INVESTMENT POLICY STATEMENT

City of Orlando Other Post Employment Benefits (OPEB) Trust

INTRODUCTION

The Trust's purpose is to help stabilize the increasing accrued liability associated with the City's OPEB benefits, as well as in the long term be a source of funding for future OPEB obligations of the City.

The Trustees shall exercise reasonable care, skill and caution and invest and manage Trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the Trust. Investments of the Trust shall be made in full accordance with any and all applicable statutes, as well as any other applicable legislation or regulation, state, federal or otherwise.

Policy guidelines may be amended by the Trustees both upon their own initiative and upon consideration of the advice and recommendations of the investment managers and Trust professionals. Proposed modifications should be documented in writing to the Trust.

The City of Orlando OPEB Trust was created by the City Council on September 8, 2008, for the sole purpose of providing funding for and payment of post-employment health care and other post-employment benefits to Beneficiaries. It was created as an irrevocable trust and in no event shall any part of the principal or income of the Trust be paid or revert to the City for any purpose other than to pay or to provide reimbursement for eligible Benefit expenditures for the exclusive benefit of Beneficiaries, including Administrative Expenses, or for any other purpose provided for in the OPEB Trust document. The Trust is created pursuant to the authority of the City's Charter and other applicable law and shall constitute a governmental trust pursuant to Section 115 of the Code. The Trust may consist of the contributions from the City, all investments made or held under the Trust, and all income therefrom, both received and accrued, and any other property, which may be received or held by reason of the Trust. It is intended that the Trust shall be tax-exempt and shall qualify as tax-free under Section 115(1) of the Code and any amendments of the Code applicable to trusts of such type.

No part of the net earnings of the Trust may inure to the benefit of any employee of the City or Beneficiary other than by Benefit payments or for services provided by the Trustees in its administration of the Trust. All income, profits, recoveries, contributions, forfeitures and any and all monies, securities and properties of any kind at any time received or held by the Trustees shall become part of the Trust when received, and shall be held for the use and purposes hereof.

This policy statement is issued for the guidance of fiduciaries, including the members of the Board of Trustees, the Finance Committee, the Investment Committee, and investment managers, in the course of investing the assets of the Trust. This Policy applies to all funds under the control of the OPEB Trust Board of Trustees.

Policy guidelines may be amended by the Board of Trustees both upon their own initiative and upon consideration of the advice and recommendations of the Finance Committee, Investment Committee, investment managers and fund professionals. Proposed modifications should be documented in writing to the Trust.

STATEMENT OF GOALS AND OBJECTIVES

This statement of investment goals and objectives is set forth in keeping with the fiduciary requirements under existing federal and state laws. Its purpose is to set forth an appropriate set of goals and objectives for the Trust's assets and to define guidelines within which the investment managers may formulate and execute their investment decisions.

1. Total return, consistent with prudent investment management, is the primary goal of the Trust. The total return target is ~~8.0~~7.5% net compounded annually, which considers the actuarial rate of return of ~~8.0~~7.5%**.** Total return, as used herein, includes income plus realized and unrealized gains and losses on Trust assets. In addition, assets of the Trust shall be invested to ensure that principal is preserved and enhanced over time.

2. The total return for the overall Trust shall meet or exceed the Trust's Policy Index (as described in Appendix I). As a secondary comparison, understanding that there is no specific/valid universe for OPEB Trust, the Trust shall also be compared with comparable funds as represented by the Consultants Public Pension Fund peer group universe, with the understanding that the Trust's funded status and overall investment risk profile may differ from the average public pension fund in that universe.

3. Total portfolio risk exposure and risk-adjusted returns will be regularly evaluated and compared with a universe of similar funds for the Trust and each investment manager. Total portfolio risk exposure should generally rank in the mid-range of comparable funds. Risk-adjusted returns are expected to consistently rank in the top-half of comparable funds.

4. To the extent possible, attempts will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investment managers shall exceed the return of their designated benchmark index and rank in the top-half of the appropriate asset class and style universe. Specific guidelines and benchmarks and performance requirements for the Investment Managers are specified in Appendix IV.

Asset Class	**Benchmark**	**Asset Class Universe**	**Style Universe**
Domestic Large Cap Equity	S&P 500, Russell 1000 Growth or Value Index	Equity Funds	Large Core, Growth or Value
Domestic SMID Cap Equity	Russell 2500 Index	Equity Funds	SMID Cap Core
Developed International Equity	MSCI ACWI Ex. US Index	Developed Int'l Equity Funds	NA
Domestic Fixed Income	Barclays Aggregate	Fixed Income Funds	Core Bonds
Diversified Fixed Income	Barclays Global Aggregate	Fixed Income Funds	Global Multi-Sector
Global Tactical Asset Al location	60% MSCI World Half Hedge (net of dividend) & 40% Citigroup WGBI Index (Half Hedged)	Balanced Managers	Balanced Managers
Private Equity	Cambridge Associates Global All PE (Qtr lag)	Private Equity Funds	NA
Private Debt	CSFB High Yield Index S&P European Leveraged Loan Index	Private Debt Funds	NA
Real Estate	NCREIF ODCE	Real Estate Funds	NA

5. The Board is aware that there may be

deviations from these performance targets. Normally, results are evaluated over a three-to five-year time horizon, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the Trust.

INVESTMENT GUIDELINES

The overall capital structure targets and permissible ranges for eligible asset classes are detailed in Appendix I.

Full discretion, within the parameters of the guidelines described herein, is granted to the investment managers regarding the asset allocation, the selection of securities, and the timing of transactions.

Domestic and Non-U.S. Equity Managers:

1. Domestic and non-U.S. investments include common and Preferred stocks of companies domiciled both within the U.S. and outside the U.S. that trade on U.S. or foreign exchanges and over the counter. This includes American Depository Receipts (ADRs), securities convertible into common stocks, and derivative financial instruments that create equivalent exposures.
2. Equity investment managers are expected to provide total returns that meet the guidelines of this policy statement and for a specific investment philosophy or style that the Board believes is appropriate for the Fund, as set out in the respective manager's Investment Management Agreement.
3. Unless otherwise stated in the respective Investment Management Agreement, decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover, and the other tools employed by active managers are left to the manager's discretion, subject to the standards of fiduciary prudence, as set out in the respective manager's Investment Management Agreement.
4. Equity securities shall be diversified by industry and in number.
5. Each actively managed equity manager may hold some investment reserves of cash but with the understanding that performance will be measured against equity benchmarks. It is expected that each manager will remain essentially fully invested at all times. It shall be the responsibility of each manager, however, to give reasonable notice to the Board of its intention to raise its allocation to cash should it believe that market conditions warrant such action. For purposes of this Policy, the term "essentially fully invested" means no more than 5% of the portfolio in cash.

Domestic Fixed-Income Managers:

1. Domestic fixed income investments may include U.S. Government and Federal Agency obligations, corporate bonds, debentures, commercial paper, certificates of deposit, Yankee bonds, mortgage-backed securities and other domestically issued fixed income instruments deemed prudent by the investment managers. The fixed income guidelines below also apply to High Yield and multi-sector managers unless otherwise specifically noted.
2. Unless otherwise stated in this document, decisions as to individual security selection, currency hedging, turnover, number of industries and holdings, and the other tools employed by active managers are left to the manager's discretion, subject to the standards of fiduciary prudence as set out in the applicable Investment Management Agreement. No more than 10% may be invested in any one issuer. However, obligations of the U.S. Government may be held without limitation.
3. Each actively managed fixed-income manager may, at its discretion, hold investment reserves of cash, but with the understanding the performance will be measured against fully invested fixed income benchmarks. It is expected that each manager will remain essentially fully invested at all times. It shall be the responsibility of each manager,

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Font: Arial

however, to give reasonable notice to the Board of its intention to raise its allocation to cash should it believe that market conditions warrant such action.

4. The Fund may hold cash or other short-term instruments in order to fund benefit and other administrative payments.

Global and Emerging Fixed Income Managers:

1. Global and Emerging fixed income investments may include debt securities of the U.S. government, non-U.S. government, and non-U.S. non-government entities, and other issued fixed income instruments deemed prudent by the investment managers.

2. Unless otherwise stated in this document, decisions as to individual security selection, currency hedging, turnover, number of industries and holdings, and the other tools employed by active managers are left to the manager's discretion, subject to the standards of fiduciary prudence as set out in the applicable Investment Management Agreement. Global bond portfolios may hold no more than 30% of the portfolio's market value of any single government or non-U.S. government entity, and no single non-government debt security shall constitute more than 6% of the global bond portfolio's value, as determined at the time of purchase. Emerging bond portfolios will hold no more than 10% of the portfolio's value in any single debt security, at market value, and no industry, as defined by the JP Morgan Emerging Markets Global Bond Index ("JPM EMBI Global Index"), will comprise of more than 25% of the portfolio's market value, as determined at the time of purchase.

3. Each actively managed fixed-income manager may, at its discretion, hold investment reserves of cash, but with the understanding the performance will be measured against fully invested fixed income benchmarks. It is expected that each manager will remain essentially fully invested at all times. It shall be the responsibility of each manager, however, to give reasonable notice to the Board of its intention to raise its allocation to cash should it believe that market conditions warrant such action.

Global Asset Allocation (GAA) Managers:

1. The purpose of employing a GAA manager is to provide an additional layer of diversification with the twin goals of increasing return and decreasing risk. To the extent necessary the managers can use active or passive underlying portfolios. Due to the global nature of these mandates, managers are expected to be evaluating and/or investing in non-U.S. instruments, to include derivative investments allowing for market exposure or risk mitigation (e.g., index futures and currency forwards).
2. GAA strategies are allowed, where the manager has the ability to invest in, but is neither limited by nor required to hold, domestic, international and emerging equities, bonds and real assets. Managers may/will employ a global tactical asset allocation strategy that can change the capital structure of the portfolio at any time as market conditions dictate within the strategy guidelines of the manager.
3. GAA managers may employ either a passive or active/tactical approach with regard to how the assets are invested. These strategies should be employed to improve the overall portfolio's diversification and to provide attractive risk-adjusted returns. These strategies may include products that are focused on generating absolute or real returns, compared to other strategies in the portfolio which may be more benchmark sensitive.

Private Equity/Debt Managers:

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Font: Arial

Formatted: Indent: Left: 0.5", No bullets or numbering

1. The investment objective of these portfolios is to achieve high long-term returns by investing in strategies (privately held investments) with the potential for high returns.
2. Given that the investments will be made via commingled vehicles, the Fund recognizes that the portfolio cannot be customized or altered for any one investor. Accordingly, the Fund shall adopt the investment guidelines of the commingled vehicle as its own so long as it is keeping with the spirit and intent of the guidelines contained herein.
3. The Fund will analyze annual commitment levels and sub-strategy diversification. The Private Equity/Debt programs will make specialized investments requiring the establishment of individualized performance objectives for each fund/manager.

Real Estate Managers:

1. Real estate typically exhibits low correlation to equities and fixed income markets and provides diversification benefits to the overall portfolio. Investments may include domestic and foreign income producing properties (e.g., office, hotel, commercial, residential, industrial, etc.), raw land, and other real estate related opportunities.
2. Given that the investments will be made via commingled vehicles, the Fund recognizes that the portfolio cannot be customized or altered for any one investor. Accordingly, the Fund shall adopt the investment guidelines of the commingled vehicle as its own so long as it is keeping with the spirit and intent of the guidelines contained herein.

~~1 Equity investments, i.e., common stocks, convertibles, warrants and rights are permitted; subject to the guidelines in Appendix I. Equity specialists may vary equity commitment from 90% to 100% of assets under management. The managers should determine that the securities to be purchased are of an investment grade suitable for this Trust. American Depository Receipts (ADRs), which are dollar denominated foreign securities traded on the domestic U.S. stock exchanges, e.g., Reuters, Nestle, Sony, may be held by each domestic stock manager in proportions which each manager shall deem appropriate.~~

~~2 Domestic fixed income investments are permitted, subject to the guidelines in Appendix I, and may include U.S. Government and Agency obligations, mortgage backed securities; including non-agency mortgages and commercial mortgage-backed securities; asset-backed securities; corporate bonds; debentures; commercial paper; and taxable municipals.~~

~~3 At purchase, the minimum quality rating of any fixed income issue held in an investment grade portfolio shall be Baa as rated by Moody's, or an equivalent rating agency, and the overall weighted average quality shall be A or higher. If an investment held by an Investment Manager is downgraded below investment grade, the manager may continue to hold said security if the manager deems it prudent and in the best interest of the Trust. The ratings in this Policy Statement are for guidance only; the investment managers are responsible for making an independent analysis of the credit worthiness of securities and their suitability as investments regardless of the classifications provided by rating agencies.~~

~~4 The average duration (interest rate sensitivity) of an actively managed fixed income portfolio shall be within +/-30% of its benchmark index.~~

~~5 To help control overconcentration risk, securities of an individual issuer, excepting the U.S. government and agencies and sovereign nations and their agencies, shall not constitute more than 5% of an investment manager's portfolio at any time, at market value.~~

~~6 Investment managers may maintain reserve and cash equivalent investments. However, these investments should be made on the basis of safety and liquidity, and only secondarily by yield available. Cash reserves will be limited to cash equivalent instruments of maturities less than one year; the pooled~~

~~cash fund of the custodian bank and commingled funds meeting this requirement are permitted.~~

~~7 There shall be no specific limitation to turnover. However, modest turnover is preferred.~~

~~8 It is expected that all managers will seek best execution when trading their respective portfolios.~~

Ineligible Investments

Unless specifically approved by the Trust, certain securities, strategies and investments are ineligible for inclusion within separately managed accounts in the Trust's asset base. Among these are:

- Derivative instruments except as permitted in the Derivatives Policy in Appendix II or specifically provided for in individual manager guidelines.
- Privately-placed or other non-marketable debt, except securities issued under Rule 144a.
- Lettered, legend or other so-called restricted stock.
- Commodities.
- Straight preferred stocks and non-taxable municipal securities should not normally be held unless pricing anomalies in the marketplace suggest the likelihood of near-term capital gains when normal spread relationships resume.
- Short sales.
- Direct investments in private placements, real estate, oil and gas and venture capital.
- Any transaction prohibited by ERISA.

Liquidity Requirements

When necessary, Investment managers will be given adequate notice of cash needs and an estimation of the liquidity requirements from their funds. They will be expected to manage their funds to provide for anticipated withdrawals without impairing the investment process.

Proxy Voting

Responsibility for the exercise of ownership rights through proxy solicitations shall rest solely with the investment managers, who shall exercise this responsibility strictly for the economic benefit of the portfolios. Managers shall annually report to the Trust standing policies with respect to proxy voting, including any changes that have occurred in those policies.

Commingled Funds

Mutual funds and other types of commingled investment vehicles provide, under some circumstances, lower costs and better diversification than can be obtained with a separately managed fund pursuing the same investment objectives. However, commingled investment funds cannot customize investment policies and guidelines to the specific needs of individual clients. The Board is willing to accept the policies of such funds in order to achieve the lower costs and diversification benefits of commingled funds. Therefore, commingled investment vehicles selected by the Board are exempt from the policies and restrictions specified herein.

Alternative Investments

The Board recognizes that certain Alternative Investment strategies (such as hedge fund, absolute return, ~~and~~ private equity, private debt and real estate strategies) do in fact make use of derivatives and other instruments which may not be in full compliance with the guidelines set out for separately managed portfolios. Given that virtually all alternative investment strategies will be in a commingled format, the above statement regarding Commingled Funds will likely apply to Alternative Investments. To the extent that the Board selects an Alternative Investment manager offering a separately managed account, the Board may use its discretion in terms of granting exceptions to these guidelines to that manager.

Manager Probation

Investment Managers may be placed on a watch list in response to the Board's concerns about the Manager's recent or long-term investment results, failure of the Investment Manager to comply with any of this IPS, significant changes in the Investment Manager's firm, changes in the Manager's investment strategy, anticipated changes in Fund structure, or any other reasons which the Board deems appropriate. A Manager may be placed on probationary status if:

- Performance fails, over eight consecutive quarters or any eight quarters during a ten quarter period, to achieve median same style universe performance levels as defined by the Fund; and
- During this same period the return does not meet the return of the benchmark index.

This does not preclude the Fund from placing a Manager on the watch list for performance in a lesser time period or taking other actions if deemed appropriate by the Fund.

ROLES AND RESPONSIBILITIES

Board of Trustees

The Board of Trustees (Trustees) shall review the total investment program. Trustees shall approve the investment policy and provide overall direction to the staff in the execution of the investment policy. Trustees, with the assistance of the investment consultant, are responsible for evaluating, hiring, and terminating investment managers, consultants and custodian banks.

The Board of Trustees shall exercise reasonable care, skill and caution and invest and manage Trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the Trust. Investments of the Trust are subject to the provisions of the statutes of the State of Florida, as well as those specified in the ordinances of the City of Orlando, as well as any other applicable legislation or regulation, state, federal or otherwise. In performing their investment duties as fiduciaries, the Board will comply with the financial standards set forth in the Employee Retirement Income Security Act of 1974 at 29
U.S.C. s. 1104(a) (A) – (C).

Finance Committee and Investment Committee

The City's Finance Committee and Investment Committee are responsible for overseeing the regular administration of the OPEB Trust, monitoring the performance of the Trust's investments, verifying compliance with this Investment Policy Statement and individual investment manager guidelines, establishing appropriate investment procedures and controls, establishing rate of return objectives, setting appropriate benchmarks and performance measurement methodologies, and monitoring the risk and performance of each portfolio. The Finance Committee and Investment Committee shall have the authority to set policy which further restricts any authorization established by this Investment Policy Statement.

The Finance Committee and Investment Committee are also responsible for making recommendations to the OPEB Board of Trustees. Such recommendations may include modifications to the Investment Policy Statement or asset allocation policy, recommendations to hire or terminate an investment manager, or any other action deemed by the Finance Committee or Investment Committee to be in the best interest of the Trust. Any modification of the Investment Policy Statement or asset allocation policy, or the hiring or termination of an investment manager, requires the final approval of the OPEB Board of Trustees. Resolution of matters shall be referred to the OPEB Board of Trustees if such matters are outside the scope of the authority delegated to those committees by the Board of Trustees through this Investment Policy Statement.

Investment Consultant

The Investment Consultant shall assist the Trustees in developing and modifying policy objectives and guidelines, including the development of asset allocation strategies, recommendations on long term asset allocation and the appropriate mix of investment manager styles and strategies. The consultant shall also provide assistance in manager searches and selection, and in investment performance calculation, evaluation, and analysis. The consultant shall provide timely information, written and/or oral, on investment strategies, instruments, managers and other related issues, as requested by the Board of Trustees

Investment Managers

The duties and responsibilities of each of the investment advisors retained by the Trust include:

1 Managing the Trust's assets in accordance with the policy guidelines and objectives expressed herein.
2 Meeting with the Board of Trustees, Finance Committee or Investment Committee at their request. Each manager shall report to the Trust and the Investment Consultant as outlined in Appendix III. Quarterly reports should be submitted in writing within 30 days of the end of a quarter.
3 Working with the custodian bank to verify monthly accounting reports.
4 Acknowledging in writing to the Trust the investment manager's intention to comply with this Statement as it currently exists or as modified in the future.
5 The investment managers shall provide the Trust with their pricing policies including a list of sources used. The Trust should be notified of any exceptions to these policies. The custodian is required to obtain prices independent of the manager, or to notify the Trust that independent prices are not available.

Custodian Bank

In order to maximize the Trust's return, no money should be allowed to remain idle. Dividends, interest, proceeds from sales, new contributions and all other monies are to be invested or reinvested promptly.

Securities should be held with a third party, and all securities purchased by, and all collateral obtained by, the board should be properly designated as an asset of the board. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the board or the board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

All investments will be reported at market value using generally accepted valuation/pricing mechanisms, such as publicly published prices, pricing mechanisms such as matrix pricing utilized by the Master Custody and Investment Management industry and professional appraisals.

The custodian bank(s) will be responsible for performing the following functions:

1. Accept daily instructions from designated staff.
2. Notify investment managers of proxies, tenders, rights, fractional shares or other dispositions of holdings.
3. Resolve any problems that designated staff may have relating to the custodial account.
4. Safekeeping of securities.
5. Collection of interest and dividends.
6. Daily cash sweep of idle principal and income cash balances.
7. Processing of all investment manager transactions.
8. Collection of proceeds from maturing securities.
9. Disbursement of all income or principal cash balances as directed.
10. Collect asset values from pooled accounts, hedge funds, private equity investments and other alternative asset classes not custodized by the bank for inclusion in the Trust's comprehensive monthly valuation reports.
11. Providing monthly statements by investment account and a consolidated statement of all assets.
12. Working with the investment consultant and the Trust accountant to ensure accuracy in reporting.
13. Provide written statements revealing monthly reconciliation of custody and investment managers' accounting statements.
14. The custodian shall provide the Trust with their pricing policies including a list of sources used. The Trust should be notified of any exceptions to these policies. The custodian is required to obtain prices independent of the manager, or to notify the Trust that independent prices are not available.

OTHER CONSIDERATIONS

It is the intent of the Trust to revise this statement of goals and objectives to reflect modifications and revisions to the Trust, which may develop from time to time. It is also the policy of the Trust to review these goals and objectives at least once per year and to communicate any material change thereto to the investment managers.

This Policy statement is prepared to provide appropriate guidelines for the investment managers, consistent with the Trusts' return objectives and risk tolerances. Should any investment manager believe that the guidelines are unduly restrictive or inappropriate; the Trust expects to be advised accordingly.

IMPLEMENTATION

All monies invested for the Trust by its investment managers after the adoption of this Investment Policy Statement shall conform to this policy. The Investment Policy Statement was ~~adopted~~ approved by the Board of Trustees of the City of Orlando OPEB Trust at their meeting on ~~September 21, 2009.~~

Approved on Behalf of the Board of Trustees By: ___________________________ Date: ___________________

Accepted on Behalf of Investment Manager By: ___________________________ Date: ___________________

APPENDIX I

City of Orlando Other Post Employment Benefits (OPEB) Trust

ASSET ALLOCATION POLICY

In order to have a reasonable probability of achieving the target return at an acceptable risk level, the Trust has adopted the asset allocation policy outlined below. The actual asset allocation will be reviewed on a quarterly basis and will be readjusted when an asset class weighting is outside its target range.

~~**TARGET TARGET ASSET CLASS TARGET % RANGE % BENCHMARK**~~

Formatted: Highlight

~~**Domestic Equity 33% 28% -38% Russell 3000**~~

~~**International Equity 12% 7% -17% MSCI ACWI ex. U.S.**~~

~~**Fixed Income 35% 30% -40% Barclays Aggregate**~~

~~**Global Asset Allocation 20% 15% -25% CPI + 5%**~~

~~**Cash 0% 0 – 5% 90 Day T-Bill**~~

Asset Class	Target %	Target Range%	Target Benchmark
Domestic Equity	33%	28% - 38%	Russell 3000
International Equity	12%	7% - 17%	MSCI ACWI ex. U.S.
Domestic Fixed Income	10%	5% - 15%	Barclays Aggregate
Diversified Fixed Income	5%	0% - 10%	Barclays Global Aggregate
Global Asset Allocation	20%	15% - 25%	CPI + 5%
Private Equity	10%	0% - 15%	Cambridge Associates Global All PE (Qtr lag)
Private Debt	5%	0% - 10%	CSFB High Yield Index S&P European Leveraged Loan Index
Real Estate	5%	0% - 10%	NCREIF ODCE

Cash	0%	0% - 5%	90 Day T-Bill

The Trust's Policy Index is a custom benchmark designed to indicate the returns that a passive investor would earn by consistently following the asset allocation targets set forth in this investment policy statement. It is useful in separating the impact of investment policy from execution of the investment strategy in evaluating the performance of the Fund's investment program.

The Policy Index is calculated by multiplying the target commitment to each asset class by the rate of return of the appropriate market index, as listed above, on a monthly basis.

Rebalancing

The Board, with the assistance of the consultant, will review asset allocation at least quarterly to determine if the asset allocation is consistent with the exposure ranges described herein. The "Staff" will direct investment managers to transfer funds to rebalance the asset allocation as necessary with subsequent Board notification. The transfers should be on a pro-rata basis. The Board will consider market conditions and transaction costs, as well as any other relevant factors when rebalancing.

The Fund shall strive to maintain a neutral bias with respect to Style Allocation (Growth versus Value) in its equity investments. The Trustees recognize that over the long run, returns from Growth and Value investing tend to approximate each other; over shorter periods, however, returns between the two can be significantly different. The Board, as part of the normal rebalancing responsibilities, shall use appropriate judgment and care when rebalancing portfolios.

APPENDIX II

City of Orlando Other Post Employment Benefits (OPEB) Trust

DERIVATIVES POLICY STATEMENT

A. Objectives

This derivatives policy statement identifies and allows common derivative investments and strategies which are consistent with applicable law and the Investment Policy Statement and requires investment managers to petition for the inclusion of additional derivative instruments and strategies. The guidelines also require investment managers to follow certain controls, documentation and risk management procedures.

B. Definition and Classification of Derivatives

A derivative is a security or contractual agreement which derives its value from some underlying security, commodity, currency, or index. These guidelines classify derivatives into four separate categories distributed across two classes: derivative contracts and derivative securities:

1. Derivative Contracts

a) Forward-based derivatives, including forward contracts, futures contracts, swaps, and similar instruments

b) Option-based derivatives, including put options, call options, interest rate caps and floors, and similar instruments

2. Derivative Securities

a) Collateralized Mortgage Obligations (CMOs)

b) Structured Notes

C. Allowed Uses of Derivatives

1. Derivative Contracts

a) Hedging. To the extent that the non-derivative component of a portfolio is exposed to clearly defined risks and derivative contracts exist which can be used to reduce those risks, the investment managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures, subject to the documentation requirements below.

b) Creation of Market Exposures. Investment managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class, provided that the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.

c) Management of Country and Asset Allocation Exposure. Managers charged with tactically changing the exposure of their portfolio to different countries and/or asset classes are permitted to use derivative contracts for this purpose.

2. Derivative Securities

a) "Plain Vanilla" CMOs. For the purpose of this policy, we will define a "plain vanilla" CMO as one which can be shown that the CMO is less exposed to interest rate and prepayment risk than the underlying collateral.

b) Other CMOs. CMOs which are not plain vanilla are restricted to 10% of a manager's portfolio.

c) Structured Notes. Structured notes may be used so long as the exposure implied by their payment formula would be allowed if created without use of structured notes.

D. Prohibited Uses of Derivatives

Any use of derivatives not listed in section C is prohibited without written approval of the Trust. Investment managers are encouraged to solicit such approval if they believe the list in section C is too restrictive. By way of amplification, it is noted that the following two uses of derivatives are prohibited:

1 **Leverage.** Derivatives shall not be used to magnify exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.

2 **Unrelated Speculation.** Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

E. Transaction-Level Risk Control Procedures and Documentation Requirements

For each over-the-counter derivative transaction, except foreign exchange forward contracts, investment managers are required to obtain at least two competitive bids or offers. For small-issue CMOs, it is acceptable to obtain competitive prices on similar securities.

For all derivatives transactions, investment managers should maintain appropriate records to support that all derivative contracts used are employed for allowed strategies. In addition, the following requirements apply to derivative securities:

a) "Plain Vanilla" CMOs

Document that the CMO is in fact "plain vanilla", according to the definition in section C.2.a.

b) Other CMOs

These CMOs must be stress tested to estimate how their value and duration will change with extreme changes in interest rates. An extreme change is one of at least 300 basis points.

c) Structured Notes

Document that note does not create exposures which would not be allowed if created without derivatives.

F. Portfolio-Level Risk Control Procedures and Documentation Requirements

1. Counterparty Credit Risk

Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have commercial paper credit ratings of at least A1 or equivalent rating.

2. Ongoing Monitoring of Risk Exposures

The duration and other risk exposure limits specified in the managers' guidelines are expected to be satisfied on an ongoing basis. Thus, managers must monitor changing risk exposures. Fixed income managers investing in CMOs should pay particular attention to the changing duration of their CMOs, and should anticipate potential changes in duration at the time CMOs are purchased so that interest rate and prepayment rate changes do not inadvertently move the portfolio out of compliance.

3. Valuation of Holdings

The investment managers and custodian shall provide the Trust with their pricing policies including a list of sources used. The Trust should be notified of any exceptions to these policies. The custodian is required to obtain prices independent of the manager, or to notify the Trust that independent prices are not available.

The investment managers are required to reconcile the valuations of all derivatives positions with the custodian not less than monthly.

4. Quarterly Reporting

Each manager using derivatives shall submit within thirty days of the end of each quarter a report with the following information:

a) A list of all derivative positions as of quarter-end.

b) An assessment of how the derivatives positions affect the risk exposures of the total portfolio.

c) An explanation of any significant pricing discrepancies between the manager and custodian bank.

d) An explanation of any events of non-compliance.

e) For managers of commingled funds, a list of derivative positions and assessment of the effect on the risk exposure of the portfolio.

G. Guidelines for Use of Pooled Funds which Employ Derivatives

Mutual funds and other types of commingled investment vehicles provide, under some circumstances, lower costs and better diversification than can be obtained with separately managed fund pursuing the same investment objectives. However, commingled investment funds cannot customize investment policies and guidelines to the specific needs of individual clients. The Trust is willing to accept the policies of such funds in order to achieve the lower costs and diversification benefits of commingled funds.

Therefore commingled investment vehicles are exempt from all policies specified above except F.4.e if:

1 The investment practices of the commingled fund are consistent with the spirit of this derivatives policy, and are not significantly different in letter

2 The benefits of using a commingled vehicle rather than a separate account are material.

APPENDIX III

City of Orlando Other Post Employment Benefits (OPEB) Trust

INVESTMENT MANAGER REPORTING REQUIREMENTS

As Necessary (based on occurrence)

1. Review of Organizational Structure
   A. Organizational changes (i.e., ownership).
   B. Discussion of any material changes to the investment process.
   C. Departures/additions to investment staff.
   D. Material changes in assets under management for the product managed on behalf of the Trust and for total firm.
   E. Managers shall disclose all pertinent information regarding any and all regulatory findings and/or litigation in which they were/are involved.

Quarterly

1. Summary of Investment Guidelines
   A. Discuss adherence to guidelines.
   B. Comments, concerns, or suggestions regarding the policy statement.

2. Performance Review
   A. Present total fund and asset class returns for last calendar quarter, year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.
   B. Discuss performance relative to benchmarks, provide attribution analysis which identifies returns due to allocation and selection decisions, as appropriate.
   C. Provide portfolio characteristics relative to benchmark.

3. Provide Portfolio Holdings
   A. Present book value and current market value.
   B. List individual securities by sector, asset class, or country, as appropriate.

Annually

1. Review of Investment Process and Evaluation of Portfolio Management Process
   A. Brief review of investment process.
   B. Investment strategy used over the past year and underlying rationale.
   C. Evaluation (in hindsight) of strategy's appropriateness.
   D. Evaluation of strategy's success/disappointments.
   E. Current investment strategy and underlying rationale.
   F. Written annual report of the proxy votes for all shares of stock in companies held in the manager's investment program that provides explanations of votes other than those considered routine. These reports shall specifically note any instances where proxies were not voted in accordance with the manager's standing policy.
   G. Each manager shall provide an annual commission report to be delivered to the Board and Investment Consultant within forty-five (45) days of the end of each calendar year [December 31]. The report shall cover all trades executed during the prior calendar year.
   H. Each manager shall submit their soft dollar policy, as well as their soft dollar "usage" to be delivered to the Board and Investment Consultant within forty-five (45) days of the end of each calendar year [December 31].
   I. Managers shall annually report to the Board, standing policies with respect to ethics

and professional practice, within forty five (45) days of the end of the calendar year [December 31]. Managers shall annually report to the Board compliance with the CFA Institute (CFAI) Code of Ethics. Managers shall disclose if they are made aware of any Chartered Financial Analyst (CFA) charterholders employed by their firm that have been publicly censured by the CFAI.