



Missouri Local Government Employees Retirement System

Request for Proposals

for

GLOBAL CUSTODIAN,
SECURITIES LENDING,

and

PERFORMANCE MEASUREMENT
SERVICES



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SECTION 1 INTRODUCTION

1-1 Purpose

Missouri Local Government Employees Retirement System (LAGERS) is issuing this Request for Proposals (RFP) for the purpose of soliciting qualified firms to provide global custody, securities lending, and performance measurement services for the investments of LAGERS. LAGERS will consider selecting a securities lending and/or performance measurement Provider separate from the global custody Provider. The following individual contracts with each Provider will result from this RFP: one with the selected Provider for global custody services, one with the selected Provider for securities lending, and one with the selected Provider for performance measurement services.

Providers are encouraged to bid on the aforementioned services that they believe their institutions can adequately provide and meet minimum requirements (see Section 3). Providers must clearly indicate which services they intend to provide in their Letter of Intent.

1-2 RFP Objectives

While specific requirements are provided within the respective service sections of this document, the LAGERS Board of Trustees' overall objectives for this RFP are to:

1. Select Providers who offer efficient, effective, accurate, and timely services and reporting.
2. Select Providers who offer product solutions that will support LAGERS' current and future custodial, securities lending, and performance measurement needs.
3. Choose Providers who have demonstrated the ability to employ advanced technology in their own processes and who have assisted clients in applying technology to improve processes.
4. Establish optimal pricing for the services defined within this RFP.
5. Utilize services that will improve processing efficiency, effectiveness, and enhance control.
6. Select Providers with a best-in-class client servicing philosophy.
7. Ensure the safety of all securities held.

1-3 Overview of LAGERS

LAGERS provides retirement and other benefits to the employees of more than 800 local government agencies and public entities in the state of Missouri. Established by the 74th Missouri General Assembly in 1967, LAGERS is administered under Chapter 70 of the Missouri Revised Statutes. LAGERS' membership includes employees of many local government counties and cities, hospitals, libraries, ambulance districts, and other public entities. LAGERS has over 35,000 active members and pays retirement benefits to over 28,000 retirees and beneficiaries.

The trust funds are invested by LAGERS under the direction of a board of trustees. LAGERS' investment strategy uses actuarially established investment objectives with long-term goals and policies.

For more information on LAGERS, a copy of the June 30, 2022 *Comprehensive Annual Financial Report* can be viewed online at www.molagers.org.



1-4 Overview of LAGERS' Investments

LAGERS manages, invests, and administers a defined benefit plan which paid out \$414.2 million in retirement benefits in fiscal year 2022. LAGERS' diverse portfolio is invested in over twenty different asset and sub-asset classes. As of December 31, 2022, the market value of the investments was \$10 billion. A chart below depicts the established asset-mix guidelines for the Fund.

<u>Asset Class</u>	<u>Fund Guidelines</u>
Equity Assets	35.00%
Fixed Income Assets	31.00%
Real Assets/Real Return Assets	36.00%
Strategic Assets	8.00%
Alpha Portfolio	15.00%
Cash Portfolio	10.00%
Leverage Portfolio	(35.00)%

The various asset classes are managed using external and internal management.

Additionally, LAGERS manages, invests, and administers two smaller passive defined benefit plans designated for LAGERS' own staff. As of December 31, 2022 the Staff Plan Portfolio was valued at \$21.6 million and the Other Post-Employment Benefit Portfolio had a value of \$2.4 million.

1-4.1.1 Statement of Investment Policy

The LAGERS Statement of Investment Policy has been included in Appendix A.



SECTION 2 CONDITIONS

2-1 Sequence of Events

<u>DATE</u>	<u>ACTION</u>
February 1, 2023	Issue RFP
February 15, 2023	Letters of Intent and Questions Due 4:30 p.m. Central time
March 1, 2023	Send Responses to Written Questions
March 15, 2023	Proposals Due 4:30 p.m. Central time
April 17, 2023	Finalists are determined
April 24 – May 5, 2023	Interviews with Finalists
May 15, 2023	Request for Additional Information Due
June 16, 2023	Recommendation of Award to Board of Trustees
July 17, 2023	Contract Finalization
August 1, 2023	Provider Submits Transition/Implementation Plan (if necessary)

The sequence of events is provided as a guideline and is subject to change at LAGERS' discretion.



2-2 Explanation of Events

The following paragraphs describe the activities listed in the sequence of events shown in section 2-1.

1. Issue RFP
 - a. This RFP is being issued by LAGERS on February 1, 2023. Additional copies of the RFP can be obtained upon request.
2. Letters of Intent and Questions Due
 - a. Potential Providers should return by facsimile or by email a Letter of Intent form to have their organization placed on the procurement distribution list. The form should be signed by an authorized representative of the organization, dated, and returned by 4:30 p.m. (Central time) on February 15, 2023.
3. Send Responses to Written Questions
 - a. Responses to written questions, amendments to this RFP, and any other document pertaining to this RFP will be sent via email on March 1, 2023.
4. Proposals Due
 - a. Proposals pertaining to this RFP will be due on March 15, 2023 by 4:30 p.m. Central time.
5. Finalists are Determined
 - a. Finalists pertaining to this RFP will be determined on April 17, 2023.
6. Interviews with Finalists
 - a. Interviews with finalists will be conducted from April 24 – May 5, 2023. Details pertaining to the interviews visits will be presented to the finalists at a later date.
7. Request for Additional Information Due
 - a. If a request for additional information results from this RFP, the additional information will be due May 15, 2023, by 4:30 p.m. Central time.
8. Recommendation of Award to the Board of Trustees
 - a. After reviews of the proposals and interviews are completed, a recommendation will be made to the Board of Trustees on June 16, 2023.
9. Contract Finalization
 - a. The contract will be finalized with the selected Provider by July 17, 2023.
10. Provider Submits Transition/Implementation Plan (if necessary) on August 1, 2023.

2-3 Instructions for Submitting Proposals

The proposal shall be delivered via electronic mail only to the following address on, or before, **4:30 p.m. Central time, March 15, 2023:**

Custodian_rfp@molagers.org

All responses received via normal mail or by facsimile will be discarded and not considered.

LAGERS reserves the right to retain all responses and accompanying documentation submitted and to use any ideas contained in responses regardless of whether that response is selected. Responses retained shall become the property of LAGERS and shall be public documents pursuant to Missouri Law. Submission of a response constitutes acceptance of all conditions contained in this request for qualifications and quotations, unless clearly and specifically noted in the response submitted and confirmed and expressly accepted in the subsequent contract between the firm and LAGERS.



All of the conditions set forth in this section must be included and addressed thoroughly and completely by the Provider before LAGERS may accept a response to this RFP.

When responding to this request, we encourage you to describe the ways in which you believe your organization's service capability is unique or would add particular value. Please be succinct in your answers and if certain services cannot be provided, please so state where appropriate.

2-4 Evaluation Criteria

Providers will be evaluated on the basis of their written responses to this Proposal. Additional written information as requested and oral interviews, if any, will be considered against criteria that include:

1. Provider's overall ability to provide the scope of services required by LAGERS.
2. Provider's experience with tax-exempt clients and the depth of its custody products and service deliverables, and the availability and on-going accessibility of its key professionals, including the client servicing team to be assigned to serve the LAGERS relationship.
3. Provider's custody and core accounting platform used to meet LAGERS' needs and Provider's ability to support LAGERS' asset classes and security holdings.
4. Provider's system and technology infrastructure used in the delivery of required services, specifically in the area online access and direct linkages to LAGERS for transactions, corporate actions, tax reclaims, and other pertinent information required.
5. Provider's performance measurement and analytic capabilities, and the Provider's ability to service derivatives for performance and asset allocation measurement purposes.
6. Provider's securities lending capabilities, and its ability to manage a program that would generate incremental revenue to LAGERS with due consideration of risk management.
7. Provider's financial condition, credit ratings, and organizational commitment to the master trust/custody business.
8. The presence of potential or actual material conflicts between Provider or Provider's key professionals and LAGERS.
9. The overall quality of Provider's written proposal and oral presentation, if any.
10. Submitted samples of Provider's written materials presented to other institutional clients.
11. Provider's fee proposal.
13. LAGERS' internal and external costs of the transition.

Fees and compensation will be important factors in the evaluation process; however, LAGERS will also evaluate on which Provider can service LAGERS' needs in the most complete, efficient and economic manner.

2-5 Miscellaneous Information

2-5.1 On-Site Visits and Oral Presentations by Finalists

Providers that submit a proposal in response to this RFP may be required to accommodate an on-site visit by representatives of LAGERS. Should on-site visits be required, LAGERS will determine the occurrence, date, and time of such visits.

2-5.2 Quiet Time

The Provider and its agents, officers, principals, and employees will not engage in any written or verbal communication during the selection period between the Provider, or any individual assisting the Provider to be selected and the LAGERS Board of Trustees, evaluation team, or any LAGERS



employee, whether or not such individual or employee is assisting in the selection of the Provider, regarding the merits of the Provider or regarding whether LAGERS should retain or select the Provider.

The Provider will not engage in any lobbying efforts or other attempts to influence the LAGERS Board of Trustees, the evaluation team, or LAGERS employees, in an effort to be selected as the Provider. Any and all such efforts made by the Provider or its agents, officers, principals, employees, or lobbyists will be disclosed to the LAGERS Board of Trustees within five calendar days of becoming known.

The current Provider (The Northern Trust) is excluded from the restrictions above only for conducting normal business.

Violations of these Quiet Time provisions may result in disqualification.



SECTION 3 MINIMUM REQUIREMENTS AND SERVICES

3-1 General and Mandatory Requirements

Unless otherwise specified, as of January 1, 2023, the Provider must meet all of the following mandatory minimum qualifications and services as outlined in order to be considered.

1. Must be legally able to accept and enter into a written services contract as supplied by LAGERS.
2. Must agree to provide the minimum services as detailed in the "Minimum Requirements and Services" section, as well as all other requirements as stated in the Request for Proposals (RFP).
3. As of January 1, 2023, must currently have at least \$2 trillion in U.S.-based custody assets and be providing domestic custodial services for at least three (3) U.S.-based pension clients each with U.S. marketable security trust assets having a market value in excess of \$5 billion.
4. Must currently be providing, and have done so a minimum of ten (10) years, international custodial services for at least five (5) U.S.-based clients each with international marketable security trust assets having a market value in excess of \$1 billion.
5. Must have an accounting system that provides LAGERS access to both U.S. and international securities accounts within a uniform framework of accounting treatment, reporting, and performance measurement.
6. Must be a U.S. domiciled trust company and a member of the Federal Reserve or a U.S. subsidiary of a foreign bank subject to the jurisdiction of U.S. courts.
7. Must be able to backload historic performance data into the Provider's performance measurement and analytics system for all asset classes, portfolios, and performance composites monthly back to 1992.
8. The Senior Account Manager proposed for this account must have a minimum of five (5) years of experience administering both domestic and international custody accounts for similar size clients.
9. All financial reporting must comply with generally accepted accounting principles as well as Governmental Accounting Standards Board practices as defined for governmental pension and other post-employment benefit trusts.
10. Must be a National Association of Securities Dealers member securities firm, a primary reporting dealer, or an FDIC insured bank.
11. Must have at least \$100 billion in a securities lending base on an agency or principal basis as of January 1, 2023.
12. Must have an average daily balance of securities loaned of more than \$5 billion during the past year, including a mix of fixed income, domestic, and international equities.
13. As of January 1, 2023, must have at least three (3) public fund clients with lendable assets of \$5 billion or more, and one of which must have assets exceeding \$15 billion.
14. Must have provided securities lending services for a minimum of five (5) years ending December 31, 2022.
15. Must provide at a minimum 100 percent indemnification for borrowers (including failure to return securities, failure to require and maintain adequate collateral, and bankruptcy of borrower).
16. The key professionals and/or the organization must not have, nor could they potentially have, a material conflict of interest with LAGERS.



3-2 Scope of Services

The following represents the general custody services required by LAGERS. The Provider will be responsible for that property which it receives from LAGERS, and LAGERS' investment managers. The general responsibilities under the contract will include, but not be limited to, the collection of income, disbursements of funds, and monthly reporting of all transactions within compliance of generally accepted accounting principles and the laws under which LAGERS operates within the State of Missouri.

The Provider must be able to provide all of the services listed below unless otherwise indicated:

3-2.1 Accounting

1. Trade date multi-currency (local and US dollars) accounting for all securities and full accrual accounting for all assets.
2. Accounting for all investments and all asset classes in LAGERS' portfolio including, but not limited to the following:
 - a. All income and security transactions (cash and non-cash) for all asset classes and for the various ownership structures (such as commingled trusts);
 - b. Securities lending;
 - c. Foreign tax reclaim receivables;
 - d. Capital changes including mergers, acquisitions, tenders, stock splits, warrants, and spin-offs;
 - e. Options, futures, swaps, and any other derivative instruments;
 - f. Forward foreign exchange contracts;
 - g. Equity real estate and REIT portfolios;
 - h. Private equity, including domestic and non-US limited partnerships.
3. Payable date posting for dividends, bond interest and principal, and interest and paydown on mortgage pass-through certificates.
4. Accounting must be on LAGERS' fiscal year basis (July 1 - June 30).
5. A comprehensive pricing system must be in place to ensure the accuracy of the prices received from various external sources daily and at month-end.
6. Investments must be reported at cost and market value. Gains and losses on securities sold must be recognized on the basis of the average cost of the securities for each account.
7. Must provide daily positions with ability to post both pending trades and settled trades and cash equivalents.
8. The Provider confirms that all information concerning holdings and transactions will be available for inquiry, download, or print capabilities.
9. Must provide technical expertise and assistance to LAGERS investment accounting and portfolio administration personnel including, but not limited to:
 - a. Assistance in identifying ways in which the Provider's resources, products, and information can be used to maximize efficiency;
 - b. Providing ongoing updates, information, and training concerning new investment instruments and accounting issues surrounding various investment types;
 - c. Providing technical assistance in implementing recently released accounting pronouncements issued by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB);
 - d. Providing direct access to designated individuals to assist with technical questions;
 - e. Providing a client service administrator(s) available by telephone and email between normal business hours (preferably 8:00am – 5:00pm central time).



- f. Providing timely and satisfactory responses to inquiries and resolution to problems.
10. Accounting reports:
 - a. Complete monthly audited accounting statements by the tenth business day for all accounts within the portfolio. LAGERS and the Provider may mutually agree in writing to a later completion and or delivery schedule for transaction reports and audited accounting statements subject to availability of third-party information or substantive changes in portfolio composition or structure;
 - b. Provide an accurate audited report of all holdings, yearly transactions, and other pertinent investment data, in a format acceptable to LAGERS, no later than 45 calendar days after the end of each fiscal year or a date that is mutually agreed upon;
 - c. Monthly and yearly closed periods must be frozen to additional transactions except when mutually agreed upon by LAGERS and the Provider.
 - d. Provide current and future accounting reports requested by LAGERS at no additional charge.
 - e. All key reports need to be provided online, when requested by client.
 - f. Provide all audited month-end accounting reports in a format acceptable to LAGERS (currently pdf files).
11. Provide required investment disclosures for fiscal year-end financial reporting by LAGERS, including any revised or additional required disclosures that may become effective in the future.
12. Provide annual reporting for external financial auditors in a format and manner as they designate.
13. Reporting of all transactions should be in compliance with GAAP and GASB.

3-2.2 Securities Settlement and Safekeeping

1. Provider must be a participating member and have access to securities settlement through Depository Trust Company (DTC), Federal Reserve wire system, Participants Trust Company (PTC), and at other depositories (both domestic and international).
2. Provider must provide settlement service on a delivery versus payment basis for all asset classes and the ability to settle and safe keep physically held securities.
3. Provider must execute foreign exchange transactions, monitor foreign tax liability and tax reclaim collection.
4. Provider must provide electronic access for trade data by LAGERS, consultants and investment managers, and any other third party approved in advance by LAGERS.
5. The Provider shall provide a comprehensive system for selecting subcustodians and evaluating and monitoring their internal control structures, performance, and financial condition. Include a chart of subcustodian network.

3-2.3 Cash Management

1. Provide a Short-Term Investment Fund (STIF) for daily cash sweeps.
2. Provide for same-day settlement of cash trades, such as physical, DTC, and Fed wireable repo and term purchases.
3. Transfer cash between accounts, make and accept wire transfers of funds in both U.S. and non-U.S. currency (including provision of Fed reference numbers upon request).
4. Provide online reporting for daily cash activity, cash balance information, and notification of wire transfers.
5. Provide an interactive and secure transaction processing system for cash movements and wire transfers.
6. Assist with foreign currency conversion and movement transactions.



7. Provide a system that projects cash by account. Projections should incorporate STIF balances, dividend and interest income, and income from trade settlements, corporate actions, or other known cash flows.
8. Provide Cash Equitization services to be able to equitize cash using the appropriate equity benchmark on a daily basis.

3-2.4 Corporate Actions, Class Actions, and Proxy Processing

1. Within a time frame sufficient for relevant receipt, analysis, and vote determination, provide proxies and proxy statements to LAGERS or their designee prior to annual and special meetings for U.S. corporations. For foreign corporations, such proxies and proxy statements will be provided subject to local market practice for international assets, but at minimum for the relevant market, in such a manner consistent with the practice of the Provider's industry peers.
2. At the option of LAGERS, provide proxy voting capabilities for U.S. and foreign holdings, including proxy voting services, notification of proxy information, translation of foreign proxies, and a monthly report detailing all proxy voting activity.
3. Within a time frame sufficient for relevant receipt, analysis, and processing, provide notification of corporate actions regarding conversion privileges, issuance of rights, mergers, tender offers, reorganizations, and other actions requiring decisions by LAGERS.
4. Provide the processing of securities class actions on behalf of LAGERS to include identification, analysis, communication, and processing of relevant litigation claims that affect LAGERS.

3-2.5 Technology

1. Provide online, real-time access to data held in the Provider's records.
2. Provide all reports requested by LAGERS. In addition, ad hoc query and reporting functions shall be available, and the Provider shall, by mutual agreement, and in a timely manner, provide additional custom reports as requested by LAGERS, at no additional charge.
3. Provide on-site training to LAGERS staff during the initial conversion process and at any time when substantial changes have been made to the master custody software or other information-delivery software.
4. Secure LAGERS records under the Provider's control from unauthorized access.
5. Secure and safeguard records against potential loss or destruction by fire, theft, vandalism, storm, earthquake, or any other hazard, by retaining backup data in a secure location so that records can be recreated that are current to the end of the last business day preceding the occurrence of such event.
6. Have an established and proven plan for business continuation in emergency situations, have the capability to recreate records and resume operations within 24 hours of any occurrence of any major disaster or other cause that destroys records and/or interrupts normal operation of the Provider's systems, and must guarantee such continuation of service within 24 hours.
7. Retain computer records of all audited investment transactions and month-end positions on electronically readable storage media permanently. The Provider shall assure that records maintained on electronically readable storage media are checked for viability on an annual basis and migrated, if necessary, to more current technology in order to maintain accessibility during the entire retention period.

3-2.6 Transition

1. Should this search result in the selection of a new Provider, the new Provider will perform all procedures necessary to convert from the current Provider's (The Northern Trust) system to the new Provider's system of record:



- a. The Provider shall present to LAGERS management a detailed plan for, as well as schedule of, the transition from the current Provider, The Northern Trust, to the new Provider. The plan and schedule must include the timing of each phase of the transition as well as the proposed involvement of the Provider's employees in the process, the level of involvement anticipated from LAGERS' employees, and the proposed involvement of the current Provider in the transition process.
 - b. The Provider will reconcile custody positions to the prior Provider's records, research all reconciling items, and correct all position discrepancies.
 - c. All interfaces, including, but not limited to, those to LAGERS, outside investment managers, pricing services, and others, must be ready and adequately tested prior to conversion or an acceptable alternative provided as mutually agreed.
 - d. The asset conversion process, including the reconciliation of custody positions, values, outstanding foreign tax reclaims, receivables, or liabilities, and the proper identification of reconciling items will be completed by a timeline that is mutually agreed upon between the Provider and LAGERS.
2. Upon termination of the present contract, the current Provider shall cooperate fully with the successor Provider to facilitate the transition from the current Provider's system to the successor's system.
 - a. During transition, the current Provider shall provide to LAGERS and the successor any information about the current Provider's system as may reasonably be needed by the successor to prepare for and effect the transition. Such information might include data formats, data element definition, update frequencies, etc. The current Provider shall not be expected to provide proprietary information about its internal systems.
 - b. The current Provider shall provide to the successor a copy of all LAGERS data in a mutually agreed form and format for test purposes.
 - c. On the effective date of the conversion from the current Provider to the successor Provider, the Provider shall provide a complete final copy of all current LAGERS files to the successor. To complete close-out of transactions in process, suitable and mutually agreed arrangements shall be made between the current Provider, LAGERS, and the successor for processing of such transactions received subsequent to the effective date of conversion.
 - d. The current Provider shall make a continued effort to collect tax reclaims due to LAGERS and coordinate with the successor Provider on outstanding claims.

3-2.7 Audit Requirements

1. Allow LAGERS staff, its internal auditor, and its external auditors continued access to the Provider's corporate audit staff and make available information from the corporate internal audits such as audit reports and the working papers of the Provider's internal audit division that pertain directly to the services utilized by LAGERS, as long as such access does not violate client confidentiality, contractual obligations of the Provider, or applicable federal or state laws or regulations.
2. Name the Provider's clients as intended users of the annual Provider's Statement on Auditing Standards No. 70 (SAS 70) report (or SSAE16/SOC 1 or SOC 2 report if the new standard has been adopted). Assure a statement to this effect is included in the auditor's opinion letter as such. Provide a copy of the SAS 70 Type II report to LAGERS when completed.

3-2.8 Client Servicing

LAGERS is a "hands-on" organization that requires access not only to account administrators but to technical staff in investment transaction processing, accounting report preparation, performance and



risk analytics, technology and any other functional area that affects our account. The operational support, flexibility, accessibility, and responsiveness of institutions submitting proposals will be carefully weighed.

1. The Provider shall make appropriate personnel available to meet with LAGERS staff on-site, at dates and times determined by LAGERS, to discuss services related to LAGERS' needs.
2. The Provider must have in place a relationship management protocol that assures the appropriate escalation of and timely resolution to issues and special projects within the context of the LAGERS relationship.
3. LAGERS staff shall have direct access to specialists in each functional area to discuss processing issues as they arise.

3-3 Value Added Services

3-3.1 Securities Lending

1. Provide securities lending services for eligible domestic and international securities on either a principal or an agency basis.
2. Establish a list of eligible borrowers and a maximum amount that may be borrowed by each borrower. Conduct ongoing reviews of borrowers' qualifications and the balance on loan relative to borrowers' lending limits.
3. Require that all loans of securities be collateralized by either cash or securities.
 - a. Domestic securities must be collateralized at no less than one hundred and two percent (102%) of market value, plus accrued interest, at all times.
 - b. International securities must be collateralized at no less than one hundred and five percent (105%) of market value, plus accrued interest, at all times. All international loans and proceeds will be negotiated and settled in U.S. dollars.
4. Reinvestment of cash collateral and securities received as collateral will be restricted to investments approved by LAGERS investment guidelines in advance.
5. Provide for next day liquidity at the option of LAGERS for any securities on loan.
6. Collateralize and mark-to-market all loaned securities on a daily basis. Loans with insufficient collateral must be adjusted within 24 hours and prior to the securities being re-loaned to the same borrowers (see 3. above).
7. Make available a daily report of collateral, identifying daily collateral required and pledged, and a monthly report on securities lending activity and outstanding loans, including amounts by borrowers.
8. Collect all interest, dividend, or other distributions with respect to any loaned securities.
9. Must have the ability, upon request, to preserve LAGERS' voting rights for proxies by requiring all identified loaned securities be returned to LAGERS prior to the record date of the security.
10. Must provide at a minimum 100 percent indemnification for borrowers (including failure to return securities, failure to require and maintain adequate collateral, and bankruptcy of borrower).
11. Provide other monthly, quarterly, and annual reporting as required by LAGERS.

3-3.2 Performance Measurement Analytics

1. Calculate daily (unaudited) and monthly (audited) gross and net-of-fee time-weighted and money-weighted total returns for all public asset classes and composites.
2. Produce daily and monthly reporting of actual performance versus benchmark performance for all public asset classes and composites.



3. Calculate net-of-fee time weighted and money-weighted total returns for all private asset class securities and composites.
4. Produce monthly, quarterly, and annual reporting of actual performance versus benchmark performance.
5. Calculate gross and net-of-fee time weighted and money-weighted total returns for each portfolio and the total fund.
6. Produce daily and monthly reporting of actual total fund performance versus policy benchmark performance.
7. Produce total fund reporting (electronic report and electronic file) that addresses all asset classes and portfolios, and composites for any timeframe requested by LAGERS.
8. Produce historical performance and risk analytics (such as tracking error, information ratio, etc.).
9. Produce attribution at the security level and benchmark sector level that includes comparison to benchmark performance for all public asset classes and composites.
10. Calculate benchmark Internal Rate of Returns (IRR) for private assets and compare to customized index.
11. Accept historical data electronically into a system for the purpose of creating IRRs.
12. Record market value and cash flows for assets not kept in a custodial account.
13. Record fee information for purposes of creating a net-of-fee calculation.
14. Calculate returns for derivative positions on a notional basis.
15. Must have the ability to incorporate asset splitting for derivative positions and be reflective in daily and monthly reports.
16. Provide performance reporting within three days after closing month-end books.

3-3.3 Risk Analytics

1. Produce holdings-based ex-ante risk analysis for the total fund, each asset class, and each portfolio that includes the following:
 - a. Total risk (for both the portfolio, asset class or fund, and the related benchmark)
 - b. Active risk
 - c. Value at risk
 - d. Contribution to total risk and active risk
 - e. Correlation and volatility of each asset class.
2. Produce holdings-based risk analysis for the total fund, the fund's liabilities, and the fund's surplus/deficit.



SECTION 4 QUESTIONNAIRE

All responses should be in the following format:

Section Title

1. Question Number

2. Question

3. Response

4-1 Organizational Overview

1. Provide the name, title, address, e-mail address, telephone, and fax numbers of the contact person from your firm whom we may contact with questions regarding your response.
2. Identify the names and functions of any outside firms with whom you will subcontract to provide the services requested under this RFP. Provide the length of your relationship with each firm.
3. Briefly describe each of your organization's core business units and the percentage of revenue and earnings derived from each.
4. Describe any organizational changes that occurred or were announced during the past five years and their effect on your firm (such as structural changes, departures of key personnel).
5. Please describe the following for each year, based on the five years leading up to January 1, 2023:
 - a. Your master custody service capabilities including those items that currently set you apart from your competition.
 - b. What percentage of the organization's revenues come from the custody division?
 - c. What percentage of the organization's net income comes from the custody division?
 - d. What is the total assets under custody?
 - e. What is the number of US-based custody clients?
6. List and briefly describe any new custody services/product improvements that have been released in the past five years or will be released into production within the next year.
7. If you have recently completed or proposed a merger with or acquisition of another bank, please describe:
 - a. The combined entity's progress toward identifying surviving systems.
 - b. Impact of the merger on systems proposed, including transition times.
 - c. Plans for the management organization of the new entity.
 - d. Any other related issues significant to services proposed.
8. Describe any litigation against the firm and the outcome during the previous five years. Additionally, describe any pending litigation against the firm.

4-2 Domestic and Global Custody Operations

1. Briefly describe the structure of each area of your organization that provides institutional custody services. Please name all key personnel in the area and include a short summary of each individual's background. Please identify any recent changes in the previous five years to the area's structure or staffing.
2. Please describe your organization's approach to custody client staffing (such as team, relationship manager supported by several areas), including a description of the client service arrangement you will provide to LAGERS. Describe the responsibilities of each person assigned to a typical custody relationship.
3. Provide biographical sketches of key individuals who will be assigned to the LAGERS account; include a list of relationships they are engaged with: executive management, investment



accounting, trade settlement, performance measurement and risk analysis, compliance, and account administration.

4. Explain how you transition duties when staff turnover occurs.
5. Please provide the total assets and number of U.S.-based custody clients by type as of January 1, 2023:

	No. of clients							Total Assets \$ bn
	<\$100m	\$100 to \$500m	\$500m to \$1bn	\$1 to \$5bn	\$5 to \$15 bn	>\$15 bn	Total Clients	
<ul style="list-style-type: none">• Corporate• Taft-Hartley• Public• Endowments/ Foundations• Insurance• Defined Contribution• Mutual Funds• Other (please specify)								
Total								

6. Please provide the following information:
 - a. Number of public fund relationships (DB)
 - b. Median public fund (DB) account size
 - c. Largest three public fund (DB) relationships and tenure – size and name
 - d. Mean custody account size
 - e. Median custody account size
 - f. Custody clients and custody assets gained/lost in the past three years and the reasons for lost clients
 - g. Number of custody relationship managers
 - h. Average client-to-relationship manager ratio
 - i. Total institutional custody employees
7. Provide an overview of your global custody capabilities. Include when you began offering global custody services and how you differentiate yourself from the competition.
8. List the number of U.S. clients and the number of portfolios for which you have global custody, including the amount of non-U.S. assets.
9. Do you use international central depositories for clearing and/or holding?
10. Do you have multi-currency accounting and reporting capabilities? Describe.
11. Describe your ability to process and monitor tax reclaims.
12. Does your insurance cover all of your global custody activities?
13. Are you currently on the SWIFT system?



14. How many sub-providers are in your network and how are they selected and subsequently monitored? Please provide a list of all sub-providers used to provide international custody services with the corresponding countries and indicate the number of years that each has acted in that capacity for you.
15. How often do you review the performance of subcustodians and visit their offices?
16. What is your current credit rating?
17. What are your procedures in the event of a Fed system failure or slowdown?
18. Describe the funds transfer system including options, guaranteed settlement times, and latest times for same day settlement.
19. Does the Provider allow for an audit at the request of the client?
20. Briefly describe the procedures for registering or re-registering a security. What is the standard for timeliness in registration transfers?
21. Describe the features and/or procedures of a capital call. How much advance notice does the system need to initiate the wire out? Can the Provider accommodate same-day notice?
22. As mentioned in Section 1-4, LAGERS maintains separate Staff and Other Post-Employment Benefits (OPEB) plans. Does the Provider have the ability to service LAGERS by issuing monthly retiree benefit checks from these plans? If so, please describe this service.
23. Provide an instance where your former client decided to move to a different custodial vendor. How would you describe the issue or reason?

4-3 Client Relations

1. Describe your client relations process:
 - a. Formal and informal oral and written communications
 - b. Inquiry and problem resolution processes
 - c. Information on available services and service delivery issues
 - d. Training in the use of the services and systems
2. Describe any training/technical assistance in accounting and performance measurement and analytics, new investment vehicles, implementation of new accounting standards, and industry developments.
3. Do you provide or require continuing education for your staff?
4. Do you provide business process reviews for clients' accounting, settlement, or performance reporting operations? If so, provide examples and results of the analysis.
5. Describe any educational events or client conferences you sponsor for your custody clients with a schedule of any events planned.
6. Describe the research capabilities and services that your firm or affiliated firms are able to provide to custody clients. Include services such as economic and market overviews and forecasts, research reports, ad hoc analyses, access to data sources, analytic tools, and conferences. Please indicate if custody clients receive these services as a part of base custody fees or for a discount (and the extent of the discount). Indicate if there are any limitations or conditions on the access to or use of these services by custody clients.
7. Indicate how customer satisfaction is monitored, and whether clients are provided with the ability to participate in annual evaluations of their support group as well as overall service performances. If so, the Provider must provide the results of its most recent customer evaluation.

4-4 Internal Controls and Risk Management

1. Identify the external entities that audit, regulate, and/or review your custody services. Provide copies of regulatory audit reports and management letters issued by independent auditors over the last three years.



2. Describe how your risk department is structured and its main objectives and any enterprise risk management programs, tools, or policies you have in place.
3. Do you conduct Statement on Auditing Standards No. 70 Type II reviews (or SSAE 16/SOC 1 or SOC 2 reviews in implemented)? If yes, how often? Please provide copies of the last two reports.
4. Describe the various types of insurance coverage and indemnifications provided to protect clients of service(s) proposed, including:
 - a. Risk coverage
 - b. Carriers
 - c. Levels
 - d. Limits/Deductibles
5. What steps are taken to ensure the accuracy of your pricing reports? Who is responsible to ensure accuracy? Does an account officer sign and certify the reports?
6. What controls are in place or are you capable of installing to ensure that account activity is authorized?
7. Describe your personnel policies regarding background checks on employees and agents. What criteria would disqualify an applicant from employment based on the results of a background check?
8. Describe your approval process on cash movements and wires.

4-5 Securities Processing

1. Describe your clearance and settlement process for domestic and international securities transactions, including depositories used and your involvement with them. If you use a central depository, is your firm a direct participant in that depository? Please provide your average daily transaction volume by depository.
2. How are you made aware of settlement problems and at what time (how soon after settlement date)? Briefly describe your policies and procedures on failed trades and the steps that will be taken to minimize these occurrences. Describe your policy regarding restitution of lost interest for LAGERS on a failed trade.
3. What was the trade volume (number and market value size) that you processed for the year ending December 31, 2022, and failed trades for U.S. securities? Please report in the following format:

Trades	Volume (Number)	Total Market Value in US\$ millions	Fail Rate (%)
Purchases			
Sales			

4. Briefly describe the method that you will recommend to LAGERS to communicate trade instructions for settlement and provide the instruction deadlines for all asset classes.
5. Describe how you handle and process information on corporate actions (such as tender offers, exchange offers, etc.)
6. What sources are used for dividend information and corporate actions? How is this conveyed to clients?
7. Describe how you distribute proxy information. What controls, if any, are in place to ensure receipt and timely distribution?



8. Briefly describe your ability to process and monitor class actions. What services surrounding litigations do you provide?
9. Describe the procedure for collecting proceeds from maturing securities, paydowns, periodic interest and dividends, corporate actions, tax reclaims, broker claims, etc.

4-6 Cash Management

1. Describe your cash management policies and procedures regarding the purchase and sale of securities and receipt of income.
2. What are your policies and procedures for investing daily surplus cash balances that are not used by investment managers?
3. Briefly describe your policy regarding overdrafts. If excess cash is swept, can overdraft charges be netted against STIF income at the same rate?
4. Please include a description of all available cash management vehicles for qualified retirement plans. Include all fees, frequency of fund opening/valuation and investment results for the past three calendar years ending December 31. Describe the investment guidelines and policies (risk analysis, approved investments, asset allocation, average duration to maturity and to reset, liquidity requirements, quality, term structure, diversification, etc.) of your short-term investment funds.
5. Have any of your short-term investment funds defaulted during the past five years? If so, please explain the circumstances of the default, recovery of investment, allocation of loss, etc. Did any participants incur a loss? Were adjustments made to your investment guidelines/policies to avoid a similar problem?
6. What are the daily notification deadlines for outgoing wire transfers?
7. What is the daily deadline for receiving incoming wire transfers in order to ensure same-day investment?
8. Can you accommodate the use of outside Short-Term Investment Funds (STIF) if directed?
9. What types of international interest bearing accounts (and corresponding minimum balances requirements) are available for free cash balances? Do funds remain on account until day of settlement? How often is associated income paid? What is your repatriation process?
10. Describe your domestic and international cash forecast reports, the communication media and timing required, the process of receiving information from investment managers on day's cash needs, number of days forecast, and detail available.
11. Describe special procedures for the processing, valuing, and reporting of currency overlays, options, forward contracts for both domestic and international investments.
12. What is your policy toward the crediting of interest and dividends on payable dates? Are income payments credited in same day funds?

4-7 Systems/Data Processing

4-7.1 Overview

1. Name and briefly describe your custody system. Where is the system located? When was the system introduced? How much downtime has the system experienced in each of the past three years?
2. How much has your organization dedicated to custody-related hardware and software enhancements/upgrades during each of the past three years in dollar terms and as a percentage of total custody operating expenses?
3. Describe the technology aspects of your custody system that would be considered "best of breed" and key differentiators as compared to your competition.



4. Briefly describe your planned system enhancements for the next three years. Will these enhancements be developed internally or purchased from an outside vendor? How much money have you committed to these enhancements for each of the next three years?
5. Is the system dedicated to custody or shared with other units within your organization?
6. Describe the service level support standards we can expect to receive as users of your custody system.
7. Is the institutional custody operation supported by a dedicated data processing, programming and application development staff? How many programmers/analysts are assigned to the area?
8. Briefly describe the custody system recovery capabilities including backup, fault tolerance, high availability, and disaster recovery.
9. Please describe the security measures in place to protect against unauthorized access to the custody system.
10. What is distinct about your custodial capabilities that we should know about?

4-7.2 Disaster Recovery

1. Please describe your general backup procedures in the event of an in-house systems failure or a material business disruption (expected to impact operations for more than 8 hours).
2. Will you provide an emergency contact tree, such as contact information for all the Provider's employees that LAGERS might need to contact in case of disaster? The contact tree should include the contact information for employees in operations up through senior management.
3. Please describe your procedures in the event of a Fed system failure or slowdown.
4. Describe the frequency of disaster recovery and business continuation testing.

4-7.3 Online System

1. Please provide the following information related to your online system:
 - a. Name
 - b. Version and release date
 - c. Design
 - d. Inquiry features
 - e. Reporting capabilities
 - f. Flexibility
 - g. Security features
 - h. Access
 - i. On-site training for clients (yes/no)
 - j. Online delivery of accounting reports (yes/no)
 - k. Online delivery of performance reports (yes/no)
 - l. Installation and annual fee
 - m. Frequency of data
 - n. Downloadable to Excel (yes/no)
 - o. Help desk staff (number of employees) and hours
 - p. Commingled fund "look through" to underlying holdings (yes/no)
 - q. Ad hoc report generator (yes/no)
2. What is the lag time between trade execution, availability of online transaction data to the client and the posting of the transactions to your accounting system?

4-7.4 Compliance Monitoring

1. Do you offer a system for monitoring a client's investment managers for compliance with investment guidelines? If so, does it offer:



- a. Portfolio holding tests performed on the portfolio data (for example, test the maximum total domestic equity as a percent of total assets)
 - b. External data tests that require data available from external database sources (such as credit ratings of fixed income instruments, portfolio benchmark data)
 - c. Derivatives tests that measure the exposure to derivative instruments
 - d. Risk management tests that measure the risks associated with individual portfolios as well as the total fund (for example, value-at-risk analysis)
2. Is this compliance monitoring system a feature of your online system? If so, what was the release date and how many clients are currently using it? If not, is there a proposed release date?
3. Comment on your ability to monitor an investment manager's trades for extreme positions that could indicate unauthorized/rogue trading. Can these trades be identified before settlement?
4. Describe your ability to provide specialized reporting including equity and fixed income calculations.

4-8 Accounting/Reporting

1. Provide a complete description of your accounting system including, but not limited to:
 - a. Monthly and year-end processing cycles
 - b. Reconciliation reports and processes
 - c. Interfaces with securities movement
 - d. System integration with multi-currency accounting
 - e. Delivery time to performance measurement system
 - f. Internal accounting controls subject to independent audit
2. How are accounting periods closed? Can closed periods be opened? How many periods can be open at one time?
3. Describe your process of restating incorrect accounting statements and publishing new reports.
4. Discuss your standard reporting package for the master custody:
 - a. How frequently are reports produced?
 - b. In what format are reports available?
 - c. Describe any unique features of your standard reporting package.
 - d. What steps are taken to ensure accuracy of the reports?
 - e. Are reports audited before being sent to clients?
 - f. How soon after month-end are audited reports available?
 - g. Provide a copy of your standard month-end reporting package.
 - h. Describe your ability to provide all GASB reports for all assets.
5. Describe your process for providing customized reports to our specifications, both at the onset of the relationship and ongoing. Provide turn-around times for customized reporting requests. Is customization available to the end-user through ad hoc query tools?
6. Is the transmission process of reports overnight, and if so, are intra-day transmissions available if needed?
7. Discuss your online reporting information and capabilities for the master custody and/or securities lending program.
8. Do your online systems report the same information as your audited accounting systems once audited values are available? Are they derived from the same system? Are securities lending reports generated from the same system?
9. What types of commission/transaction cost reports are available? Is failed trade reporting available? If so, please describe.



10. Are you able to provide statements on an accrual/trade-date basis showing both realized and unrealized gains and including pending transactions?
11. How long do you retain historical information/statements (asset values and transactions)? Describe your archiving process.
12. Explain your capability to provide historical transactions and holdings reports. Can you back-load historical client account and transaction data into your system to provide reports for a complete year, even if you were not the Provider for the full year?
13. Describe your procedures to verify that transactions and holdings statements balance with those of investment managers. How do you resolve differences?
14. What is your source of securities prices? What procedures ensure accurate pricing? What procedures do you have in effect, if any, to flag and investigate unusual or significant pricing changes from the previous day? Describe your procedures for reconciling prices with investment managers.
15. How do you price securities that are not available from your pricing service, such as private placements? Describe your process of pricing derivative securities and non-traditional fixed income securities (such as 144As).
16. How do you handle client-directed pricing?
17. For multi-currency reporting, does the report identify the country, the industry, and security? Do you have the capacity to report in both the local currency and translate to the reporting currency?
18. Describe your ability to set up proactive exception reporting for trading, income, corporate action notices, and asset holdings.
19. How many professional accounting staff would be devoted to our daily, monthly, and annual accounting activities? What are the qualifications of your client service accountants? List the titles, experience, and education of each client service accountant who would service this account.
20. Describe your policy and process of writing off receivables.
21. What reporting is provided to assist in satisfying GASB requirements? Please provide examples.
22. Does your system report or accommodate trade date, contractual settlement date, cash basis accounting, or a combination? What other methodologies are available?
23. Can your system maintain the original face amount purchased and the book value at original cost? In addition, does it maintain the current value at average cost, or some other cost based on an accepted costing method? Please specify.
24. Explain the methodology and policies in place for accrual accounting. What transactions are not accrued?
25. How do you compute realized gains and losses?
26. Does the Provider have a team dedicated to only Private Assets? What are the lag times for posting capital call and distribution transactions?
27. How does the Provider handle reporting on accounting for derivatives (swaps, futures and forwards)?

4-9 Performance Measurement/Analytics

1. Describe the performance measurement analytics organization. What is the typical staff-to-client ratio? What is the average number of years of professional performance measurement and analytics experience?
2. Describe the resources available to support the staff analyzing the data.



3. Describe your performance measurement system and its capabilities. Specifically, describe how information is loaded into the system (for example electronically, manually) by asset class, including private assets and the timing for loading data (daily, weekly, monthly).
4. Discuss your products in terms of content, timeliness, and delivery method. Please comment on your abilities to report on the performance of alternative investments in addition to traditional asset classes (address time-weighted returns and IRR calculations).
5. Can your performance system provide net and gross time-weighted returns?
6. Describe the types of performance attribution analysis reports you provide. Is performance attribution available at the security level? For all securities in a portfolio? Is performance attribution available at the benchmark sector level? For international portfolios, is attribution available at the country level? Describe your approach to fixed income attribution.
7. Provide sample copies of performance measurement, performance attribution, and analytics reports for a domestic equity portfolio, an international equity portfolio, a fixed income portfolio, and a consolidation of all portfolios. For each sample report, identify the portfolio characteristics that are tracked. What is the earliest date after the end of the reporting period each is available?
8. In what delivery formats are reports available? (Hard copy, electronic). With what frequency do you produce each report and when does the client receive them? Identify which of the reports are the result of:
 - a. Internal development
 - b. External development
9. Are performance measurement and analytics available on an online system? If so:
 - a. Can raw data be downloaded? (Raw data would include portfolio aggregate statistics as well as security specific characteristics, such as rate of return, risk, P/E ratios, dividends, yields, and similar items.)
 - b. Describe the ability to customize reports.
 - c. How soon after the end of the reporting period will the data be available online?
 - d. What performance measurement, performance attribution, and analytical information is available online?
 - e. What additional external or internal performance measurement and analytical databases are accessible?
 - f. What historical period is available online?
10. Explain how your performance system handles derivative securities such as swaps, futures and forwards. Is the system able to split the notional value of the positive and negative legs of the derivative to different asset classes? If yes, please describe this functionality.
11. Does your system have the ability to calculate notional returns for derivative positions. If yes, please describe this process.
12. For all performance indices listed in Appendix A in the Statement of Investment Policy indicate which are available for performance reporting, comparisons and attribution, their source, and the manner and timing in which you receive them. Indicate the universes that are available for comparison, their source, and the manner and timing in which you receive them.
13. Discuss your policies and procedures that ensure accounting records conform to the performance data. What procedures exist to verify the accuracy of rates of return? What reports are provided to clients that reconcile accounting information and performance information? Do you have a procedure to verify returns with investment managers? What percentage of the returns that you calculate are verified with investment managers? Can performance data remain unchanged when "effective date" postings are made to accounts?
14. Discuss the delivery mode and timing of your ability to provide raw data and rates of return to clients' performance measurement vendors.



15. Describe the performance service(s) you offer including their respective methodology. Are these performance services included in your core services or are there additional fees?
 - a. What information can be accessed via the online system?
 - b. What types of customized reporting capabilities do you provide in your online tools? What support do you provide staff in setting up their own custom reports using your online tools?
 - c. Please indicate how soon after a reporting period final information can be accessed (for example, rates of returns, market values, holdings information).
 - d. Describe any unique features of your performance system.
16. What plans do you have for enhancing your performance systems? Please provide a release schedule for enhancements.
17. Can you provide holdings information for commingled funds on a monthly basis?
18. For how many pension clients are you providing monthly performance reporting? What are the total assets for which you provide performance reporting? What challenges have you encountered in implementing daily performance reporting for those clients? Please give some examples of challenges encountered and how they were overcome.
19. Please provide a separate book of all sample reports you provide for clients.
20. How long are daily and/or monthly performance reports kept in your system?
21. Does the Provider have the ability to overwrite returns and/or make manual adjustments?
22. Describe the Provider's ability and process to source indexes.
23. Provide an instance when performance was calculated wrong and the process used to fix/adjust the performance.
24. Please provide at least two client references related to your performance reporting capabilities.

4-10 Securities Lending

1. Describe the lines of business of the parent organization. Give a brief overview of the organization.
2. Describe the securities lending process, its position, and level of importance in the organization, and the firm's commitment in the context of its overall corporate strategy.
3. Describe the ownership structure and how it relates to the parent organization and its affiliates.
4. Describe any significant developments over the past three years in terms of change in ownership, restructuring, and personnel reorganization.
5. Are you a registered investment advisor under the Act of 1940?
6. Do you have systems set up to ensure seamless transmission of data between the Securities Lending team and the Custodian?
7. Describe any recent litigation, legal proceedings, or investigations of the firm.

4-10.1 Program Overview

1. Please provide the following information:
 - a. Inception date of lending program
 - b. Number of participating clients, including number of public clients
 - c. Average client size in terms of lendable assets
 - d. Domestic collateral requirement (%)
 - e. International collateral requirement (%)
 - f. Number of borrowers
 - g. Location of lending offices
 - h. 24- hour lending (yes/no)



- i. System for monitoring policy compliance (yes/no)
 - j. Online monitoring of collateral investment (yes/no)
2. Describe your securities lending program for public pension funds. Include a brief history, including how long your firm has been involved in securities lending. Describe the organization and its structure, including:
 - a. Number of employees
 - b. Names of key staff and their experience
 - c. Staff turnover in the last five years
 - d. Size of lendable asset base
 - e. Significant development over the past five years including changes in number of clients
 - f. Client turnover for each of the last five years; please give the names and reasons for terminations
3. Please list three public fund client references.
4. Describe your securities lending services and capabilities (domestic and international).
5. List the senior management oversight of the securities lending process.
6. Describe your firm's securities lending process in detail. Provide the details of a securities lending transaction from loan initiation to return of the loaned security.
7. On average over the last three years, what percent of eligible securities were on loan and what was the average spread earning for each of the following asset types?
 - a. Domestic Equities
 - Large Cap
 - Mid Cap and Small Cap
 - b. Government Bonds
 - Treasury
 - Agency (excluding Mortgages)
 - c. Corporate Bonds
 - Domestic
 - International
 - d. International Equities
 - Developed
 - Emerging
 - e. Mortgages
8. Describe the asset categories and country locations in which you lend securities. Identify when you started in each category and what factors you consider before lending in a particular category or country.
9. Provide the annual dollar amount of securities on loan and lendable securities over the past 5 years, as well as the security lending revenue.

4-10.2 Lending Activities

1. Please provide a list of your current borrowers (include their lending limits) along with a description of your credit review process and how often the names are reviewed. How are dealer, bank, or other lending limits determined and who makes those decisions? Has a borrower in your program ever defaulted and did you or your clients experience a loss?
2. How does your firm determine which securities are lendable and how does your process maximize the percentage of those securities on loan?
3. Describe your methodology related to the lending queue. How do you ensure that all participating clients have an equal opportunity to lend their securities? Do you ever override the queue? Describe the circumstances. Is the maintenance of the queue audited regularly?



4. Describe your initial and ongoing credit analysis program. How are credits monitored and what actions are taken after credit downgrades? Have any investments entered into default in your securities lending collateral investments during the past five years? If so, please explain the circumstances of the default, recovery of investment, allocation of loss, guidelines/policies to avoid a similar problem.
5. Do you charge management fees for the investment of securities lending collateral? If so, please include a fee schedule.
6. To what extent can a client customize collateral investment guidelines?
7. Do you allow client managed collateral and if not, will you be willing to entertain the concept?
8. Have you or your clients ever sustained a loss as the result of your lending activities? If yes, explain and include the magnitude of the loss.
9. Does your lending program allow clients to set the collateral requirements, including valuation limits and calls? If not, what limits do you set?
10. How much does your firm vary its mismatch between the maturities of loans and investment collateral? Please describe the process for term loans.
11. What are the inherent risks of a mismatched portfolio and how are these risks monitored by your firm?
12. As a policy, do you lend mortgaged-backed securities? What are the risks associated with lending these securities?
13. Describe your process for determining the rebate rate to the borrower. Is this rate fixed for the term of the loan?
14. What is the maximum amount of securities that a client should have on loan? What are the risks associated with this practice?
15. What type of collateral is preferred and why? In what circumstances do you accept non-cash collateral? Describe the monitoring procedures in place for ensuring that appropriate collateral levels are maintained, which pricing sources you use and how often portfolios are priced. Do you include accrued income in the collateral valuation?
16. How do you coordinate lending activity with investment managers? Is it invisible to the investment managers? When is notification of security sales required?
17. Has your firm ever been a party to a failed security in a lending transaction or have any of your firm's securities lending clients ever experienced a loss from these activities? If yes, please explain. Does the increased probability of settlement problems in certain markets enter into your decision to loan securities in those markets? Comment on failed trades, the expected frequency, how they are handled, and any trade settlement protection or compensation that you provide, including your policy and procedures with respect to buy-ins.
18. Describe the loan termination process and the safeguards in place to protect against broker default.

4-10.3 Reporting

1. Describe your securities lending reporting capabilities, including lending activity, lending income, and collateral. Provide a sample of your standard daily, monthly, quarterly, and annual reports. Are these reports also available electronically?
2. Describe your errors and omissions insurance coverage and any other insurance coverage your organization carries for securities lending clients.
3. What are the terms of indemnification available to your clients? Describe in detail your indemnification policy against losses to lending participants. Please provide sample contract wording related to your indemnification. What other safeguards does your firm provide?
4. How do you evaluate the risk of a lending program? Describe how you link the risks of the lending program to the risks of the investment collateral.



5. What types of benchmarking information do you make available to your lending clients?

4-10.4 Third-Party

1. Do you currently support third-party or principal lending programs for any of your custody clients? If so, how many clients? How long have you been supporting third-party lending? Please list the third-party lending agents and/or principal borrowers you are currently working with, or have worked with in the past. Why should a custody client use your lending capabilities as opposed to using a third-party?
2. Do you have a dedicated group responsible for third-party lending support? Where does this group fall within your organization (custody, securities lending, other)?
3. Describe the method of coordination between your firm as Custodian and third-party agents and/or principal borrowers.
4. Are you willing to provide contractual settlement for securities/portfolios being loaned by a third-party agent or borrowed by a principal borrower? Domestic Securities? International Securities?
5. How are holdings information and transactions communicated between parties (SWIFT, ISITC, e-mail, fax)? What system(s) do you use to support your clients' third-party lending programs? Is it the same system that is used for your proprietary securities lending business?
6. How is operational risk minimized for your clients using third-party agents? Please detail your daily reconciliation procedures.
7. How are recalls, corporate actions, and income collections handled for securities out on loan?
8. How do you ensure that the third-party lenders receive timely notification of corporate actions?
9. How much time do you allow third-party lenders to return securities from being on loan once the client or investment manager has communicated its response to the corporate action?
10. Discuss your policy and resolution procedure relative to failed trades. Who assumes responsibility for settlement failures?
11. Would you supply or build any required interfaces between your systems and third-party lending agents or principal borrowers? If so, how long will it take to establish all necessary interfaces? At what cost?
12. Please discuss custodial fees, wire fees, systems development costs, and any other fees or costs associated with third-party lending, and which parties have responsibility for those fees.
 - a. Are the fees for third-party lending transactions the same as those charged for the portfolio? If not, please detail the differences.
 - b. Provide the following detailed fee information:
 - Administration and support
 - Administration fees: Services related to accounting, share reconciliation, income collection, and corporate action support for shares on loan and cash collateral
 - Base fee (per portfolio or client)
 - Bulk lending (per portfolio or client)
 - Income collection and past due monitoring (per portfolio or client)
 - Corporate actions monitoring (per portfolio or client)
 - Transactions
 - Deliver/receive loaned security vs. cash collateral
 - Deliver/receive loaned security vs. security collateral
 - Mark-to-market wire transfer
 - Marked-to-market wire DTC SPO
 - Corporate action receipts/payments



- Transmission of custody positions and activity
 - Programming costs for set up, testing, and implementation of availability file and annual maintenance. Please include per client fees and any applicable communications costs
 - Any other fees (Please specify the purpose of any other fees)
13. What safeguards do you have that prevent your internal securities lending area from lending securities designated for our third-party lenders?
 14. What are your standard Fed, DTC, and wire instruction deadlines to process trade activity for a third-party lender? (Faxed or electronic instructions)
 15. What procedures do you have in place for chasing DTC or late principal and interest payments as well as compensation on such funds?

4-11 Risk Analytics

1. Do you have a dedicated group devoted to producing holdings-based investment risk analysis for public pension fund clients? If so, describe the risk organization including the experience of the risk professionals.
2. For how many public fund clients do you prepare risk reporting? Please provide at least one client reference related to your risk reporting capabilities.
3. What holdings-based model do you use? Is it an internally or externally developed model?
4. Describe the significant features of the holdings-based model:
 - a. Is the model a mean-variance model?
 - b. Is the model a factor-based model? If so, what are the factors?
 - c. Are the calculations based on a parametric, historic simulation or Monte Carlo approach? Do you have system constraints that drive this decision?
 - d. Describe the approach to modeling each different asset class.
5. Provide a sample risk report for the total fund. How often would you propose producing this report? When would this report be available?
6. Do your clients have online access to the risk model?
7. Do your clients have the capability to perform stress testing or scenario analysis using the risk model?
8. Describe in detail your approach to proxying risk for alternative investments, real estate, and timber.
9. Describe in detail your approach to modeling risk for the total fund at the surplus/deficit level. Describe your capability to assess the volatility of the fund's surplus/deficit exposure to changes in interest rates.

4-12 Transition Management

1. Do you have a dedicated group devoted to transition management for public pension fund clients? If so, describe this group including the experience of the professionals.
2. For how many public fund clients do you serve with transition management? Please provide at least one client reference related to your transition management capabilities.
3. What are the typical fees associated with this service?

4-13 Fees

1. Please provide a detailed annual fee quote on a bundled and unbundled basis for custody and related services alone, for securities lending alone, for performance measurement and analytics



alone, and for custody, securities lending and performance measurement and analytics bundled.

2. How long do you typically guarantee fee quotes? Are there any fees/charges that will not be guaranteed for a specific time period?

4-14 Transition and Conversion

1. What group conducts the planning and implementation of new global custody accounts? Provide biographical backgrounds of staff who would be assigned to the transition.
2. Describe your transition planning process. Provide a conversion plan and schedule for transitioning LAGERS to the new custodial relationship. Be specific about LAGERS' responsibilities and areas of involvement in the transition.
3. Give a description of your last comparable conversion and include the details of specific problems that occurred and the solutions implemented.
4. Have your transition team leader and assistant worked together before on a conversion over \$10 billion during the past three years? Please describe.
5. Provide references for your three most recent conversions that are comparable in size and scope to LAGERS.
6. What lead-time is required for a typical large institutional client transition and how might our transition be different?
7. How would you prepare your accounting and performance measurement databases and systems for processing our investments? Discuss the following:
 - a. What information would you load into our system in advance?
 - b. For what period would you conduct parallel processing in order to develop history, test procedures, and establish accruals?
 - c. How far in advance would you begin processing trades to prepare for live processing of settlements by the conversion date?
 - d. How much history would be loaded into your system?
 - e. How do you handle security-pricing variances with the prior Provider's records?

4-15 References

Please provide a list of three institutional fund client references of similar size to LAGERS with contact information.

Reference 1:	<i>Contact Information:</i>
Reference 2:	<i>Contact Information:</i>
Reference 3:	<i>Contact Information:</i>



SECTION 5 TERMS AND CONDITIONS

5-1 General Terms and Conditions

5-1.1 Completeness

A response must be complete as to all terms and conditions, including appendices on the date submitted, and must be submitted with the understanding that, for any Provider ultimately selected as a vendor for the program, its responses to all Parts of this RFP will be incorporated by reference into the contract. Additional information submitted after the response document or separate from the response document will not be considered unless specifically requested by LAGERS and then only to the extent requested.

5-1.2 Requests for Modification of a Response

A Provider to this RFP may withdraw and modify its response to the Service Questionnaire prior to the response deadline only upon approval by LAGERS. A request for modification must adequately explain the reasons for the request to modify the response. If LAGERS approves the request, a modified response may then be submitted. LAGERS will not consider modification offered in any other manner, oral or written. Under no circumstances may the Provider modify a response unilaterally at a date or time subsequent to the response deadline specified for each part of this RFP.

5-1.3 Provider Guarantees

All terms and conditions submitted in response to the RFP must be otherwise altered by the Provider for a period beginning on the date of the response filing deadline for this RFP, and ending at the conclusion of the engagement. All fees and charges, as proffered in response to this RFP, must be guaranteed for the term of the contract.

5-1.4 Request for Clarification of RFP

All questions regarding the clarification of any requirement, standard, or question must be received by LAGERS no later than 4:30 p.m. Central Daylight time on February 15, 2023.

Note to Providers:

Written requests for clarification should be sent via e-mail to: custodian_rfp@molagers.org

LAGERS reserves the right to accept or reject any or all requests for clarification, either in whole or in part, and may require requests to be clarified or supplemented through additional written submissions. All Providers will be notified of the acceptance or rejection of their request for clarification. Oral requests for clarification will not be accepted. Any response to an oral request will not be in any way binding on LAGERS and cannot be interpreted as a modification or clarification of this RFP. Such responses shall be considered an addendum to and as such, an integral part of this RFP.

5-1.5 Rejection/Waiver of Information

LAGERS reserves and may exercise the right to reject any or all responses to this RFP, and to waive any material or immaterial defect in a response or deviation from the requirements of this RFP. Any waiver exercised under this section will in no way modify any provision of this RFP.



5-1.6 False or Misleading Statements

Any response which contains false or misleading statements, or which provides references which do not support an attribute, condition, or capability claimed in the response document, will not be considered by LAGERS if, in the opinion of LAGERS, such false or misleading statement was intended to mislead LAGERS in its evaluation of the response.

5-1.7 Public Records

The Provider recognizes that all documents made or received in connection with the transaction of official business by LAGERS are public records pursuant to Missouri Revised Statutes.

5-1.8 Response Deadline

The response deadline for this RFP is 4:30 p.m. Central time on March 15, 2023. Electronic submissions only, no paper copies will be accepted. Failure to meet the response deadline will result in automatic disqualification. LAGERS accepts no responsibility whatsoever for failure to deliver or late delivery by postal or commercial courier services.

Please submit responses to:
custodian_rfp@molagers.org

5-2 Terms and Conditions of Contract for the Successful Provider

5-2.1 Contract Execution

The Provider shall negotiate the final contract in good faith within the conditions of the proposed contract, which are specified in this section. The contract shall not become effective nor be enforceable as to any terms and conditions specified therein except as an offer to contract by the Provider until and unless it is signed by all authorized parties thereto as required.

5-2.2 Term of Contract

The contract(s) entered into with the successful Provider to this RFP will be for a period beginning on or about July 17, 2023, and ending upon termination in accordance with the contract.

5-2.3 Notice Regarding Missouri Law

LAGERS is a statewide public retirement system created under the laws of the State of Missouri, and as such, there are constitutional and statutory limitations on the authority of LAGERS to enter into certain terms and conditions. Providers participating in the proposal process understand and agree that LAGERS is limited on terms and conditions it may accept, including, but not limited to, terms and conditions relating to liens or LAGERS assets and property; granting control of litigation or settlement to another party; liability for acts or omissions of third parties, payment of attorney's fees, dispute resolution; indemnification obligations; jurisdiction, venue, and confidentiality. The contract will be construed under Missouri state law.

Providers submitting proposals pursuant to this request should understand and acknowledge that their bids may be subject to release under the Missouri Sunshine Law. However, certain information may be confidential and fall under exceptions to disclosure, including, but not limited to proprietary information, trade secrets, audit work papers, and where disclosure might cause substantial competitive harm. If a Provider believes its proposal contains confidential information in those categories, the Provider must specifically document this on either the top or bottom of each page that contains the information the



Provider considers confidential, and must describe the specific nature of the exception to the Missouri Sunshine Law that the Provider believes applies. A general disclaimer that the bidder's response contains confidential information will not be sufficient to meet this requirement. This will not ensure that these provisions will be determined to be confidential under state law. Provider submitting proposals should be prepared to defend any claimed exemption under the Missouri Sunshine Law.

5-3 Specific Conditions

5-3.1 Provider Responsibility

The Provider shall discharge each of its duties and exercise each of its powers with due care, skill, prudence, and diligence under the circumstances that a prudent expert acting in a like capacity and familiar with such matters would use in the conduct of any enterprise of like character and with like aims. The Provider shall discharge its duties under the contract solely in the interest of LAGERS.

5-3.2 Confidentiality

The Provider, in the course of its duties, may handle confidential investment, financial, accounting, and statistical information pertaining to LAGERS and its beneficiaries. The Provider shall, except to the extent otherwise required by any applicable federal or state law, or as requested by regulatory authority or as requested by LAGERS, keep confidential any and all information obtained during the course of the contract.

5-3.3 Conflict of Interest

The Provider shall not directly or indirectly receive any benefit from recommendations made to LAGERS and shall disclose to LAGERS any personal investment or economic interest of the Provider that may be enhanced by the recommendations made to LAGERS.

5-3.4 Hold Harmless

The Provider shall indemnify and hold LAGERS harmless from all losses, claims, damages, liabilities, judgments, actions, costs, and expenses (including reasonable attorney fees), arising out of negligence, willful misconduct or breach of fiduciary duty or contract of the Provider or its agents, nominees, appointees, or sub-providers.

5-3.5 Nondiscrimination

The Provider agrees not to discriminate against any employee or applicant because of age, race, religion, color, disability, ancestry, sex, national origin, or any other type of discrimination prohibited by applicable federal law and/or applicable Missouri statutes.

5-3.6 Insurance

The Provider shall provide LAGERS with an officer's certification as to errors and omissions insurance coverage (including amount of coverage).

5-3.7 Termination

The contract will be subject to termination by LAGERS upon written notice given under the terms and conditions of the executed contract.



5-3.8 Assignments

The Provider shall not assign or delegate its rights or responsibilities, and no corporation or entity which acquires substantially all of the Provider's business and assets or with which the Provider merges, consolidates, or otherwise combines, may succeed to the Provider's rights and responsibilities without LAGERS' prior written consent.

5-3.9 Changes in Ownership Structure and/or Key Personnel

LAGERS requires written notification of changes in key personnel at least two weeks in advance of any such changes. The contract may be terminated immediately upon written notice from LAGERS to the Provider because of any material change in the control of the ownership structure of the company or because of changes in the Provider's key personnel.



SECTION 6 LAGERS RIGHTS

6-1 Rights and Prerogatives

LAGERS reserves the right to exercise the following prerogatives to:

1. Accept or reject any or all proposals.
2. Not award a contract under this RFP.
3. Waive or modify minor irregularities (including minor typographical and computational errors) in bids/proposals and to make minor modifications after prior notification and concurrence of the Provider.
4. Utilize any and all ideas submitted in the proposals received, unless these ideas are identified by the Provider as covered by patent, copyright, or other proprietary rights.
5. Change the proposal's final filing date.
6. Withdraw the RFP and to reissue a modified version of the RFP.
7. Make an award under this RFP in whole or in part.
8. Negotiate separately with any source whatsoever, in any manner necessary, to best serve the interests of LAGERS.
9. Conduct contract negotiations with the next eligible responsible offeror should LAGERS be unsuccessful in negotiating an agreement with the selected offeror within a time frame acceptable to LAGERS; such time frame is to be determined solely by LAGERS based on the best interests of LAGERS.
10. Subsequent to the bid opening, modify or amend the specifications.
11. Seek clarification, at LAGERS' sole discretion, for the purpose of fully understanding the Provider's proposal and seek revision from all Providers capable of receiving award.
12. Eliminate mandatory requirements unmet by all offerors.
13. Use the proposal, information obtained through site visits, management interviews, investigation of Provider's qualifications, experience, ability, financial standing and any other information that is generally available in the public domain to evaluate the Provider's response to the RFP and its ability to provide the goods and services requested.
14. To impose penalties for other than completely satisfactory performance, in accordance with state rules, regulations, guidelines, past practices, or LAGERS' policy.
15. Establish an extended acceptance testing period and, if not satisfied with the performance during the testing period, award the contract to the next most responsive offer.

Statement of Investment Policy & Objectives

MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

Revised Date: December 2, 2022

Date Implemented: January 1, 2022

I. Statement of Policy

Purpose

Missouri Local Government Employees Retirement System (“LAGERS”, “the System”, or “the Fund”) has developed this Statement of Investment Policy & Objectives to serve as the official policy regarding the investment practices of LAGERS and is not to be deviated from by any responsible party without the written permission of the Board of Trustees. The policies in this document have been adopted by the Board of Trustees, who has the fiduciary duty of overseeing LAGERS’ investment program.

Investment Goals

Mission of LAGERS:

“To provide and preserve retirement security for those dedicated to serving Missouri’s local communities.”

The purpose of LAGERS’ investment fund is to accumulate the financial reserves necessary to provide for the retirement or pensioning of the officers, employees, surviving spouses, and children of deceased officers and employees of member political subdivisions in the State of Missouri. A sound investment program is essential to LAGERS’ ability to meet its pension promise. The excess of the Fund’s assets relative to the Fund’s liabilities provides crucial security for the participants’ retirement benefits. The goal of the Fund shall be to target a 10% standard deviation while achieving a rate of return, net of manager fees, of at least 7.00% per annum as measured over a full market cycle. The Trustees and Investment Staff will use the Fund’s asset allocation as the primary tool to achieve this goal. As this is a long-term projection and investments are subject to short-term volatility, the main investment focus of the Trustees and Investment Staff will be towards the Total Fund. Each asset manager, individual investment and/or security selection (together known as ‘investment(s)’) will be judged on performance relative to its asset class and to its relative benchmark over a full market cycle, usually 5-7 years.

Risk Tolerance

With respect to the given purpose, the System's liquidity requirement, and the source and predictability of contributions, the Board elects to target portfolio risk of 10% standard deviation in pursuing the investment program. LAGERS is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to the System's participants. Thus, LAGERS' actively seeks to lower/stabilize the cost of funding the System's pension promise by prudently taking on types of risk that best serves the long-run interest of the Fund and, therefore, of the System's participants.

LAGERS is dedicated to increasing risk awareness through regular monitoring of risks across the portfolio. These include but are not limited to inflation risks, interest rate risks, liquidity risks, leverage risks, and regulatory risks. A set of liquidity guidelines and asset guidelines are established in Appendix I. LAGERS has adopted a separate Investment Risk Policy which identifies other various investment risks and how they are addressed by the System.

Investment Philosophy

The guiding philosophy is to allow sufficient flexibility in the management process while maintaining reasonable parameters to ensure prudence and care in the execution of the investment program. Trustees and Investment Staff will administer its duties solely for the benefit of the System's participants with the necessary care, skill, prudence, and diligence provided in the execution of the investment program.

- The benefit obligations of LAGERS must be met on a timely and regular basis. LAGERS expects there will be a minimum need for liquidity from the Fund's portfolio in the next five years.
- The Fund is invested with a long-term perspective and therefore will invest across a spectrum of assets with different liquidity time frames.
- The Fund is a permanent one and shall be considered a total return fund with appropriate recognition given to both current income and capital appreciation.
- Active management, or the pursuit of returns in excess of benchmarks, entails the possibility of disappointing results over short periods of time; therefore, assets will be invested with a long-term perspective.
- Equity investments include those in public and private equity. These valuations are driven by a companies' ability to utilize capital in order to create a residual claim, after all liabilities are paid. Private Equity will help diversify the equity portfolio by decreasing exposure to systematic risk inherent in public equity. In the long run, ownership (equity investment) is a reasonable investment vehicle for preservation of real values.

- Fixed Income investments include any investment in which its value is primarily based on a regular stream of cash flows over an agreed upon period of time. This includes debt in public and private companies. These investments will protect the principle and provide a measure of stability to the portfolio.
- Real Asset investments will help to diversify the portfolio against inflationary pressures. These investments obtain their value from the ownership or utilization of a tangible asset or cash flows derived from an agreed upon measure of tangible assets. These may also include financial assets that derive their value from a contractual claim on an underlying asset that is linked to a real or variable return component, such as a price index.
- Strategic Assets include investments in which its value is primarily based on its ability to create value beyond the traditional asset classes, capitalizing on market dislocations, market timing, or unique situations.
- Alpha Portfolio includes investments that target a beta near zero to liquid markets to protect against systematic risk as well as other strategies that may be considered highly uncorrelated to LAGERS' portfolio. These investments typically employ a number of different underlying investment strategies.
- The Fund is targeting a leverage level of 1.35x. Leverage is typically obtained by using borrowed funds to achieve the desired underlying asset exposure LAGERS is targeting. For instance portable alpha managers use derivatives to achieve the desired beta exposure LAGERS is targeting.
- Cash includes the amount of cash held on hand by the System and cash held by the managers employing derivatives. These managers employing derivatives typically hold between 10-45% of cash or cash equivalents as collateral.
- LAGERS' philosophies on topics such as Environmental, Social, and Governance (ESG), Missouri-based investing, Unrelated Business Income Tax (UBIT), as well as other values and beliefs can be found in the "LAGERS Statement of Policy Beliefs" document adopted by LAGERS Board of Trustees and included in the System's governance policies.

II. Fiduciary Conduct

An investment fiduciary is defined as a person who exercises discretionary authority or control in the investment of the assets of LAGERS, or who renders, for a fee, advice to the System. Investment fiduciaries include but are not limited to, the members of the Board of Trustees, the Investment Staff, investment consultants, investment managers, prime brokers, and bank custodians.

An investment fiduciary shall discharge his or her duties in the interest of the participants in the System and their beneficiaries and shall:

1. Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
2. Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered;
3. Make investments for the purpose of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the System;
4. Give appropriate consideration to those facts and circumstances that the investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role the investment or investment course of action plays in that portion of the investments for which the investment fiduciary has responsibility. For purposes of this document, "appropriate consideration" shall include, but is not necessarily limited to, a determination by the investment fiduciary that a particular investment or investment course of action is reasonably designed, as part of the investments of the System, to further the purposes of the System, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action; and consideration of the following factors as they relate to the investment or investment course of action:
 - (a) The diversification of the investments of the System;
 - (b) The liquidity, current return and risk of the investment of the System relative to the anticipated cash flow requirements of the System; and
 - (c) The projected return of the investments of the System relative to the funding objectives of the System.

III. Investment Responsibilities

Board of Trustees

The Board of Trustees will determine the manner in which it fulfills its duties and how duties are delegated to other parties that are identified in this Policy. The Board has the fiduciary responsibility for managing the investment process and determining the appropriate delegations of authority in connection with investment management. In fulfilling its responsibility, the Trustees will establish, maintain, and oversee the asset and liquidity allocation targets and ranges for the Fund.

The Trustees are responsible for reviewing this Policy and overseeing the implementation of the investment policies and objectives by the Investment Staff that are set in this Policy. In addition, the Trustees are responsible for monitoring activities and reviewing reports, as provided by the Investment Staff, related to this Policy. More specific investment-related responsibilities of the Board are detailed in the Board's governance policies and charters, specifically in the Charter of the Board of Trustees.

It is the Board's responsibility to ensure that appropriate investment policies are in place and that these policies and directives are complied with. This can be accomplished by monitoring the overall performance, liquidity, and risk characteristics of the Fund and evaluating the Investment Staff's capability and performance.

Investment Staff

The Investment Staff has a fiduciary duty to implement and monitor the investment policies and objectives delegated to them by the Trustees and to support the Trustees in all aspects of LAGERS' investment process. This includes meeting regularly with the Trustees to provide perspective as to the Fund's goals and structure. The Investment Staff will work to execute and maintain the Asset and Liquidity Allocations outlined in Appendix I developed by the Trustees and Investment Staff. Fund allocations will be regularly reviewed and adjustments will be made as needed to keep the portfolio within the minimums and maximums set out in Appendix I.

Investment Staff, with the Chief Investment Officer's authorization, will execute the Asset and Liquidity Allocation, in accordance with all laws, policies, procedures, by selecting and replacing assets and/or managers as deemed appropriate when evaluated against the System's risk/return characteristics, consistency with the investment philosophy, and discipline of the System's underlying asset and liquidity allocations set forth in this policy. No such action shall be permitted if it would cause an asset allocation or liquidity allocation to exceed or fall below the prescribed minimum and maximum allocations or if it is in violation of any other limits in this policy. Consideration however may be given to current managers who over the ordinary course of business may receive additional capital as a result of overall rebalancing or private fund cycles.

Any newly established or terminated agreements in regards to assets and/or managers will be reported to the Board at the next regular scheduled board meeting following such action. The selection process for the various asset classes is outlined in "*LAGERS Investment Selection Procedures*", maintained by Investment Staff with formal sign-offs by the Chief Investment Officer or Deputy Chief Investment Officer, legal counsel (internal and/or external) and the Compliance Officer/Internal Auditor. Investment Staff may serve as a director or board member of a company or similar business entity in which LAGERS holds an interest. Any remuneration received for such service, other than reimbursement of reasonable expenses incurred, shall be payable to LAGERS.

The Investment Staff will review and monitor the Investment Portfolio and its performance, at least quarterly, and keep Trustees informed of any material changes occurring in the Investment Portfolio. The Investment Staff will recommend to the Board the hiring of a custodial bank and general investment consultant as needed, and within the investment budget, to assist in the management of the investment process. Through this process, the Investment Staff shares fiduciary responsibility for managing the investment process with the Trustees.

Investment Managers

The investment managers will construct and manage investment portfolios consistent with the investment philosophy and disciplines they were hired to implement. They will select specific securities, buy and sell such securities, and modify the asset mix within their respective investment guidelines. The investment managers shall be subject to the duties set forth in Sections 34.600, 70.600-.755 and 105.687-.689 of the Revised Statutes of Missouri. The Trustees and Investment Staff believe that investment decisions are best made when not restricted by excessive procedure. Therefore, full discretion is delegated to the investment managers to carry out their respective mandate within applicable general and specific guidelines agreed upon with Investment Staff. They will also allocate brokerage commissions and use only acceptable investment vehicles as defined in the agreed upon guidelines.

With regard to allocating commissions, each manager must make every effort when trading securities to do so on a best execution basis. If the net execution cost in dealing with a firm located in Missouri is equal to that of an out of state firm, the Missouri firm shall be given preference. If LAGERS engages in a contract which is to be satisfied by directed commissions, the manager shall use the brokerage facility designated by LAGERS as described in the contract, provided best execution can be secured from the designated firm. A brokerage summary report will be provided, upon request, to the Investment Staff for review to monitor adherence to the best execution policies set out above. Investment Staff may request for review such policies governing best execution practices and the use of soft dollars, along with any modifications to such policies.

An investment manager may use derivative instruments if Investment Staff reasonably concludes after the due diligence hiring process that the external manager possesses the experience, expertise, and qualifications to prudently use derivatives. The investment manager is required to document in their investment guidelines their use of derivatives and leverage.

Please see Section V, “Responsibilities of Each Investment Manager” for further discussion on duties and responsibilities of investment managers appointed to manage the Fund’s assets.

Bank Custodian and Prime Brokers

The bank custodian(s) and prime broker(s) will hold all available cash and securities, and will, at least on a month-end basis, make available a summary of the holdings. In addition, a bank or trust depository arrangement will be utilized to accept and hold cash prior to allocating it to an investment, and to invest such cash in liquid instruments.

III. General Portfolio Guidelines

Eligible Holdings

The portfolio will be invested exclusively in investment vehicles, as authorized below. Listed below are the investment vehicles specifically permitted under this Statement of Investment Policies and Objectives, unless otherwise allowed within individual investment guidelines or within the defined terms under Section I, “Investment Philosophy.” They are categorized as equities, fixed income, real asset, strategic assets, alpha portfolio, cash portfolio and leverage to indicate how they are classified for purposes of the asset-mix guidelines in a subsequent section.

Equities: Common Stocks, Preferred Stocks, Convertible/Preferred Stocks and Bonds, Equitized Cash, Private Equity, and Venture Capital

Fixed Income: Bonds, Mortgages and Mortgage Backed Securities, Short-term and Cash-Equivalent Securities, High Yield Bonds, Money Market Funds and Bank STIF, Term Loans, and Private Fixed Income

Real Asset: Real Estate, Timberland, Inflation-Linked Bonds, Collateralized Loan Obligations, Commodities, Infrastructure Assets, and Natural Resources

Strategic Portfolio: Opportunistic Investments

Alpha Portfolio: Investments targeting a beta near zero to liquid markets or investments that may be considered highly uncorrelated to LAGERS’ portfolio

Cash Portfolio: Cash and Cash Equivalents, Treasury Inflation-Protected Securities

Leverage: The Offset Exposure Received through the use of Borrowed Funds

- The above assets can be held as a long or short position individually, in a commingled (mutual) fund, or as a privately managed separate account.
- Investments may not be made in any investment that is prohibited by the Internal Revenue Service or statutory restrictions.
- All investments made shall be subject to the quality and diversification restrictions established by Sections 34.600, 70.745, 70.746, 70.747, 105.687, 105.688, 105.689, and 105.690 of the Revised Statutes of Missouri.

- Co-investments may be held in any of the above categories as long as there is no violation of any other limits in this policy. Co-investments include individual investments and/or securities brought to Investment Staff from underlying managers or other sources for review.
- Derivatives may be used by underlying investment managers as a financial tool to acquire exposure to any of the above categories as long as there is no violation of any other limits in this policy and is documented in their respective guidelines. This includes but is not limited to swaps, futures, options, and forwards.
- Opportunistic investments include those investments that may provide underlying exposure to the other asset classes but also provide short-term or non-traditional opportunities. These opportunities may be due to short-term market dislocations or unique situations that the Investment Staff finds complimentary to the portfolio.
- All investments made shall occur in conformity with the OFAC regulations. Please see the separate Investment Risk Policy for further guidance.

Diversification

The diversification of securities among sectors and issuers is the responsibility of the investment manager and Investment Staff. The Investment Staff has further diversification responsibility at the asset manager and asset class level and the Trustees have diversification responsibility at the total portfolio level.

Liquidity

Individual assets and/or investment mandates, excluding leverage and its associated cash collateral, will be grouped into three different liquidity classifications. These classifications are based on the time frame it takes to liquidate the investment at prevailing market prices (i.e. not at a discount) and receive cash back. The classifications include:

- Short-Term: the ability to liquidate the investment and receive cash back in less than one week. These include but are not limited to publicly traded assets.
- Medium-Term: the ability to liquidate the investment and receive cash back within one week to one year. These include more illiquid assets such as hedge funds and overlay strategies that have a lock-up period and/or periodic redemptions (i.e. monthly, quarterly, or annually).
- Long-Term: these assets are the most illiquid and have lock-up periods of greater than 1 year. These assets have increased liquidity risk if sold before lock-up expires.

Illiquid assets carry a theoretical illiquidity premium that is demanded by investors for securities that cannot be easily converted into cash. Therefore, these assets that are more illiquid should earn a higher return. Consistent with LAGERS' liquidity requirements and

long-term nature of the fund, LAGERS has established liquidity allocation ranges found in Appendix I.

Divestment

Consistent with carrying out Trustees' and Investment Staff's fiduciary responsibilities and the concept of Modern Portfolio Theory, the Trustees and Investment Staff will not systematically exclude any investments in companies, industries, countries, or geographic areas, except in those instances where the fund becomes aware of companies or countries that have been identified by an agency of the U.S. Government or other credible source as supporting terrorism or terrorist-related activities. In such instances, Investment Staff will review a list of the fund's holdings, and if the fund's holdings include securities of any of the companies or countries identified, Investment Staff will divest or direct the appropriate investment managers to divest the fund of its holdings in the companies or countries within a reasonable period of time, not to exceed 3 months. Investment Staff will also notify all investment managers that they are not to purchase any securities from the identified companies or countries.

Procurement Action Policy

Please see Appendix II which references LAGERS' Procurement Action Policy.

Style Adherence

The most important feature any individual manager brings to a multi-manager portfolio is style adherence. At least quarterly, fundamental portfolio characteristics and style benchmark comparisons will be monitored for adherence to a manager's identified style. The Trustees and Investment Staff recognize that different maturity ranges and sectors within the broad market categories go in and out of favor. Therefore, short-term examination of each investment's performance will review style adherence relative to similar style or duration, peer comparisons, and style benchmarks whilst maintaining a focus on the long-term return objective relative to their respective style benchmark.

Performance Objectives

Both relative and absolute results will be considered in the evaluation of the total Fund's performance. The following are the performance expectations for the Fund.

- The Fund's total return should exceed the total return of an index composed as follows:

Asset Class	Asset Sub-Class	Benchmark	Weight
Equity	Domestic Equity	Russell 3000 Index	10.0%
	Private Equity	CPI + 5.5%	10.0%
	Global Equity	MSCI All Country World Index ND (non-hedge)	5.0%
	International Equity	MSCI All Country World Index ex US ND (non-hedge)	5.0%
	Emerging Markets Equity	MSCI Emerging Markets Index ND (non-hedge)	5.0%

Fixed Income	Long Duration Fixed	Barclays Capital US 20+ Year Treasury Bond Index	10.0%
	Private Fixed Income	CPI + 4.0%	7.0%
	US Fixed Income	Barclays Capital US Aggregate Bond Index	6.0%
	Global Fixed Income	Barclays Capital Global Aggregate Bond Index	4.0%
	Emerging Market Debt	40% JPM EMBI Global Div; 40% JPM CEMBI Broad Div; 20% JPM GBI-EM Global Div	4.0%
Real Assets	Real Estate	CPI + 4.5%	14.0%
	Infrastructure	CPI + 4.0%	7.0%
	Inflation Linked Bonds	Barclays Capital Global Inflation-Linked Bond Index	6.0%
	Commodities	Bloomberg Commodity Index	5.0%
	Timber	CPI + 2.5%	2.0%
	Natural Resources	CPI + 5.0%	2.0%
Strategic Assets	Private Strategic	CPI + 6.0%	5.0%
	Public Strategic	CPI + 4.5%	3.0%
Alpha	Alpha Portfolio	CPI + 3.5%	15.0%
Cash	Cash	CPI	10.0%
Leverage	Leverage	-(CPI+0.5%)	-35.0%

- Primary emphasis is to be placed on relative rates of return. Performance shall be evaluated over a full market cycle, usually 5-7 years. See Section IV, “Specific Portfolio Guidelines” for further information regarding performance expectations.

IV. Specific Portfolio Guidelines

Fixed Income

- The fixed income composite has a target allocation of 31.00% of the total plan’s Net Notional Value and is outlined in Appendix I.
- The benchmark for the fixed income composite portfolio is composed as follows:

Asset Sub-Class	Benchmark	Weight
Long Duration Fixed	Barclays Capital US 20+ Year Treasury Bond Index	32.0%
Private Fixed Income	CPI + 4.0%	22.5%
US Fixed Income	Barclays Capital US Aggregate Bond Index	19.5%
Global Fixed Income	Barclays Capital Global Aggregate Bond Index	13.0%
Emerging Market Debt	40% JPM EMBI Global Div; 40% JPM CEMBI Broad Div; 20% JPM GBI-EM Global Div	13.0%

- The total return of the fixed income composite, net of fees, should exceed the total return of the composite benchmark outlined above.
- The total return of each underlying portfolio or mandate in the composite should exceed the total return of an index of similar mandate or style assigned. The Investment Staff will use benchmarks specific to each respective asset or manager’s mandate on a quarter-by-quarter basis to monitor each investment. Currency management is at the discretion of the Non-US managers.

- The goal of the fixed income composite portfolio shall be to achieve a total annualized real rate of return net of fees of at least 1.5% over the CPI as measured over a full market cycle, usually 5-7 years.

Equity

- The equity composite has a target allocation of 35.00% of the total plan's Net Notional Value and is outlined in Appendix I.
- The benchmark for the equity composite portfolio is composed as follows:

Asset Sub-Class	Benchmark	Weight
Domestic Equity	Russell 3000 Index	29.0%
Private Equity	CPI + 5.5%	29.0%
Global Equity	MSCI All Country World Index ND (non-hedge)	14.0%
International Equity	MSCI All Country World Index ex US ND (non-hedge)	14.0%
Emerging Markets Equity	MSCI Emerging Markets Index ND (non-hedge)	14.0%

- The total return of the equity composite, net of fees, should exceed the total return of the composite benchmark outlined above.
- The total return of each underlying portfolio or mandate in the composite should exceed the total return of an index of similar mandate or style assigned. The Investment Staff will use benchmarks specific to each respective asset or manager's mandate on a quarter-by-quarter basis to monitor each investment. Currency management is at the discretion of the Non-US managers.
- The goal of the equity composite portfolio shall be to achieve a total annualized real rate of return net of fees of at least 5.0% over the CPI as measured over a full market cycle, usually 5-7 years.

Real Assets

- The real asset composite has a target allocation of 36.00% of the total plan's Net Notional Value and is outlined in Appendix I.
- The benchmark for the real asset composite portfolio is composed as follows:

Asset Sub-Class	Benchmark	Weight
Real Estate	CPI + 4.5%	39.0%
Infrastructure	CPI + 4.0%	19.5%
Inflation Linked Bonds	Barclays Capital Global Inflation-Linked Bond Index	16.5%
Commodities	Bloomberg Commodity Index	14.0%
Timber	CPI + 2.5%	5.5%
Natural Resources	CPI + 5.0%	5.5%

- The total return of the real asset composite, net of fees, should exceed the total return of the composite benchmark outlined above.

- The total return of each underlying portfolio or mandate in the composite should exceed the total return of an index of similar mandate or style assigned. The Investment Staff will use benchmarks specific to each respective asset or manager's mandate on a quarter-by-quarter basis to monitor each investment. Currency management is at the discretion of the Non-US managers.
- The goal of the real asset composite portfolio shall be to achieve a total annualized real rate of return of at least 3.5% over the CPI as measured over a full market cycle, usually 5-7 years.

Strategic Assets

- The strategic asset composite has a target allocation of 8.00% of the total plan's Net Notional Value and is outlined in Appendix I.
- The benchmark for the strategic asset composite portfolio is composed as follows:

Asset Sub-Class	Benchmark	Weight
Private Strategic	CPI + 6.0%	62.5%
Public Strategic	CPI + 4.5%	37.5%

- The total return of the strategic asset composite, net of fees, should exceed the total return of the composite benchmark outlined above.
- The total return of each underlying portfolio or mandate in the composite should exceed the total return of an index of similar mandate or style assigned. The Investment Staff will use benchmarks specific to each respective asset or manager's mandate on a quarter-by-quarter basis to monitor each investment. Currency management is at the discretion of the Non-US managers.
- The goal of the strategic asset composite portfolio shall be to achieve a total annualized real rate of return of at least 5.5% over the CPI as measured over a full market cycle, usually 5-7 years.

Alpha Portfolio

- The alpha composite has a target allocation of 15.00% of the total plan's Net Notional Value and is outlined in Appendix I.
- The target allocation will be based on the volatility adjusted exposure for each alpha manager in order to achieve an overall alpha composite volatility of 8%.
- The benchmark for the alpha composite is composed as follows:

Asset Sub-Class	Benchmark	Weight
Alpha Portfolio	CPI + 3.5%	100.0%

- The total return of the alpha composite, net of fees, should exceed the total return of the composite benchmark outlined above.
- The total return of each underlying portfolio or mandate in the composite should exceed the total return of an index of similar mandate or style assigned. The Investment Staff will use benchmarks specific to each respective asset or manager's mandate on a

quarter-by-quarter basis to monitor each investment. Currency management is at the discretion of the Non-US managers.

- The goal of the asset composite shall be to achieve a total annualized real rate of return of at least 3.5% over the CPI as measured over a full market cycle, usually 5-7 years.

Cash

- The cash composite has a target allocation of 10.00% of the total plan's Net Notional Value and is outlined in Appendix I.
- LAGERS tracks the cash on the overall portfolio and has a target cash position of 28.5% of leverage employed.
- The benchmark for the cash composite is composed as follows:

Asset Sub-Class	Benchmark	Weight
Cash	CPI	100.0%

- The goal of the cash composite portfolio shall be to achieve a total annualized real rate of return of CPI as measured over a full market cycle, usually 5-7 years.

Leverage Portfolio

- The leverage composite has a target allocation of 35.00% of the total plan's Net Notional Value and is outlined in Appendix I.
- The leverage composite is the liability side of any borrowed funds and therefore will not have a benchmark to exceed and will instead have an expected cost of CPI +0.5%, measured over a full market cycle, usually 5-7 years.

V. Responsibilities of Each Investment Manager

The duties and responsibilities of each investment manager appointed to manage the Fund's assets are:

- Managing the assets in accordance with the statutory requirements, policy guidelines and objectives expressed herein. No deviation is permitted unless the ability to do so is given in a separate written agreement.
- Managing the assets with the expectation of outperforming its respective benchmark over a rolling 5-7 year market cycle.
- Promptly informing the Investment Staff regarding all significant matters pertaining to the investment of the assets. The Investment Staff 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 Investment Staff should also be informed promptly of any significant changes in the ownership, affiliation, organizational structure, financial condition, or relevant personnel changes within the investment management organization.

- Unless otherwise specified in the Investment Management Agreement or other agreement, each investment manager is hereby authorized and empowered to vote proxies, said voting to be performed in good faith and for the exclusive benefit of the System's participants and beneficiaries. Each investment manager shall keep accurate records as to the voting of proxies and these records should be available upon request, to the Investment Staff for review.
- LAGERS has identified a specific commission recapture firm(s) that is available to the equity managers of the System to facilitate the reduction of trading costs. Each manager is requested to use best efforts to utilize these firms, and it is the manager's responsibility to know the current list of available recapture firms and keep the Investment Staff fully informed as to the effectiveness and prudence of the program.
- Reports on commissions generated, commission rates charged, and brokerage firms used by the investment managers, as well as proxy voting policies, will be provided, upon request, to the Investment Staff for review.

VI. Disposition of New Money

The Investment Staff shall establish, notwithstanding any other limits in this policy, the amount of new money to be received by each investment. A limit of 10% of the System's assets, based on Net Notional Value, is established on the amount of capital allocated to each individual investment management company. Except for passive funds and derivatives, if an investment reaches the maximum level set forth in the previous sentence, that investment would receive no new contributions from the System. As an investment grows above its respective maximum level of the System's assets, the Investment Staff will research options to reduce the investment back to its acceptable level of 10% within a reasonable amount of time.

VII. Evaluation and Review

On a timely basis, but not less often than quarterly, the Investment Staff will periodically review actual investment results achieved to determine whether:

- The investment performed in accordance with the policy guidelines set forth herein relative to their respective benchmarks as well as relative to their strategy-specific benchmark.
- Asset allocation remains reasonable and each manager's decision-making process remains consistent with the style and methodology represented by the manager.
- Liquidity allocation remains reasonable.

Investment Staff will ensure receipt of the Form ADV from each registered investment advisor and review for any adverse findings on an annual basis.

Also, at least annually, the Trustees and Investment Staff will formally review this Statement of Investment Policies and Objectives to determine whether it continues to be

appropriate in light of the Trustees' investment philosophy and objectives, and changes in the capital markets and/or Fund structure.

VIII. Securities Lending - Specific Policies and Guidelines

The Investment Staff may select a firm(s) to lend financial securities of the Fund.

The firm shall have full discretion over the selection of borrowers and shall continually review credit worthiness of potential borrowers through adequate analysis of all material provided to them.

The securities lending program shall in no way inhibit the trading activities of the investment managers of the System. The securities lending agent and Investment Staff will create investment guidelines for the investment of cash collateral to adhere to this document. The Investment Staff will review, at least quarterly, the performance of the program and ensure that proper collateralization procedures are adhered to as stated in the investment guidelines.

The Investment Staff has authority to manage the Security Lending's cash collateral. This collateral will be invested at Staff's discretion in the eligible investments permitted under this Statement of Investment Policy and Objectives, while also taking into the account the liquidity needs of the Security Lending program.

Refer to Securities Lending Authorization Agreement in Appendix III for detailed investment guidelines.

IX. Securities Litigation

The Investment Staff will utilize the services of a qualified custodial bank or other vendor for purposes of monitoring and managing the timely filing of proof of claims in securities class action litigation matters in respect of investments held by the System from time to time.

Refer to Private Securities Class Action Litigation in Appendix IV for the System's policy regarding the potential participation as lead or co-lead plaintiff in securities class action litigation.

Appendix I

Asset Allocation Targets

The Trustees and Investment Staff believe that the level of risk assumed in the Fund is a function, in large part, of the Fund's asset allocation. These allocations are based on the System's Net Notional Value of its asset base. Based on its determination of the appropriate risk posture for the Fund and its long-term return expectations, the Trustees have established the following asset-mix guidelines for the Fund:

Asset Class	Target Allocation % of Total	Minimum Allocation % of Total	Maximum Allocation % of Total
Equity	35.0%	30.0%	40.0%
Fixed Income	31.0%	26.0%	36.0%
Real Assets	36.0%	31.0%	41.0%
Strategic Assets	8.0%	5.0%	15.0%
Alpha Portfolio**	15.0%	10.0%	20.0%
Cash portfolio*	10.0%	See Note Below	
Leverage Portfolio*	-35.0%	-20.0%	-40.0%

* LAGERS targets 28.5% of the leveraged portfolio to be held in cash.

** Alpha Portfolio allocation is based on a volatility adjusted exposure targeting 8% overall.

Liquidity Allocation Targets

The liquidity allocation target and bands that have been determined to provide the greatest risk controls while permitting the greatest cost efficiency are listed below. These allocations are based on the System's asset allocation based on Net Notional Value, excluding leverage and its associated cash collateral.

Liquidity Time Frame	Target Allocation % of Total	Minimum Allocation % of Total	Maximum Allocation % of Total
Short-Term (<1 week)	40.0%	35.0%	65.0%
Medium-Term (1 wk – 1 yr)	20.0%	0.0%	30.0%
Long-Term (>1 years)	40.0%	20.0%	50.0%

Monitoring of Allocation Targets

The asset and liquidity allocations of the portfolio will be reviewed on a timely basis, but not less often than quarterly, using the most recently available statement from the system's custodian. Should one of the asset classes or liquidity time frames exceed its minimum or maximum allocation, a rebalancing among the assets will occur in the most cost effective and timely manner. During the funding of an asset class, this rebalancing will be suspended for that asset class as deemed appropriate by Investment Staff.

The Board, in conjunction with the Investment Staff, is responsible for asset and liquidity allocation decisions, and will periodically review its target allocations to confirm or adjust the targets. Until such time as the Board changes the asset and liquidity allocation ranges, it will be necessary to periodically rebalance the portfolio. In order to institute a rational, systematic, and cost-effective approach to managing asset allocations, the Investment Staff will use rebalancing to assure that the actual investment portfolio closely resembles the broad asset and liquidity allocation model.

The range for triggering a rebalancing is outlined in the above matrixes. If the percentage of the System assets in an asset class has deviated from the targets beyond the minimum or maximum, Investment Staff will develop instructions for the investment managers and the custodian that will authorize the transfer of assets among accounts back to within the bands around the target asset allocation. Investment managers will have full discretion in raising needed cash and investing such cash to carry out the rebalancing activity. LAGERS Compliance Officer/Internal Auditor (COIA) is to verify that the current asset and liquidity allocations fall within the targeted ranges on at least a quarterly basis or when he/she deems appropriate. If a violation of the asset allocation is found, the COIA is to verify that the Investment Staff is in process of correcting such violation and ensure the board is informed at the next regularly scheduled board meeting.

Each asset manager's portfolio (excluding fixed income) is to be fully invested at all times, although cash can be held briefly when a security is sold prior to deciding which new security should be purchased. The amount of cash that each manager will be allowed to hold will be outlined in each investment manager's investment guidelines. This is consistent with the Board's decision to have managers avoid market-timing decisions. Since the fixed income managers will need cash for duration and collateral needs, they are exempt from this provision.

Appendix II

Procurement Action Policy

In accordance with Section 105.702 RSMo and within the bounds of its fiduciary responsibilities under law, including but not limited to the provisions of section 105.688 RSMo, the Board of Trustees of the Local Government Employees Retirement System (LAGERS) desires to take actions to assure equal opportunities for minorities and women in the areas of money management, brokerage, and investment counseling with respect to contracts involving LAGERS. To accomplish that goal, the Board adopts the following plan:

- 1) In soliciting proposals from money managers, brokers and investment counselors, LAGERS will include as a specification the requirement of an affirmative action plan.
- 2) In soliciting proposals from money managers, brokers and investment counselors, LAGERS will publicize the contract process in a manner like to inform qualified firms owned by minorities and women.
- 3) The Board will review this Procurement Action Policy annually after its adoption. Based on the review, the Board will determine whether any changes in the Policy are necessary. The results will be reported to the Joint Committee on Public Employee Retirement and to the Missouri Minority Advocacy Commission.
- 4) To qualify as a minority or women-owned firm, such firm shall:
 - a. be domiciled in the United States;
 - b. be owned or controlled by one or more individuals who collectively are women or who qualify as a minority as defined below. Ownership is classified as having a controlling interest in the firm of at least 51%; and
 - c. have such women or minority owners involved in the daily business operations of the firm.

As used in this policy, the term “minorities” includes, but is not necessarily limited to, African Americans, Native Americans, Hispanic Americans, and Asian Americans.

Appendix III
SCHEDULE B
TO SECURITIES LENDING AUTHORIZATION AGREEMENT

COLLATERAL GUIDELINES

INVESTMENT OBJECTIVES AND GUIDELINES

The Collateral Account shall be comprised of both Cash Collateral and Non-Cash Collateral. The Missouri LAGERS Enhanced Cash Collateral Account (“SL Enhanced Account”) shall function as an account that is separate from the Non-Cash Collateral Account.

Cash Collateral and Non-Cash Collateral Guidelines

Listed below are the guidelines specifying eligible investments, credit quality standards, and diversification, maturity and liquidity requirements. Other than in respect of Cash Prior Purchased Assets (as defined below), all requirements listed in these guidelines, including diversification, are effective at the time of purchase of any security or instrument as a Cash Collateral investment and at time or receipt of any Non-Cash Collateral. Standard settlement periods and market conventions may be incorporated when calculating issuer exposure and liquidity percentages at the time of purchase for Cash Collateral. Agent will make use of market standard settlement methods for cash investments and Non-Cash Collateral, including the use of a tri-party custodian as approved by Agent’s appropriate risk committee. Settlement through a tri-party custodian may result in Cash Collateral being held on deposit at the tri-party custodian.

Capitalized terms in these guidelines that are not defined shall have the meanings given to them in the Agreement.

These guidelines supersede all prior objectives and guidelines and shall remain in effect until the parties mutually agree in writing to the contrary.

Income

Income earned from the investment of Cash Collateral, net of (i) expenses, including but not limited to, transaction accounting and reporting expenses, auditing fees, brokerage fees and other commissions, and any miscellaneous expenses, (ii) any applicable payment or withholding of tax, (iii) Loan Rebate Fees paid or accrued to the Borrowers, and (iv) any adjustments to provide for regular returns as provided below, together with fees for Loans collateralized by Non-Cash Collateral, is distributed to Lender on a monthly basis in the currency in which the income was earned.

Lender may engage Agent to convert Lender’s net income from securities lending into Lender’s base currency. Such transaction shall occur on or around the 5th business day of the month to coincide with the monthly period close. Conversion proceeds shall be credited to Lender’s account by the fifteenth day of each month (or the next following business day if the fifteenth is not a business day). The Agent, acting as principal, or an affiliate of the Agent, may be counterparty in foreign exchange transactions and may retain any profits earned thereby as long as the terms of the transaction are competitive with terms then available in the relevant market for similar transactions.

On a monthly basis, a portion of the income earned by Lender on a loan in the SL Enhanced Account on any business day may be withheld by Agent and transferred to income earned on a different loan within the SL Enhanced Account for Lender on any other business day if on that day one or more rebates due or accrued to borrowers with respect to one or more loans should exceed the income earned from the Cash Collateral supporting those loans. If, despite such transfers, during any month total rebates payable exceed total revenues with respect to any loan or loans of Lender, the net shortfall shall be charged against positive undistributed earnings from other loans of the same Lender to the extent thereof, and any remaining shortfall shall be allocated between the Lender and the Agent in the same proportions as positive securities lending revenues. Any amounts thereby payable by the Lender shall be the personal obligation of that Lender and shall be due and payable upon the Lender's receipt of Agent's invoice for such amounts. Agent may withhold (and each Lender is deemed to grant to Agent a lien upon) future loan revenues, and any other property of the Lender then or thereafter in the possession of Agent, to secure the payment of such obligation. Notwithstanding the foregoing, however, losses of Collateral principal shall not be shared between Lender and the Agent to any extent but shall be allocated as provided in the Agreement or these guidelines.

Incidental expenses, (e.g., negative float due to payment advances) incurred in the administration of the Collateral Account are recovered against incidental receipts, (e.g., positive float from pending balances) similarly arising and any remaining balance is added to the lending revenues for the benefit of Lender within the Collateral Account. Net realized short-term capital gains or losses (if any) will be distributed at least annually.

Trading Policy

The SL Enhanced Account may engage in short-term trading, and may dispose of any portfolio security prior to its maturity if, on the basis of a revised credit evaluation of the issuer or other considerations, Agent believes such disposition is advisable. Subsequent to its purchase, a portfolio security or issuer thereof may be assigned a lower rating or cease to be rated. Such an event would not necessarily require the disposition of the security, if the continued holding of the security is determined to be in the best interest of the SL Enhanced Account.

Cash Collateral

INVESTMENT OBJECTIVE:

The investment objective of the SL Enhanced Account is to maximize total return to the extent consistent with preservation of principal and the following investment guidelines. The SL Enhanced Account is not an appropriate investment for those whose primary objective is absolute stability of principal.

Subject to the investment guidelines set forth below, the return objective shall be to match the return over time of the benchmark as calculated by 100% Barclays USD FRN <5 yrs, notwithstanding investments used to maintain liquidity requirements. There can be no assurance that this return objective will be attained. Within quality, maturity, and market sector diversification guidelines, investments are made in those securities with the most attractive relative yields. All investments shall be in US Dollar.

The initial securities to be held by the SL Enhanced Account are securities to be distributed in connection with the Lender's in-kind redemption from the NTGI Collective Short Term Extendable Portfolio ("STEP").

Upon the effective date of the SL Enhanced Account, Lender and Agent hereby acknowledge that (i) the terms contained herein will apply to new purchases from such effective date; (ii) there will be certain assets held within the SL Enhanced Account that complied with the requirements of STEP then in effect at the time of purchase of such assets, but that may not meet the terms of this SL Enhanced Account ("Cash Prior Purchased Assets"); and (iii) such Cash Prior Purchased Assets will continue to impact the overall Account accordingly. Agent may, at its sole discretion, hold such Cash Prior Purchased Assets until maturity, or as otherwise determined by it.

INVESTMENT GUIDELINES:

1. Eligible Investments:

- a. Obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, including MBS issued by its agencies, and custodial receipts with respect thereto.
- b. Obligations of U.S. and Non-U.S. commercial banks, including The Northern Trust Company (or branches thereof where deposits with branches are general obligations of the parent bank) and bank holding companies, including, but not limited to, commercial paper, asset-backed commercial paper, certificates of deposit, time deposits, notes and bonds.
- c. Obligations of U.S. and Non-U.S. corporations, including, but not limited to, commercial paper, notes, bonds and debentures.
- d. Obligations issued or guaranteed by OECD (Organization for Economic Cooperation and Development) governments or political subdivisions thereof, and their agencies or instrumentalities.
- e. Asset backed securities limited to those structures collateralized by credit cards, student loans, auto leases and loans, and various equipment leases and loans.
- f. Repurchase agreements with counterparties collateralized fully by investments described in Section 5 below in this Schedule (Acceptable Repo Collateral), and marked to market daily.
- g. Units of NTGI Collective Short Term Investment Fund ("Fund"). The Fund is governed by the Fund Declaration/Investment Guidelines established by Northern Trust Investments, N.A. as trustee, and Lender hereby confirms that it has received a copy of the most recent version.

2. Credit Quality:

- a. With respect to commercial paper and other short-term obligations, investments and reinvestments shall be limited to obligations rated (or issued by an issuer that has

been rated) at the time of purchase in the two highest rating categories (within which there may be sub-categories or gradations indicating relative standing) by at least one of the nationally recognized statistical rating organizations (“NRSROs”) that have assigned a rating to such security (or issuer), provided however, that a maximum of 15% of the value of the total assets of the SL Enhanced Account may be invested in commercial paper and other short-obligations which are rated (or issued by an issuer that has been rated) at the time of purchase in the second highest rating category by two NRSROs which rate the security (or issuer), or one NRSRO in the event that the security (issuer) is only rated by one NRSRO.

- b. With respect to bonds and other long-term obligations, investment and reinvestment shall be limited to obligations rated at the time of purchase of investment grade or higher (within which there may be sub-categories or gradations indicating relative standing) by at least 2 of the NRSROs that have assigned a rating to such security
- c. Any unrated investments will be, at the sole discretion of the Agent, deemed of equal or superior credit quality to eligible rate investments.

3. Diversification:

- a. Except for obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements and holdings of the Fund, a maximum of 5% of the value of the total assets of the SL Enhanced Account may be invested in securities of any one issuer.
- b. A maximum of 25% of the value of the total assets of the SL Enhanced Account may be invested in repurchase agreement with one counterparty.
- c. Compliance with the diversification requirements of this section shall be determined on the basis of values immediately after the acquisition of any security.

4. Maturity/Liquidity:

- a. The SL Enhanced Account will seek to maintain a weighted average maturity or duration (as defined below) of not more than 150 days (0.40 years).
- b. For purposes of determining the maturity of each eligible investment with respect to calculating the weighted average maturity, (a) instruments which have an adjustable rate of interest shall be deemed to have a maturity equal to the shorter of the period of time remaining until (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand or optional put(if applicable), and (b) a repurchase agreement shall be deemed to have a maturity equal to the period of time remaining until the date on which the repurchase is scheduled to occur, or, if no date is specified but the agreement is subject to demand, the notice period applicable to a demand for the repurchase of the securities.
- c. A minimum of 20% of the value of the assets of the SL Enhanced Account should mature daily. Holdings of the NTGI Collective Short Term Investment Fund, will be included in this calculation.

- d. All securities in the SL Enhanced Account must have a maturity date or a put feature within 5 years. Asset-backed securities will be deemed to have a maturity equal to such security's weighted average life.

5. Acceptable Repo Collateral

<u>Description</u>	<u>Minimum Margin%</u>
Cash	100%
U.S. Treasuries	102%
Federal Agency Debentures	102%
Mortgages (GNMA, FNMA, FHLMC)	102%
Tier One Money Market	105%
Investment Grade Corporate Bonds	105%
High Yield Corporate Bonds	105%
Equity (from major market indices)	105%

6. Net Asset Value

Lender hereby directs Agent to maintain the Cash Collateral portion of the SL Enhanced Account as a fund comprised of units having a constant net asset value of \$1.00 per unit and to value the Cash Collateral portion of the SL Enhanced Account using the amortized cost method for that purpose.

The SL Enhanced Account is not registered under the Investment Company Act of 1940 as a money market fund, is not subject to regulation by the Securities and Exchange Commission and does not comply with federal regulations governing registered money market mutual funds.

For the purposes of all assets in the SL Enhanced Account, accretion of discount and amortization of premium to par will not be implemented.

In no event shall Agent be personally liable to restore any loss within the SL Enhanced Account, unless the loss was directly caused by the negligence or intentional misconduct of Agent.

7. Downgrade Policy

The Agent will notify Lender as soon as reasonably practicable if securities purchased by the Agent subsequently are downgraded below Baa3 by Moody's or BBB- by S&P, and the Agent will determine the appropriate course of action in such event and communicate such course of action to Lender. Downgraded securities will be reviewed on a case-by-case basis.

8. Significant Changes

Significant changes to personnel in portfolio management relating to the SL Enhanced Account will be communicated promptly to the Lender.

Non-Cash Collateral


9. Eligible Instruments

- a. Obligations issued or guaranteed by OECD (Organization for Economic Cooperation and Development) member states or their local governments, agencies or authorities that have a long-term rating at time of receipt of AA- (or the equivalent) or higher by any NRSRO.
- b. Certificates of Deposit issued by banks approved by Agent's appropriate committee from time to time, rated at least by A-1 by S&P, or P-1 by Moody's or F-1 by Fitch.
- c. Equity securities that are part of any of the following indices, or part of any other indices approved by the Agent's appropriate committee at the time of receipt such as:

German DAX 30
France CAC 40
Japan NIKKEI 225
United Kingdom FT 100
United States S&P 500
United States Russell 1000
ASX 200.

- d. Corporate debt securities, including convertible securities and government guaranteed securities, the ratings of which, or the issuers of which, conform at the time of receipt to the standards specified for those collateral types as approved by the Agent's appropriate committee.

MISSOURI LOCAL GOVERNMENT
EMPLOYEES' RETIREMENT SYSTEM

By: 
Name: Brian Collett
Title: CFO
Date: _____

Appendix IV

PRIVATE SECURITIES CLASS ACTION LITIGATION

This document sets forth LAGERS' policy regarding potential participation as lead or co-lead plaintiff in private securities class action litigation.

Background

As part of its fiduciary duty to prudently invest and manage the assets of the System, LAGERS invests in the stock of various public companies. From time to time, class action lawsuits are filed against certain companies, their directors and/or officers for alleged violations of federal or state securities laws regarding disclosure obligations and other alleged breaches of fiduciary duties to shareholders. Occasionally, LAGERS receives solicitations from law firms seeking to represent LAGERS as a lead or co-lead plaintiff in securities class-action litigation.

Appointment as Lead or Co-Lead Plaintiff

As a shareholder, LAGERS is a putative member of any class action by shareholders against a corporation whose shares the System owns. The Private Securities Litigation Reform Act of 1995 requires federal courts to appoint one or more class members to serve as lead or co-lead plaintiffs in private securities class action litigation. The Act provides a rebuttable presumption that the lead plaintiff is to be the investor with the greatest financial interest in the relief sought by the lawsuit who is willing to serve as lead plaintiff. Since institutional investors such as LAGERS typically own more shares than individual investors, they are frequently solicited to serve as lead plaintiffs.

Because of the diversity of the LAGERS investment portfolios, as well as the System's investment policy guidelines, it is likely that other institutional investors will have a larger financial interest in the relief sought in most securities class action lawsuits. Accordingly, in most such lawsuits, an investor other than LAGERS would be a more appropriate lead or co-lead plaintiff.

There are also financial risks involved in serving as lead or co-lead plaintiff if the litigation is unsuccessful. These risks include bearing the costs of litigation and possible payment of the defendant's expenses and attorneys' fees, as well as defending against claims by other shareholders for inadequately representing their interests.

LAGERS' Policy

Based on the foregoing, it is LAGERS' general policy not to seek or accept designation as lead or co-lead plaintiff in private securities class action litigation. Exceptions to this general policy will be determined on a case-by-case basis in those instances where LAGERS has a substantial financial interest and designation as lead or co-lead plaintiff is determined to be in the best interest of the System.

Adopted:

Missouri Local Government Employees Retirement System

Ethics Policy



Revised July 2020

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INTRODUCTION

LAGERS is a public pension plan organized under RSMo Chapter 70. LAGERS exists for the sole and exclusive purpose of providing retirement, survivors, and disability benefits to plan participants and beneficiaries. The LAGERS Board has adopted a vision statement, a mission statement, and values for guiding the day-to-day as well as long term operations of the System, as illustrated below.

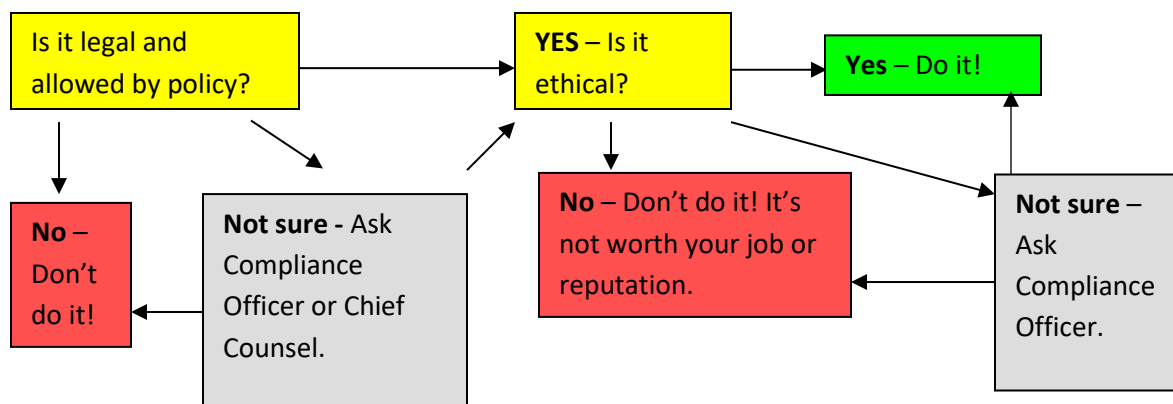


All assets of LAGERS are the responsibility of the Board of Trustees. The management of LAGERS is vested in the Board of Trustees. Members of the Board hold positions of public trust and are mindful of that fact. They adopt this Ethics Policy to further the proper administration of LAGERS, and to foster unquestioned public confidence in LAGERS' integrity as a prudently managed public pension plan and fiduciary to its members.

A public pension fund has the fiduciary duty to act in the best interests of its members, and it has a legal and ethical duty to its member agencies, plan sponsors and the public. This ethics policy is a statement of the ethical standards adopted by LAGERS' leaders (Board of Trustees and Executive Management), as

well as a directive to apply those values throughout the organization. LAGERS' leadership believes that having an ethical culture results in higher team satisfaction and retention, increased productivity, reduced risk, and most importantly, a better outcome for the system's members.

In an ideal world people would always do what is "right". Unfortunately what is right is not always immediately evident and in fact may be very subjective. Therefore a person's judgment and character are critical. There are various questions one can ask to assist them in determining what is right. Keep in mind that legal is not always ethical, and ethical is not always legal. A good way to decide how to handle an ethics situation, such as the acceptance of a gift for example, is to apply the following analysis:



Some questions to ask yourself when deciding if your situation/decision fits the above ethical principle:

- Is what I'm doing right?
- Would I mind if others knew about this, especially those whose opinions matter most to me?
- Would others mind if they knew I was doing this?
- How would this look in the newspaper, on television, or on the Internet?
- What will be the effect of this decision?
- If I were one of the people affected by this decision, would I think it was fair?
- Is this good for our members, retirees, and/or beneficiaries?
- Does this reflect LAGERS' values (Dedication, Respect, Teamwork, Integrity, Excellence, Communication, Accountability)?
- Do the words honor, fairness, and honesty all apply?
- Would others think that this might affect my judgment, even if it won't?
- Am I using my position, or confidential information obtained through my job, for private gain?
- Am I willing to take responsibility for this decision?

SCOPE OF POLICY

This Ethics Policy provides a fiduciary framework for the proper conduct of LAGERS' mission and a basis for the evaluation of that conduct. However, this policy should not be relied upon as an exclusive or comprehensive list of applicable legal or fiduciary requirements of conduct. It does not attempt to specify every possible activity that might be inappropriate or prohibited under applicable laws and regulations. Nothing in this policy shall exempt any person (see "COVERED PARTY" as defined on page 6) from any federal, state, or local law or regulation. The standards of conduct set forth in this policy are in addition to any such law or regulation.

CULTURE STATEMENT

Culture is the character and personality of an organization. It is what makes an organization unique, and is the sum of its values, traditions, beliefs, interactions, behaviors, and attitudes. A positive workplace culture attracts talent, drives engagement and retention, impacts happiness and satisfaction, affects performance and customer service, and promotes doing the right things in the right way. It is influenced by everything—leadership, management, workplace practices, policies and philosophies, people, mission, vision and values, work environment, and communications.

LAGERS supports the idea that culture plays a significant role in the successful administration of the system and our members' experiences with the system, and we therefore strive to promote a positive workplace culture. We acknowledge that each person will experience and influence an organization differently. However, we collectively believe a positive culture--

- Promotes ethical behavior and decision-making
- Promotes LAGERS' values of accountability, communication, respect, excellence, dedication, integrity, and teamwork
- Promotes trust, internally and externally
- Promotes risk management and proper risk-taking (seizing of opportunities without undue risk)
- Values each and every team member as individuals as well as vital members of the team
- Values input from everyone
- Fosters creativity, innovation, and team member engagement
- Encourages team members to always 'do that little extra' which makes a big difference
- Values knowledge and continual learning
- Values continual improvement (the goal is "better")
- Communicates effectively and with transparency, internally and externally
- Aligns with LAGERS' strategic objectives
- Contributes to and enhances our positive reputation with stakeholders
- Evolves continually but always for the better
- Above all, results in the best experience and outcome for our members

In order to promote a positive workplace culture we will—

- Set the proper tone at the Board and management level by embracing and serving as an example of LAGERS' values and unwavering commitment to our members
- Encourage input from all team members for improving efficiency and effectiveness of operations and managing risks
- Sponsor team-building activities that encourage respect, cooperation, and unity
- Evaluate team member performance matched with agreed-upon objectives and LAGERS' values, and provide a merit-based compensation package reflective of performance
- Provide regular and transparent updates to all team members regarding LAGERS' activities
- Encourage learning via internal and external training and educational opportunities as supported by LAGERS' professional development policy
- Provide a pleasant, supportive, professional work environment
- Recognize the importance of culture and our team when developing LAGERS' strategic objectives
- Adopt reasonable policies that support our desired culture while also providing frameworks for acceptable behaviors

FIDUCIARY DUTY

LAGERS' fiduciary duty is owed to its participants, including plan members and beneficiaries. In fulfilling this duty, LAGERS must serve the interests of all participants when feasible. When the interests of the various participants come in conflict with each other, LAGERS must balance conflicting interests of its participants to achieve the fairest overall results.

LAGERS is mindful that it is accountable to all of its stakeholders to exercise this fiduciary duty in an ethical and legal manner. LAGERS' stakeholders are all who contribute to LAGERS and all who benefit from LAGERS' mission. This includes LAGERS' employer sponsors, its members, their beneficiaries, and the general public, since public resources are used to provide LAGERS sponsors' contributions to LAGERS.

LAGERS' fiduciary duty ultimately rests with the Board of Trustees. Each member of LAGERS' Board shall discharge his or her duties with respect to LAGERS solely in the interests of, and for the exclusive purposes of providing benefits to participants, minimizing and stabilizing employer contributions, and defraying reasonable expenses of administering LAGERS, with the duty to the participants taking precedence over any other duty.

From the Board, the fiduciary duty cascades down to all those who assist the Board in serving LAGERS. Accordingly, the following parties, who are collectively referred to hereafter as "COVERED PARTIES", share some responsibility to help the Board meet its fiduciary duty:

- Members of the Board of Trustees
- All LAGERS team members
- All External Associates of LAGERS who have discretionary authority over LAGERS' assets or operations

All COVERED PARTIES must comply with this Ethics Policy. In the event an external associate wishes to certify compliance with their firm's Ethics Policy rather than with this policy, a copy of that policy will be provided to LAGERS during the contract process for review by the Chief Counsel in order to determine its adequacy in relation to LAGERS' policy. In addition to COVERED PARTIES, related parties (as defined in the section entitled "Nepotism") of COVERED PARTIES must comply with this policy to the extent that their involvement with LAGERS or its COVERED PARTIES creates a possible conflict of interest. Note, however, that accountability for compliance in this instance lies primarily with LAGERS' COVERED PARTIES rather than their related parties.

All others who conduct business with LAGERS must comply with legal and professional standards which require the ethical or good faith performance of their duties. However, they generally do not owe a fiduciary duty to LAGERS, and, therefore, are not expressly required to adhere to this ethics policy.

STANDARDS OF ETHICAL CONDUCT

COVERED PARTIES are to strive for the best performance on behalf of LAGERS and are to perform their duties solely for the benefit of LAGERS and its participants and beneficiaries. Best performance is defined here as actions, counsel or decisions that best further the objectives of LAGERS and its participants or protect their interests. Best performance requires professional competence and due diligence.

COVERED PARTIES are to avoid actual or perceived Conflicts of Interest. A conflict of interest exists when a COVERED PARTY has a personal interest that may impair the COVERED PARTY's loyalty to LAGERS or performance on behalf of LAGERS.

The conduct of COVERED PARTIES is always to be both legal and ethical. The demeanor of COVERED PARTIES is always to be professional and respectful.

COVERED PARTIES are to maintain accountability and transparency before LAGERS' stakeholders. That is, they must be forthcoming and candid in their disclosures to the stakeholders regarding any matters pertaining to LAGERS, unless maintaining confidentiality is both legal and in the best interests of LAGERS and its stakeholders.

ETHICAL STANDARDS APPLIED

GENERAL RULES

The following areas are examples of typical activities to which LAGERS' Standards of Ethical Conduct are applied. These examples are not all-inclusive.

Personal Interest in LAGERS' Activities

No COVERED PARTIES may have a financial or personal interest in LAGERS' activities which may conflict with LAGERS' interests or which affects or appears to affect their independence, objectivity, or loyalty to LAGERS. They cannot take any official action on matters that will result in a benefit to themselves, related parties, or their business associates, unless such benefit is no greater than that which accrues to a large class, such as across-the-board retirement benefit increases. However, these actions and related potential conflicts must still be disclosed to the Compliance Officer/Internal Auditor or Executive Director (see Administration of Ethics Policy-Disclosure-Other Disclosures).

Personal Interest in Outside Activities/Employment

No COVERED PARTIES may have a financial or personal interest in activities outside of LAGERS which may conflict with LAGERS' interests or which affects or appears to affect their independence, objectivity, or loyalty to LAGERS. They may not borrow from contractors, outside service providers, banks or other financial institutions with which LAGERS has a business relationship, unless such entities are normally engaged in such lending in the usual course of their business, and then only on customary terms offered to others under similar circumstances to finance proper and usual activities. They may not knowingly refer LAGERS members (such as retirees, active members, etc.) to any outside business provider, such as a deferred compensation vendor or a LAGERS contracted investment advisor, without prior written referral approval of the Executive Director. Likewise, they may not knowingly refer a business to a LAGERS member. They may not engage in outside employment with any providers of supplies or services to LAGERS; or engage in outside employment that would interfere with or hamper expected performance at LAGERS. They may not sell or provide goods or services to LAGERS without disclosure to the Compliance Officer/Internal Auditor or Executive Director.

Addressing Conflicts of Interest

COVERED PARTIES who become aware of a personal conflict of interest that affects their duty owed to LAGERS have an obligation to disclose that conflict to the Compliance Officer/Internal Auditor or Executive Director, and the COVERED PARTIES must resolve the conflict.

A person may resolve a conflict of interest by promptly addressing it in the following manner. If the person may prudently withdraw from action on a particular matter in which a conflict exists, he or she may resolve the conflict in that manner provided that:

1. The person may be and is effectively separated from influencing the action taken,
2. The action may properly be taken by others, and the nature of the conflict is not such that the person must regularly and consistently withdraw from decisions which are normally his or her responsibility with respect to LAGERS.

If a conflict cannot be resolved in the manner just described, the affected COVERED PARTY must work with the Compliance Officer/Internal Auditor and LAGERS' appropriate management to resolve the conflict of interest in a manner consistent with governing law and the standards of ethical conduct espoused in this Ethics Policy.

Hiring and Contracting

Criminal background checks are to be conducted on all finalists for employment with LAGERS as a condition of employment. Criminal background checks are to be conducted on newly elected or appointed trustees, with the results reported to the Board chairperson and vice-chairperson. Criminal background checks are to be conducted on or provided for via contract with external associates of LAGERS who have discretionary authority over LAGERS' assets or operations.

All covered parties are to avoid any decision-making practices, particularly with respect to hiring, contracting or investments that are or appear to be "kickbacks" or "pay-to-play" practices. "Kickbacks" are transactions where candidates seeking to do business with LAGERS provide some benefit to the COVERED PARTY to influence a decision. A "pay-to-play" transaction is one where a solicitor, in order to participate in a business process, or to influence a LAGERS decision, or to maintain an existing contract or business association, provides a benefit unrelated to LAGERS' business requirements for that decision.

Nepotism

For purposes of this policy, related parties to COVERED PARTIES include any child, step-child, foster child, grandchild, parent, step-parent, grandparent, spouse, brother, sister, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law sharing the same household, and any member of the household, whether or not related. Adoptive relationships are included for purposes of determining whether securities are held by a member of a person's immediate family.

To prevent related party conflicts of interest, LAGERS may not hire a person who is related to:

- a Board member
- an executive team member
- external associates of LAGERS who have discretionary authority over LAGERS' assets or operations

Parties related to other LAGERS employees may be considered for employment by LAGERS provided the applicant possesses all the qualifications for employment. A LAGERS employee may not exercise discretionary authority to hire, evaluate or promote their related party. A related party may not be hired if such employment would:

1. Create either a direct or indirect supervisor/subordinate relationship between the related party and the related COVERED PARTY; or
2. Create either an actual conflict of interest or the appearance of a conflict of interest.

These criteria will also be considered when assigning, transferring, or promoting an employee.

No board member or LAGERS team member may utilize the services of their related parties or close personal associates for LAGERS business without disclosing such relationship to the Compliance Officer/Internal Auditor or Executive Director. Any such approved arrangements shall be reported to the Board.

Post-Employment Restrictions

A Board Member or employee of LAGERS, after termination of his or her term of office or employment with LAGERS and for a period of two years, shall not appear before LAGERS or receive compensation for any services rendered on behalf of any person other than LAGERS, in relation to any business dealing with LAGERS or application therefore, or any case, proceeding, determination or any other matter upon which he or she took any discretionary action during his or her term of office or employment with LAGERS.

Gifts

Engaging in or condoning bribery is strictly prohibited.

A gift is any payment, thing or other benefit provided to a COVERED PARTY for which the COVERED PARTY did not provide goods or services of equal or greater value, including a discount or a rebate that is not available to the general public. Gifts also include the payment or reimbursement of travel expenses, including lodging and meals, even if the travel is in connection with official LAGERS business.

No LAGERS COVERED PARTY shall, directly or indirectly, solicit, accept or receive any gift, whether in the form of money, service, loan, travel, gratuity, favor, honoraria, entertainment, hospitality, thing or promise, or in any other form, under circumstances in which it could reasonably be considered that the gift was intended to influence him or her, or could reasonably be expected or perceived to influence him or her, in the performance of his or her official duties or was intended as a reward for any official action on his or her part. More simply put, regardless of legality, no gifts of any kind or in any amount should be accepted if a reasonable person might consider that gift as influencing a decision made in service to LAGERS. In all cases, cash gifts are prohibited.

Travel and Incidental Reimbursements

Public funds should be prudently expended. Therefore, LAGERS' board members and employees should be reimbursed for expenses that meet the "actual," "reasonable" and "necessary" tests.

Actual expenses include those expenses that were incurred personally by the board members and employees. If the board member or employee paid an expense that was covered by another entity, it would not be reimbursable.

Reasonable expenses include the costs of travel or supplies that enable the person to achieve their objectives in an efficient, safe and cost-effective manner. Public travelers, including board members, should locate and secure accommodations at reasonably priced hotels using LAGERS' travel guidelines (as defined in the Board and Staff Travel Policy in the System's Governance Policies), with preference given to efficiency of location.

Necessary expenses are those that are required to achieve the goals of the organization, and travel is often required to achieve those objectives. However, with the communication methodologies available today, such as telephone, email, fax and video conferencing, travel is often avoidable. Therefore, the need for travel should be carefully evaluated.

Use of LAGERS' Assets

COVERED PARTIES may not utilize any property or resources of LAGERS for personal gain. Assets of public funds are to be used to achieve the business purposes of the public entity. Public assets include, but are not limited to:

Physical assets, such as equipment, furniture, supplies, and facilities

- Technology resources, including hardware and software (See LAGERS' Computer, Internet and Email Policy)
- Financial resources, including cash and investments
- Human resources, such as staff time
- Intangible assets, such as goodwill, political influence, and intellectual property

Sensitive Information

Although LAGERS is a public entity which fosters accountability and transparency before its stakeholders, LAGERS is also entrusted with sensitive information, which may be classified as follows:

- Non-public, individually identifiable information of its members, team members, and board
- Medical information of members and team members

- Legally privileged information developed through the attorney-client or accountant/auditor-client relationship
- LAGERS' security information which must be kept confidential to protect LAGERS' assets
- LAGERS' specific investment transactions which are considered confidential, to protect LAGERS' assets and investment performance, and to comply with applicable laws
- Information deemed to be sensitive or confidential by any laws, regulations, contract or any other compliance mandate

All sensitive information must be diligently safeguarded as required by law and LAGERS' Information Security Policy. COVERED PARTIES may not disclose or use sensitive information acquired in their positions without proper authorization. Further, no COVERED PARTY shall accept employment or engage in any business or professional activity that will require him or her to disclose sensitive information that he or she has gained by reason of his or her official position with LAGERS.

Illegal Acts

No COVERED PARTIES may engage in illegal activities at any time, in matters related to LAGERS or matters that may affect the performance of their LAGERS duties. No COVERED PARTIES may knowingly become a party to, or condone, any illegal activity. No COVERED PARTY may engage in activities involving moral turpitude, such as dishonesty, fraud, deceit or misrepresentation. Illegal behavior is not tolerated and is subject to immediate discipline, including possible termination for staff, cancellation of business relationships for contractors and vendors, and/or prosecution.

Investments

All professional investment staff are obligated to conduct their personal securities transactions in a manner that does not conflict with LAGERS' business and fiduciary responsibilities, interfere with LAGERS' portfolio transactions or create an actual or potential conflict of interest with LAGERS. They are to place the interests of LAGERS above their own, so that LAGERS' execution of trades must take priority over personal trades.

All professional investment staff shall obtain the written approval of the Chief Investment Officer (CIO) prior to making personal trades in securities in which LAGERS is directly considering making trades in. Similarly, the CIO shall obtain written approval from the Compliance Officer/Internal Auditor. Such trade approval is for the trading day on which the approval is requested and includes the staff member's trades as well as those for which the member is a "beneficial owner" as defined by Standard IV (B.4) of the CFA Institute's *Code of Ethics and Standards of Ethical Conduct*. LAGERS must have completed its acquisition or disposition of a security before any personal trades can be made. All professional investment team members shall report to the Compliance Officer/Internal Auditor on an annual basis regarding all personal single security transactions (transactions involving mutual funds, for example, would not require disclosure). An internal investigation will be promptly conducted into any questionable trade with the possibility of relinquishing all profits for violations of trading policy (See Administration of Ethics Policy-Disclosures-Disclosures of Personal Trades and Holdings).

All COVERED PARTIES hired to serve as investment managers and advisors, general pension consultants, placement agents, private equity managers, or venture capital managers are to avoid any actual or apparent conflict of interest in their recommendations and management decisions.

All COVERED PARTIES engaged in investment decisions of LAGERS are to avoid insider trading. This is the use of knowledge that is obtained through a position of trust and is not available outside of that position of trust to conduct investment or business activities that conflict with the interests for which that trust is founded.

RULES APPLICABLE SPECIFICALLY TO THE BOARD

General

Each member of the Board shall exercise his or her duties with the care, skill, prudence, and diligence that a prudent person would exercise under similar circumstances.

A member of LAGERS' Board shall not engage in any employment, activity, or enterprise for compensation which is inconsistent, incompatible, or in conflict with his or her duties as a member of the Board.

Board members must disclose to the Board any conflicts regarding matters that are before the Board and not vote on the matter.

Financial Interests

Each member of LAGERS' Board is prohibited from making, participating in making, or using their positions to influence Board and Plan decisions in which they have a financial interest. A LAGERS Board member is deemed to have a financial interest if all of the following are present:

1. It is reasonably foreseeable that the decision will have a financial effect;
2. The anticipated financial effect is on a financial interest of the Board member;
3. The anticipated financial effect is material; and
4. The decision's financial effect on the Board member's financial interest is distinguishable from its effect on the public generally.

In addition, this policy prohibits Board Members from using their positions to influence Board and Plan decisions in which close associates and/or political associates have a financial interest.

Board Interaction with Outside Parties

Communications with Service Providers and Other Non-Plan Persons and Entities:

A Board member shall not correspond with a non-Plan person or entity using LAGERS' letterhead unless the communication is authorized by the Board. Copies of all written communications from a Board member to a current service provider, or person or entity related to a current service provider, relating

to LAGERS's business (other than purely personal or social correspondence) shall be provided to the Compliance Officer/Internal Auditor or Executive Director for subsequent distribution to all members of the Board.

A copy of any written communication pertaining to LAGERS (other than purely personal or social correspondence, routine announcements, generally distributed newsletters, and the like) received by a Board member from a current Plan service provider, or person or entity related to a current service provider, shall be forwarded to the Compliance Officer/Internal Auditor or the Executive Director for subsequent distribution to all members of the Board. Unless authorized by the Board or required by law, no Board member or staff shall disseminate or otherwise disclose any information obtained in the course and scope of his or her employment, which has not been released, announced, or otherwise made available publicly.

Communications with Plan Members:

Board members shall be aware of the risk of communicating inaccurate information to plan members (both active members and retirees), and the potential exposure to liability and possible harm to a plan member that may result from such miscommunications. Board members shall mitigate the risk of miscommunication with plan members and thereby avoid creating additional plan liability by refraining from providing specific advice or counsel with respect to the rights or benefits to which a plan member may be entitled under LAGERS. Where explicit advice or counsel, with respect to retirement plan provisions, policies or benefits is needed, Board members will refer inquiries to appropriate LAGERS team members.

ADMINISTRATION OF ETHICS POLICY

ETHICS OFFICIAL

LAGERS' Board has appointed the Compliance Officer/Internal Auditor to serve as LAGERS' Ethics Official. The Compliance Officer/Internal Auditor is responsible for administering, implementing, promoting, interpreting and enforcing this Policy. His or her duties include:

1. Providing ethics training for LAGERS personnel as necessary.
2. Issuing opinions on the proper interpretation of this policy.
3. Determining if potential conflicts of interest should be disclosed, avoided or corrected.
4. Counseling team members regarding compliance and potential violations.
5. Assisting COVERED PARTIES with ethics questions or problems.
6. Conducting ethics investigations as necessary.

ETHICS QUESTIONS

Questions on this policy should be referred to LAGERS' Compliance Officer/Internal Auditor. Written opinions concerning the interpretation of this Code will be provided to LAGERS team members who file a written request with the Compliance Officer/Internal Auditor. Copies of all such opinions will be furnished to LAGERS' Board. The Compliance Officer/Internal Auditor may use whatever resources reasonably needed to provide the proper opinion, including consultation with the Chief Counsel. All covered persons may rely on such opinions to apply this Ethics Policy.

In their sole discretion, the Board or executive staff employees may also seek advisory opinions from legal counsel to LAGERS to aid in its application of the Ethics Policy to particular factual situations presenting an apparent ethical issue. The counsel's opinion shall be advisory only, but any Board member or executive team employee acting in reliance thereon shall be deemed to be acting in good faith compliance with this Ethics Policy.

CERTIFICATION

All COVERED PARTIES agree to comply with this Ethics Policy at the commencement of their service or contract with LAGERS, and Board members and staff shall certify annually in writing their continuing compliance. These certifications shall be filed with the Compliance Officer/Internal Auditor, who is responsible for collecting and maintaining these documents.

The compliance statement will state that they have received, read and understand this policy, that they will comply with its provisions, that it is their duty to report any acts by others when they have knowledge of potential violations of this policy, and that adherence to the policy is a condition of their employment or continued business with LAGERS. The statement will also include a disclosure of any conflicts of interest or

violations of the policy of which they are aware and a reminder that they are required to update their statements if a change in circumstances occurs which would require reporting under this policy.

DISCLOSURES

Disclosure of Personal Trades and Holdings

All COVERED PARTIES who are responsible for investment decisions or work in an investments function shall disclose in writing personal securities trades and real estate investment deals, as appropriate. Such disclosure shall be made directly to the Compliance Officer/Internal Auditor. It is the intent that these reports remain confidential. However, since this is a public document subject to public inspection, LAGERS will honor any request by the State's citizens to review such documents. Affected team members will be advised of any request for the documents prior to releasing the documents. Prior to hiring an employee for an investment function, such employee should disclose all brokers/brokerage relationships. Annually, affected team members should also submit a statement of investment disclosure, which should include a list of all broker/brokerage relationships and security holdings during the year being reported. Disclosure is not required for any type of securities which LAGERS is prohibited from owning.

Other Disclosures

COVERED PARTIES are required to disclose the following activities to the Compliance Officer/Internal Auditor:

- Any official action on matters that will result in a benefit to COVERED PARTIES, related parties, or their business associates, where such benefit is no greater than that which accrues to a large class, such as across-the-board retirement benefit increases.
- Any transaction wherein a COVERED PARTY, related party, or their business associate is selling or providing goods or services to LAGERS with the approval of the Executive Director.
- Employment negotiations between a COVERED PARTY and firms that do business with LAGERS. Employment negotiations means participating in an employment interview, discussing an offer of employment, and accepting an offer of employment, even if precise terms of employment are not yet defined.
- Any perceived or actual conflict of interest should be disclosed to the Compliance Officer/Internal Auditor to ensure that the existence of the conflict is verified and addressed appropriately.

INCIDENT REPORTING

All COVERED PARTIES have a part to play in protecting LAGERS against unethical behavior. Any person with knowledge of a violation of this Policy or related laws shall report such information to the Compliance Officer/Internal Auditor, or to the Executive Director if the violation involves the Compliance Officer/Internal Auditor. No retaliatory action will be taken for any such report made in good faith. Reporting in "good faith" means a person reasonably believes that his/her information is as accurate and complete as possible, whether or not the allegation turns out to be a violation of this policy or related laws. Not reporting knowledge of a possible violation of the Ethics Policy is a punishable

offense, up to and including dismissal of the employee or cancellation of business relationships for contractors and vendors.

ETHICS INVESTIGATIONS

Upon a report of an ethics violation, the Compliance Officer/Internal Auditor shall initiate a preliminary investigation of the complaint to determine if the complaint has merit and if it warrants further investigation. In determining the merit of a complaint, the facts and circumstances of the complaint will first be evaluated. Anonymous complaints (whether coming from an internal or external source), while they are not invalid simply because they are anonymous, must be specific in nature, and there must be some evidence offered at the time of complaint or evidence must be able to be obtained within a reasonable amount of time before the complaint can be considered valid. If the complaint is made by a known source, then the Compliance Officer/Internal Auditor will have the ability to obtain further information or evidence from the claimant to determine the validity of the complaint.

The Compliance Officer/Internal Auditor shall determine if it is likely that an incident occurred, and if so, if it is serious enough to have potentially violated the Ethics Policy or related laws or policy. If the Compliance Officer/Internal Auditor determines that it is unlikely that an incident occurred or if it is not serious enough to be considered a policy or legal violation, the Compliance Officer/Internal Auditor, with concurrence of the Chief Counsel, shall notify in writing the claimant (if named) and the respondent (individual named in the complaint) of these findings. If the Compliance Officer/Internal Auditor determines it is likely an incident occurred and that it may violate policy or laws, then a full investigation will be initiated. In this case the steps should generally be as follows depending upon the circumstances:

- The Compliance Officer/Internal Auditor notifies the Board's Audit and Finance Committee chairperson, who shall notify the Board. If the Audit and Finance Committee chairperson should be the subject of the allegation, then the Compliance Officer/Internal Auditor shall notify the Board chairperson, who shall notify the remainder of the Board.
- The Compliance Officer/Internal Auditor, in conjunction with the Audit and Finance Committee, determines who should conduct the investigation (e.g., the Compliance Officer/Internal Auditor only, the Compliance Officer/Internal Auditor along with Chief Counsel, an outside firm, etc.).
- The Compliance Officer/Internal Auditor notifies in writing the claimant (if named) and the respondent that an investigation will be conducted.
- Person(s) conducting the investigation will prepare and conduct interviews and other methods of fact-gathering as necessary.
- Results of the investigation are reported in writing to the Audit and Finance Committee, the claimant and the respondent.
- Should the investigation reveal that a violation has occurred involving any team member, the results are to be reported to the team member's immediate supervisor and the CFO, and any disciplinary actions are to be taken in accordance with LAGERS' Personnel Guidelines.

Should the allegation(s) involve the Compliance Officer/Internal Auditor, then the Executive Director shall perform the duties otherwise assigned to the Compliance Officer/Internal Auditor above.

ENFORCEMENT

Violation of any of the provisions of the Ethics Policy may result in termination of employment, or other disciplinary action as the situation may warrant. The Board will enforce this policy through the Compliance Officer/Internal Auditor or the Executive Director, who is responsible for its implementation with respect to COVERED PARTIES other than the Board.

The full range of disciplinary options under LAGERS's personnel policies and practices may be used with respect to employees who violate this policy, up to and including termination. As part of every performance evaluation of employees, all supervisors are required to consider ethical compliance as a key aspect of job performance.

Business with contractors and vendors who violate this policy may be terminated immediately. Even when such parties do not technically owe a fiduciary duty to LAGERS, LAGERS reserves the right to terminate business with any contractor or vendor that does not loyally serve LAGERS's interests or live up to LAGERS's standards of ethical conduct.

The Board Chair, based on recommendation of the Audit and Finance Committee, will enforce this policy with respect to Board Members, the Executive Director, and the Chief Investment Officer through any measures the Board deems appropriate. The Board is responsible for the enforcement of this policy with respect to violations by individual Board Members through resolutions or other appropriate parliamentary measures, including requests for resignation. This includes possibly removing the offender from the position of Chair or Vice-Chair of LAGERS' Board, or from any other assignment on behalf of the Board. The Board may also pursue all of its applicable legal remedies against any Board Member, Executive Director, or Chief Investment Officer who violates the provisions of this Policy.

ASSESSMENT OF ETHICS PROGRAM

An effective organizational ethics program should establish basic policies, regularly communicate them to employees, provide a means for employees to confidentially ask questions and express concerns, monitor transactions that are high risk, resolve any identified problems and make adjustments to both policy and process as needed. As such, the Compliance Officer/Internal Auditor will assess and report to the Board, every three years, the effectiveness of the ethics program, including assessing the Ethics Policy for needed revision. The objectives of the assessment will be to determine:

- how well the ethics program operates from different perspectives within the organization
- any needed revisions to the Ethics Policy due to changes in law
- any needed revisions to the Ethics Policy due to weaknesses highlighted by societal, market or other environmental change
- any Ethics Policy strengthening needed due to violations of the policy, confusion over requirements or prohibitions

EFFECTIVE DATE

This policy as revised shall become effective July 2020 and shall remain in effect until amended.

**Missouri Local Government Employees Retirement System (LAGERS)
Certification of LAGERS Ethics Policy Understanding and Compliance**

The LAGERS Ethics Policy requires that each covered party agree to comply with the policy at the commencement of their service or contract with LAGERS, and Board members and team members shall certify annually in writing their continued compliance. Please sign and date the certification below and return to the Compliance Officer/Internal Auditor.

I hereby certify that I have read, understand and will comply with the LAGERS Ethics Policy.

Signature

Date

Title

Agency Represented (if not employed by LAGERS)