarks(s)

The Lehman Bros Government 1-3 Yr Bond Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Short-term investors seeking liquidity, price stability, and rates of return over a market cycle that compare favorably to 1-3 Year U.S. Treasury Securities.
- Investors whose asset allocation plans include a stable, highly liquid investment.
- Investors who are currently evaluating other investment options before determining their appropriate asset allocation.
- Investors moving to more conservative investments in anticipation of retirement.

Investment Strategy

Short-Term Bond Funds should generally be comprised of investment grade quality short-term securities, originated from a diverse and high quality list of issuers. The securities that constitute the underlying assets of contracts should also follow proper consideration of investment grade quality and diversification.

Investment Selection Guidelines

- Diversification by sector and industry other than U.S. Government securities is expected.
- Fund net assets of at least \$100 million.
- At least three years of actual or related investment history.
- Average credit quality of A or better by Standard & Poor's or Moody's.
- Average duration should not deviate from the benchmark's average by more than 1 year.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.

FIXED INCOME FUNDS – CORE

Objective

Core Fixed Income Funds should provide a level of total return that reflects current income and price fluctuation consistent with bond funds having an average duration of between three and six years.

Representative Performance Benchmarks(s)

The LB Intermediate Govt/Credit Bond Index, the LB Aggregate Bond Index, the LB Govt/Credit Bond Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors whose asset allocation plans call for income-producing investments.
- Investors seeking a fixed-income base to help cushion stock market declines but are also willing to accept fluctuations in share value.
- Investors moving to more conservative investment in anticipation of retirement.
- Retired investors seeking investment returns derived mostly from current income.

Investment Strategy

Core Fixed Income Funds generally invest in domestic investment grade fixed-income securities, including, but not limited to, government obligations, corporate debt securities, mortgage backed securities, guaranteed insurance contracts, bankers acceptance, cash and cash equivalents. The approach may be active management or a passive index approach.

Investment Selection Guidelines

- Diversification by sector and industry other than U.S. Government securities is expected.
- Fund net assets of at least \$100 million.
- At least three years of actual or related investment history.
- Average credit quality of A or better by Standard & Poor's or Moody's.
- Average duration should not deviate from the benchmark's average by more than 2 years.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.
- No more than 25% invested in non-U.S. securities.

FIXED INCOME FUNDS - GLOBAL

Objective

Global Fixed Income Funds should provide a level of total return that reflects current income and price fluctuation consistent with bond funds investing in global debt securities having an average duration of between three and six years.

Representative Performance Benchmark(s)

Salomon Brothers World Bond Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors whose asset allocation plans call for global income-producing investments.
- Investors seeking a fixed-income base to help cushion stock market declines but are also willing to accept fluctuations in share value.
- Retired investors seeking investment returns derived mostly from current income.

Investment Strategy

Global Fixed Income Funds generally invest in domestic and foreign fixed-income securities, including, but not limited to, government obligations, corporate debt securities, mortgage-backed securities, guaranteed insurance contracts, bankers acceptance, cash and cash equivalents. The approach may be active management or a passive index approach.

Investment Selection Guidelines

- Diversification by sector, industry, and country is expected.
- Fund net assets of at least \$100 million.
- At least three years of actual or related investment history.
- Average credit quality of A or better by Standard & Poor's or Moody's.
- Average duration should not deviate from the benchmark's average by more than 2 years.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.

TREASURY INFLATION PROTECTED (TIPs) FUNDS

Objective

The fund seeks to provide inflation protection and income consistent with inflation-indexed securities and long-term returns that exceed the performance of the Lehman Brothers U.S. Treasury Inflation Notes Index.

Representative Performance Benchmark(s)

Lehman Brothers U.S. Treasury Inflation Notes Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors who seek higher income potential than with a money market fund, those who want to maintain a hedge against inflation, or who desire to balance more aggressive investments with one providing potentially steady income.

Investment Strategy

TIP Funds invest primarily in inflation-indexed bonds issued by the U.S. Government, its agencies and instrumentalities and corporations.

Investment Selection Guidelines

- Fund net assets of at least \$100 million
- Three or more years of investment history, if available.
- Average credit quality of A or better by Standard and Poor's or Moody's.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.

BALANCED FUNDS

Objective

Balanced Funds should provide total returns and risk consistent with investments in similar balanced portfolios of fixed income and common stock investments.

Representative Performance Benchmark(s)

A blended index of stocks and bonds consistent with the objectives of the Balanced Fund.

Typical Investor Profile

- Investors who want to achieve diversification across asset classes by investing in one fund.
- Investors willing to allow the management of the fund to periodically determine and change, if needed, the allocation percentages of the Fund's assets based on their beliefs about the prospects of future markets.
- Investors willing to allow the management of the fund to make allocation changes across different asset classes contingent upon on a targeted retirement date or an investor's risk tolerance.

Investment Strategy

Balanced Funds generally allocates assets among the three primary asset classes (stocks, bonds and cash) based on guidelines which are regularly reviewed and may be gradually adjusted to provide the most favorable total return and risk based upon current and anticipated market conditions, a targeted retirement date, or an investor's risk tolerance.

Investment Selection Guidelines

- Diversification by sector and industry is expected.
- Fund net assets of a least \$100 million.
- At least three years of actual or related investment history.
- At least 10% of fund assets invested in fixed income securities.
- Maximum international exposure of 25%.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.

LARGE CAP EQUITY FUNDS

Objective

Large Cap Equity Funds should provide investment results that are consistent with the total return and risk of investments in domestic medium to large capitalization stocks.

Representative Performance Benchmark(s)

S&P 500 Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors willing to tolerate fluctuations, including above-average fluctuations, in share value to achieve long-term results.
- Investors who seek the growth potential that U.S. equity investments offer.
- Investors whose asset allocation plan calls for a U.S. equity investment.

Investment Strategy

Large Cap Equity Funds generally invest in equity securities of U.S. based companies with medium to large market capitalization, including companies that are believed to be undervalued or possessing lower than average price/earnings ratios and price/book ratios based upon their potential for appreciation, and companies with above average or accelerating earnings growth patterns. The Fund style may be value or growth biased, and may be an active management or a passive index approach.

Investment Selection Guidelines

- Diversification by sector and industry is expected.
- Fund net assets of at least \$100 million.
- At least three years of investment history.
- Average market capitalization of at least \$2 billion.
- Less than 25% of the portfolio invested in International Equities.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.

MID CAP EQUITY FUNDS

Objective

Mid-Cap Equity Funds seek capital appreciation by investing in equity securities issued by companies with medium market capitalization.

Representative Performance Benchmark(s)

Russell Mid-Cap Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors willing to tolerate average fluctuations in share value to achieve long-term results.
- Investors seeking the potential for capital appreciation offered by medium market capitalization of U.S. equity investments.
- Investors who seek returns that should approximate those of the mid-cap segment of the U.S. equity markets.
- Investors whose asset allocation plans call for a U.S. mid-cap equity investment.

Investment Strategy

Mid-Cap Equity Funds generally invest a significant portion of their assets in securities of U.S.-based companies with medium market capitalization. The portfolio should be managed such that the long-term risk and returns of the fund over its time horizon approximate those available from the S&P 400 Mid-Cap Index or similar indexes.

Investment Selection Guidelines

- Diversification by sector and industry is expected.
- Fund net assets of at least \$100 million.
- Three or more years of investment history.
- Average market capitalization of issuers between \$1 billion and \$5 billion.
- Less than 25% of the portfolio invested in international equities.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.

SMALL CAP EQUITY FUNDS

Objective

Small Cap Equity Funds should provide investment results that are consistent with the total return and risk of investments in domestic small capitalization stocks.

Representative Performance Benchmark(s)

Russell 2000 Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors willing to tolerate above-average fluctuations in share value to achieve long-term results.
- Investors seeking the capital appreciation potential offered by small market capitalization U.S. equity investments.
- Investors seeking returns that approximate or exceed those of the small cap segment of the U.S. stock market.
- Investors whose asset allocation plan calls for a U.S. small cap equity investment.

Investment Strategy

Small Cap Equity Funds generally invest in equity securities of U.S. based companies with small market capitalization, companies that are believed to be undervalued or possessing lower than average price/earnings ratios and price/book ratios based upon their potential for appreciation, and companies with above average or accelerating earnings growth patterns. The Fund may be value or growth biased, and may be an active management or a passive index approach.

Investment Selection Guidelines

- Diversification by sector and industry is expected.
- Fund net assets of at least \$100 million.
- At least three years of investment history.
- An average market capitalization of less than \$2 billion.
- Less than 25% of the portfolio invested in International Equities.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.

MULTI CAP EQUITY FUNDS

Objective

Multi Cap Equity Funds should provide investment results that are consistent with the total return and risk of investments in domestic stocks with capitalization that ranges from small to large.

Representative Performance Benchmark(s)

Wilshire 5000 Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors willing to tolerate above-average fluctuations in share value to achieve long-term results.
- Investors seeking the capital appreciation potential offered by small to large market capitalization U.S. equity investments.
- Investors seeking returns that approximate or exceed those of the broad U.S. stock market.

Investment Strategy

Multi Cap Equity Funds generally invest in equity securities of U.S. based companies with market capitalization that ranges from small to large, companies that are believed to be undervalued or possessing lower than average price/earnings ratios and price/book ratios based upon their potential for appreciation, and companies with above average or accelerating earnings growth patterns. The Fund may be value or growth biased, and may be an active management or a passive index approach.

Investment Selection Guidelines

- Diversification by sector and industry is expected.
- Fund net assets of at least \$100 million.
- At least three years of investment history.
- Broad market capitalization distribution across the small, mid, and large cap ranges.
- An average market capitalization greater than \$2 billion.
- Less than 25% of the portfolio invested in International Equities.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.

GLOBAL EQUITY FUNDS

Objective

Global Equity Funds should provide investment results that are consistent with the total return and risk of investments in stocks of both U.S. and non-U.S. companies traded on foreign and domestic exchanges. Global equity funds seek to provide diversification through investment in the equity securities of both U.S. and non-U.S. companies.

Representative Performance Benchmark(s)

MSCI World Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors willing to accept above-average fluctuations in share value in order to achieve long-term results.
- Investors whose asset allocation plan calls for domestic and international equity investments.
- Investors seeking the diversification and return potential that global equities offer.

Investment Strategy

Global Funds generally invest in equity securities of domestic and international companies traded in the more developed markets of the world. The portfolio should be managed such that the risk and returns available on this fund over time would be consistent with those available from the MSCI World Index. The Fund style may be value or growth biased and may be an active management or passive index approach.

Investments Selection Guidelines

- Diversification across sectors, industries, and countries is expected.
- Fund net assets of at least \$100 million.
- At least three years of investment history.
- An average market capitalization of at least \$2 billion.
- Less than 25% of the portfolio invested in emerging market countries.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.
- Minimum U.S. holdings 25%.

INTERNATIONAL EQUITY FUNDS

Objective

International Equity Funds should provide investment results that are consistent with the total return and risk of investments in stocks of non-U.S. companies traded on foreign exchanges. International equity funds seek to provide diversification through investment in the equity securities of non-U.S. companies.

Representative Performance Benchmark(s)

MSCI EAFE Index, MSCI World ex-U.S. or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors willing to accept above-average fluctuations in share value in order to achieve long-term results.
- Investors whose asset allocation plan calls for international equity investments.
- Investors seeking the diversification and return potential that foreign equities offer.

Investment Strategy

International Funds generally invest in equity securities of companies traded in the more developed markets of the world. The portfolio should be managed such that the risk and returns available on this fund over time would be consistent with those available from the MSCI EAFE Index or the MSCI World ex-U.S. Index. The Fund style may be value or growth biased, and may be an active management or passive index approach.

Investments Selection Guidelines

- Diversification across sectors, industries, and countries is expected.
- Fund net assets of at least \$100 million.
- At least three years of investment history.
- An average market capitalization of at least \$2 billion.
- Less than 25% of the portfolio invested in emerging market countries.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.
- Maximum U.S. holdings of 25%.

EMERGING MARKET EQUITY FUNDS

Objective

Emerging Market Equity Funds should provide investment results that are consistent with the total return and risk of investments in stocks of non-U.S. companies traded on foreign exchanges in markets which are less developed but are experiencing an increasing rate of economic expansion.

Representative Performance Benchmark(s)

MSCI Emerging Markets Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors seeking to take advantage of the return potential in developing countries but who have an understanding of and tolerance for other risk factors including currency fluctuations, and more volatile economic and political environments in these emerging markets.
- Investors seeking portfolio diversification offered by foreign investments which have historically exhibited lower correlation with the U.S. market.
- Investors willing to accept above-average fluctuations in share value in order to achieve attractive long-term results.
- Investors whose asset allocation plan calls for international equity investments.

Investment Strategy

Emerging Markets Funds generally invest in equity securities of the world's emerging economies such as Argentina, Brazil, Mexico and Turkey. The portfolio should be managed such that the risk and returns available on this fund over time are consistent with those available from the MSCI Emerging Markets Index.

Investment Selection Guidelines

- Diversification across sectors, industries and countries is expected.
- Fund net assets of at least \$100 million.
- At least three years of investment history.
- Limited exposure to the more developed market countries.
- Top 50th percentile performance within investment objective for rolling three and/or five-years periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive peer group funds.

SPECIALTY FUNDS: REITs

Objective

REIT Funds should provide investment results that are consistent with the total return and risk of investments in higher yielding Real Estate Investment Trusts (REITs).

Representative Performance Benchmark(s)

NAREIT Equity Index or other benchmark(s) that more appropriately reflects the manager style within this particular asset class.

Typical Investor Profile

- Investors seeking portfolio diversification offered by REIT funds whose pattern of returns have historically differed from the bond and stock markets.
- Investors who seek higher yields than are available on typical equity investments.
- Investors who seek some hedge against inflation through exposure in real estate related investments.
- Investors who have an understanding of and appreciation for the risk factors inherent in real estate related investments such as interest rate sensitivity and responsiveness to economic growth and the rate of inflation.

Investment Strategy

REIT Funds generally invest in REITs (real estate investment trusts) investing in professionally managed companies that specialize in the development and management of real-estate properties. Some examples of the different types of REITs are apartment, factory outlet, health care, hotel and others.

Investment Selection Guidelines

- Diversification across sectors, property types, and geographic regions is expected.
- Fund net assets of at least \$50 million.
- At least three years of investment history.
- Top 50th percentile performance within investment objective for rolling three and/or five-year periods.
- Returns that approximate or exceed the benchmark for rolling three and/or five-year periods.
- Risk consistent with the asset class and competitive with peer group funds.

USE OF CONSULTANTS AND OTHER SERVICE PROVIDERS

The Advisory Committee may retain a Financial Consultant, whose functions will include:

- Rendering overall advice on investment policy regarding the management of Plan assets.
- Providing quarterly performance reviews to the Advisory Committee of the Plan's investment funds based on the established criteria. This includes recommendations for changes where appropriate.
- Recommendations regarding communications and investment funds based on participant demographics, Plan participation rates, deferral rates, and the allocation of participant account balances.

The Advisory Committee may also retain the services of other professionals in order to properly discharge its obligation under this IPS. Consultants and service providers retained by the DCAC may include:

- Trusts
- Investment Fund Managers
- Record keeper/Administrators
- Consultants
- Tax Advisors
- Auditors
- Lawyers
- Accountants

RESPONSIBILITY AND PERIODIC REVIEW

Investment Performance

Investment performance will be measured at least quarterly and reviewed by the Advisory Committee. The Committee will meet with the Financial Consultant annually for an overall Plan review.

It is not expected that the IPS will change frequently. In particular, short-term fluctuations in the financial markets should not require adjustments to the IPS.

The Advisory Committee, with the assistance of its consultant, will:

- Review quarterly the performance of the funds in the Plan, as provided by the Plan consultant.
- Compare each investment options' performance against the appropriate indices or benchmarks to ensure compliance with the IPS guidelines.
- Review all related fees and expense ratios.
- Identify any material changes in the fund's organization, investment philosophy, and/or personnel.
- Review Plan participant account balances and elections for trends pertinent to investment options.
- Make revisions to the IPS to reflect changing conditions within the Plan or refine the IPS in order to make it more effective.
- Make deletions or changes in the investment options offered under the Plan.

Personnel Services Authority and Responsibilities

Personnel Services will generally be responsible for the following communication efforts, as outlined by ERISA Section 404(c).

- Identifying the name, address, and phone number of the Plan fiduciary.
- Provide a general description of the investment alternatives available under the Plan, and a general description of the investment objectives and risk and return characteristics of each alternative, including information relating to the type and diversification of assets comprising the portfolio of the designated investment alternative.
- Provide a description of fees and expenses associated with the Plan.
- Provide a description of procedures established to provide confidentiality of information relating to investments in the Plan.

- Provide additional information that can be given to employees by the Personnel Services without rendering investment advice including, but not limited to:
 - general financial and investment information,
 - asset allocation models, and
 - interactive investment materials.

Manager/Fund Termination

Approved investment funds for the Plan will be monitored on an ongoing basis to ensure that they meet their respective investment criteria. Reasons for replacement may include, but are not limited to the following:

- Significant under-performance relative to the investment option's benchmark.
- Significant under-performance relative to the investment option's peer group universe.
- Acceptance of significantly more risk than the investment option's benchmark.
- Change or loss of key personnel.
- Significant increase or decrease of assets under management over a 12-month period (that are unrelated to changes in market value).
- A real or perceived change in investment style or discipline. Dismissal will be automatic unless the new discipline satisfies the criteria in the IPS.
- The identification by the Advisory Committee of a more appropriate investment option.
- Failure to attain a majority vote of confidence of the Advisory Committee.

Voting of Proxies and Mutual Fund Units

In accordance with the right of Plan participants to direct the investment of their Plan accounts, where applicable, the right to vote proxies and tender shares of any investment option held in their account will be the responsibility of Plan participants. If a Plan participant fails to exercise such right, neither the BOV nor the Trustee(s) shall vote such proxies or tender such shares, as the case may be.

Amendment and Termination

This IPS may be amended or terminated upon the written recommendation of the Advisory Committee to the Trustee.