I. OBJECTIVES

This actively managed alpha generation program has the primary objective of generating excess risk-adjusted returns above the index returns generated by the internally managed indexed equity portfolios.

Measurement Process

The Alpha Generation Program will be measured on the excess return generated by all internally managed index portfolios (NAV weighted) as a result of approved program strategies. The Chief Investment Officer will determine the target returns for the program annually which will be annually documented in an amendment to these guidelines.

II. PORTFOLIO RISK MANAGEMENT

The Board’s expectations are that the program be continuously monitored. It requires staying current at all times with the objectives of the manager's investment policy for U.S. or non-U.S. equity index portfolios and the requirements of these Guidelines.

Within that framework, and the following limitations, the manager has discretion to make portfolio changes to accomplish the stated objectives.

Derivatives

**Futures, Standard & Poor’s Depositary Receipts (SPDRs), and Other Listed Index Replicating Securities**

Futures, SPDRs, and other listed index replicating securities may be purchased to equitize cash not to exceed 8% of the total portfolio market value. The futures contract, SPDR, etc. purchased to equitize cash must directly correspond to the related index. For example, the S&P 500 Index portfolio can only purchase S&P 500 related products. All futures trades must be cleared through clearing brokers who have contracts with the Fund.
Commissions

Excluding MSCI ACW Index ex. U.S. trades, best efforts must be made to execute all trades through the Fund’s trading desk unless approval is given to execute trades elsewhere by the Chief Investment Officer. Commissions on U.S. trades executed outside the Fund’s trading desk for agency transactions may not exceed three cents per share. Approval for any commissions in excess of the three cents per share policy must be received in writing from the Chief Investment Officer.

Absolute Restrictions

Unless otherwise covered in these investment guidelines, all other investments are strictly prohibited without the written permission of the Chief Investment Officer, or the Managing Director of External Public Markets, Risk & Compliance in the CIO’s absence. The following are examples of some of the prohibited types of investments and is not meant to be an all-inclusive list: leverage of any sort (i.e. long positions can be no greater than 100% of the net asset value of the portfolio), letter stock, private placements, physical real estate, physical commodities, fixed income securities (excluding STIF), etc.