

**CITY OF SPRINGFIELD POLICE OFFICERS'
AND FIRE FIGHTERS' RETIREMENT SYSTEM**

INVESTMENT POLICY STATEMENT

SEPTEMBER, 2006

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I. INTRODUCTION

This document, as amended from time to time, will serve as the Investment Policy Statement (Policy) for the City of Springfield Police Officers' and Fire Fighters' Pension Plan (Plan), a defined benefit pension plan qualified under Section 401(a) of the Internal Revenue Code. The Plan was established to provide retirement benefits to Police Officers' and Fire Fighters' employed by the City of Springfield (City) and their beneficiaries. The City of Springfield has delegated the authority to manage the Plan's investments to the Board of Trustees (Trustees).

II. PURPOSE OF INVESTMENT POLICY STATEMENT

A. Oversight of Plan's Investments

The Trustees have the responsibility to make decisions and delegate responsibility related to the management of the investment of the Plan's assets. The purpose of this Policy is to formalize the Trustees' guidelines and objectives related to the investment of the Plan's assets, including the standards for selecting and monitoring the Plan's investments, and the persons or entities (if any) to whom the authority and responsibility for management of those investments is delegated by the Trustees. This Policy presents the Trustees' general investment philosophy and identifies specific guidelines and objectives related to investment return and risk with respect to management of the Plan's assets. The Trustees will use these guidelines and objectives to monitor, evaluate and make decisions about the suitability (and continued suitability) of the Plan's investments, and the management of these assets, in light of the Plan's contribution source, accrued benefit liabilities, benefit payment stream, and other relevant factors.

The City Council approves the investment guidelines and objectives for the Plan. The Council has delegated the authority to manage the Plan's investments to the Board of Trustees.

B. The Plan's Contribution Source, Benefit Liabilities and Benefit Payments

Contributions to the Plan are made by the City of Springfield pursuant to Sec. 2-457 (b) of the Retirement Plan Provisions for the Police Officers and Firefighters Retirement System (the plan) which reads as follows: *Alternatively, the City may fund on an actuarial basis, the actual costs of the plan over and above the amount of the participant contributions and the income received from the investments of the fund assets, subject to the discretion of the City Council to set the actual City contribution rate as a part of the budget approval process for a particular budget year.*

Contributions to the Plan are made by the participants of the plan under Section 2-455 and returned to the participant upon leaving service or death as provided in Section 2-456 of the plan. The funding of the Plan depends on some of the following factors:

- a) the number of persons employed during any given period of time;
- b) the number of years of service of work by the covered employees;
- c) the salary of the covered employees;

- d) the timing and amount of the City of Springfield and plan participant's contributions to the Plan; and
- e) the performance of the investment of the Plan's assets.

The contribution rate is determined upon consideration of many factors, including but not necessarily limited to, the Plan's benefit accrual formula, the projected benefit accruals under the Plan, benefit payment obligations, and performance of the Plan's investments over extended time horizons.

Benefits are paid by the Plan upon a distributable event, such as death, disability or retirement of a covered employee. Benefits obligations are paid monthly to eligible retirees and beneficiaries. Significantly for purposes of the Plan's liquidity needs, the Plan also makes lump sum payments for return of contributions to plan participants hired prior to June 1, 2006.

C. Review and Modification of Investment Policy Statement

The objectives and standards set forth in this Policy will be reviewed by the Trustees as needed to ensure it remains prudent and consistent with the best interests of the Plan's participants. This Policy may be amended or modified by the Trustees at any time.

III. INVESTMENT GUIDELINES

A. General Fiduciary Obligation

In establishing, monitoring and modifying this Policy, and in complying with the guidelines and standards established in this Policy, the Trustees will endeavor to act prudently, and exclusively in the best interests of the Plan's participants and beneficiaries. "Prudence" is defined as outlined in the Missouri Statutes sections 105.687-105.689. The Trustees will diversify the investments of the Plan's assets so as to minimize the risk of large losses, unless under the circumstances then prevailing it is clearly prudent not to do so.

B. Long Term Risk and Reward

This Policy reflects consideration of the long-term funding requirements of the Plan. The Trustees recognize that expectations for the returns to be earned on the different classes of Plan assets in the future may not be realized. However, the expectations reflected in this Policy are considered by the Trustees to be reasonable, given the historical experience covering long-term periods and the belief that the capital markets will remain viable. Long-term is defined as over 10 years. If the assumptions are not realized, the Trustees recognize that a shortfall of actual investment returns from those expected could require increased contributions or a reduction in future benefit accruals, or other Plan modifications.

C. Preservation of Assets and Purchasing Power

The fundamental objective of the Plan's investments is to preserve capital, to avoid a diminution in the purchasing power of the Plan's assets (relative to inflation), and to assure satisfaction of the Plan's long-term liquidity needs. The Trustees believe it is appropriate for the Plan to assume a

moderate degree of investment risk, with diversification of Plan assets among different classes of investments as a means of reducing risk. The Plan can and will tolerate some variability in market value and rates of return in order to achieve a greater long-term rate of return.

While neither the City nor the Trustees guarantee the continued viability of the Plan, their intent is to continue the Plan indefinitely. Consequently, the Trustees endorse a long-term approach to managing the investment portfolio, but believe this should not be viewed as justification for exposing the portfolio to levels of volatility that might adversely affect the value of the Plan's assets.

The Trustees believe that the level of risk assumed in the fund is a function, in large part, of the fund's risk posture as stated above. The proportion of assets allocated to equity investments is the most important determinant of volatility of future returns. As indicated by long-term historical data, the risk of equity ownership has been rewarded with a higher rate of return.

D. Selection of Investment Managers

The Trustees may retain an Investment Manager(s) (Manager) to assist them in their responsibility to manage the Plan's assets. Any Manager retained will construct and manage investment portfolios within the guidelines of this Policy. The Manager will select specific securities, buy and sell such securities, and manage any assets assigned to them within the guidelines in this Policy. The Policy is intended to allow enough flexibility for the Manager to respond to changing economic conditions and securities markets within the guidelines set out in this Policy.

In selecting a Manager, the following criteria may be taken into account but not necessarily limited to:

- Investment Performance
- Risk assessments, such as standard deviation, tracking error, information ratio and sharpe ratio
- Background of Investment Professionals
- Investment Philosophy
- Investment Process, including buy and sell discipline
- Portfolio Diversification and Risk Controls
- Investment Management fees
- Quality of manager reports and communications
- Comparison of Manager's results to appropriate market indices and universes
- Compliance with regulatory agencies and all duties as required by an Investment Manager as defined by ERISA

All separate account managers retained will be required to specifically assume fiduciary liability for investment results. The Trustees may replace a Manager at any time. The Manager is required to acknowledge the guidelines and objectives in this Policy and agrees to manage Plan assets in accordance with this Policy. The Trustees may select more than one Manager for any asset class. The Trustees may choose to use separate account Managers or pooled funds, such as mutual funds or collective trust funds, to satisfy management of any asset class based on criteria as determined by the Trustees. Both active and passive managers can be considered. Where pooled funds are used, they should substantially comply with this Policy.

E. Portfolio Restrictions and Diversification

Investment in the following types of marketable securities is not permissible: derivatives (except with mortgaged backed securities used in conservative manner), options, warrants, (except in the case of warrants distributed as a result of stock holdings) collectibles, all securities issued by any affiliate of each of the Plan's investment managers.

The Manager may not engage in the following types of transactions: short sales or any other marginable transactions, option writing, or any other transaction that unduly increases risk in the portfolio.

The diversification of equity and fixed income securities held in each portfolio among sectors and issuers is the responsibility of the Manager for their respective portfolios. The Managers are expected to diversify their respective portfolios sufficiently to minimize the risk of a large loss from a single security.

IV. ASSET ALLOCATION

The Trustees will recommend the appropriate asset types to City Council for their approval. The Board of Trustees may add, delete or change asset classes within those asset types at their discretion at any time within the parameters established by the City Council. In selecting the asset classes, the Trustees will choose asset classes reasonably designed to further the purposes of the Plan, taking into account:

- a) The risk of loss and opportunity for gain associated with the asset classes, both objectively and in light of the acceptable risk permitted by this Policy, taking into account the correlation of the various asset classes and the time horizon over which the Plan is likely to have assets invested in the asset classes;
- b) The composition of the available asset classes with regard to the Plan's opportunity to meet its objectives without exceeding the risk tolerance permitted by this Policy;
- c) The composition of the available asset classes with regard to the Plan's opportunity to achieve diversification of its investment portfolio;
- d) The liquidity and current return with respect to the asset classes, relative to the specific cash flow requirements of the Plan; and
- e) The projected return available with respect to the asset classes, relative to the funding objectives of the Plan.

The asset classes, target asset allocation and ranges to be used in the Plan are shown below. The Trustees may change the asset classes and target at any time within the parameters established by the City Council. All percentages are based on market values. The portfolios will be rebalanced any time they are not within the appropriate ranges. Each Investment Manager may hold cash under the guidelines set out below, but that cash shall be considered invested in the asset class assigned.

Asset Type and Class	Range	Target
Equities:	45% - 75%	
Large Cap		30%
Small Cap		10%
International Equities		15%
Emerging Markets		5%
Fixed Income:	25% - 40%	
Domestic		21.75%
International		10.75%
Alternatives:	0% - 15%	
Real Estate		7.5%
Hedge Funds		0%
Commodities		0%

Equities: The 45% to 75% ranges would include both domestic and international equities with a limit of 1/3 in international equities. The domestic and international equity allocation should consider stocks across all capitalizations, (large, mid, small and micro) and styles (value and growth). Any investment in ADR's should be considered as domestic equities. International equities should give consideration to large cap, small cap and emerging markets stocks. The goal would be to allocate among these styles with as much efficiency as possible.

Fixed: The 25% - 40% range would include both domestic and international fixed income with a limit of 1/3 in international investment grade fixed income only. Of the domestic fixed income portion, a maximum of 25% may be invested in non-investment grade fixed income securities.

Alternatives: The 0% to 15% ranges would be limited to Hedge Funds, Real Estate, and Commodities. At the present time, Hedge Funds and Commodities would be limited to zero until further study of these asset classes is accomplished by the Board. Investment in any sector of this class shall not exceed 10% of the portfolio's value.

Based on asset allocation studies using long-term historical returns from the various capital markets, the Trustees believe there is a reasonable likelihood the Plan will meet the overall investment objectives using the above asset allocation.

A separate sub-account will be used to receive contributions and pay benefits and expenses. As this sub-account is not intended for long-term investment, it will not be subject to performance measurement criteria and asset allocation as stated in this Policy. However, if expenses of the Plan are paid from this account, such amounts will be reflected in the performance reports as determined by the Trustees.

V. STANDARDS OF INVESTMENT PERFORMANCE

A. Actuarial Objective

The Plan's investment objective is to realize an investment return that, at a minimum, equals the Plan's actuarial long-term rate of return assumption on an ongoing basis. Currently, this actuarial interest assumption is seven and one-half percent (7½%) net of all expenses of the Plan. Other strategies such as securities lending and commission recapture programs may be considered by the Trustees to offset the Plans expenses as well.

B. Market Related Objectives

The Plan's investment objectives should be pursued as long-term goals designed to maximize return while reducing exposure to undue risk as set out in this Policy. All returns will be measured in terms of total return based on market value. Total returns will be defined as all income paid or accrued plus realized and unrealized capital gains and losses net of plan expenses.

1. Overall Portfolio Investment Performance Standard

The market objective for measurement of the Plan's overall investment performance is a blended index in proportion to the targets in existence at the time of measurement for each of the respective asset classes. The indexes shall consist of the return and risk of the Standard and Poor's 500 Index, the Russell 2000 Index, the Morgan Stanley/Capital International (MSCI) Europe, Australasia, and Far East (EAFE) International Equity Index, the Citigroup World Government Bond Index Non-US Unhedged, the CRIEF Index, and the Lehman Aggregate Bond Index (benchmark). Risk will be measured by variability of returns (standard deviation). Emphasis will be placed on measurement over a full market cycle, usually three to five years. The Trustees will determine appropriate style benchmarks and risk criteria for each Manager.

2. Domestic Equity Performance Standards

Guidelines

a. Large Capitalization (Cap) Equities

The market objective for the Large Cap portion of the portfolio is to exceed the return of the S&P 500 Index (benchmark), at a risk adjusted rate of return above the index, as measured by variability of returns (standard deviation), net of investment management fees. Emphasis will be placed on measurement over a full market cycle, usually three to five years.

1. The Manager may select from marketable equity securities traded on any of the major U. S. exchanges or through NASDAQ. Securities for this portfolio may include common stocks, preferred stocks and convertible securities.
2. Securities with a market capitalization of less than \$2 billion at the time of purchase will not be considered.

3. Diversification must be maintained at all times. No single equity position shall exceed 5% of the market value of the Large Cap portfolio. No sector (as determined by the S&P 500 Index) shall exceed 30% of the market value of the Large Cap portfolio.
4. The selection of individual securities by separate account Managers will be at the discretion of the Manager hired for their respective portfolio, within the guidelines stated in this Policy.
5. The Manager should stay fully invested in Large Cap securities. Cash positions in excess of 10% are not permitted.
6. The portfolio will be invested in marketable securities. Private placements, restricted or letter stock, and other non-marketable securities are not permissible. Investment in the following types of marketable securities is not permissible: financial futures, derivatives, options, warrants (except in the case of warrants distributed as a result of stock holdings) and commodities.
7. The Manager may not engage in the following types of transactions: short sales or any other marginable transactions, option writing, hedging strategies, or any other transaction that unduly increases risk in the portfolio.
8. If pooled funds are used, the Consultant will review the composition of the funds as needed to assure that the portfolio substantially complies with these guidelines.

b. Small Capitalization (Cap) Equities

The market objective for the Small Cap portion of the portfolio is to exceed the return of the Russell 2000 Index (benchmark), at a risk adjusted rate of return above the index, as measured by variability of returns (standard deviation), net of investment management fees. Emphasis will be placed on measurement over a full market cycle, usually three to five years.

Guidelines

1. The Manager may select from marketable equity securities traded on any of the major U. S. exchanges or through NASDAQ. Securities for this portfolio may include common stocks, preferred stocks and convertible securities.
2. Securities with a market capitalization of less than \$100 million at the time of purchase will not be used. Securities with a market capitalization in excess of \$2.0 billion at the time of purchase will not be used. Securities exceeding \$2.0 billion after purchase will be limited to maintain diversification.
3. Diversification must be maintained at all times. No single equity position shall exceed 5% of the market value of the Small Cap portfolio. No sector shall exceed 30% of the market value of the Small Cap portfolio.

4. The selection of individual securities by separate account Managers will be at the discretion of the Manager for their respective portfolio, within the guidelines stated in this Policy.
5. The Manager should stay fully invested in Small Cap securities. Cash positions in excess of 10% are not permitted.
6. The portfolio will be invested in marketable securities. Private placements, restricted or letter stock, and other non-marketable securities are not permissible. Investment in the following types of marketable securities is not permissible: financial futures, derivatives, options, warrants (except in the case of warrants distributed as a result of stock holdings) and commodities.
7. The Manager may not engage in the following types of transactions: short sales or any other marginable transactions, option writing, hedging strategies, or any other transaction that unduly increases risk in the portfolio.
8. If pooled funds are used, the Consultant will review the composition of the funds as needed to assure that the portfolio substantially complies with these guidelines.

3. International Equity Performance Standards

The market objective for the International Equity portion of the portfolio is to exceed the return of the MSCI EAFE Index (benchmark), at a risk adjusted rate of return above the index, as measured by variability of returns (standard deviation), net of investment management fees. Emphasis will be placed on measurement over a full market cycle, usually three to five years.

Guidelines

1. The Manager may select from marketable international securities traded on any of the major international exchanges. Securities for this portfolio may include common stocks, preferred stocks and convertible securities.
2. Securities with a market capitalization of less than \$100 million at the time of purchase will not be used.
3. Diversification must be maintained at all times. No single equity position shall exceed 5% of the market value of the International Equity portfolio. No sector shall exceed 30% of the market value of the International Equity portfolio. The Manager should also be diversified in at least three capital markets whose assets and currencies are not closely correlated to each other.
4. The selection of individual securities by separate account managers will be at the discretion of the Manager for their respective portfolios, within the guidelines stated in this Policy.
5. The Manager should stay fully invested in International Equity securities. Cash positions in excess of 10% are not permitted.

6. The Manager may use discretion regarding hedging currencies where they may be fluctuating adversely relative to the dollar.
7. The portfolio will be invested in marketable securities. Private placements, restricted or letter stock, and other non-marketable securities are not permissible. Investment in the following types of marketable securities is not permissible: financial futures, derivatives, options, warrants (except in the case of warrants distributed as a result of stock holdings) and commodities unless used as a currency hedging technique.
8. The Manager may not engage in the following types of transactions: short sales or any other marginable transactions, option writing, hedging strategies, or any other transaction that unduly increases risk in the portfolio unless used as a currency hedging technique.

4. Emerging Markets

1. The Manager may invest up to a maximum of 25% of the International Equity Portfolio in emerging markets equity securities.
2. If pooled funds are used, the Consultant will review the composition of the funds as needed to assure that the portfolio substantially complies with these guidelines.

5. Domestic Fixed Income Performance Standards

The market objective for the Domestic Fixed Income portion of the Plan is to exceed the return of the Lehman Aggregate Bond Index (benchmark) at a risk adjusted rate of return above the index as measured by variability of returns (standard deviation), net of investment management fees. Emphasis will be placed on measurement over a full market cycle, usually three to five years.

Guidelines

1. The Manager may select from domestic marketable fixed income securities. Securities for this portfolio may include investment grade corporate bonds, mortgage backed securities, and government and agency bonds. A maximum of 25% may be invested in non-investment grade fixed income securities. Exotic derivatives that increase risk in the portfolio are not permissible.
2. Diversification must be maintained at all times. The Manager may not invest more than 5% of the market value of the fixed income portion in any obligation of a single issuer, with the exception of the U.S. government and its agencies.
3. The selection of individual securities by separate account managers will be at the discretion of the Manager for their respective portfolios, within the guidelines stated in this Policy. The allocation between corporate, government, agency and mortgage-backed sectors is in the discretion of the Manager.
4. The Manager should stay fully invested in fixed income securities.

5. The portfolio duration will not vary from the duration of the benchmark by more than plus or minus 20%.
6. The portfolio will be invested in marketable securities. Private placements, restricted or letter stock, and other non-marketable securities are not permissible. Investment in the following types of marketable securities is not permissible: financial futures, derivatives (except for mortgage back securities used in a conservative manner), options, warrants (except in the case of warrants distributed as a result of stock holdings) and commodities.
7. The Manager may not engage in the following types of transactions: short sales or any other marginable transactions, option writing, hedging strategies, or any other transaction that unduly increases risk in the portfolio.
8. If pooled funds are used, the **Consultant** will review the composition of the funds as needed to assure that the portfolio substantially complies with the above guidelines.

6. International Fixed Income Performance Standards

The market objective for the International Fixed Income portion of the Plan is to exceed the return of the Citigroup World Government Bond Index Non-US Unhedged (benchmark) at a risk adjusted rate of return above the index as measured by variability of returns (standard deviation), net of investment management fees. Emphasis will be placed on measurement over a full market cycle, usually three to five years.

Guidelines

1. The portfolio may be invested in any of the following, subject to any restrictions set forth below:
 - (a) Fixed income securities, including, but not limited to,
 - (i) Corporate bonds,
 - (ii) Securities issued or guaranteed by state, local and foreign governments, their related agencies or instrumentalities,
 - (b) Mortgage-backed and asset-backed securities, collateralized mortgage obligations, and REIT debt,
 - (c) Zero coupon securities,
 - (d) Foreign securities (including, but not limited to, corporate issues, sovereign issues, U.S. and non U.S. dollar denominated securities, eurobonds, global bonds, yankee bonds and emerging market debt securities),
 - (e) Foreign currency exchange transactions (including forward foreign currency exchange transactions),
 - (f) Mortgage rolls, dollar rolls and to be announced securities ("TBAs"),
 - (j) Currency linked structured notes and other currency-linked securities, and
 - (k) Commercial paper and other cash equivalents.
2. 100% of the market value of the portfolio must be invested in investment grade securities

rated BBB- or higher by Standard & Poor's, Baa3 or higher by Moody's, or BBB- or higher by Fitch, as determined at the time of purchase, counting cash and cash equivalents toward such percentage. If the ratings assigned to a security by Standard & Poor's, Moody's, and/or Fitch are not the same, the highest rating of these rating agencies will be used.

3. The average quality rating of the portfolio must be at least A- by S&P, A3 by Moody's or A- by Fitch, as determined at the time of purchase.
4. Common stock may only be held if the stock is received as the result of a financial restructuring, bankruptcy or from conversion of a security held in the portfolio. Any such stock must be sold within 30 days of receipt.
5. No security, except securities issued or guaranteed by the Government, its agencies or instrumentalities or government sponsored entities of Canada, United Kingdom, Germany, France, Australia, New Zealand and Japan will comprise more than 5% of the market value of the asset class, as determined at the time of purchase.
6. No industry within Canada, United Kingdom, Germany, France, Australia, New Zealand and Japan will comprise more than 25% of the market value of the asset class, as determined at the time of purchase.
7. The selection of individual securities by separate account managers will be at the discretion of the Manager for their respective portfolios, within the guidelines stated in this Policy. The allocation between corporate, government, agency and mortgage-backed sectors is in the discretion of the Manager.
8. The portfolio duration will not vary from the duration of the benchmark by more than plus or minus 20%.
9. If pooled funds are used, the Consultant will review the composition of the funds as needed to assure that the portfolio substantially complies with the above guidelines.

7. Real Estate Performance Standards

The market objective for the Real Estate portion of the portfolio is to exceed the return of the NCREIF Index (benchmark), at a risk adjusted rate of return above the index, as measured by variability of returns (standard deviation), net of investment management fees. Emphasis will be placed on measurement over a full market cycle, usually three to five years.

Guidelines

The System will utilize a commingled fund for investment in the asset class. The commingled fund guidelines must require diversification across property type and geographically.

VI. RESPONSIBILITIES OF THE INVESTMENT MANAGER

The providers of investment management services (Manager) are expected to undertake dynamic and flexible discretionary management of Plan assets. The investment strategy they apply must be in keeping with their published investment strategy as provided to the Trustees and/or to the consultant to the Trustees, and as set forth in this document. The prohibited transactions and securities guidelines of the Plan shall be observed at all times. The Manager shall not engage in any transaction or practices that violate Securities and Exchange Commission or exchange laws, rules or regulations.

A. Fiduciary Liability

The Manager acknowledges that investment decisions will be made in the sole interest and for the exclusive purpose of providing benefits to participants. All assets must be invested with the care, skill and diligence that a prudent person familiar with such matters acting in a like capacity would use in a similar enterprise. The Manager will assume the responsibility for investment performance and comply with all fiduciary requirements required by law. All investments will be made within the guidelines of quality, marketability and diversification mandated by any controlling statutes. The Managers are granted full discretion to manage their respective portfolios within the constraints and guidelines of this Policy. The Managers will acknowledge and accept this fiduciary responsibility by executing this document. The Manager shall comply with the fiduciary responsibility standards and requirements as stated in the Employee Retirement Income Security Act (ERISA) of 1974, as amended, and rules and regulations thereunto, even though this Plan is not specifically subject to ERISA.

B. Reporting

The Manager shall report investment results to the Trustees and the City through the Finance Director in writing on at least a quarterly basis. They should be available at least annually to report to the Trustees in person. The Trustees and the City should also be informed of any significant changes in the ownership, affiliation, organizational structure, financial condition, or professional personnel staffing of the investment management organization within 48 hours. The Manager will inform the Trustees and the City regarding all significant matters pertaining to the investment of the assets on a timely basis. The Trustees and the City should be kept apprised of major changes in investment strategy, portfolio structure, market value of the assets, and other matters affecting the investment of the assets. The Manager shall also report all the above items to the Plan's Investment Consultant.

C. Trading and Brokerage

Trading activity is in the discretion of the Manager. The Manager is free to execute trades whenever it is in the best interest of the Plan. There are no specific restrictions on portfolio turnover. However, the Trustees anticipate that better long-term investment performance will result from investment strategies, not trading strategies. The Manager will have the discretion to execute transactions with brokerage firms of his or her choosing. This selection should be based on the quality of executions rendered, the financial health of the brokerage firm, and the business integrity of the firm, commission costs, and the firm's overall efficiency in transacting business. It is further acknowledged that commission dollars are a Plan asset and should not be used for

purposes other than that which directly benefits plan participants. The use of "soft dollar" is allowed. However, the use of soft dollar credits is limited to advice, analysis and reports under Section 28(e) of the Securities and Exchange Act of 1934. The amount and the use of soft dollar credits should be disclosed by the investment manager to the trustees semi annually. The Manager will report to the Trustees on the total commissions paid, commission rates charged, and the brokerage firms used by the Manager. Securities lending programs and commission recapture programs may be considered by the Trustees as a way to offset some of the Plan's operating expenses, and the manager will assist as necessary in implementing these programs.

D. Use of Cash

If cash is used, it should be invested in money market instruments. Cash investments can be made in FDIC insured deposits, repurchase agreements, short-term U.S. government and agency obligations, A1/P1 commercial paper, collateralized agreements, bankers acceptances, and money market mutual funds containing the above instruments.

E. Proxy Voting

Managers for equities are required to vote all proxies in the best interest of plan participants by maximizing the value of the securities in the portfolio. The Manager shall maintain proper files documenting the decisions made on each proxy. The Manager will have complete discretion with respect to the voting of the proxies, unless otherwise directed by the Board.

VII. MONITORING OF INVESTMENT PERFORMANCE

A. Monitoring Report

No less frequently than quarterly, the Trustees will review the continued suitability of the asset classes, and the overall performance of the investment funds. As part of this review process, the Trustees will prepare or cause to be prepared a Performance Monitoring Report, which shall review the performance of the investment vehicles in light of the criteria set out in this Investment Policy Statement. The purpose of this report is to satisfy Trustees' obligation to monitor performance of the Plan's investments. A copy of the Report should be sent to the City Manager through the Finance Director as well.

B. Changes in Investment Manager

The Trustees will also review the suitability of a Manager upon a change in personnel or a perceived or announced change in investment style or objectives or a material change in ownership of the firm. The Investment Manager shall notify the Trustees of any such changes. The Trustees have the right to eliminate and, as appropriate, replace any Manager that ceases to be suitable based upon the criteria set out in this Policy. The Trustees may add additional Managers, as they deem appropriate in their discretion.

In the event the Trustees determine that a Manager is no longer suitable, the Trustees shall select another Manager within the same asset class, and direct that amounts then invested with the unsuitable Manager be transferred to the new Manager for management.

C. Consulting

An investment consultant may be hired by the Trustees to assist in issues such as asset allocation, performance monitoring, and manager searches. The consultant shall maintain a policy to avoid any financial interests or transactions that would create a real or potential conflict of interest for work performed for the City of Springfield. The consultant shall be compensated on a hard dollar basis only. The consultant shall refrain from entering into soft dollar arrangements with brokers. The consultant shall not accept payments directly or indirectly from any investment managers. The Consultant will not be compensated in any fashion either directly or indirectly by parties involved, other than the Plan itself.

The consultant shall act in a fiduciary capacity to the extent provided in the Employee Retirement Income Security Act of 1974 ("ERISA") and other applicable law. In performing non-fiduciary services, the consultant shall act in accordance with the highest standards of the investment consulting industry.

The responsibilities of the Investment Consultant shall include the following:

1. Attend Board of Trustee meetings on a quarterly basis and one or more meetings as required related to manager searches, educational seminars, and other matters as may be required from time to time.
2. Prepare and deliver quarterly performance reports and an annual report.
3. Provide quarterly evaluations of investment managers.
4. Consultations as needed with the investment managers to balance fund assets, explain investment policies and guidelines of the fund to the managers and other matters as may be required from time to time.
5. Monitor activities of investment managers and advise Board of Trustees if an investment manager is not operating within contract terms.
6. Coordinate presentations by individual investment managers to Board of Trustees.

VIII. CUSTODIAN

Assets may be held by a Custodian as determined by the Trustees in the name of the City of Springfield Police Officers' and Fire Fighters' Retirement system. The Custodian will regularly summarize these holdings in an acceptable format for the Trustees' review. The Custodian will allocate funds to the various Managers at the direction of the Trustees. All indicia of ownership of any assets of the Plan shall be maintained within the jurisdiction of the courts of the United States.

IX. CONFLICT OF INTEREST

No salaried officer or employee of the City of Springfield and no member of City Council shall have a financial interest direct or indirect with the investment consultant, investment managers of the custodian. Any federal regulations and applicable provisions in RSMo Chapter 105 shall not be violated.

The Trustees hereby adopt this Investment Policy Statement for the City of Springfield Police Officers' and Fire Fighters' Retirement system this ____ day of _____, 2006. This Investment Policy Statement supersedes any previous Investment Policy Statement.

**CITY OF SPRINGFIELD POLICE OFFICERS'
AND FIRE FIGHTERS' RETIREMENT SYSTEM**

TRUSTEES

Evelyn Honea - Chair

Kenneth Homan

Ron Hoffman

Anthony Gomez

Kevin Austin

David Hall

Jim Edwards

James E. Brown

Gerry Koeneman

Mary Mannix Decker

Sheila Maerz

**X. APPOINTMENT OF INVESTMENT MANAGER AND
ACKNOWLEDGMENT**

By signing below, the Investment Manager agrees to the terms and conditions of this Policy. Should the Manager believe at any time that changes, additions, or deletions to the Policy are advisable, the Manager should communicate those items in writing for review by the Trustees.

The Manager affirms that they are an Investment Manager and a Fiduciary as defined under ERISA and will comply with all duties required of an Investment Manager as defined in ERISA, although this Plan is not specifically subject to ERISA.

The signatures below affirm and acknowledge that this Investment Policy Statement has been read, understood and accepted by the Manager.

Manager Specific Guidelines

Performance Benchmark: MSCI EAFE +3.0% annually
Universe Comparison: International Equity Managers

**City of Springfield Police Officers'
and Fire Fighters' Retirement system**

DATE

**INVESTMENT MANAGER:
Julius Baer Investment Management LLC
International Equity**

DATE

**X. APPOINTMENT OF INVESTMENT MANAGER AND
ACKNOWLEDGMENT**

By signing below, the Investment Manager agrees to the terms and conditions of this Policy. Should the Manager believe at any time that changes, additions, or deletions to the Policy are advisable, the Manager should communicate those items in writing for review by the Trustees.

The Manager affirms that they are an Investment Manager and a Fiduciary as defined under ERISA and will comply with all duties required of an Investment Manager as defined in ERISA, although this Plan is not specifically subject to ERISA.

The signatures below affirm and acknowledge that this Investment Policy Statement has been read, understood and accepted by the Manager.

Manager Specific Guidelines

Performance Benchmark: Lehman Aggregate + 1.25% annually
Universe Comparison Domestic Fixed Income Mangers

**City of Springfield Police Officers'
and Fire Fighters' Retirement system**

DATE

**INVESTMENT MANAGER:
Delaware Investments
Domestic Fixed Income**

DATE

**X. APPOINTMENT OF INVESTMENT MANAGER AND
ACKNOWLEDGMENT**

By signing below, the Investment Manager agrees to the terms and conditions of this Policy. Should the Manager believe at any time that changes, additions, or deletions to the Policy are advisable, the Manager should communicate those items in writing for review by the Trustees.

The Manager affirms that they are an Investment Manager and a Fiduciary as defined under ERISA and will comply with all duties required of an Investment Manager as defined in ERISA, although this Plan is not specifically subject to ERISA.

The signatures below affirm and acknowledge that this Investment Policy Statement has been read, understood and accepted by the Manager.

Manager Specific Guidelines

Performance Benchmark:

Citigroup World Government Bond Index + 3.0% annually

Universe Comparison:

International Fixed Income Managers

**City of Springfield Police Officers'
and Fire Fighters' Retirement system**

DATE

**INVESTMENT MANAGER:
Brandywine Global Investment Management LLC
International Fixed Income**

DATE

**X. APPOINTMENT OF INVESTMENT MANAGER AND
ACKNOWLEDGMENT**

By signing below, the Investment Manager agrees to the terms and conditions of this Policy. Should the Manager believe at any time that changes, additions, or deletions to the Policy are advisable, the Manager should communicate those items in writing for review by the Trustees.

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The signatures below affirm and acknowledge that this Investment Policy Statement has been read, understood and accepted by the Manager.

**City of Springfield Police Officers'
and Fire Fighters' Retirement system**

DATE

**INVESTMENT MANAGER:
Cortina Asset Management
Domestic Small Capitalization Equity**

DATE

**X. APPOINTMENT OF INVESTMENT MANAGER AND
ACKNOWLEDGMENT**

By signing below, the Investment Manager agrees to the terms and conditions of this Policy. Should the Manager believe at any time that changes, additions, or deletions to the Policy are advisable, the Manager should communicate those items in writing for review by the Trustees.

The Manager affirms that they are an Investment Manager and a Fiduciary as defined under ERISA and will comply with all duties required of an Investment Manager as defined in ERISA, although this Plan is not specifically subject to ERISA.

The signatures below affirm and acknowledge that this Investment Policy Statement has been read, understood and accepted by the Manager.

Manager Specific Guidelines

Performance Benchmark: NCRIF + 2.0% annually
Universe Comparison Direct Real Estate Managers

**City of Springfield Police Officers'
and Fire Fighters' Retirement system**

DATE

**INVESTMENT MANAGER:
Prudential Real Estate Investors
Direct Real Estate**

DATE