February 2015

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY EMPLOYEE BENEFIT SYSTEM

STATEMENT OF INVESTMENT POLICY

I. General Considerations

The Investment Committee of the Metropolitan Government of Nashville and Davidson County's Employee Benefit System (System) has been given the authority to regulate and determine all matters dealing with the investments of its fund in section 13.04 of the Metropolitan Charter. The Office of the Metropolitan Treasurer will coordinate the day to day investment related activities on behalf of the Investment Committee.

The Investment Committee will engage the services of Investment Managers who possess the necessary specialized resources and expertise to assure that the System has the highest probability of achieving competitive results at appropriate levels of risk.

It is the intention of the Investment Committee to allow Investment Managers acknowledging fiduciary responsibility full discretion within the scope of the System's Investment Policy, the Investment Manager's specific strategy mandate and all applicable laws.

This Policy allows for pooled investment vehicles (mutual funds and/or commingled funds) that are deemed to be suitable investments regarding System assets. The Investment Committee recognizes that pooled vehicles are formally governed by their respective guidelines, prospectuses and investment contracts.

II. Function

The function of this Policy is to establish a clear understanding between the Investment Committee, the Office of the Metropolitan Treasurer and the System's Investment Managers regarding the System's objectives and delegation of duties. It is intended that this Policy will provide meaningful guidance and the necessary flexibility to manage the assets of the System.

This Policy may be changed from time to time by the Investment Committee after consideration of the advice and recommendations of the Office of the Metropolitan Treasurer and the Investment Consultant. All modifications to this Policy shall be in writing and approved by the Investment Committee.

III. Basic Premises

1. Because the System is a defined benefit pension plan, a long-term investment horizon is warranted given the System's liability characteristics and the actuarial valuation process that smoothes annual fluctuations in investment performance. Short-term fluctuations in the market value of the System should not influence the investment structure under normal circumstances.

2. The purchase and sale of all investments are the sole and direct responsibility of each Investment Manager pursuant to the discretion granted herein and as granted pursuant to the Investment Manager Agreement or separate strategy mandate as documented.

IV. Investment Objectives

Investment results will be evaluated on an ongoing basis with emphasis on the three to five-year results. A composite benchmark and manager benchmarks will be clearly stated in the System's quarterly performance report. Performance comparisons are generally gross of fees.

1. The System's composite return is expected to achieve an annualized rate of return that exceeds the rate of return produced by the composite benchmark constructed to represent the allocation of the plan and will be clearly stated in the performance report.

2. Active equity strategies are compared to a benchmark report that is appropriate for the style and strategy. Large cap managers are expected to exceed their benchmark by 100 bps. All other active equity strategies are expected to exceed their benchmark by 150 bps.

3. Passive equity strategies are expected to match the performance of the underlying index.

4. Active fixed income strategies are expected to exceed the benchmark by 50 bps.

5. Private equity portfolios are expected to provide a premium to the public equity markets of 400 bps. Depending on the timing of valuations, the benchmark comparison may be on a one quarter lag.

6. Equity L/S, Alternative Fixed Income and Real Asset funds will be assigned an appropriate benchmark.

7. Any other mandates will be will be assigned a benchmark and performance expectation (if applicable).

Each Investment Manager's investment performance will be reviewed regularly. Total rates of return on market value will be calculated, including interest income and both realized and unrealized capital gains and losses.

V. Asset Allocation Range

The asset allocation ranges or targets for the System are:

Asset Class	Range or Target
Domestic Equity*	10-30%
International Equity*	10-30%
Fixed Income	5-40%
Alternative Fixed Income**	5-25%
Real Assets	5-20%
Private Equity	0-10%
Equity L/S	0-10%
Cash Equivalents	0-3%

* Includes Global Equity

** Includes Distressed Debt

The System will maintain a target allocation within the ranges above while considering outstanding commitments, drawn capital, the System's long term asset allocation goals and relevant market conditions. A global mandate may be used as part of the domestic or international allocation.

Ongoing rebalancing of the portfolio is the responsibility of the Office of the Metropolitan Treasurer and is expected to be implemented by the Chief Investment Officer. The ongoing rebalancing is primarily between the traditional equity and fixed income allocations. Illiquid assets may exceed the allowable range in certain market conditions; appropriate changes will be made to future commitments to bring the illiquid allocation within the intended allowable range. Futures contracts and Exchange Traded Funds may be used to implement portfolio strategies. Capital allocated or committed to private equity and real assets but not deployed will be invested with the rest of the portfolio.

The System may maintain a reserve that is invested in the Metropolitan Investment Pool to meet retiree benefit payments.

VI. General Limitations and Requirements

1. In placing portfolio transaction orders on behalf of the System, the Investment Managers will use their best efforts to obtain the best execution of orders. The Investment Managers shall

disclose any consideration received from or paid to a party other than the System with regard to the management of the System portfolio.

2. A portion of the fixed income investments, other than short-term paper, shall be limited at purchase to investment grade as established by one or more of the nationally recognized bond rating services. Also, the use of futures, options and swaps is permitted as long as the particular investment manager's strategy or mandate allows for it.

3. Common stock investments (both domestic and international) in any single company shall be limited to 10%, at market, of equity assets under management and 2% of the company's total outstanding equity. In the event that any company's S&P 500 Index weight exceeds ten percent (10%), investments in that company are allowable up to one hundred fifteen percent (115%) of the Index weight. Common stock is defined to include securities convertible into common stock.

4. The international equity portfolio should maintain reasonable diversification across countries, industries and companies.

5. The Investment Managers will be responsible for voting all proxies and corporate actions issued in connection with positions over which such Investment Managers have investment authority or control, unless directed otherwise by the Office of the Metropolitan Treasurer. Class action participation is normally through the custodian unless the Office of the Metropolitan Treasurer directs a specific class action to be handled differently. Corporate actions for direct Limited Partnerships and Fund of Funds are voted by the Office of the Metropolitan Treasurer.

6. The Investment Managers will not engage in investment transactions involving short sales, purchases on margin, derivative securities which provide leveraged exposure of the underlying index, precious metals, commodities or individual real estate holdings unless specifically authorized by the strategy mandate. The use of currency futures, options or forward contracts to hedge international portfolio currencies is allowable. Covered call options are also allowable investments.

7. An Investment Manager may not act or receive commissions or other fees as a broker, dealer, underwriter, or principal, whether directly or through a related or affiliated entity, with respect to any System assets.

8. An Investment Manager may not assign or delegate any of his duties to another party without prior written approval.

9. Long only managers are not expected to use debt, futures or options for the sole purpose of leveraging the portfolio unless explicitly permitted by the strategy and mandate.

10. An Investment Manager shall not execute documentation for the benefit of lenders or any other third parties in connection with any Credit Facility, other than to acknowledge that the Metropolitan Employee Benefit System has a capital commitment and that the partnership or fund may pledge such capital commitment to a lender as security for such Credit Facility.

VII. Communications and Reporting

1. The Investment Managers shall issue a report at least quarterly, reviewing their progress, investment strategy and actions on behalf of the System to the Office of the Metropolitan Treasurer and Investment Consultant.

2. The Investment Managers are expected to communicate or meet with the Office of the Treasurer and Investment Consultant periodically to review the portfolio and to discuss investment results in the context of these guidelines. At all times, however, the Investment Managers are to have open communication with the Office of the Metropolitan Treasurer on all significant matters pertaining to the management of the System's assets.

3. The Investment Managers shall promptly notify the Office of the Treasurer and Investment Consultant of any change in ownership or control of its organization or change in any key personnel.

4. The Chief Investment Officer, or other designated Office of the Treasurer staff will be the System's primary liaison to money managers, custodians, consultant and other parties.

5. The "Authorized Representatives for Banking and Investment Activity" form specifies the extent of authority and identifies the individuals that may sign on behalf of the System.

6. From time to time the System requests records and information from managers that the investment manager considers confidential. To the extent permitted by Tennessee state law, requests and received records and information that allow the System access to critical information and opinions will be kept confidential.

7. Managers should promptly notify the Office of the Treasurer if they receive undue pressure or attempted improper influence.

VIII. Policy Review

The Investment Committee will review this Policy periodically and whenever a major change is apparent or necessary. Such review may be caused by:

1. A fundamental change in the design of the System;

2. Significant revisions to the expected long-term trade-off between risk and reward on key asset classes, dependent upon basic economic/political/social factors;

3. Shortcomings of the Statement that emerge in its practical operation or significant modifications that are recommended to the Investment Committee by the Office of the Metropolitan Treasurer and the Investment Consultant;

4. Significant changes in the legal and/or regulatory environment.

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The above Statement of Investment Policy was adopted on the 24th day of February 2015 by the Investment Committee of the Metropolitan Employee Benefit System.

Richard M. Riebeling
Chairman, Investment Committee

02/24/15
Date

Tom J. Eddlemon
Metropolitan Treasurer

02/24/15
Date