STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES

For

THE OPEB TRUST

OF THE CITY OF BALTIMORE

I. GENERAL

The Retiree Benefits Trust (Trust) of the City of Baltimore was established by the Baltimore City Board of Estimates in 2007 to provide post retirement life and healthcare benefits to City of Baltimore retirees and their designated beneficiaries. The Baltimore City Director of Finance was made the Trustee of the Trust. Pursuant to Article 22 of the Baltimore City Code (the "Code") and a Memorandum of Understanding between the Finance Director and the Board of Trustees of the Employees' Retirement System (the Board), the Board is charged with the administration of the OPEB Trust and investment of its assets. To ensure that the assets of the Trust are managed prudently, and consistent with the retirement objectives of the Trust's members, the Board periodically reviews the asset management and actuarial characteristics of the Trust. To the extent that asset management policies developed by the Board improve investment performance results, present liabilities will be adequately funded, City contributions may be reduced, and excess interest will form a basis for future benefits.

The Board may establish from time to time separate objectives and guidelines for particular asset categories and sub-categories. Any separate objectives and guidelines established for an asset category or sub-category shall be attached to and supplement these general guidelines, and both documents shall apply to investment managers retained by the Board in that category.

II. FIDUCIARY DUTIES OF THE BOARDS OF TRUSTEES

A. The Board of Trustees for the Employees' Retirement Trust (Board) shall have full power to invest the funds of the Trust. The Board and its appointed fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Trust; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent professional acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the Trust so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

B. In recognition of the importance of prudent investment of Trust assets to both the City and Trust's participants, the Board periodically reviews the asset management and actuarial characteristics of the Trust to ensure that investments are managed in a manner that is consistent with the life and healthcare objectives of Trust's participants. To the extent that asset management policies developed by the Board improve investment performance results, present liabilities will be adequately funded, City contributions will be reduced, and excess interest will form a basis for funding future benefits.

C. In exercising its fiduciary responsibility with respect to the investment of the funds, the Board shall give weight and consideration to investments that enhance the general welfare of the City and its citizens where the investments offer quality, return, and safety comparable to other investments currently available to the Board, and provided that such investments conform to investment guidelines promulgated by the Board. The Board shall also give weight and consideration to investments that involve Minority Business Enterprises and Women Business Enterprises located in the Baltimore City Metropolitan Area where the investments offer quality, return, and safety comparable to other investments currently available to the Board, and provided that such investments conform to investment guidelines promulgated by the Board.

D. In exercising its fiduciary responsibility with respect to the selection of investment managers with whom the Board may contract for the investment of the funds, the Board shall give weight and consideration to investment managers that have offices in the Baltimore City Metropolitan Area, where those investment managers' qualifications and competencies are comparable to those of other candidates for investment manager under consideration by the Board. The Board shall also give weight and consideration to candidates for investment manager that are Minority Business Enterprises and/or Women Business Enterprises located in the Baltimore City Metropolitan Area where those investment managers' qualifications and competencies are comparable to those of other candidates for investment manager under consideration by the Board.

For purposes of this Statement of Investment Objectives and Policies, the terms, Minority Business Enterprises and/or Women Business Enterprises, set forth in Paragraphs (C) and (D) of this section shall have the respective meaning assigned to those terms by Sections 28-2(d) and 28-2(m) of Article 5 of the Baltimore City Code (2000 Edition).

For purposes of this Statement of Investment Objectives and Policies, the term, "Baltimore City Metropolitan Area," shall mean Baltimore City, Anne Arundel County, Baltimore County, Harford County and Howard County.

III. STATUTORY INVESTMENT RESPONSIBILITIES OF THE BOARDS

The Baltimore City Charter and Article 22 of the Baltimore City Code defines the powers and duties of the Board and sets forth guidelines with regard to asset management policies and investment alternatives. Under the Code, the Board is empowered to make certain decisions and take appropriate action regarding the investment management and custodianship of the Trust assets. Investment responsibilities of the Board include:

A. Hiring an investment advisor to act as consultant to assist the Board in all aspects of the investment process;

B. Establishing reasonable investment objectives and developing appropriate investment policy guidelines that are consistent with the laws of The City of Baltimore and that permit achievement of Trust objectives;

C. Communicating investment policy guidelines and objectives to investment managers;

D. Selecting investment managers; and

E. Monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that Trust objectives are being met.

IV. INVESTMENT COMMITTEE

The Board created an Investment Committee that is responsible for advising and making recommendations to the Board with respect to general investment policy. Outlined in separate guidelines, the duties of the Investment Committee shall include formulating and recommending investment policies to the Board and evaluating the investment performance of the managers responsible for the Trust's assets.

V. GENERAL INVESTMENT OBJECTIVES

The primary investment objectives of the Trust are set forth below. It is recognized that maximizing any one objective may compromise the achievement of other objectives. For example, maximizing liquidity may reduce investment return; seeking maximum investment return may subject capital preservation to higher risk. Accordingly, the investment objectives are given in descending order of priority:

A. To preserve the capital value of the Trust assets adjusted for inflation;

B. To ensure adequate liquidity to meet benefit liabilities as they fall due;

C. To meet the actuarial interest rate assumptions and

D. Without unduly jeopardizing the above objectives, to exceed the investment return objective by the astute management of Trust assets.

VI. DISCRETIONARY AUTHORITY

Within each major security classification, investments should be diversified and excessive concentration in any particular security, company or industry is to be avoided. Detailed guidelines in this regard have been supplied to each of the Trust's investment managers. Additionally, each is expected to be familiar with the investment provisions in Article 22 of the Baltimore City Code. Subject to these objectives and guidelines, and the Trust laws referenced herein, the investment managers shall have full discretion in investment decisions. Managers are advised to notify the Board in writing if these objectives cannot be met or the guidelines constrict performance, and are encouraged to suggest changes in these guidelines at any time.

VII. RISK

The Board judges the question of risk to be categorized into groups of concerns including potential loss of capital, volatility and variability of returns, credit or bankruptcy, liquidity and diversification. These are applied to the market, sectors of the market and individual issues. To a varying degree each of these points is addressed implicitly or explicitly in different sections of this Policy, the Board’s several investment guidelines, and instructions to Investment Managers but, for clarity, they are summarized as follows:

A. Capital Loss - Preservation of the value of capital is of major concern. It is the Investment Manager's responsibility to avoid, or at least minimize losses.

B. Volatility and/or Variability of Returns - For passive Investment Managers, tracking error around the underlying benchmark is expected to be no more than 1% (1.2% for passive fixed income managers). For active Investment Managers, while excessive volatility is to be avoided, portfolio volatility shall remain consistent with the style for which they were retained and reasonable relative to the underlying benchmark.

C. Credit or Bankruptcy - Credit quality shall be appropriate to the strategy and style for which the Investment Manager was retained. Securities of companies in bankruptcy should be avoided and, in general, securities of high quality, income producing companies should be emphasized.

D. Liquidity - To ensure the flexibility necessary to take defensive action where appropriate, positions should be in issues with sufficient trading volume or float so as to facilitate, under most market conditions, prompt sale without severe market effect.

E. Diversification - All investment portfolios shall be well diversified according to each Investment Manager's internal guidelines to avoid excessive exposure to any single country, geographic area, economic sector, industry group, individual security or issuer.

F. Currency – International Investment Managers must demonstrate sensitivity to currency risk. The foreign currency exposure of the Trust may be hedged back to the U.S. dollar using forward foreign exchange contracts. From 0% to 100% of the foreign currency exposure of a portfolio may be hedged. Cross-hedging to a currency other than the U.S. dollar may reach 25% of the total portfolio. Currency speculation is not permitted. The major commercial and investment banks used for hedging transactions must be rated A or better by Standard & Poor's or Moody's, or Fitch.

VIII. TOTAL FUND INVESTMENT POLICY AND ASSET ALLOCATION

The Trust must comply with guidelines imposed by the Board, and by the laws of the City of Baltimore and any other state or federal laws dealing with investment of public retirement plan assets. Trust investment managers are expected to familiarize themselves with these laws and guidelines.

Investment policy for the Trust relates to the portfolio of all assets that comprise the total holdings of the Trust. The Board recognizes that the objective of a sound and prudent policy is to produce investment results that will preserve the assets of the Trust, as well as to maximize earnings of the Trust consistent with its long-term needs. These long-term needs have been ascertained through various studies performed on behalf of the Board by its actuary~~,~~ and its investment advisor. Investment policy and the long run average allocation of plan assets to which they refer are deemed to be consistent with the projected pattern of cash flows to the plan and its projected benefit payments. Should the projected finances of the Trust change significantly, or if applicable federal or state statutes change, or if changes in the plan's asset valuation methods are adopted, these policies and average asset allocations will be reviewed and modified by the action of the Board, if appropriate.

In general, the Board recognizes that large pools of assets must be diversified over several different security classifications in order to reduce risk. The following asset allocation has been established as an overall objective for the total holdings of the Fund:

Asset Category	Target % of Total Fund at Market Value	
US Equities	31%	(+/-3%)
Defensive Equity	5%	
Non-US Equities	22 %	(+/-3%)
US Fixed Income	15 %	(+/-3%)

Hedge Funds	8%
Real Estate	12%
Alternatives	7%

The asset allocation is a strategic allocation. The long term target allocation percentage and permitted range for each asset class shall be based upon the most recent asset liability study performed by the Investment Consultant every 3-5 years, and as adopted by the Board. Both the target allocations and permitted ranges should be adhered to under normal circumstances. However, because the target allocations and permitted ranges are long-term in nature, periodically the asset mix may fall outside the target or permitted range. Dollar-cost-averaging, portfolio transition or other cases where the Board determines deviation from the target or range is in the best interest of the Trust are permitted exceptions. The above statement should in no way be interpreted to imply that tactical asset allocation or market timing and is not viewed as such by the Board.

IX. PORTFOLIO REBALANCING

A. Until such time as the Board changes its broad asset class targets, a routine rebalancing of the various portfolios back to the target allocation shall be implemented as necessary. The first tool used to achieve this rebalancing shall be regular cash flows. After that, Investment Manager cash and portfolio liquidation shall be used.

B. When market experience significantly moves the portfolio allocation outside the permissible range, the Board will consider any necessary action to rebalance back to the target allocation. Priority of rebalancing shall be asset class before style or individual Investment Manager.

C. Investment Managers considered by the Board to be on a "watch list" for whatever reason may be excluded from receiving additional assets in any rebalancing.

X. PERFORMANCE OBJECTIVES

It is expected that the Trust as a whole shall achieve an annualized total rate of return, net of fees, over a market cycle (generally 3-5 years) which:

A. Meets or exceeds the actuarial investment return assumption;

B. Meets or exceeds the return of a Policy Index, such index being comprised as follows reflecting the Board's broad allocation across asset classes:

31%	Russell 3000 Index
5%	50% S&P 500 Index/50% 91 Day T-Bill Index

15%	Bloomberg Capital Aggregate Index
22%	MSCI All Country World Ex U.S. Index
8%	HFRI Fund of Funds Index
12%	NPI Index
7%	Cambridge All Private Equity

XI. BROKERAGE

As part of its fiduciary responsibility, it is imperative that the Board maintain a prudent policy pertaining to brokerage commissions paid on securities transactions. This Policy supersedes any prior brokerage policy.

A. Discretion - It is the intention of the Board that all securities transactions be effected through brokerage firms to the best advantage of the Trust regarding price and execution. The Board recognizes that brokerage commissions vary with investment styles and philosophies; some transactions are more or less difficult to execute than others. The Board hereby delegates discretion over placement and execution of securities transactions to its Investment Managers subject to the following considerations.

B. Discount Brokerage - Given that some transactions are less difficult to execute than others and that large discount brokers are positioned to efficiently execute more easily executed trades at highly competitive commission rates, the Board encourages Investment Managers to use large discount brokers in securities transactions for the Trust when the objective of best price and execution will not be compromised.

C. Electronic Crossing Networks - The Board believes that electronic crossing networks (ECN's) are an increasingly efficient and cost-effective means of equity trading. In evaluating whether to use an ECN in a particular trade, the Board's equity Investment Managers should carefully analyze the Trust's projected brokerage commission costs as well as market impact with regard to that transaction.

D. Average Annual Brokerage Commission Cost - All investment transactions shall be executed on a best price, best execution basis. All active domestic equity Investment Managers shall manage the commissions paid by the Trust to not exceed an annual average target of 3 cents per share for large capitalization portfolios and 4.5 cents per share for small/mid capitalization portfolios. Each Investment Manager, as part of its quarterly reporting requirements, shall include in its quarterly report its average cost per share for the (i) trailing quarter; (ii) year-to-date (iii) and trailing 12-month period; and (iv) a detailed explanation as to why average commissions may have exceed the target during the applicable reporting period. The annual average brokerage commission cost shall also be reviewed with the Board during the Investment Manager's annual presentation to the Board. Investment Managers chronically failing to meet their annual average commission per share target may be directed to execute trades through competitive commission recapture services.

E. Soft Dollar Brokerage - The Board recognizes that "Soft Dollar" Commissions are allowed under Section 28(e) of the Securities and Exchange Act of 1934 (commonly referred to as the "Safe Harbor" provisions). However, there is significant controversy surrounding the use and proper allocation of soft dollars by Investment Managers. The Board therefore requires its Investment Managers to provide accounting of any soft dollar transactions involving securities of the Trust. These reports shall be provided on an annual basis as part of its reporting requirements, and shall include: (i) the number of shares traded; (ii) the total dollar amount of soft dollar commissions ; (iii) the brokerage firms to which soft dollar commissions were directed; and (iv) an explanation of the goods or services received and how that supports the investment process which the Trust utilizes.

XII. DIRECTED BROKERAGE

Investment managers are expected to give first preference whenever possible to local brokerage firms that are Minority Business Enterprises and/or Women Business Enterprises with offices located in the Baltimore City metropolitan area. Accordingly:

A. Each Large Capitalization Domestic Equity Investment Manager of a separately managed account is expected to direct 25% of its commission business on behalf of the Trust through brokerage firms with offices located within the Baltimore City metropolitan area, with at least 10% of this 25% local brokerage requirement being directed through brokerage firms that are Minority Business Enterprises and/or Women Business Enterprises located within the Baltimore City metropolitan area.

B. Each Small and Middle Capitalization Domestic Equity Manager of a separately managed account is expected to direct 10% of its commission business on behalf of the Trust through brokerage firms with offices located within the Baltimore City metropolitan area, with at least 5% of this 10% local brokerage requirement being directed through brokerage firms that are Minority Business Enterprises and/or Women Business Enterprises located within the Baltimore City metropolitan area wherever possible.

C. Each International Large Cap and Core Equity Manager of a separately managed account is expected to direct 10% of its commission business on behalf of the Trust through minority-owned or woman-owned brokerage firms.

D. Each Fixed Income Investment Manager of a separately managed account is expected to utilize a brokerage firm with offices located within the Baltimore City metropolitan area in at least 25% of the total dollar amount of all fixed income transactions, with at least 10% of this 25% local brokerage utilization requirement being directed through brokerage firms that are Minority Business Enterprises and/or Women Business Enterprises located within the Baltimore City metropolitan area whenever possible.

XIII. COMMINGLED ACCOUNTS

In the case of a commingled account, the Board recognizes that the duties of a manager of a commingled account are to the account and its investors as a group and those duties may prevent a commingled account manager from assuming conflicting or additional duties with respect to any particular investor. Therefore, adherence by an account manager to the investment guidelines set forth in existing investment guidelines that apply to the Trust overall or the specific asset class in which a commingled account falls is impractical. Therefore, the Trust will apply the separate Commingled Account Investment Policy adopted for the Employees' Retirement System to commingled accounts and that policy will supersede all other Trust guidelines.

XIV. COMMUNICATIONS AND REPORTING

Each Investment Manager should note that the Trust operates on a fiscal year basis, from July 1st through June 30th; therefore, all monthly and quarterly performance reports should be prepared on a fiscal year basis. The Board requires continual awareness of the Trust's activity and position, both absolute and relative. To accomplish this, the following reports should be sent to the Board:

A. Monthly Report

1. The custodian bank will provide to the Board, Investment Managers and to the Trust's Investment Advisors, detailed accounting statements including summary transaction registers, and a list of assets with month-end market values, estimated annual income, accrued income and bond maturity, coupon, quality and sector diversification schedules. Investment Managers must reconcile their statements with the custodian bank's statement on a monthly basis and use the custodian bank's on-line trust to assist in the reporting reconciliation process.

2. The Investment Manager will submit to the Trust's Executive Director on a monthly basis reconciled reports in sufficient detail so that staff is apprised of portfolio status and any change in philosophy or investment strategy. At a minimum, the reports, which must be on numbered pages, should contain the following detailed information:

   - performance results for the month, quarter-to-date, fiscal year-to-date and since inception

   - changes in tactical asset allocation

B. Quarterly Report

1. The Investment Manager will provide to the Board quarterly written reports which present,

at a minimum, the same detail listed above that is required for monthly reports. In addition, quarterly reports must present the following information:

- dealings with minority and woman-owned businesses

- firm composition specifying majority, minority, and women personnel by management category specifying any changes quarter to quarter

- proxy voting summary (including voting and record dates, ballot issues, votes taken and shares voted)

- clients gained or lost

2. Brokerage Report

In order to assist the Board in tracking compliance with their brokerage policies, Investment Managers are required to provide a annual summary report of the brokerage activity for each Trust showing a breakdown by firm of amounts and percentages of brokerage commissions through City of Baltimore majority, minority-owned, and woman-owned brokerage firms. These reports should also reflect fiscal year-to-date amounts and percentages.

3. Report of Firm Officers and Directors Serving as Directors of Publicly Traded Companies

For the purpose of full disclosure for any perceived or potential conflict of interest, Investment Managers are required to report quarterly information regarding the firm's policy, firm officers and directors serving as directors of publicly traded companies, and Trust and firm investments in those companies. The report must set forth:

- The Firm's Policy

  The Investment Management firm's written policy governing the ability of firm officers and directors to serve as directors of publicly traded companies. Any changes to the policy are to be noted quarterly. Or, a statement that no written policy exists.

- Information about Directors

  For firm officers and directors serving as directors:
  - The date the firm officer or director became a director of the publicly traded company;
  - The name of the officer or director; and
  - The name of the publicly traded company;
  - Or, a statement that no firm officer or director serves as a director of a publicly

traded company.

- Information on Trust Investments

  Information regarding the co-mingled fund investments in which the Trust is an investor made by the Investment Manager in publicly traded companies of which a firm officer or director serves as a director, to include for any securities purchased or sold:
  - Transaction dates
  - Number of shares or par value
  - Cost basis
  - Sales proceeds
  - Gains and losses on the sale of shares or securities
  - Market value of shares or securities held at the end of each quarter;
  - The Trust's percentage of ownership in the co-mingled fund at the end of each quarter;

  - Or, a statement indicating that the co-mingled fund in which the Trust is an investor is not invested in any of the publicly traded companies of which a firm officer or director serves as a director.

- Information on Firm-Wide Investments
  Information regarding investments made firm-wide by the Investment Management firm in publicly traded companies of which a firm officer or director serves as a director, to include as of the end of each quarter:
  - Number of shares or par value
  - Cost basis
  - Market value
  - The Investment Management firm's percentage of ownership in the company;
  - The Investment Management firm's percentage owned of the company's outstanding debt;
  - Or, a statement indicating that the Investment Management firm is not invested in any of the publicly traded companies of which a firm officer or director serves as a director.

4. Report Submission

Written quarterly reports are to be submitted within 30 days of the end of each quarter (September 30th, December 31st, March 31st, and June 30th) and mailed directly to the members of the Board, the Executive Director, Deputy Director, and Accounting Manager**.** The Trust will supply each Investment Manager with current mailing lists. When necessary, revised lists will be sent to each Investment Manager.

C. Annual Most-Favored Nation Fee Compliance Report

On July 1 of each year, the Investment Manager shall certify, by letter of its legal counsel or compliance officer, compliance with the most-favored nation fee clause in its Investment Management Agreement.

D. Performance Review Presentation before the Board of Trustees

It is the Board's intention to formally review Investment Manager performance on a periodic basis. Investment Managers are expected to personally appear, at the Board's request**,** at regular monthly or special meetings of the Board or with staff to discuss performance results, economic outlook, investment strategy, organizational changes, and other pertinent matters.

When an Investment Manager is scheduled to personally appear before the Board or with staff, the written quarterly reports are to be mailed directly to the members of the Board of Trustees, the Executive Director, the Deputy Director, and the Accounting Manager at least one week in advance of the appearance date. Five additional copies of the reports should also be mailed to the Trust one week prior to the appearance date.

E. Telephone and Written Communication

Immediate telephone and written communication should be made by the Investment Manager to the Executive Director when information of an important nature, such as unusual market activity (oil embargo, monetary crisis, SEC Regulatory issues, etc.) may have a material impact on the Trust's assets.

Major changes in personnel and organizational structure should also be communicated in writing to the Executive Director.

XV. POLICY ON VOTING OF PROXIES

The U.S. Department of Labor has expressed concern over the policies and practices of investment managers having responsibility for the investment of assets of employee benefit plans, and the fiduciaries of such plans who have appointed them, with respect to the voting of corporate securities in their portfolios. In addition, the Department has advised that fiduciaries of employee benefit plans who are responsible for the appointment of investment managers and the evaluation of their performance have an obligation to ensure that their investment managers are fulfilling their fiduciary obligations in this area.

Each of the contracts pursuant to which investment managers for the Employees' and the Elected Officials' Retirement Systems of the City of Baltimore, and the OPEB Trust are appointed provide that exclusive authority with respect to the acquisition, divestment and management (including the voting) of securities comprising plan assets are vested in the investment manager to whom such plan assets are assigned. Under these circumstances it is clear, and the Department of Labor has recognized, that it would be legally improper for a fiduciary of a plan sponsor to become involved in the voting of securities or to attempt to influence in any way, directly or indirectly, how securities are voted by the investment manager. For these reasons, the Trustees of the Employees' and the Elected Officials' Retirement Systems and the OPEB Trust have had a long standing policy that, when solicitations of proxies with respect to securities are received by an investment manager, the decisions as to whether and how to vote such proxies must be made exclusively by that investment manager.

The Trustees also recognize, however, that the investment manager's decisions must be made in accordance with applicable legal standards and that the Trustees have an obligation to ensure that those standards are being observed. Therefore, the Trustees request that annually (June 30) each management firm furnish the Trust with a written statement of their policy and practices with respect to the voting of securities held in their employee benefit plan asset portfolios, together with their written assurance that such policies and practices are being followed. These statements and assurances will be included, and will be given appropriate weight, in the Trustees' continuing evaluation of each manager's overall investment performance.

XVI. AMENDMENTS

If at any time these objectives cannot be met, or these guidelines constrict performance, the Board should be notified in writing. The Investment Manager is encouraged to suggest changes to these guidelines at any time.

XVII. ACCEPTANCE

By signing and continuing acceptance of these Investment Objectives and Guidelines, the Investment Manager concurs with the provisions of this document.

Accepted by:

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Name

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Firm

____
Date