

**Alameda County Employees'
Retirement Association**

ACERA

**PRIVATE EQUITY AND ALTERNATIVES RETURN LEADING
STRATEGIES POLICY**

Amended October 15, 2015

ACERA PRIVATE EQUITY AND ALTERNATIVES RETURN LEADING STRATEGIES POLICY

TABLE OF CONTENTS

I.	SCOPE	3
II.	PURPOSE	3
III.	LEGAL AUTHORITY	3
IV.	TYPES OF PRIVATE EQUITY AND ALTERNATIVES INVESTMENTS	3
V.	STRATEGIC OBJECTIVE OF PRIVATE EQUITY AND ALTERNATIVES RETURN LEADING STRATEGIES	4
VI.	STRATEGIC ALLOCATIONS TO PRIVATE EQUITY AND ALTERNATIVES INVESTMENT PORTFOLIOS	4
VII.	SPECIFIC GUIDELINES FOR PRIVATE EQUITY AND ALTERNATIVES INVESTMENT PORTFOLIOS	5
VIII.	ROLES AND RESPONSIBILITIES	7
IX.	DUE DILIGENCE PROCESS FOR PRIVATE EQUITY AND ALTERNATIVES INVESTMENT SELECTION	10
X.	SPECIFIC PERFORMANCE EVALUATION CRITERIA	11
XI.	MONITORING AND REPORTING	11
XII.	PRIVATE EQUITY AND ALTERNATIVES INVESTMENT INFORMATION DISCLOSURE POLICY	11
XIII.	TABLE OF AMENDMENT DATES	12
	Appendix I – List of Reports Required for Each Investment Recommendation/Approval	13
	Appendix II – Executive Summary Report Template	14
	Appendix III – Compliance Checklist Template for Private Equity Investment Selection	15
	Appendix IV – Compliance Checklist Template for Alternatives Investment Selection	18

I. SCOPE

This Private Equity and Alternatives Return Leading Strategies Policy (“PEARLS Policy” or “Policy”) governs all investments in the Private Equity and Alternatives asset class made by Alameda County Employees’ Retirement Association (“ACERA”). Established on September 18, 2008, the PEARLS Policy is subject to all provisions of applicable law and the applicable limitations and requirements of ACERA’s General Investment Guidelines, Policies and Procedures. If there is any conflict between this PEARLS Policy and ACERA’s General Investment Guidelines, Policies and Procedures pertaining to investments in the Private Equity and Alternatives asset class, the PEARLS Policy prevails. The ACERA Board (“Board”) reserves the right to amend, supplement, or rescind this PEARLS Policy at any time.

II. PURPOSE

The purpose of this Policy is to 1) set forth the private equity and alternatives investment policies and guidelines which are deemed to be appropriate and prudent; 2) establish criteria against which private markets and alternatives investment opportunities are to be measured; and 3) serve as a review document to guide the ongoing oversight of ACERA’s Private Equity and Alternatives Return Leading Strategies Portfolio (“PEARLS Portfolio”) on a consistent basis. The Policy also defines roles and responsibilities of the Board, the ACERA Investment Committee (“Investment Committee”), the ACERA Staff (“Staff”), the ACERA PEARLS Consultant (“Consultant”), and the PEARLS Investment Managers hired by ACERA to manage its assets (“Investment Managers”).

It is expected that this Policy will be a living document and that changes will be made from time-to-time to reflect experience, evolving investment products, and opportunities and changes in the economic and capital market environment.

III. LEGAL AUTHORITY

This PEARLS Policy is established in accordance with Article XVI, Section 17 of the California Constitution and California Government Code sections 31594 and 31595, which establish the exclusive authority and fiduciary responsibility of the Board for the investment and administration of the ACERA Trust Fund (“Fund”).

IV. TYPES OF PRIVATE EQUITY AND ALTERNATIVES INVESTMENTS

For purpose of this Policy, Private Equity may include, but not be limited to, venture capital, corporate buyouts, and debt-related/ special situations. Alternatives may include, but not be limited to absolute return strategies, and other non-traditional and uncorrelated investments. ACERA may consider investing in these assets if and only if the vehicles meet all standards pursuant to the Policy. Private Equity and Alternatives may be denominated in U.S. dollars or other currencies.

V. STRATEGIC OBJECTIVE OF PRIVATE EQUITY AND ALTERNATIVES RETURN LEADING STRATEGIES

The Board recognizes that when ACERA invests in new Private Equity and Alternatives investments, investment results may be difficult to measure during the first several years of the investments, and possibly longer. However, the PEARLS Policy establishes ongoing monitoring and reporting duties for each investment and for the PEARLS Portfolio as a whole. These duties are designed to address these challenges and are described in detail later in this Policy. The Board believes the Fund's overall returns can be enhanced, on a risk-adjusted basis, by investing a portion of its assets in Private Equity and Alternatives. The strategic objective of such investments is to: 1) generate returns superior to those available in the public equity market to compensate the Fund for the long term and illiquid commitments associated with Private Equity and Alternatives investments; 2) enhance ACERA's long-term risk adjusted return and provide additional diversification to ACERA's overall investment Fund; 3) generate returns above the median of comparative universe returns; and, 4) generate total PEARLS Portfolio returns approximately 100 basis points over U.S. public market equity investments, as measured by the Russell 3000 Index, net of all fees and expenses.

VI. STRATEGIC ALLOCATIONS TO PRIVATE EQUITY AND ALTERNATIVES INVESTMENT PORTFOLIOS

The target allocation to the Private Equity and Alternatives asset class is 18% of the Total Fund. The target allocation to the Private Equity Portfolio is 9.0% and to the Alternatives Portfolio is 9.0% of the Total Fund. The strategic allocations to the PEARLS Portfolios, as measured by actual dollars invested and not by dollars committed to underlying Investment Managers or funds, are as follows:

Sub-categories	Target Allocations	Min./Max. Ranges
Private Equity Portfolio	9.0%	0% to 13%
- <i>Buyouts</i>	60%	40% to 80%
- <i>Venture Capital</i>	20%	0% to 30%
- <i>Debt-related/Special Situations</i>	20%	10% to 30%
Alternatives Portfolio	9.0%	0% to 10.5%
- <i>Absolute Return Strategies</i>	40%	0% to 60%
- <i>Other Alternative Investments</i>	60%	0% to 80%
Total	18%	0% to 23.5%

Portfolio construction will be designed to produce a diversified mix of returns, subject to the guidelines and constraints outlined under each sub-category below. While specific investments may incur losses of all or part of the capital invested, it is expected that a diversified PEARLS Portfolio will produce a positive return significantly in excess of publicly traded domestic equities.

Diversifiable risks associated with this Portfolio include position in the capital structure, the timing and amounts of cash flows, the size of the individual investments, and their sensitivities to business cycles. The risks associated with Private Equity and Alternatives investments will be viewed within the context of the entire Fund. ACERA may take on over- and under-weights to sub-asset classes within the PEARLS Portfolio to improve its risk/return posture based upon an assessment of the relative attractiveness of all available opportunities. As commitments and investments are expected to be made over time, the Portfolio is expected to reach and maintain its target allocations within 4-6 years (subject to availability of quality managers).

VII. SPECIFIC GUIDELINES FOR PRIVATE EQUITY AND ALTERNATIVES INVESTMENT PORTFOLIOS

A. Private Equity (PE) Portfolio

ACERA will gain exposure to PE investments by hiring external investment managers either directly or through participation in secondary PE markets. Typically, the Fund will subscribe as a limited partner to limited partnership vehicles sponsored by specialty external investment managers. Overall, it is expected that the PE Portfolio will produce approximately 250 basis points above the Russell 3000, net of all fees and expenses, over a seven to ten year period.

The PE Portfolio is to be diversified over 3 to 5 years:

By sub-asset class: Among buyouts, venture capital, and debt-related / special situations investments.

By vintage year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

By Investment Manager: No more than 20% of the Total Fund's 9.0% target allocation to the PE Portfolio may be committed to any one investment vehicle.

By geography: Through commitments to funds located and/or investing both in and outside of the United States.

By industry: As fallout of diversified commitments outlined above, it is expected that the Private Equity Portfolio will be generally diversified by sector/industry.

1. Buyout Investments

Description: Buyout investments typically involve the purchase of a control position (primarily majority positions, with some minority positions) in an established, privately held company. Investments are typically made in years one through three and returns typically occur in years three through six of the limited partnership.

Investment Constraints: No more than 35% of the target value of capital invested of the buyout portfolio may be invested in a single sector of the domestic or international economy.

2. Venture Capital Investments

Description: Venture Capital investments are typically made in privately-held companies at varying stages of development. Investments are often made in years one through five and returns typically occur in years four through ten of the limited partnership. Depending on stage or risk profile of investments, a large portion of investments may result in losses, while a few provide substantially outsized returns. Other types of Private Equity Investments with similar risk/return profiles may be considered for the Fund under this category.

Investment Constraints: No more than 50% of the target value of capital invested in the venture capital portfolio may be invested in a single industry within a particular sector.

3. Debt-Related and Special Situations Investments

Description: Debt-Related investments typically combine a debt instrument, which provides a current yield, with an equity participation of warrants, etc. Investments are typically made in years one through three of the partnership with a high level of current income that is combined with capital appreciation supplied by the warrants or other "equity kickers." Special Situations investments can encompass any variety of private investments in debt or equity, typically to generate returns from the turnaround or dissolution of stressed and distressed assets, including opportunistic real estate investments.

Investment Constraints: No more than 30% of the target value of the capital invested in the Debt-Related portfolio may be invested in any single debt-related asset.

B. Alternatives Portfolio

ACERA will gain exposure to alternative investments by hiring external investment managers either directly or through a fund-of-funds vehicle. Overall it is expected that within the Alternatives Portfolio, Absolute Return Strategies will produce returns approximately equal to the LIBOR + 400 basis points, and Other Alternative Investments will produce LIBOR + 600 basis points, both net of all fees and expenses over a seven to ten year period. It is furthermore expected that the pattern of the returns generated in the Alternatives Portfolio will provide additional diversification, i.e., exhibit a low correlation to the returns in the Private Equity Portfolio and in the rest of the ACERA investment portfolio.

1. Absolute Return (AR) Strategies

Description: Investment in a diversified portfolio of assets that focuses on maximizing return across different asset classes and investment strategies, typically referred to as hedge funds. These portfolios are not typically constrained to an individual asset class, but are intended to augment total return to the plan by utilizing proprietary strategies. These may include, but are not limited to: long/short equity, event driven, convertible arbitrage, equity market neutral, fixed income arbitrage, macro, and other strategies.

Investment Constraints: It is expected that no more than one-third (1/3) of the total value of the AR portfolio will be invested in any single fund, exclusive of fund-of-fund relationships. No investment will be made in an AR fund that has a “lock up” or non-redemption provision in excess of 36 months.

2. Other Alternative Investments

Description: Other alternative investments typically include a wide range of innovative, uncorrelated, or non-traditional investments that fall outside of ACERA’s previously identified asset classes (i.e. domestic equities, international equities, fixed income, real estate, real assets, and cash). The unique attributes of these investments should contribute to the achievement of the overall return and diversification objectives of the PEARLS Portfolio. Because the Alternatives Portfolio is intended to respond opportunistically to attractive prospects as they arise, not all potential investments can be identified at present. The investment categories of expected future Alternative Investments opportunities include, but are not limited to, currency, infrastructure, derivatives, opportunistic strategies, etc.

Investment Constraints: Investment constraints are subject to the specific investment selected. Target allocation to other alternative investments is detailed in Section VI of this PEARLS Policy.

VIII. ROLES AND RESPONSIBILITIES

The delineation of roles and responsibilities is important for effective administration of ACERA’s PEARLS Portfolio. The duties and responsibilities of the Board, Investment Committee, Staff, Consultant, and Investment Managers are stated below:

A. Board

The Board shall be responsible for approving the PEARLS Policy that governs the PEARLS Portfolio and approving the annual investment plan of ACERA’s PEARLS Portfolio. The Board, with input from the Investment Committee, shall review this Policy to determine whether amendments are necessary. The Board shall also be responsible for reviewing and approving all Private Equity and Alternatives investments with individual commitments exceeding Staff’s delegated authority as described in subparagraph C below.

B. Investment Committee

The Investment Committee shall be responsible for the following:

1. Establishing the Policy to govern all investments in the Private Equity and Alternatives asset class;
2. Reviewing the Policy, evaluating proposals for the Policy amendments, if any, and making recommendations for approval by the Board;
3. Reviewing and approving the annual investment plan of ACERA’s PEARLS Portfolio;
4. Reviewing Private Equity and Alternatives investments recommended by Staff and/or Consultant and making recommendations to the Board for adoption; and

5. Delegating to Staff the authority to make final decisions on all Private Equity and Alternative investments with an individual commitment up to 5% of the target allocation to the total PEARLS Portfolio or \$25 million (whichever is lesser).

C. Staff

Staff shall be responsible for oversight of ACERA's PEARLS Portfolio. Staff's responsibilities shall include, but not be limited to the following:

1. Developing and recommending all necessary changes to the Policy with input from Consultant;
2. Developing and maintaining specific procedures, if necessary, to comply with the approved PEARLS Policy with input from Consultant;
3. Developing the annual investment plan of ACERA's PEARLS Portfolio and making recommendations to the Committee for adoption with input from Consultant;
4. Approving Consultant's Private Equity and Alternative investment proposals (both new proposals and "re-ups" with existing managers) with each individual commitment up to 5% of the target allocation to the total PEARLS Portfolio or \$25 million (whichever is lesser) to managers in good standing upon completion of a thorough review and due diligence process with satisfactory results.¹ Staff and Consultant shall provide the Investment Committee all required reports (please see Appendices I through IV).
5. Conducting due diligence, and if satisfied, recommending the Private Equity and/or Alternative investment proposal with an individual commitment exceeding 5% of the target allocation to the total PEARLS Portfolio or \$25 million (whichever is lesser) to the Committee. Staff and Consultant shall provide the Investment Committee all required reports (please see Appendices I through IV);
6. Monitoring the PEARLS Portfolio for performance and compliance with the Policy;
7. Monitoring the performance of the underlying Investment Managers and their compliance with a) the investment guidelines as set forth in their respective contracts; b) this Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Conducting comprehensive annual reviews of ACERA's PEARLS Portfolio and the individual investments in the Portfolio;
9. Reporting to the Investment Committee any violations of the PEARLS Policy with appropriate recommendations;
10. Assisting ACERA's legal department in contract negotiations with the selected Investment Managers;
11. Evaluating Private Equity and Alternative investment opportunities with Consultant's input on an on-going basis; and
12. Evaluating and making recommendations for retention and termination of Investment Managers.

¹ An investment manager may be considered to be in good standing if there is sufficient comfort with factors including, but not limited to, its organization, strategy, performance, and compliance.

D. Consultant

The Consultant hired by the Board is a fiduciary to ACERA and its Board. Consultant shall independently and continuously monitor and analyze the performance of ACERA's PEARLS Portfolio and make related recommendations to serve the best interests of the plan participants. Consultant shall assist Staff in developing the PEARLS Policy and recommending all necessary changes to the Policy. In addition, Consultant shall be responsible for:

1. Analyzing the asset allocation of the PEARLS Portfolio by type, implementation vehicle, geography, industry, and vintage year, and making recommendations for reallocation of assets, as appropriate;
2. Developing an investment plan for ACERA's PEARLS Portfolio annually;
3. Developing a search strategy for highly qualified Private Equity and Alternative investments and maintaining a robust database containing information on Investment Managers;
4. Recommending highly qualified Private Equity and Alternative fund investments to Staff and/or the Investment Committee upon completion of a thorough due diligence process and providing the required reports listed in the Appendix I of this PEARLS Policy to Staff and/or the Investment Committee;
5. Ongoing monitoring of the investment performance of ACERA's PEARLS Portfolio and individual investments in the Portfolio;
6. Conducting ongoing due diligence on Investment Managers, notifying ACERA of any significant developments and adverse events and providing analysis and advice on such issues;
7. Ongoing monitoring of Investment Managers' compliance with a) their respective investment guidelines as set forth in their contract; b) this PEARLS Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Assisting Staff in contract negotiations with the selected Investment Managers;
9. Submitting performance evaluation reports and conducting comprehensive reviews of the PEARLS Portfolio and individual Investment Managers semi-annually, and when appropriate, quarterly to the Investment Committee;
10. Making recommendations for retention or termination of Investment Managers;
11. Attending meetings as needed; and
12. Performing other duties in accordance with the terms of its contract and applicable State and Federal law.

E. Investment Managers

Investment Managers are fiduciaries and shall prudently manage ACERA's assets in the best interest of ACERA and its members. Investment Managers shall abide by all applicable policies and procedures established by ACERA, and fully comply with applicable law. Investment Managers shall be responsible for compliance with a) the specific investment guidelines as set forth in their respective contracts; b) the PEARLS Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures. Investment Managers shall be responsible for all aspects of portfolio management as set forth in their respective contracts with ACERA. They shall also:

1. Communicate with Staff and/or Consultant promptly regarding investment strategy, investment results, and any non-conforming issues that may have significant and/or negative impact on the portfolio;
2. Cooperate fully with Staff, Consultant, ACERA's custodian, and other ACERA vendors concerning requests for information;
3. Submit reports to Staff and Consultant in accordance with their contract terms; and
4. Attend meetings as needed.

IX. DUE DILIGENCE PROCESS FOR PRIVATE EQUITY AND ALTERNATIVES INVESTMENT SELECTION

ACERA recognizes that a proper due diligence process is essential to control the risks associated with Private Equity and Alternative investments and, therefore, hereby establishes the following due diligence processes for both its Consultant and Staff:

A. Consultant

Consultant shall conduct extensive, documented due diligence before making any Private Equity and Alternative investment recommendations to Staff and the Investment Committee. Consultant shall involve Staff in the due diligence process, as necessary. When appropriate, Consultant shall, but not be limited to:

1. Assessing the reputation of the individuals who manage the Private Equity and Alternative investments, consider background checks, internet searches, and in-person meetings or conference calls with these individuals, etc.;
2. Conducting on-site visits to the offices of the Investment Managers;
3. Checking references from other investors that have invested in these Private Equity and Alternative investments, and, when advisable, from competitors;
4. Determining that the Private Equity and Alternative investment funds are audited, at least annually, by a reputable and recognized external independent auditing firm;
5. Reviewing Investment Managers investment strategies, policies, operating procedures, and historical performance;
6. Reviewing and understanding the valuation procedures employed by the Investment Managers;
7. Reviewing business terms of all legal agreements and other related documents for the Private Equity and Alternative investments under consideration, such as offering memorandum, legal agreements, and Forms ADV, if and as available;
8. Reviewing the investments for potential exposure to Unrelated Business Taxable Income (UBTI); and

Assessing what exit strategies exist to liquidate existing investments owing to poor performance and, if necessary, to avoid future investments in similar funds.

B. Staff

Staff shall ensure that Consultant has conducted extensive, documented due diligence on all Private Equity and Alternative investment proposals recommended to Staff and the Investment Committee. Staff shall participate in Consultant's due diligence process when appropriate and shall also be responsible for:

1. Reviewing the comprehensive analysis report prepared by Consultant on its recommended Private Equity and Alternative investments;
2. Verifying the compliance of each recommended Private Equity and Alternative investment with the PEARLS Policy, the annual investment plan for ACERA's PEARLS Portfolio and other applicable investment policies;
3. Discussing all issues related to the recommended Private Equity and Alternative investments with Consultant and if necessary, with Investment Managers; and
4. Arranging presentations of select investment opportunities to the Investment Committee as described under Section VIII.C.4;
5. Conducting an on-site due diligence visit to each manager's headquarters office when necessary and practicable; and
6. Completing Appendices II and III of this document for each proposal.

X. SPECIFIC PERFORMANCE EVALUATION CRITERIA

When appropriate, the specific performance evaluation criteria, including but not limited to benchmarks, for Investment Managers will be established in the investment agreements between ACERA and individual Investment Managers.

XI. MONITORING AND REPORTING

Consultant and Staff will closely monitor and analyze the PEARLS Portfolio so that the strategic objective of the Portfolio can be met.

Investment Managers shall submit all reports to Staff, Consultant, ACERA's custodian, and other ACERA vendors in accordance with their respective contracts.

Consultant shall submit all reports to Staff in accordance with its contract terms and the PEARLS Policy.

Consultant, in conjunction with Staff, shall perform evaluations of ACERA's PEARLS Portfolio and the underlying Investment Managers semi-annually and when appropriate, quarterly. Consultant shall report the findings to Staff and the Investment Committee.

XII. PRIVATE EQUITY AND ALTERNATIVES INVESTMENT INFORMATION DISCLOSURE POLICY

ACERA is a public agency subject to the California Public Records Act (Cal. Gov. Code §6250 *et seq.*), which provides generally that all records relating to a public agency's business are open to public inspection, disclosure, and copying, unless specifically exempted. The investment of the ACERA Fund is a matter of legitimate public interest; however, the Legislature has determined that the public interest requires that certain information regarding private equity funds, venture funds, hedge funds, or absolute return funds remain exempt from disclosure. (Cal. Gov. Code §6254.26.)

Therefore, regarding Private Equity and Alternative investments, it shall be the policy of ACERA to disclose only those records described in California Government Code Section 6254.26, subdivision (b). Specifically, ACERA will disclose the following categories of documents:

1. The name, address, and vintage year of each Private Equity and Alternatives investment vehicle;
2. The dollar amount of the commitment made to each Private Equity and Alternatives investment vehicle by ACERA since inception;
3. The dollar amount of cash contributions made by ACERA to each Private Equity and Alternatives investment vehicle since inception;
4. The dollar amount, on a fiscal year-end basis, of cash distributions received by ACERA from each Private Equity and Alternatives investment vehicle;
5. The dollar amount, on a fiscal year-end basis, of cash distributions received by ACERA plus remaining value of partnership assets attributable to ACERA's investment in each Private Equity and Alternatives investment vehicle;
6. The net internal rate of return of each Private Equity and Alternatives investment vehicle since inception;
7. The investment multiple of each Private Equity and Alternatives investments vehicle since inception;
8. The dollar amount of the total management fees and costs paid on an annual fiscal year-end basis, by ACERA to each Private Equity and Alternatives investment vehicle; and
9. The dollar amount of cash profit received by public investment funds from each Private Equity and Alternatives investment vehicle on a fiscal year-end basis.

All other records regarding such Private Equity and Alternatives investments shall be exempt from disclosure to the fullest extent permitted under applicable law. Notwithstanding the preceding, ACERA reserves the right to withhold any record on the basis that the public interest in disclosure is clearly outweighed by the public interest in withholding the record (Cal. Gov. Code §6255).

XIII. TABLE OF AMENDMENT DATES

September 18, 2008
March 19, 2009
August 18, 2011
December 20, 2012

Appendix I

List of Reports Required for Each Investment Recommendation/Approval

Name of Report	Source
Recommendation/Approval memo	Staff
Recommendation/Approval memo	Consultant
Executive Summary of the Fund	Consultant
Compliance Checklist	Staff
Comprehensive Due Diligence Report (available to Trustees upon request due to confidentiality)	Consultant
Manager Pitchbook	Investment Manager

Note: Staff will provide an abbreviated Executive Summary Report that is available for review upon request by the Trustees.

Appendix II

Executive Summary Report Template

Fund Name

Section I: General Information

Fund Name; Total AUM of the Firm; Current Target Fund Size; Previous Fund Size; Fund Focus; etc.

Section II: Investment Management

Organization Structure; Management Group; Experience; Personnel Turnover; etc.

Section III: Investment Strategy

Investment Philosophy; Investment Strategy; Investment Process; Investment Objective; etc.

Section IV: Risk Management

Risk Control Methodology; Exit Strategy; etc.

Section V: Investment Rationale

Section VI: Investment Concerns

Section VII: Performance (example)

Benchmark:

Returns (%):

Periods Ending Date	YTD	1Year	3Years	5Years	Since Inception
Fund					
Benchmark					
Relative Performance: Account – Benchmark					

Section VIII: Key Terms

Fund Term; Preferred Return; Investment Period; Management Fee; Other Fees; General Partner Carry; GP Commitment; Advisory Board; Clawback; No-Fault Divorce; Key-Person Events; Closing Schedule; Drawdown Schedule; etc.

* List of items to be addressed as appropriate.
Data provided by Name as of Date; ICM Date

Appendix III

Compliance Checklist Template for Private Equity Investment Selection

Target allocation to Private Equity and Alternatives asset class: 18% of the total Fund

Target allocation to Private Equity (PE) Portfolio: 9.0% of the total Fund

A. PEARLS Policy for PE Portfolio

Fund Name

In Compliance

1. Permissible Legal Structures

Any legally permissible vehicle will be allowed including, but not limited to, joint ventures, limited partnerships, and limited liability corporations.	<i>Specific legal structure.</i>	<i>Yes, No or N/A</i>
--	----------------------------------	-----------------------

2. Investment Methods

Individual limited partnership funds Primary and/or Secondary Separate accounts Discretionary Fund-of-funds Direct investments/Co-Investments Combination of the above	<i>Specific investment methods.</i>	<i>Yes, No or N/A</i>
--	-------------------------------------	-----------------------

3. Investment Characteristics

PE may include, but not be limited to, buyouts, venture capital, debt-related / special situations.	<i>Specific investment type.</i>	<i>Yes, No or N/A</i>
<u>Buyouts</u> : typically purchase of a control position in an established, privately held company, <u>Venture Capital</u> : typically purchase in privately-held companies at varying stages of formation, and <u>Debt-related / special situations</u> : typically combine a debt instrument, which provides a current yield, with an equity participation of warrants, etc. Special situations investments can encompass any variety of private investments in debt or equity.	<i>Specific investment characteristics.</i>	<i>Yes, No or N/A</i>
PE may be denominated in U.S. dollars or other currencies.	<i>Specific currency denomination.</i>	<i>Yes, No or N/A</i>

4. Portfolio Diversification

<p><u>By sub-asset class</u>: among buyouts, venture capital, and debt-related/special situations.</p>	<p><i>Specific investment type.</i></p>	<p><i>Yes, No or N/A</i></p>
<p><u>By vintage year</u>: roughly equal amounts of new funding will be committed in each calendar year with deviations permitted.</p>	<p><i>Specific vintage year.</i></p>	<p><i>Yes, No or N/A</i></p>
<p><u>By Investment Manager</u>: ≤20% of the target allocation to total PE Portfolio may be committed to any one partnership.</p>	<p><i>Specific commitments to the Investment Manager.</i></p>	<p><i>Yes, No or N/A</i></p>
<p><u>By geography</u>: commitments to funds located and/or investing in both in and outside of the U.S.</p>	<p><i>Specific location.</i></p>	<p><i>Yes, No or N/A</i></p>
<p><u>By industry</u>: PE Portfolio is generally diversified by sector/industry.</p>	<p><i>Specific sector/industry.</i></p>	<p><i>Yes, No or N/A</i></p>

5. Return Expectation

<p>Russell 3000 + 250 bps (net of all fees) in aggregate.</p>	<p><i>Specific return target.</i></p>	<p><i>Yes, No, or N/A</i></p>
---	---------------------------------------	-------------------------------

6. Investment Allocations

<p><u>PE Portfolio</u>: range 0%-13% of the total Fund.</p> <p><u>Buyouts</u>: target 60%; range 40%-80%.</p> <p><u>Venture Capital</u>: target 20%; range 0%-30%.</p> <p><u>Debt-related / Special Situations</u>: target 20%; range 10%-30%.</p>	<p><i>Expected allocations to the PE Portfolio and the underlying portfolios including specific commitment to the Investment Manager.</i></p>	<p><i>Yes, No, or N/A</i></p>
--	---	-------------------------------

7. Investment Constraints

<p><u>Buyouts</u>: ≤35% of the target value of the buyout portfolio may be invested in a single sector of the domestic or international economy.</p> <p><u>Venture Capital</u>: ≤50% of the target value of the venture capital portfolio may be invested in a single industry within a particular sector.</p> <p><u>Debt-related / Special Situations</u>: ≤30% of the target value of the debt-related portfolio may be invested in any single debt-related asset.</p>	<p><i>Specific commitment to the Investment Manager.</i></p>	<p><i>Yes, No or N/A</i></p>
--	--	------------------------------

B. PEARLS Investment Plan for YEAR

Approved: *DATE*

Fund Name

In Compliance

Specific Investment Plan.	<i>Specific commitment to the Investment Manager.</i>	<i>Yes, No or N/A</i>
---------------------------	---	-----------------------

Appendix IV

Compliance Checklist Template for Alternatives Investment Selection

Target allocation to Private Equity and Alternatives asset class: 18% of the total Fund

Target allocation to Alternatives Portfolio: 9.0% of the total Fund

A. <u>PEARLS Policy for Alternatives Portfolio</u>	<u>Fund Name</u>	<u>In Compliance</u>
---	-------------------------	-----------------------------

1. Permissible Legal Structures

Any legally permissible vehicle will be allowed including, but not limited to, joint ventures, limited partnerships, and limited liability corporations.	<i>Specific legal structure.</i>	<i>Yes, No or N/A</i>
--	----------------------------------	-----------------------

2. Investment Methods

Individual limited partnership funds Primary and/or Secondary, Separate accounts / Commingled funds Fund-of-funds Direct investments/Co-Investments Passive, Enhanced and/or Active accounts Combination of the above	<i>Specific investment methods.</i>	<i>Yes, No or N/A</i>
---	-------------------------------------	-----------------------

3. Investment Characteristics

Alternatives Investments may include, but not be limited to, absolute return strategies, commodities, and other non-traditional and uncorrelated investments.	<i>Specific investment type.</i>	<i>Yes, No or N/A</i>
<u>Absolute Return Strategies (AR)</u> : flexible investment mandate across different asset classes, investment strategies and financial instruments. Strategies may include, but are not limited to, long/short equity, event driven, convertible arbitrage, relative value, market neutral, fixed income arbitrage, macro, and other strategies. <u>Other</u> : a wide range of innovative, uncorrelated or non-traditional investments, such as currency, infrastructure, derivatives, opportunistic strategies, etc.	<i>Specific investment characteristics.</i>	<i>Yes, No or N/A</i>

Alternatives may be denominated in U.S. dollars or other currencies.	<i>Specific currency denomination.</i>	<i>Yes, No or N/A</i>
--	--	-----------------------

4. Return Expectation

<u>AR</u> : LIBOR + 400 (net of all fees) in aggregate. <u>Other</u> : LIBOR + 600 (net of all fees) in aggregate.	<i>Specific return target.</i>	<i>Yes, No, or N/A</i>
---	--------------------------------	------------------------

5. Investment Allocations

<u>Alternatives Portfolio</u> : range 0%-10.5% of the total Fund. <u>AR</u> : target 40%; range 0%-60%. <u>Other</u> : target 60%; range 0%-80%.	<i>Actual allocations to the Alternatives Portfolio and the underlying portfolios including specific commitment to the Investment Manager.</i>	<i>Yes, No, or N/A</i>
--	--	------------------------

6. Investment Constraints

<u>AR</u> : ≤1/3 of the total value of the AR portfolio will be invested in any single fund, exclusive of fund-of-funds. No investment should have a “lock up” or non-redemption provision in excess of 36 months. <u>Other</u> : subject to specific investment selected.	<i>Specific commitment to the Investment Manager.</i>	<i>Yes, No or N/A</i>
---	---	-----------------------

B. PEARLS Investment Plan for YEAR

Approved: *DATE*

Fund Name

In Compliance

Specific Investment Plan	<i>Specific commitment to the Investment Manager.</i>	<i>Yes, No or N/A</i>
--------------------------	---	-----------------------