

FCMM RETIREMENT – Investment Policy
May 2018

Free Church Ministers and Missionaries’ (FCMM) Retirement Plan
Investment and Asset Allocation Policy

Amended May 16, 2018

Introduction

The Board of Trustees of FCMM (the “Trustees”), a Minnesota nonprofit church benefit plan corporation, serves as the trustee of the Free Church Ministers and Missionaries’ Retirement Plan (the “Plan”).

The Plan is a qualified plan under Internal Revenue Code Section (403(b)(9)).

The Plan holds assets acquired from investments and contributions for Plan participants to provide retirement and death benefits. The Trustees have the responsibility and the authority for all Free Church Ministers and Missionaries’ Retirement Plan assets.

The Plan currently consists of four (4) Trustee-directed investment funds: Option A (a fund designed to support payment of the annuities), Option C (a moderate- growth balanced fund), Option D (a growth-oriented stock fund), and Option E (a conservative-moderate bond fund).

Purpose of Statement

The purpose of this Investment Policy Statement (the “IPS”) is to set standards for the direction, operation, management and oversight of the assets supporting the Plan funds (the “Funds”), currently consisting of Options A, C, D, and E. This policy is adopted by the Trustees, who shall approve this policy by majority vote and shall evidence their approval in writing as noted in the minutes of the Trustee meeting. The IPS is intended to:

- Define the investment-related responsibilities of both the Trustees and the investment advisors it retains to manage the assets of the Funds.
- Establish formal investment guidelines which are specific enough to provide meaningful guidance, yet flexible enough to be practical and which incorporate prudent asset allocation and realistic total return goals.
- Provide a framework for regular constructive communication between FCMM, the Investment Management Consultant, and the Investment Managers.
- Create standards of investment performance which are historically achievable and by which the managers agree to be measured over a reasonable time period.

The IPS consists of the main body of the policy and Fund-specific Addenda. The main body of the IPS applies to the overall Plan and all of the Funds, referencing themes and guidelines which are common to all of the Funds. Guidelines which are specific to each of the Funds will be outlined in the respective Addenda.

FCMM RETIREMENT – Investment Policy
May 2018

Definitions

1. "Fund" shall mean the individual program portfolios.
2. "Funds" shall mean the program portfolio in aggregate.
3. "Committee" shall refer to the FCMM Board of Trustees operating as the Investment Committee.
4. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.
5. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets.
6. "Investment Management Consultant" (the "Consultant") shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
7. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
8. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for each Fund will be established in the respective Addenda.
9. "Investment Subcommittee" shall be comprised of the President of FCMM, the CFO of FCMM, and the Chairman of the Board of Trustees. The purpose of the Investment Subcommittee is to make investment decisions in the interim between full Trustee meetings.

Definition of Risk

The Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Plan assets must understand how it defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy as designed in this IPS. The Committee defines risk as:

Primary Definition: Volatility of monthly returns in excess of the relative benchmark. It is understood that portfolio volatility may exceed benchmark volatility over certain time periods. Managing risk should include monitoring the relative volatility of the portfolio vs. the benchmark and taking steps to keep volatility within acceptable limits.

Secondary Definition: The probability of the fund behaving differently from its benchmark (excess tracking error).

General Investment Guidelines

- 1) All transactions of the Fund shall be in the sole interest of participants.

FCMM RETIREMENT – Investment Policy
May 2018

- 2) The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims (Prudent Expert Rule).
- 3) Investments of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- 4) The Committee may employ one or more Investment Managers of varying styles and philosophies to attain the Fund's objectives.
- 5) Cash is to be employed productively whenever feasible, by investment in short-term cash equivalents to provide safety, liquidity, and return.

Investment Objectives

Investment objectives for each of the Funds will be outlined in the respective Addenda.

Responsibilities of the Committee

The role of the Committee is to implement the FCMM IPS guidelines and objectives.

- 1) The Committee will meet quarterly and review performance of the Funds with the Consultant.
- 2) Assure adherence to the IPS guidelines and objectives.
- 3) Direct implementation of Investment Manager additions or deletions.
- 4) Recommend changes to the IPS.

Responsibilities of the Investment Subcommittee

- 1) Make investment decisions in the interim between full Trustee Meetings, within guidelines established by the Trustees.
- 2) Communicate decisions/actions to the Trustees.

Responsibility of the Investment Manager(s)

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

- 1) Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- 2) Reporting, on a timely basis, quarterly investment performance results.

FCMM RETIREMENT – Investment Policy
May 2018

- 3) Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Fund's investment management.
- 4) Informing the Committee regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- 5) Voting proxies, on behalf of the Fund, and, if requested, communicating such voting records to the Committee on a timely basis.

Responsibility of the Consultant(s)

The Consultant's role is that of a non-discretionary advisor to the Committee. Investment advice concerning the investment management of Fund assets will be offered by the Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Consultant include:

- 1) Assisting in the development and periodic review of the IPS.
- 2) Advising on appropriate asset-allocation strategy.
- 3) Conducting Investment Manager searches as needed.
- 4) Performing due diligence, or research, on the Investment Managers.
- 5) Monitoring the performance of the Investment Managers to provide the Committee with the ability to determine progress toward the investment objectives.
- 6) Communicating matters of policy, manager research, and manager performance to the Committee.
- 7) Reviewing Fund investment history and historical capital markets performance in relation to the contents of this IPS.

Asset Allocation Guidelines

Asset Allocation Guidelines are specific to each Fund and will be described in the respective Addenda.

Diversification Guidelines for Investment Managers

Diversification Guidelines are specific to each Fund and will be described in the respective Addenda.

Investment Procedure

The Trustees function as the Investment Committee. The Committee will meet quarterly with its Consultant to review the performance of its third party money managers, investment strategies and asset allocation. They will meet with money managers and custodians on an as

FCMM RETIREMENT – Investment Policy
May 2018

needed basis. The Fund may engage or hire one or more investment advisors and/or money managers.

Prohibited Assets for Investment Managers

(Excluding Alternative Investment Managers)

Prohibited investments for traditional Investment Managers include the following:

- 1) Private Limited Partnerships (except those having passed the due diligence process of a Consultant retained by FCMM)
- 2) Direct investment in Venture-Capital Investments
- 3) Direct investment in Real Estate Properties
- 4) Direct Investment in Interest-Only (IO), Principal-Only (PO), and Residual Tranche Collateralized Mortgage Obligations (CMOs)

Alternative Investment programs may invest in any or all of these categories.

Prohibited Transactions for Investment Managers

(Excluding Alternative Investment Managers)

Prohibited transactions for traditional Investment Managers include the following:

- 1) Short Selling
- 2) Margin Transactions

Alternative Investment programs may utilize both margin and short selling transactions.

Investment Constraints

Affiliated Securities

There will be no investments made in securities issued by the Evangelical Free Church of America, any division, affiliated church or entity of The Evangelical Free Church of America.

Morally Responsible Investment Strategy

FCMM funds do not directly invest in securities in which the corporate entity is recognized by FCMM to have significant involvement in products, services, or activities that are incompatible with the moral and ethical tenets and values of the Evangelical Free Church of America. These positive values include pro-family and pro-life matters, and exclude substantial investment in industries of beverage alcohol, tobacco, pornography, gambling, and abortion.

As a practical matter, our managers might be able to use guidelines along these lines to determine “significant involvement” - a percentage of revenue or income as follows:

Green Light:	0% to 3%	permitted
Yellow Light:	3% to 10%	caution and review
Red Light:	10% and over	prohibited

FCMM RETIREMENT – Investment Policy
May 2018

The Committee recognizes that it does not have influence over the holdings of mutual fund investments. While the Committee is aware of “socially conscious” mutual funds, the typical socially conscious mutual fund does not necessarily screen for the specific moral concerns of FCMM. Therefore, the Committee has decided to allow unscreened mutual funds. Top holdings of these funds will be reviewed on at least an annual basis to enable the Committee to be aware of exposures to objectionable companies and make changes if necessary.

Performance Review and Criteria

Investment Managers will prepare reports quarterly and forward on a timely basis.

The reports shall contain at least the following information:

- A portfolio evaluation by asset class and market value
- A complete list of securities held
- A performance analysis summary showing investment performance to ascertain current and long-term levels of achieving objectives
- Current portfolio strategy along with comments on the economy, past strategy and any changes in strategy, personnel changes, organizational changes or other changes that may affect performance
- Investment comparison with other general market indices

This requirement can be met by the Consultant and custodian.

Performance criteria are specific to each Fund and will be described in the respective Addenda.

Investment Manager Performance Review and Evaluation

Performance reports generated by the Consultant shall be compiled at least quarterly and communicated to the Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. The quarterly reports should cover four basic areas: returns, comparisons of returns to benchmarks and a statistical universe of similar portfolios, diagnostic risk analyses and compliance with relevant policies and objectives.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this IPS. The Committee intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate an Investment Manager for any reason including the following:

- 1) Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
- 2) Failure to adhere to any aspect of this IPS.
- 3) Significant qualitative changes to the investment management organization.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

FCMM RETIREMENT – Investment Policy
May 2018

Automatic Review Process for Investment Managers

Beyond these customary reviews, certain circumstances or events may trigger automatic formal reviews and where appropriate, reconsideration by the Committee of the appropriateness of continuing to use the affected manager in the investment structure. None of these circumstances or events shall serve as automatic causes for changing Investment Managers, but will merely indicate the need for review.

Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this IPS, the Trustees plan to review the investment policy at least annually. The IPS can be amended to reflect changes in the capital markets, Plan participant objectives, or other factors relevant to the Plan.

This Statement of Investment Policy has been adopted
on May 16, 2018
by the FCMM Board of Trustees:



Richard T. Stanghelle
President
Free Church Ministers and Missionaries' Retirement Plan

FCMM RETIREMENT – Investment Policy
May 2018

Revisions and Adoption

This statement was adopted by the Trustees on November 11, 1993.
Implementation of the asset allocation and policy guidelines shall be made with prudence taking into account cost and existing manager capabilities.

This policy statement shall be reviewed annually.

Changes may be made from time to time by a majority of the Trustees.

Revised:	February 1998	Permitted Investments item 6.
	February 1999	Permitted Investments item 1 and Additional Guidelines item 1.
	March 2000	Modified Morality clause.
	February 2001	Added TIPS (Treasury Inflation Protection Securities) as a Fixed Income asset class and modified range percentages.
	August 2004	Changed the asset allocation section to reflect the Equity/Fixed Income/FCMM Managed strategy. This also involved establishing allocations for the four options A, B, C, and D. Clarified commodities language, and recognized option A benchmark.
	February 2008	Added Foreign Bond allocation.
	March 2009	Update policy to allow for expanded use of hedging strategies which may in effect use long and short strategies through the use of future and/or option contracts. Language was also added to allow for new investment types (ETFs, ETNs, hedge funds, REITs, and pooled accounts).
	November 2009	Update statement to add language on purpose, definition of terms, responsibilities of parties, additional language on hedge funds and prohibited assets and strategies.
	November 2012	Update statement to separate Option A from the other elections, update target asset allocations (see below), revised definition of risk.
	May 2018	Update statement to separate investment objectives, permissible holdings, asset allocation and diversification guidelines and performance criteria into separate Addenda for each Fund (Options A, C, D and E).

FCMM RETIREMENT – Investment Policy
May 2018

Addendum – Option A Annuity Reserve Guidelines
 Amended May 2018

Investment Objectives

The investment objective of the Option A portfolio is to grow assets at a rate sufficient to facilitate all retirement annuity payments as they come due, while managing risk within acceptable limits. The long term investment strategy is to preserve and increase the capital value of the assets over time in a prudent manner that limits exposure to risks of permanent capital losses and of unduly high volatility in the total market value of the funds, thereby providing sufficient liquidity to meet each annuity payment as it becomes due.

In particular, Fund assets shall be invested to:

- 1) Obtain a return that exceeds that of the Policy Benchmark (see below) with equal or lower volatility over a 4 to 7 year market cycle.
- 2) Match the liquidity of invested assets with the duration term structure of the annuity benefits. In other words, short-term assets will be used to fund near-term annuity payments and long-term assets will be used to fund annuity payments due in later years.

Asset Allocation Guidelines

Option A is designed to be managed as a mostly fixed income portfolio that will grow at a rate commensurate with the offered annuity interest rate. Annuity payments shall be met as they come due through a combination of cash flows, bond maturities and redemptions from duration-appropriate assets.

Program Allocation Guidelines

	Annuity Option A		
	Normal Target	Minimum of Range	Maximum of Range
US Equity*	0 %	0 %	25 %
Non-US Equity*	0 %	0 %	10 %
Alternative Assets	20 %	0 %	35 %
Bonds**	80 %	65 %	100 %
<u>Cash</u>	<u>0 %</u>	<u>0 %</u>	<u>35 %</u>

***Maximum allocation to total equity is 25%**

** For Option A, the Bonds allocation shall include the total death benefit value of the AXA Annuities. Since FCMM is relying on the death benefit (which accrues interest at 6% per year until the annuitant reaches age 85), rather than the cash surrender value of the Annuities to provide benefits, the death benefit rather than the underlying stock investments will determine AXA's place in the Asset Allocation Matrix.

FCMM RETIREMENT – Investment Policy
May 2018

Diversification for Investment Managers

The Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed 5% of the total Fund at cost, and no more than 25% of the total Fund should be invested in any one industry. The total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate bond position.

Permitted Investments

The following classes of securities and investments may be purchased:

- 1) For individually held bond positions the funds will be limited to bills, notes and bonds of the U.S. Treasury and agencies of the United States of America, commercial paper, Commercial Bank or Savings and Loan Certificates of Deposit, corporate obligations of investment grade and guaranteed investment contracts.
- 2) Common stock, preferred stock, securities convertible to common stock of a quality suitable for a Retirement Fund and master Limited Partnerships (MLPs).
- 3) Mutual funds, exchange traded funds (ETFs), exchange traded notes (ETNs), traded and non-traded REITs, pooled funds and separate accounts of insurance companies whose investments meet these policies and guidelines.
- 4) Alternatives, including Hedge Funds, Private Equity Funds or Fund of Funds, Private Credit Funds or Fund of Funds, publically- and privately-traded REITs, Commodity funds and Managed Futures funds.

Hedge Funds: Hedge funds are expected to provide diversification by investing in strategies that do not correlate directly with traditional equity and/or fixed-income investments. Such strategies may include, but are not limited to the following:

- Long/Short Equity – Directional and Market Neutral
- Convertible Arbitrage – Equity and Bond Arbitrage
- Merger/Risk Arbitrage, Risk/Event Driven Arbitrage
- Directional Trading Leveraged, Macro Trading, Sector/Industry Concentration
- Distressed Securities, Reg D
- Dedicated Short Bias, Managed Futures, Emerging Markets, Global Macro
- Additional strategies not listed above

The Committee understands that many alternative investments are less transparent than traditional investments, but will expect reasonable levels of transparency in order to monitor the investments appropriately. In addition, the liquidity in such investments may be limited to specific time periods. Liquidity constraints, including lock-up provisions will be taken into consideration when making allocations to such investments.

In addition, the following guidelines shall apply:

- 1) All individually held bond securities shall have a rating of at least investment grade at time of purchase as determined by Moody or Standard and Poor's.

FCMM RETIREMENT – Investment Policy
May 2018

- 2) Pooled, co-mingled bond funds, mutual funds, ETFs, ETNs shall have the flexibility to invest in non-US and non-investment grade fixed income securities provided that the Committee has expressly hired the manager for that purpose.
- 3) With the exception of issues of The U.S. Treasury and other agencies backed by the full faith and credit of the United States of America, the portfolio shall not contain total securities that exceed 5% of the portfolio by any one issuer.

Performance Review and Criteria

The Option A portfolio returns should be in the top 40 percentile of similar funds over a market cycle. Comparison shall be made with a universe of Multi-Strategy Income Funds.

Option A performance shall exceed the performance of a benchmark composed of 80% Barclays Aggregate Bond Index and 20% Barclays Long Term Corporate Bond Index over any 3 year period.

Investment Managers shall be reviewed quarterly and evaluated over a 3 to 5 year period. Managers are expected to fall within the top 40% of their peer group, i.e., balanced, growth equity, value equity, small capitalization, international, emerging market, investment grade bonds, Hedge Funds of Funds. Failure to meet this criteria will not be cause for automatic termination, but will be a catalyst for in-depth analysis to determine the best course of action regarding the manager.

FCMM RETIREMENT – Investment Policy
May 2018

Addendum – Option C Lifetime Fund Guidelines
Amended May 2018

Investment Objectives

The investment objective of the Option C portfolio is to maximize total return (appreciation and income) while managing risk within acceptable limits. The long term investment strategy is to preserve and increase the capital value of the assets over time in a prudent manner that limits exposure to risks of permanent capital losses and of unduly high volatility in the total market value of the funds.

In particular, Fund assets shall be invested to:

Obtain a return that exceeds that of the Policy Benchmark (see below) with equal or lower volatility over a 4 to 7 year market cycle.

Asset Allocation Guidelines

Option C is designed to be managed as a Moderate Growth portfolio that pays a stated return, which can be adjusted based on its performance. Option C also provides for a market value adjustment upon liquidation of a participant's account.

Program Allocation Guidelines

	Moderate Growth Option C		
	Normal Target	Minimum of Range	Maximum of Range
US Equity*	40 %	25 %	75 %
Non-US Equity*	13 %	0 %	40 %
Alternative Assets	12 %	0 %	35 %
Bonds	35 %	15 %	70 %
<u>Cash</u>	<u>0 %</u>	<u>0 %</u>	<u>25 %</u>

***Maximum allocation to total equity is 75%**

In addition to (and separate from) the above asset allocation guidelines, FCMM staff shall have the flexibility to maintain a "liquidity pool" to facilitate cash flows from, to and between each of the Options. If needed, this liquidity pool shall be maintained within Option C. There shall be no requirement that the funds in the liquidity pool be invested productively, as account fees may amount to more than the interest or dividends that can be earned by the cash in the pool.

Diversification for Investment Managers

The Committee does not believe it is necessary or desirable that equity securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level

FCMM RETIREMENT – Investment Policy
May 2018

of portfolio diversification, the securities of any one company should not exceed 5% of the total Fund at cost, and no more than 25% of the total Fund should be invested in any one industry. The total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate bond position.

Permitted Investments

The following classes of securities and investments may be purchased:

- 1) For individually held bond positions the Fund will be limited to bills, notes and bonds of the U.S. Treasury and agencies of the United States of America, commercial paper, Commercial Bank or Savings and Loan Certificates of Deposit, corporate obligations of investment grade and guaranteed investment contracts.
- 2) Common stock, preferred stock, securities convertible to common stock of a quality suitable for a Retirement Fund and master Limited Partnerships (MLPs).
- 3) Mutual funds, exchange traded funds (ETFs), exchange traded notes (ETNs), traded and non-traded REITs, pooled funds and separate accounts of insurance companies whose investments meet these policies and guidelines.
- 4) Alternatives, including Hedge Funds, Private Equity Funds or Fund of Funds, Private Credit Funds or Fund of Funds, publicly and privately-traded REITs, Commodity funds and Managed Futures funds.

Hedge Funds: Hedge funds are expected to provide diversification by investing in strategies that do not correlate directly with traditional equity and/or fixed-income investments. Such strategies may include, but are not limited to the following:

- Long/Short Equity – Directional and Market Neutral
- Convertible Arbitrage – Equity and Bond Arbitrage
- Merger/Risk Arbitrage, Risk/Event Driven Arbitrage
- Directional Trading Leveraged, Macro Trading, Sector/Industry Concentration
- Distressed Securities, Reg D
- Dedicated Short Bias, Managed Futures, Emerging Markets, Global Macro
- Additional strategies not listed above

The Committee understands that many alternative investments are less transparent than traditional investments, but will expect reasonable levels of transparency in order to monitor the investments appropriately. In addition, the liquidity in such investments may be limited to specific time periods. Liquidity constraints, including lock-up provisions will be taken into consideration when making allocations to such investments.

In addition, the following guidelines shall apply:

- 4) All individually held bond securities shall have a rating of at least investment grade at time of purchase as determined by Moody or Standard and Poor's.
- 5) Pooled, co-mingled bond funds, mutual funds, ETFs, ETNs shall have the flexibility to invest in non-US and non-investment grade fixed income securities provided that the Committee has expressly hired the manager for that purpose.

FCMM RETIREMENT – Investment Policy
May 2018

- 6) With the exception of issues of The U.S. Treasury and other agencies backed by the full faith and credit of the United States of America, the portfolio shall not contain total securities that exceed 5% of the portfolio by any one issuer.

Performance Review and Criteria

The Option C portfolio returns should be in the top 40 percentile of similar funds over a market cycle. Comparison shall be made with a universe of Balanced Funds.

Option C performance shall exceed the performance of a benchmark composed of 40% Russell 3000, 13% MSCI ACWI-ex US, 12% HFRI Fund of Funds Composite, 35% Barclays Aggregate Bond over any 3 year period.

Investment Managers shall be reviewed quarterly and evaluated over a 3 to 5 year period. Managers are expected to fall within the top 40% of their peer group, i.e., balanced, growth equity, value equity, small capitalization, international, Emerging Market, Investment Grade Bonds, Hedge Funds of Funds. Failure to meet this criteria will not be cause for automatic termination, but will be a catalyst for in-depth analysis to determine the best course of action regarding the manager.

FCMM RETIREMENT – Investment Policy
May 2018

Addendum – Option D Stock Fund Guidelines
Amended May 2018

Investment Objectives

The investment objective of the Option D portfolio is to maximize total return (focusing primarily on capital appreciation with a lesser focus on income) while managing risk within acceptable limits. The long term investment strategy is to increase the capital value of the assets over time in a prudent manner that limits exposure to risks of permanent capital losses and of unduly high volatility in the total market value of the Fund.

In particular, Fund assets shall be invested to:

Obtain a return that exceeds that of the Policy Benchmark (see below) with equal or lower volatility over a 5 to 8 year market cycle.

Asset Allocation Guidelines

Option D is designed to be managed as a growth-oriented stock portfolio.

Program Allocation Guidelines

	Growth-Oriented Option D		
	Normal Target	Minimum of Range	Maximum of Range
US Equity	75 %	50 %	100 %
Non-US Equity	25%	0 %	50 %
Alternative Assets	0 %	0 %	20 %
Bonds	0 %	0 %	0 %
Cash	0%	0 %	25 %

Diversification for Investment Managers

The Committee does not believe it is necessary or desirable that equity securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed 5% of the total Fund at cost, and no more than 25% of the total Fund should be invested in any one industry.

Permitted Investments

The following classes of securities and investments may be purchased:

- 1) Common stock, preferred stock, securities convertible to common stock of a quality suitable for a Retirement Fund and master Limited Partnerships (MLPs).

FCMM RETIREMENT – Investment Policy
May 2018

- 2) Mutual funds, exchange traded funds (ETFs), exchange traded notes (ETNs), traded and non-traded REITs, pooled funds and separate accounts of insurance companies whose investments meet these policies and guidelines.

Performance Review and Criteria

The Option D portfolio returns should be in the top 40 percentile of similar funds over a market cycle. Comparison shall be made with a universe of All-Cap Global Equity Funds.

Option D performance shall exceed the performance of a benchmark composed of 75% Russell 3000, 25%MSCI ACWI-ex US over any 3 year period.

Investment Managers shall be reviewed quarterly and evaluated over a 3 to 5 year period. Managers are expected to fall within the top 40% of their peer group, i.e., growth equity, value equity, small capitalization, international, Emerging Market. Failure to meet this criteria will not be cause for automatic termination, but will be a catalyst for in-depth analysis to determine the best course of action regarding the manager.

FCMM RETIREMENT – Investment Policy
May 2018

Addendum - Option E Bond/Income Fund Guidelines
Amended May 2018

Investment Objectives

The investment objective of the Option E portfolio is to maximize total return by focusing primarily on income, and to a lesser degree on capital appreciation, while managing risk within acceptable limits. The long term investment strategy is to preserve and increase the capital value of the assets over time in a prudent manner that limits exposure to risks of permanent capital losses and of unduly high volatility in the total market value of the funds.

In particular, Fund assets shall be invested to:

Obtain a return that exceeds that of the Policy Benchmark (see below) with equal or lower volatility over a 3 to 5 year market cycle.

Asset Allocation Guidelines

Option E is designed to be managed as an income-oriented bond portfolio.

Program Allocation Guidelines

	Income-Oriented Option E		
	Normal Target	Minimum of Range	Maximum of Range
US Equity	0 %	0 %	0 %
Non-US Equity	0 %	0 %	0 %
Alternative Assets	0 %	0 %	20 %
Bonds	100 %	50 %	100 %
Cash	0 %	0 %	50 %

Diversification for Investment Managers

The Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed 5% of the total Fund at cost, and no more than 25% of the total Fund should be invested in any one industry. The total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate bond position.

FCMM RETIREMENT – Investment Policy
May 2018

Permitted Investments

The following classes of securities and investments may be purchased:

- 1) For individually held bond positions the funds will be limited to bills, notes and bonds of the U.S. Treasury and agencies of the United States of America, commercial paper, Commercial Bank or Savings and Loan Certificates of Deposit, corporate obligations of investment grade and guaranteed investment contracts.
- 2) Mutual funds, exchange traded funds (ETFs), exchange traded notes (ETNs), pooled funds and separate accounts of insurance companies whose investments meet these policies and guidelines.

In addition, the following guidelines shall apply:

- 1) All individually held bond securities shall have a rating of at least investment grade at time of purchase as determined by Moody or Standard and Poor's.
- 2) Pooled, co-mingled bond funds, mutual funds, ETFs, ETNs shall have the flexibility to invest in non-US and non-investment grade fixed income securities provided that the Committee has expressly hired the manager for that purpose.
- 3) With the exception of issues of The U.S. Treasury and other agencies backed by the full faith and credit of the United States of America, the portfolio shall not contain total securities that exceed 5% of the portfolio by any one issuer.

Performance Review and Criteria

The Option E portfolio returns should be in the top 40 percentile of similar funds over a market cycle. Comparison shall be made with a universe of Diversified Bond Funds.

Option E performance shall exceed the performance of a benchmark composed of 100% Barclays Aggregate Bond Index over any 3 year period.

Investment Managers shall be reviewed quarterly and evaluated over a 3 to 5 year period. Managers are expected to fall within the top 40% of their peer group, i.e., Diversified Bond Funds. Failure to meet this criteria will not be cause for automatic termination, but will be a catalyst for in-depth analysis to determine the best course of action regarding the manager.