

**Minutes
Investment Committee
Board of Trustees
June 16, 2008**

IN ATTENDANCE:

Investment Committee Members:	Mr. Billy B. Wilcoxson, Chair Mr. Stephen P. Branscum Mr. James F. Hardymon Ms. Myra Leigh Tobin Ms. JoEtta Y. Wickliffe
Board of Trustees Members:	Ms. Mira S. Ball Dr. Charles R. Sachatello, M.D.
Investment Staff & Consultants:	Mr. Marc A. Mathews Ms. Susan I. Krauss Ms. Donna Counts Mr. Russ Kuhns (R.V. Kuhns & Associates) Mr. Rob Palmeri (R.V. Kuhns & Associates) Mr. Bruno Grimaldi (R.V. Kuhns & Associates)
Others:	Dr. Lee T. Todd, Jr. Mr. Frank A. Butler Ms. Barbara W. Jones Mr. Henry Clay Owen Mr. Sergio Melgar

The meeting was called to order at 3:15 pm. Mr. Wilcoxson asked for a motion to approve the March 4, 2008 minutes and the May 12, 2008 minutes. Mr. Hardymon made a motion to approve the minutes, Mrs. Wickliffe seconded the motion and all approved.

Mr. Mathews discussed IC1, and explained that the current Endowment Investment Manager contracts expire June 30, 2008, and then recommended extension of the contracts with the Endowment Investment Managers for a 12-month period ending June 30, 2009. Mr. Mathews noted that it may seem odd to extend contracts based on the upcoming proposed asset allocation changes to be discussed later in the meeting. However, since the contracts expire on June 30, 2008 the extensions are needed. In addition, the University retains the right to cancel the contracts without cause with 30 days written notice. Mr. Hardymon made a motion to approve the extension of the contracts, Mrs. Wickliffe seconded the motion and all approved.

Mr. Mathews discussed the proposed revised investment policy recommended in IC2. The changes include the new asset allocation and new manager structure discussed at the last meeting. The target allocation would be changed as follows:

- U.S. Core Fixed Income would be reduced from 22% to 18%.
- Broad U.S. Equity would be reduced from 46% to 26%.
- Broad International Equity would increase from 11% to 20%.

- Global Equity asset class would be eliminated.
- Absolute Return would be a new asset class with a target of 10%. The investment approach would be a Hedge Fund of Funds.
- Real Return would be a new asset class with a target of 7%. The goal would be a rate of return equal to inflation plus 5%.
- Real Estate – Core would be reduced from 8% to 4%.
- Real Estate – Value Added would be a new asset class with a target of 4%.
- Real Estate – Opportunistic would be a new asset class with a target of 4%.
- Private Equity would increase from 5% to 7% by adding another manager.

Mr. Mathews explained that the purposes of the proposed allocation changes are to increase return and reduce risk. Overall, the target allocation to fixed income would be 18%, the equity allocation would be 46%, and the alternatives allocation would be 36%. The implementation of this new asset allocation would begin immediately and continue over the next six months, with the objective of having the new manager structure in place by January 1, 2009. Ms. Tobin made a motion to approve the new investment policy, Mr. Branscum seconded the motion and all approved.

Ms. Krauss discussed the implementation plan for the new asset allocation and manager structure outlined in IC3. She indicated that first the new asset allocation policy would be communicated to all existing managers. Then the manager searches would be initiated and completed consistent with UK procurement rules. Next a transition plan would be developed taking into consideration transition of assets from current to new managers. Next, contracts would be negotiated with new managers or existing contracts would be modified where strategy changes are implemented. New account information would be communicated and coordinated with Northern Trust. Finally, the Endowment Investment Policy Addendum, which contains individual manager guidelines, would be updated. It is anticipated that at the committee meeting held on September 9, 2008, UK Staff and RVK would present recommendations on Real Return, Passive U.S. Equity and International Equity managers. There will be a special meeting on October 13, 2008 for the Investment Committee to interview and approve three Absolute Return Strategy manager candidates. At that meeting staff and RVK will also present finalist recommendations for Opportunistic Private Equity managers. Finally, a special meeting is scheduled for December 8, 2008 for the Investment Committee to interview and approve Value Added and Opportunistic Real Estate managers. Ms. Tobin made a motion to approve the implementation plan, Mr. Hardyman seconded the motion and all approved.

Ms. Krauss reported on the endowment asset allocation, reporting the endowment pool had a market value of \$946.8 million as of May 31, 2008, comprised of the following asset allocation:

	<u>5/31/08 Allocation</u>	<u>Policy Target</u>	<u>Policy Range</u>
U.S. Equity	48.3%	46.0%	41.0-51.0%
Global Equity	8.2%	8.0%	5.0-11.0%
Non-U.S. Equity	11.2%	11.0%	8.0-14.0%
Private Equity	1.5%	5.0%	0.0-8.0%
Fixed Income	22.2%	22.0%	17.0-27.0%
Real Estate	8.3%	8.8%	5.0-11.0%

Ms. Krauss noted that the asset classes were slightly off their policy targets in effect at the time, however the asset classes were well within the policy ranges established in the investment policy.

Next Mr. Grimaldi of RVK presented the performance report and market update for the quarter ended March 31, 2008. Mr. Grimaldi highlighted the volatility in the capital markets amid growing concerns of U.S. recession, a further decline in the U.S. Dollar, escalating energy prices and continued fallout from the subprime bond market. During the quarter the Federal Reserve lowered the Fed funds rate three times bringing the benchmark rate to 2.25% at the end of the quarter. Next Mr. Grimaldi reported on the University of Kentucky performance. The University of Kentucky portfolio experienced a negative net of fees return of -6.41% for the quarter versus its current policy benchmark of -6.06%. Mr. Palmeri noted that it was the worst quarter in equity markets since 2002 and that the asset allocation changes approved by the Committee should help reduce losses in the future.

Mr. Palmeri then referred to the RVK investment performance report. It was noted that the investment allocation will be changing over the next six months and the format of the reporting was new to the committee. Therefore rather than go into detailed analysis of the returns, Mr. Palmeri led the committee members through the quarterly reports the committee would be receiving in the future. Mr. Palmeri explained the general organization of the report and pointed out particular tables and graphs that RVK would be presenting in future reports. He noted that the investment performance analysis began with a review on the performance of the overall capital market and asset class benchmarks. The report then presents performance information on the total University of Kentucky portfolio and each asset class held by UK. The report then provides an in-depth analysis of each investment manager.

Mr. Wilcoxson then referred to Ms. Counts to discuss the next item on the agenda. Ms. Counts referred to the Overnight and Short-term Investment Report. She stated that this is a new report for the committee and was anticipated in the Overnight and Short-term Investment Policy approved by the committee on January 23, 2008. The report is divided into two major sections. The top half of the report includes cash and investments covered by the investment policy and under the investment control of the committee. The bottom half of the report includes UK cash and investments held by the state and not subject to the investment policy. These will both reported to the committee for general information purposes and in order for the committee to be able to compare to cash and investments reported in the quarterly financial reports.

Ms. Counts reported that as of April 30, 2008 the total portfolio subject to the investment policy was \$293.8 million. Overnight investments totaled \$213.6 million. Of this, \$143.0 million was invested in the Kentucky Office of Financial Management (OFM) overnight repurchase agreement with an annualized monthly return of 2.65%, \$67.0 million was invested in the OFM short term investment pool with an annualized monthly return of 3.5%. Short term investments totaled \$80.2 million. Of this, \$60.0 million was invested in the OFM intermediate pool with an annualized monthly return of -1.15%. Another \$20.2 million was invested directly in federal agencies and instrumentalities having yields ranging from 3.5% to 4.1%.

With no further business the meeting adjourned at 4:30 p.m.

Donna Counts
Office of the Treasurer

UNIVERSITY OF KENTUCKY

ENDOWMENT INVESTMENT POLICY

Amended June 16, 2008

University of Kentucky
University of Kentucky Research Foundation
University of Kentucky Athletic Association
The Fund for Advancement of Education and Research in the UK Medical Center
University of Kentucky Business Partnership Foundation, Inc.
University of Kentucky Mining Engineering Foundation, Inc.
University of Kentucky Equine Research Foundation, Inc.
University of Kentucky Humanities Foundation, Inc.
University of Kentucky Center on Aging Foundation, Inc.

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I. General

The University of Kentucky Endowment (“Endowment”) is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support the University's programs of instruction, research and public service. Earnings from endowment investments support scholarships, chairs, professorships, basic research, as well as academic and public service programs. The Endowment provides stability since the principal is invested and earnings are generated year after year.

The University of Kentucky has a fiduciary responsibility to manage the Endowment prudently and to preserve the purchasing power of the Endowment in order to evenly support present and future beneficiaries. This fiduciary responsibility constitutes both a legal and moral obligation to donors who intend that their gifts provide support for the University in perpetuity.

II. Purpose of the Investment Policy

In general, the purpose of this policy is to outline a philosophy and attitude which will guide the management of the investment assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

This investment policy is set forth by the Investment Committee (“Committee”) of the University of Kentucky Board of Trustees in order to:

- a. Define and assign the responsibilities.
- b. Establish a clear understanding of the investment goals and objectives of the Endowment assets.
- c. Offer guidance and limitations regarding the investment of Endowment assets.
- d. Establish a basis of evaluating investment results.
- e. Manage the Endowment's assets according to industry best practices and applicable laws.

The investment policy will be reviewed annually by the Committee and investment staff.

III. Roles and Responsibilities

Responsibilities of the Investment Committee

The Board of Trustees has established the Committee with members appointed annually by the Chair of the Board of Trustees. The Committee is responsible for the review and oversight of endowment investments of the University of Kentucky and its affiliated corporations, consisting of the Research Foundation, Athletic Association, The Fund, Equine Research Foundation, Business Partnership Foundation, Humanities Foundation, Mining Engineering Foundation, and Center on Aging

Foundation.

Governing Regulation II, A.6.f of the University of Kentucky sets forth the specific responsibilities of the Investment Committee as follows:

Under delegation from the Board of Trustees, and consistent with KRS 164A.550 through 164A.630, the Investment Committee is responsible for review and oversight of the endowment investment programs of the University and its affiliated corporations. These responsibilities include: formulating and reviewing investment policies; appointing, monitoring and evaluating investment managers and consultants; and reviewing and approving plans for the general management of the endowment funds of the University.

The Investment Committee Chair reports to the Board of Trustees after each meeting of the Committee on the performance results of endowment investments. Policies of the Committee are implemented by the Office of the Treasurer in carrying out the day-to-day operations of the University's endowment funds.

NOTE: Revisions to the above Governing Regulation have been proposed to allow for the Chair of the Board of Trustees to appoint Community Advisory Members to the Investment Committee. The Investment Policy will be updated with the revised regulation upon approval by the Board of Trustees. Final approval of the revised regulation will be recommended to the Board of Trustees at the June 17, 2008 meeting (PR 3).

Responsibilities of Investment Staff

Investment staff ("Staff") will consist of the University Treasurer and the Assistant Treasurer for Investments. Staff is responsible for executing the policies and decisions enacted by the Committee and the general daily activities and administration of the Endowment assets. The Staff will prepare analysis and recommendations for the Committee on development of policies and guidelines, selection of an appropriate long-term asset allocation, and selecting an appropriate manager structure. The Staff will provide recommendations to the Committee as to the managers most appropriate for managing the Endowment's assets.

Responsibilities of Investment Consultant

The Committee may engage an independent Investment Consultant ("Consultant") to assist the Committee and Staff in developing policies and guidelines, selecting an appropriate long-term asset allocation, selecting an appropriate manager structure, identifying investment managers, evaluating investment performance, and offering other services as requested. The Consultant will prepare quarterly and annual assessments of investment performance that include results for the total endowment and each individual investment manager compared to appropriate market indices and manager universes. The Consultant will provide in-depth and detailed analysis of each manager's portfolio.

IV. Delegation of Authority

The Committee may delegate the following investment related activities to qualified industry experts, but will be responsible for the selection and oversight of the vendors.

Investment Custodian

The Committee will hire a Custodian for the University's endowment investments to establish and maintain direct account relationships with each investment manager and perform standard custodial functions, including security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, distribution of income, and daily investment of cash. The Custodian will provide monthly account statements and other reports as requested by the Staff.

Investment Managers

The Committee will delegate the selection, buying and selling of individual securities to qualified industry experts. Each individual investment manager will exercise discretion over assets in accordance with specified investment guidelines.

Investment managers that utilize separate accounts to manage Endowment assets will adhere to specific investment manager guidelines established by Staff with the assistance of the Consultant. Each investment manager using a separate account is required to summarize its holdings and transactions on a monthly basis.

Investment managers that utilize a mutual fund investment structure, a commingled trust fund structure or a limited partnership structure will have discretion to manage the assets in accordance with the policies and guidelines outlined in the respective mutual fund's prospectus, the commingled trust fund's offering memorandum or limited partnership's private placement memorandum.

All investment managers' guidelines and policies are located in the addendum of the Policy.

V. Financial and Investment Objectives

The Investment Committee has established the following financial and investment objectives for the Endowment:

1. To preserve the purchasing power of the endowment assets and the related revenue stream over time to evenly allocate support between current and future beneficiaries (intergenerational equity).

2. To manage the endowment assets in a single investment pool, employing multiple investment managers to gain specialization and diversification benefits of different investment asset classes and strategies.
3. To establish an annual spending rate policy of 4.5% of the average market value over the preceding 36 months.
4. To establish an annual management fee of .5% of the current market value.
5. To earn an average annual real return, after inflation and expenses, of at least 5% per year over full economic market cycles.

Uniform Management of Institutional Funds Act (KRS 273.520 to 273.590)

Endowment assets will be managed effectively and prudently in accordance with the provisions of the Uniform Management of Institutional Funds Act (KRS 273.520 to 273.590), which specifically requires trustees to consider both the long-term and short-term needs of the University. The Committee has established policies intended to accomplish the primary goal to preserve or increase the purchasing power of the Endowment by maximizing real total return, subject to risk constraints.

Spending Rate and Management Fee

The Investment Committee has established an annual spending rate policy of 4.5% of the average market value of the Endowment over the preceding 36 months to establish financial equilibrium for the Endowment by creating a balance between annual spending and the expected real (after inflation) return on assets. Additionally, the Endowment is assessed an annual management fee of .5% of the current market value to support administrative costs. The spending rate of 4.5% and the management fee of .5%, in concert with the target asset allocation policy is intended to support current and future program needs and allow the endowment value to grow at least equal to annual inflation.

VI. Investment Policies

Diversification

The Committee will invest in different asset classes and engage multiple investment managers to ensure proper diversification of the Endowment. Investment diversification is essential to limit risks that include return volatility, the magnitude of potential losses, and manager underperformance. Equity investments will be diversified by market capitalization (company size), style (growth or value), industry, and country of domicile (as it will include non-U.S. based companies). Fixed income investments will be diversified by market sector, maturity, credit quality and issuer. Real estate investments will be diversified by property type, geographic location and investment style. Private equity investments will be diversified by strategy, including multiple venture capital, leveraged buyout,

and special situation funds, by geographical allocation including U.S. and non-US investments, and by vintage year of investment. Real Return strategies will be diversified by asset class and manager. Absolute Return Strategies will be diversified by manager, investment strategy, and geographic location including U.S. and non U.S. managers.

In an effort to optimize and efficiently utilize due diligence research and diversification within the alternative asset classes, which includes Private Equity, Real Return, Absolute Return and Real Estate, a “fund of funds” (“FOF”) investment structure will generally be used. Investing in an individual manager will need the approval of the Committee.

Asset Allocation

The Committee has established asset class targets and ranges as follows:

Asset Class	Investment Policy	
	Target	Range
Broad U.S. Equities	26%	21-31%
Broad Non-U.S. Equities	20%	15-25%
Total Equities	46%	41-51%
Private Equity	7%	1-9%
Real Return	7%	5-9%
Absolute Return	10%	8-12%
Real Estate	12%	10-14%
Total Alternatives	36%	31-41%
Fixed-Income	18%	15-20%
Total	100%	

Rebalancing

The Committee intends to maintain the actual asset class allocations within the target ranges outlined above. Allocations relative to targets will be reviewed at least on a quarterly basis to determine if rebalancing transfers between asset classes are necessary. In general, Staff will direct new endowment gifts to undertarget asset classes.

Liquidity

The Endowment is intended to provide a stream of annual income to the University in perpetuity. As a result, the Endowment has a long-term orientation. In addition, the withdrawal rate from the Endowment fund is well defined, predictable, and of modest size relative to the total assets, so the Endowment’s need for liquidity is significantly lower than other institutional investors.

Proxy Voting

The Committee delegates full authority for proxy voting to its investment managers for the securities under their discretionary authority and requires the investment managers to vote all proxies in the best interest of the Endowment. In addition, when requested, the managers will report to the Committee on their proxy-voting policies and activities on the Endowment's behalf.

Proxy voting related to governance issues regarding investment managers hired to manage Endowment assets, and their related investment legal structures, terms and conditions, will be voted on by the Staff in the best economic interest of the Endowment. The Staff may solicit assistance of the Consultant on governance issues.

Transaction Costs

The Committee requires the investment managers, in their capacity as fiduciaries, to manage the transactions costs they incur on the Endowment's behalf in the best interests of the University. When requested, the managers will report to the Committee on the transactions costs incurred and the brokers used on the Endowment's behalf.

Transition Management

Transitions between investment managers are an important and inevitable element of portfolio management, typically resulting from manager terminations or changes to the investment strategy of the portfolio. The optimal method to use in executing a transition may vary significantly from one transition to another based on the types of assets involved and the timeframe in question. Generally, the Endowment's objective in a manager transition is to implement the change in a cost-effective, timely manner while maintaining the appropriate market exposure. It is imperative to note that the cost of transition is not commissions alone, but also bid/ask spread, market impact and opportunity cost. The market impact cost is the effect trading will have on the market price of the shares being traded. The opportunity cost, sometimes referred to as implementation shortfall, is the cost of market movements over the time it takes to trade. Efforts should be made to minimize the total cost rather than any single cost component. Selecting a transition manager can be done at the Staff's discretion with the assistance of the Consultant.

VII. Performance Evaluation

Endowment performance will be monitored and reviewed over full market cycles, generally three to five years, at three levels; total Endowment, asset class and individual manager. All three levels will include a passive index and peer group measurement review. Performance will be reviewed on a gross and net return basis and will include risk and risk adjusted returns.

Performance Benchmarks

The total Endowment performance will be measured against:

1. CPI plus 5% real return
2. A Policy Benchmark consisting of passive indexes reflecting the Endowments "strategic target" asset allocation percentages
3. An Active Benchmark consisting of passive indexes reflecting the Endowments "actual" asset allocation percentages
4. A peer group universe of similar plans

The asset class performance will be measured against:

1. The asset class' core passive index
2. A peer group universe of similar asset classes

The individual managers' performance will be measured against:

1. The managers' specific passive indexes identified in the investment manager guidelines located in the addendum of the Policy
2. A peer group universe of similar investment styles

Performance Expectations

It is expected within each level the Endowment, the asset class, and the individual managers should exceed the passive index return and should be above median against the appropriate peer group universes.

It is expected that risk (and risk adjusted returns) will be in line with the risk associated with the specific passive index benchmarks.

VIII. Investment Manager Structure

Below is the investment manager structure and corresponding target asset allocations as established by the Investment Committee:

<u>Manager</u>	<u>Investment Strategy</u>	<u>Target Allocation</u>
<i>Broad U.S. Equity:</i>		
Manager TBD	Passive Russell 1000 (Large-Cap)	23.95%
Manager TBD	Active Russell 2000 (Small-Cap)	2.05%
<i>Total Broad U.S. Equity</i>		26.00%
<i>Broad Non-U.S. Equity:</i>		
Manager TBD	Active MSCI ACW Ex U.S. (Core-Plus)	10.00%
Manager TBD	Active MSCI ACW Ex U.S. (Core-Plus)	10.00%
<i>Total Broad Non-U.S. Equity</i>		20.00%
<i>Private Equity:</i>		
Commonfund Capital, Wilton, CT	Private Equity Fund-of-Funds ("FOF")	2.94%
Pantheon Ventures, San Fran., CA	Private Equity FOF	2.94%
Manager TBD	Opportunistic Private Equity FOF	1.12%
Fort Washington, Cincinnati, OH	Regional Venture Capital	0.00% ¹
Chrysalis Ventures, Louisville, KY	Regional Venture Capital	0.00% ¹
<i>Total Private Equity</i>		7.00%
<i>Real Return:</i>		
Manager TBD	Real Return FOF	5.25%
Manager TBD	Real Return FOF	1.75%
<i>Total Real Return</i>		7.00%
<i>Absolute Return:</i>		
Manager TBD	Core Absolute Return FOF	4.00%
Manager TBD	Core Absolute Return FOF	4.00%
Manager TBD	Non-Core Absolute Return FOF	2.00%
<i>Total Absolute Return</i>		10.00%
<i>Real Estate:</i>		
UBS, Hartford, CT	Core Real Estate	4.00%
Manager TBD	Value Added Real Estate	4.00%
Manager TBD	Opportunistic Real Estate	4.00%
<i>Total Real Estate</i>		12.00%

¹ The Committee has committed \$2 million and \$1 million to Fort Washington and Chrysalis, respectively, to enhance the total return for the Endowment and provide leadership in economic development for the Commonwealth of Kentucky.

<u>Manager</u>	<u>Investment Strategy</u>	<u>Target Allocation</u>
<i>Fixed Income:</i>		
PIMCO, Newport Beach, CA	Core-Plus Fixed Income	9.00%
Reams, Columbus, IN	Core-Plus Fixed Income	9.00%
<i>Total Fixed Income</i>		18.00%

The target manager allocations shown above may be revised from time to time as a result of changes in the composition of the capital markets or the styles of individual managers. In addition, the allocations may be revised as a result of risk modeling analysis.

Definitions of the investment strategies are located in the addendum of the Policy.

IC 3

Office of the Treasurer
June 16, 2008

Members, Investment Committee

APPROVAL OF IMPLEMENTATION PLAN

Recommendation: that the Investment Committee approve the attached Implementation Plan Summary.

Background: The attached document details the implementation plan of the asset allocation and manager structure approved by the Investment Committee in IC2. Upon approval, the investment staff and consultant will move forward with requests for proposals and other actions outlined in this plan.

Action Taken: Approved Disapproved Other _____

Implementation Plan Summary

High Level Action Items

- 1) Communicate new asset allocation policy to all existing managers.
- 2) Initiate and complete searches consistent with UK procurement rules.
- 3) Develop transition plan. All public equity assets are invested in commingled trust vehicles making the transition of cash from current to new managers a simple trade order process. UK will need to communicate with current managers to confirm liquidity constraints (daily, weekly, or monthly). Also, a decision must be made and affirmed on where to hold funds committed to private equity funds (both current and prospective) and new real estate funds prior to being able to deploy into these strategies.
- 4) Negotiate contracts with new managers; modify contracts with existing managers where strategy changes are implemented.
- 5) Coordinate and complete new account documentation for newly selected managers with Northern Trust.
- 6) Update Endowment Investment Policy Addendum (Investment Strategy and Guidelines) to reflect new managers/new asset allocation policy.

Implementation Plan by Asset Class

a) Core Fixed Income

- Inform PIMCO of reduced allocation to Core Plus Separate Account. Determine if altered mandate size will require vehicle change. (June)
- Inform Reams of reduced allocation to Core Plus Separate Account. Determine if altered mandate size will require vehicle change. (June)

b) U.S. Equity

- Inform Cap Guardian of terminating U.S. Equity Fund to facilitate new asset allocation policy. (June)
- Review R1000 index product of State Street Global Advisors (SSgA) and of Northern Trust (two managers with whom UK already has a contractual relationship) and determine if one of these products meets the needs for replacement of R3000 index fund. (June)
 - If SSgA is selected, discuss migrating the current R3000 index product to the R1000 index product (July)
 - If Northern Trust is selected, notify SSgA of terminating current R3000 index product. (July)
 - If neither SSgA or Northern Trust are superior in this mandate, staff to initiate RFP to procure passive R1000 index manager and provide

Implementation Plan Summary

Investment Committee with recommendation at September meeting (July - September)

- Inform SSgA of terminating U.S. Total Market Index Fund to facilitate new asset allocation policy. (July)
- Discuss migrating from Wellington Emerging Companies Fund to Wellington Smaller Companies Fund to fulfill active Russell 2000 index manager.
 - If Wellington is not superior in this mandate, staff to initiate RFP to procure active R2000 manager and bring recommendation to September Investment committee meeting. (July – September).

c) International Equity

- Inform SSgA of terminating MSCI ACW Ex U.S. Index Fund to facilitate new asset allocation policy. (June)
- Consider migrating from Cap Guardian current international equity mandate to an ACW Ex U.S. product. (June)
 - If Cap Guardian product not judged superior in this mandate, staff to initiate RFP to procure **two** style specific core plus international equity managers and bring recommendation to September Investment Committee meeting. (July – September)
 - If Cap Guardian product is judged superior in this mandate, staff to initiate RFP to procure **one** style specific core plus international equity manager that will be complimentary to Cap Guardian allocation and bring recommendation to September Investment Committee meeting. (July – September)

d) Global Equity

- Inform Wellington of plans to terminate Global Research Equity Fund to facilitate new asset allocation policy. (June)

e) Absolute Return

- Staff to initiate RFP to procure three complimentary absolute return managers and bring finalist candidates (two core; one non-core) to October special meeting for interviews/decision. (August – October)

f) Real Return

- Review managers prominent in this strategy. Two of UK's existing managers are among the best – PIMCO and Wellington. Consider splitting allocation between these two firms. (July)
 - If PIMCO and Wellington are not determined to be the superior firms in this mandate, staff to initiate an RFP for one or two real return managers and to bring recommendation on firm(s) to hire to September Investment Committee meeting. (July – September)

Implementation Plan Summary

g) Real Estate

- Core
 - Notify RREEF of termination (June)
- Value Added
 - Staff to initiate RFP to procure value added real estate managers and bring finalist candidates to December special meeting for interviews/decision. (October - December)
- Opportunistic
 - Staff to initiate RFP to procure opportunistic real estate managers and bring finalist candidates to December special meeting for interviews/decision. (October - December)

h) Private Equity

- Staff to initiate RFP to procure opportunistic private equity manager and bring a recommendation to October special meeting. (August - October)

Timeline for Future Investment Committee Meetings

- September 9, 2008 Investment Committee Meeting

UK Staff and RVK present recommendations on Real Return, Passive U.S. Equity and International Equity. These are the easiest of all the searches given:

- a. the current relationships with PIMCO and Wellington in which case both managers offer RVK recommended Real Return products that complement each other.
- b. that Passive U.S. Equity and International Active Equity are the least complex of all the searches.

Staff and RVK will present finalist recommendations and rationale to the Committee. No manager interviews will be conducted.

- October 13, 2008 Investment Committee Special Meeting

Investment Committee will interview and approve three Absolute Return Strategy manager candidates.

Staff and RVK will present finalist recommendations and rationale to the Committee for opportunistic private equity manager. No manager interviews will be conducted.

Implementation Plan Summary

- December 8, 2008 Investment Committee Special Meeting

Investment Committee will interview and approve Value Added and Opportunistic Real Estate managers.