City of Orange Firemen's Relief and Retirement Fund

Statement of Investment Policy, Guidelines and Investment Objectives

Adopted by the Board of Trustees
On August 29, 2001

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Revision 1.2 - Interim February 17, 2005
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Section 1: Introduction

1.1 General information:

The City of Orange Firemen's Relief and Retirement Fund (hereinafter the "Fund") is a pension fund operating under the constitutional and statutory provisions of the State of Texas. It is governed by a Board of Trustees (the "Board") provided for under the law and funded by contributions from its participants, the City of Orange, and from investment earnings. It provides for an orderly means whereby eligible participants of the City of Orange Firemen's Relief and Retirement Fund may accumulate reserves for themselves and their dependents, and provide for certain benefits upon retirement, disability, or death under the provisions of the plan.

The Board shall act and discharge its fiduciary duties with respect to the Fund solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Fund.

1.2 Purpose of This Document:

The purpose of this document is to formalize the investment policy and guidelines of the City of Orange Firemen's Relief and Retirement Fund's Board of Trustees and to facilitate communication, and enhance supervision, monitoring, and evaluation of the Fund's assets. It outlines an overall philosophy specific enough to communicate the Board's expectations, but flexible enough to allow for changing economic circumstances and the inevitable fluctuations in capital markets.

This document has been formulated based upon a wide range of data and possibilities and describes the process deemed appropriate by the Board based upon the "prudent man" rule.

1.3 Exhibits:

Exhibit A: attached, is an **Executive Summary** of the Fund, investment allocations and benchmarks.

Exhibit B: attached, is a **Chronology of Investment Decisions**.

Section 2: Investment Objectives

The overall investment objectives of the Fund are:

i. To achieve a total return, net of management fees, in excess of the Fund's actuarial rate, currently 7.5%
ii. To outperform the annualized return of the Fund's composite policy benchmark net of management fees.
iii. To achieve a real return of 4.5% over the CPI.

It is expected that at least two of the above criteria shall be met over a market cycle or a three to five year period. If the Fund's performance does not meet these objectives over a market cycle, then the goals must be re-evaluated, the asset mix modified, Manager composition revised, or a combination of the above.

The Board of the City of Orange Firemen's Relief and Retirement Fund has considered real return expectations (i.e. returns in excess of the rate of inflation) for the various asset classes. These expectations are considered reasonable given over fifty years of historical experience covering periods of varying economic conditions and investment environments, and given the belief that the United States' capital markets will remain viable.

These expectations reflect long-term views and the Board acknowledges the possibility that such returns may not be realized over short or even intermediate time periods. The Board's long-term, real rate of return expectations are as follows:

Asset Class:	**LT Real Rate of Return Expectations:**
Cash and Equivalents	0% to 1.0%
Diversified Portfolio of Domestic and International Fixed Income Investments	1.0% to 3.0%
Diversified Portfolio of Domestic and International Common Stocks	4.0% to 8.0%

These guidelines represent the framework within which the investment managers (the "Managers") operate in relation to the management of the Fund. These guidelines and objectives are the basis upon which the Managers will operate and upon which they will be evaluated.

The portfolio shall consist of investments, which, in combination, can reasonably be expected to satisfy the investment objectives of the Fund in light of its investment time horizon, risk tolerance, return objectives, and asset class allocations.

Risk management is achieved primarily through asset allocation established by the Board, thus dampening individual asset risk. Since the Board has chosen to use a multiple manager approach across multiple asset classes, the need for broad diversification within individual portfolios, although not entirely eliminated, is somewhat reduced.

2.1 Investment Time Horizon:

These investment guidelines are based upon an investment time horizon in excess of five years (in fact, much longer since the Fund will continue indefinitely). Therefore, interim fluctuations should be viewed with an appropriate perspective. Similarly, the Fund's strategic asset allocation is based on this long-term investment horizon.

Short-term liquidity requirements are only those necessary to meet the obligations of the Fund, namely benefit disbursements, lump-sum distributions, and administration and management costs as deemed appropriate by the board.

2.2 Risk Tolerances:

The Board of Trustees of the City of Orange Firemen's Relief and Retirement Fund recognizes the difficulty of achieving the Fund's investment objectives in light of the complexities and uncertainties of today's capital markets. The Board also recognizes and accepts the fact that a prudent level of risk must be assumed in order to achieve the Fund's long-term investment objectives.

In establishing the risk tolerance of the Fund, the Board has taken into account several factors influencing the Fund's ability to withstand short and intermediate-term fluctuations in the value of the Fund's investments. Among these are the Fund's sound actuarial position, limited near-term liquidity requirements and balance of contributions and disbursements.

In summary, the Fund's prospects for the future, current financial condition and several other factors collectively suggest that the Fund can tolerate moderate interim fluctuations in market value and rates of return in order to achieve the Fund's long-term objectives.

2.3 Performance Expectations:

The Board of the City of Orange Firemen's Relief and Retirement Fund expects its money manager's activities, investment decisions, and results to be consistent with the Fund's policies, guidelines, goals, and objectives as reflected in this document. The Managers are expected to manage those assets in their portfolio using an investment approach that reflects their internal policies and guidelines while maintaining compliance with this document and all applicable statutes.

Section 3: Responsibilities of Parties Involved

3.1 Responsibilities of the Board of Trustees and Staff:

The ultimate responsibility for oversight of the Fund rests with the fiduciaries of the Fund. The Board of Trustees and staff will exercise its responsibilities as a prudent body in conformance with all applicable statutes of the State of Texas and the Federal Government. The Board and its staff, as fiduciaries, must operate under an extremely high ethical standard and, therefore, must not enter into any action or transaction that would be in conflict or perceived to be in conflict with the best interests of the Fund.

The duties and responsibilities of the Board include but are not limited to:

i. Ensuring that the Fund is managed effectively and prudently in compliance with all applicable laws and ordinances and the actuarial needs of the Fund.
ii. Complying with Texas laws governing the Fund, specifically, Article 6243e. of Vernon's Texas Civil Statutes which can be found at the following Internet address: www.legis.state.tx.us, and the Texas Government Code Title 8, Subtitle A – Provisions Generally Applicable to Public Retirement Systems which can be seen at the same internet address.
iii. Acting in good faith on a best-efforts basis to keep the managers apprised of any changes to such applicable statutes.
iv. Determining an appropriate asset mix based upon capital markets expectations incorporating both historical and projected returns and the asset-liability mix of the Fund.
v. Delegating supervisory responsibilities to appropriate groups or individuals, assigned staff, or assistants for administration of the Fund.
vi. Establishing rules, regulations, and bylaws for administering the Fund.
vii. Monitoring the administration of the Fund, including requesting, mandating, receiving, and reviewing reports as necessary to accomplish this function.
viii. Monitoring the performance and other critical aspects of the Fund's investment managers, actuaries, accountants, consultants, and other professionals hired to conduct the affairs of the Fund.
ix. Notifying the appropriate parties including investment managers, consultants and custodian of changes in the governing statutes as necessary.
x. Establishing policies and objectives relating to the investment of the Fund's assets and monitoring investment performance to ensure that the policies are followed and objectives are met.
xi. Ascertaining the adequacy of this document, reviewing it annually or as needed, and determining any warranted changes.
xii. Engaging such professional expertise as may be needed to assist in the supervision of the investment of the Fund's assets including but not limited to investment consultants, custodians, money managers, attorneys, and actuaries.
xiii. Determining the eligibility, status, and rights of the Fund's participants and beneficiaries in accordance with the appropriate rules, regulations, and interpretations thereof, which have been adopted.
xiv. To review and resolve contested claims.

xv. To communicate with the Fund's participants and beneficiaries as is necessary or as required by law or regulations.

xvi. To discharge its duties with all the judgment, care, skill, prudence, and diligence, under circumstances then prevailing, which a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims by diversifying the investments of the Fund to minimize the risk of large loss.

3.2 Responsibilities of Investment Managers:

As deemed appropriate by the Board of Trustees, they may contract for professional investment management services. In selecting, engaging and utilizing professional investment management services (the Managers), the Board of Trustees will do so prudently and solely in the best interest of the Fund's participants and beneficiaries. No Trustees of the Board shall be liable for the acts or omissions of the investment managers, nor are they obligated to invest or otherwise manage any assets of the Fund subject to the control of the investment managers.

The duties and responsibilities of the investment managers include but are not limited to:

i. Maintaining registration under the Federal Investment Advisors Act of 1940, 15 U.S.C. 80 B-1, ET seq.

ii. Adhering to the policies, objectives, and guidelines as set forth in this document.

iii. Exercising such investment discretion as has been authorized by contract with the Board of Trustees and in compliance with the policies, objectives, and guidelines set forth in this document.

iv. Managers are fiduciaries and, as such, must comply with all applicable laws and legislation, particularly as it pertains to duties, functions, and responsibilities of a fiduciary and investment manager. Specifically, adherence to the "prudent expert" standard is required.

v. Furthermore, all assets must conform to the Texas laws governing such investments for the Fund, specifically, Article 6243e. of Vernon's Texas Civil Statutes which can be found at the following Internet address: www.legis.state.tx.us, and the Texas Government Code Title 8, Subtitle A – Provisions Generally Applicable to Public Retirement Systems which can be seen at the same internet address.

   It is understood that the Board will act in good faith on a best-efforts basis to keep the managers apprised of any changes to such statutes.

vi. Each asset manager must stand ready at all times to explain and justify any investment or asset-related decisions to the Board of Trustees, or their appointee.

vii. Formally reporting to the Board of Trustees on an as-needed basis.

viii. Each money manager must acknowledge in writing their recognition and acceptance of full responsibilities as a fiduciary under appropriate Federal and State laws and their intention to comply with this document.

ix. Being available to meet or confer with the Board or its designated appointees, as required, resolving any questions arising in the day-to-day operations of the Fund.
x. Voting proxies. Because of the complexity of issues and the direct impact on asset values, the Board believes its investment managers are best positioned to vote proxies of the shares held in the portfolios they manage. The Board directs that the investment managers vote proxies in accordance with their own policies in the best interest of the Fund. In general, Managers should vote for issues that will enhance shareholder's long-term value and against those issues that would decrease shareholder's long-term value.

3.3 Responsibilities of the Consultants:

Due to the complexity of the investment environment, the Board recognizes the need to engage the services of a professional investment consultant (the "Consultant"). The duties of such consultant include but are not limited to the following:

i. Assisting the Board in developing investment policy guidelines including appropriate asset classes, asset allocation targets and ranges, and managing risk through diversification.
ii. Initial due-diligence which includes providing the Board with objective information on the broad range of investment management specialists and assisting the Board in assembling a superior team of investment managers.
iii. Ongoing due-diligence including but not limited to monitoring both the qualitative and quantitative aspects of the money managers and providing reports on a quarterly basis or more timely if the situation demands, such as a change in key personnel.
iv. Aid the Board in interpreting and understanding the performance data on the money managers and the Fund as a whole.
v. Making recommendations to the Board as warranted to put a Manager on probation or terminate them for reasons including but not limited to the following: failure to consistently meet investment objectives over a reasonable period of time, a significant change in investment philosophy or process, deviation from investment guidelines, a change in key investment personnel, or failure to comply with all applicable regulations and laws including this document. A Manager may be removed from probation if they demonstrate satisfactorily to the Board that significant improvement or rectification of the problem has been accomplished.
vi. Assist the board in developing and implementing a rebalancing strategy.
vii. Meet with the Board on both a formal and informal basis as required. In order to control costs, the consultants will make use of video and teleconferencing, when appropriate and acceptable to the Board.

3.4 Responsibilities of the Custodian:

The custodian appointed by the Board has the following duties and responsibilities, among others:

i. Accepts possession of the investment securities for safekeeping, collects income from the investments, collects principal of called, matured or sold securities, and provides periodic statements of the accounts. In addition, the Custodian will sweep free credit balances into an appropriate money market fund as directed in writing by the Board.
ii. Settles trades as they occur.
iii. Receives contributions and makes disbursements by check or wired funds as directed in writing by the board or its designee.
iv. Is available as necessary to confer with the Board, and to answer any operational questions as they arise.

Section 4: Asset Allocation and Rebalancing

4.1 Asset Allocation Constraints:

The Board of City of Orange Firemen's Relief and Retirement Fund understand that the Fund's return, risk, and liquidity are in large part determined by the asset mix. The Board has selected the strategic asset allocation outlined in Exhibit A based upon the Fund's investment time horizon, risk tolerance, performance expectations, asset class preferences, and long-term real rate of return expectations.

4.2 Rebalancing Procedures:

The allocation mix outlined above is based upon market value and, consequently, the Fund's Consultant is expected to monitor the portfolio based on this valuation. Neither the upper nor the lower limits of the asset allocations are intended to require portfolio activity for the sole purpose of complying with the guidelines. However, deviation from these guidelines, when they occur, will be discussion items at the meetings between the Board of Trustees and the Consultant and or Managers.

The Board of the City of Orange Firemen's Relief and Retirement Fund recognizes that during times of transition, (for example when a new Manager is hired), that the Fund's actual allocation might vary temporarily from the target range outlined above. It is expected, however, that the actual allocation will be brought back into line as soon as is practically and prudently possible.

The Board also recognizes that relative asset class and Manager performance, as well as significant moves in the capital markets, can and will lead to movements in asset allocation away from the targeted ranges. Deviations outside the upper or lower limits (which generally range from ±10% to ±20% of the targeted allocations) for these reasons should be corrected as soon as prudently possible. Normal cash flows into or out of the portfolio will be managed as much as is practical and prudent to maintain targeted allocations. Allocation will be monitored on a quarterly basis and more often if necessary.

If the cash flows of the Fund are inadequate to maintain targeted allocations, the Board will instruct the Consultant, Managers, and the Custodian in writing to effect transactions and redeployment of funds as needed to bring the allocation within the guidelines above.

4.3 Significant Portfolio Cashflows:

Should a situation where significant, unusually large cash in- or outflows arise, the Board will inform the Consultant, the Custodian, and the Managers as necessary as soon as practical of anticipated additions to or withdrawals from their portfolio. The Consultant, in consultation with the Board, will determine the most appropriate utilization for the cash additions within the established guidelines and will similarly determine the most appropriate manner in which to raise cash for withdrawals.

Section 5: Investment Guidelines

Each money manager hired by the City of Orange Firemen's Relief and Retirement Fund must adhere to the appropriate guidelines that follow. These guidelines for each major asset class serve as a framework for the money managers to work within to achieve the Fund's investment objectives while maintaining an acceptable level of risk. These guidelines are specifically designed to minimize interference with the money manager's efforts to attain overall objectives and to minimize the risk of excluding them from appropriate opportunities in compliance with this document. Should a money manager request a deviation from the following guidelines, the Board may choose to allow it, and this decision will be transmitted to the Manager in writing. Furthermore, these investment guidelines do not apply to mutual funds and exchange-traded funds (ETFs). Investments by mutual funds and ETFs are governed by the terms and conditions of their prospectuses and specific shareholder agreements.

If for any reason any Manager outside of these guidelines purchases a security, it must be sold. Following Board of Trustees notification the investment manager is given discretion to sell at anytime within a thirty-day period. If a security is disposed of as a result of an original purchase that was made outside of the guidelines of the Fund, then the Fund is to be made whole by the Manager. (Whole is defined as the original book value of the non-complying investment(s) plus the greater of either the holding period return on the non-complying security(ies) or the return of the primary benchmark for that specific managed account during the same holding period.)

5.1 Prohibited Investments:

The following securities and transactions are prohibited unless the money manager has received prior, written Board authorization:

i. Letter stock, restricted stock, stock in non-public corporations, private placements, and any other unregistered securities including fixed income securities or any securities acquired upon conversion of the above. "Restricted Securities" are securities that have not been registered under the Securities Act of 1933 and as a result are subject to restrictions on resale.
ii. The purchase of securities on margin, or the lending, pledging, or hypothecating of securities (except when investing in mutual funds).
iii. Short sales.
iv. Participation on a joint and several bases in any securities trading account.
v. Investment in companies for the purpose of exercising control of management.
vi. Concentration of investments in a particular industry inasmuch as the maximum commitment to an industry may not exceed 25% of the total value of the Fund's portfolio. This is not intended to restrict the concentration of fixed income securities in any given sector (such as corporate bonds, asset-backed securities, mortgage-backed securities, etc.) but to limit the concentration within each sector to 25% in any one industry.
vii. The purchase or sale of options or commodities, commodity contracts, mineral, oil, gas or other mineral exploration or development programs. However, the Fund may purchase the securities of companies engaged in the exploration,

development, production, refining, transportation and marketing of oil, gas or other minerals.

viii. The above referenced list of Prohibited Investments does not apply to Mutual Fund Investments. Mutual Fund Investments are restricted by the terms and conditions of their Prospectus and specific shareholder agreements.

5.2 Domestic Equities:

These guidelines for equity Managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers broad discretion to manage their portfolios according to their own internal policies.

i. Equity holdings in any one company should not exceed 5% of the market value of the entire Fund.
ii. The Managers should not invest more than 25% of the value of the common stock portfolio in the securities of companies principally engaged in the same industry.
iii. Equity holdings shall emphasize quality in security selection and be restricted to readily marketable securities of corporations actively traded on the major exchanges or listed over-the-counter.
iv. The money managers shall have the discretion to invest a portion of the assets under their supervision in cash reserves when they deem appropriate. However, the Managers will be evaluated against their benchmarks and their peer group based on the total funds of the portfolio under their direct management.
v. While the Managers should avoid the risk of large loss through diversification, the Board recognizes that certain Managers emphasizing performance often run concentrated portfolios holding fewer securities and are thus subject to greater volatility.

5.3 Domestic Fixed Income:

These guidelines for fixed income managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers broad discretion to manage their portfolios according to their own internal policies.

i. All individual fixed income securities held for the Fund shall, at a minimum, be of investment grade at the time of purchase. The fixed income account managed by any manager shall maintain a weighted average credit rating that falls within the “A” category or better, as determined by the major credit rating agencies at all times. Mutual funds may purchase non-investment grade securities including high yield, non-dollar, and emerging market securities. U.S. Treasury and U.S. government agency securities, while unrated, are qualified for inclusion in the Fund’s portfolio.
ii. Managers shall not invest more than 5% of the Fund’s value in the issues of any one issuer, with the sole exception of the U.S. Government, its agencies, or instrumentalities.

iii. All fixed income securities held for the Fund shall be expected, under normal market conditions, to be easily liquidated without severe markdowns when the transaction is not a forced liquidation.
iv. No funds shall be invested in private mortgages.
v. Short-term investments, including short-term investment funds (STIF's) and money market funds shall be of investment grade.
vi. When previously agreed upon in writing by the Board, certain short sales may be employed.
vii. Yankee bonds and taxable municipal securities are allowable.
viii. The above referenced list of restrictions does not apply to Mutual Fund Investments. Mutual Fund Investments are restricted by the terms and conditions of their Prospectus and specific shareholder agreements.

5.4.1 Developed Market International Equities:

These guidelines for international equity managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers broad discretion to manage their portfolios according to their own internal policies.

i. International equities may be U.S. dollar or non-U.S. dollar denominated, but it is the intention of the Board that most securities will be U.S. dollar denominated.
ii. Equity holdings in any one company shall not exceed 10% of the value of the Fund's international stock portfolio.
iii. The Managers shall not invest more than 25% of the value of the Fund's international portfolio in any one industry category.
iv. Managers should avoid extreme allocations to any specific country.
v. International equity securities must be traded on recognized stock exchanges.
vi. Managers shall not exceed 10% exposure of the Fund's international portfolio in emerging markets.

5.4.2 Emerging Market International Equities:

These guidelines for Emerging Markets (EM) international equity managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers discretion to manage their portfolios according to their own internal policies.

i. Emerging Markets equities may be U.S. dollar or non-U.S. dollar denominated, but it is the intention of the board that most securities will be U.S. dollar denominated.
ii. Emerging Markets Equities may be invested in any type of depositary receipt and securities comprising the EM Account may be traded on recognized exchanges or over the counter.
iii. Equity holdings in any one company shall not exceed 10% at the market of the value of the Emerging Markets stock portfolio.
iv. No manager shall invest more than 35% of the value of the Fund's Emerging Markets portfolio in any one industry category.

v. Managers should avoid allocations to any specific country greater than 45% of their portfolio.

Section 6: Performance Measurement

6.1 Performance Objectives:

Investment performance (including measures of both risk and return) for the Fund in total will be reviewed at least annually by comparing it to the Fund's composite policy benchmark outlined in Exhibit A.

This is done to determine the continued feasibility of achieving the Fund's investment objectives, and the appropriateness of this document in that regard. It is not expected that this document will be changed frequently; in particular short-term fluctuations in the capital markets should not require the modification of this document.

6.2 Monitoring of Money Managers:

The performance of each Manager will be measured by the Fund's consultant and shall be reviewed each quarter. This analysis should be taken in the context of the capital markets' conditions prevailing during that period and in relationship to that Manager's sector and style. The primary objectives of performance measurement are enhanced communication and understanding between the Fund and its Managers, and the comparison of actual performance against the goals established in this document.

The Board does not expect that the goals defined herein will be met in every quarter; however, the Board does expect these goals to be met over a full market cycle or a three to five year period. It is understood that there will be short-term periods during which a Manager's performance deviates from the market indices. During periods such as this, greater emphasis will be placed on that Manager's performance relative to its peer group, while keeping in perspective the Manager's long-term track record. This is done to reduce the likelihood of terminating a Manager whose investment style is out of favor when that Manager may, in fact, be outperforming its peer group. It is the Board's goal for each Manager to achieve a total return in the top 30% of a representative universe of similar managers over a full market cycle.

For each asset class within the Fund, each Manager's performance will be compared to a primary benchmark appropriate for that Manager's sector and style, and mutually agreed upon by the Manager and the Fund's consultant. It is the Board's goal that each Manager outperforms their primary benchmark over a full market cycle. Where appropriate, a Manager will also be compared against a secondary benchmark, selected by the consultant, to give the Board a broader framework to evaluate that Manager's performance relative to its particular sector and style.

The manager-specific benchmarks for the Managers chosen by the Board of the City of Orange Firemen's Relief and Retirement Fund are in Exhibit A.

While it is the Board's intention to fairly evaluate each Manager's performance, both absolute and relative, over a reasonable period of time, the Board clearly retains the right to terminate a Manager for any reason including but not limited to the following:

i. Failure to meet Board's communication and reporting requirements.
ii. Failure to respond promptly to the Board's concerns.
iii. Unacceptable justification for poor results.
iv. If the Manager incurs excessive risks.
v. A significant change in key personnel or a change in ownership.
vi. When the Board reaches a consensus that a change of Manager would be in the best interests of the Fund, with or without cause. (This judgment by the Board is sufficient justification for termination in and of itself.).
vii. If the Manager fails to comply with all applicable laws and statutes, including this document.

Section 7: Selection of Money Managers

Recognizing the vast number and broad spectrum of investment managers available, the Board of the City of Orange Firemen's Relief and Retirement Fund has engaged the services of a professional investment Consultant to aid in the selection of Managers for the Fund by performing due diligence, narrowing the broad universe of managers to a more manageable group, and recommending a select set of specific managers for each asset class for the Board's final selection. This structured approach promotes diversification across asset classes and investment styles, and promotes the longevity of manager relationships. At a minimum, managers for the Fund's consideration must meet the following criteria:

i. Be a bank, insurance company, investment management company, or investment advisor as defined by the Registered Investment Advisors Act of 1940.
ii. Be registered and maintain registration under the Registered Investment Advisors Act of 1940.
iii. Be registered to conduct business in the State of Texas.
iv. Provide historical quarterly performance numbers on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style.
v. Provide detailed information on the history of the firm, key personnel, and assets under management.
vi. The Manager must articulate clearly and in writing the investment strategy that will be followed.
vii. Provide the Fund with a current Form ADV.

Section 8: Meetings and Reports

On occasion the Board of the City of Orange Firemen's Relief and Retirement Fund may request a formal presentation by a manager at a scheduled board meeting. The date of the meeting will be scheduled in advance, and notification will be made in writing. Although the Board does not intend to limit the presentation by the Manager, it is requested that the following items be addressed by the Manager at a minimum:

i. Economic and investment background.
ii. Actual portfolio composition versus stated investment style, market sector, and methodology.
iii. A review of actual results of the Fund's portfolio, including measures of both risk and return, under that Manager's supervision in relation to the Manager's short, intermediate, and long-term track record.
iv. Any changes in the Manager's style, internal policies, or investment management process.
v. Any changes in personnel.
vi. Proxy voting record (if applicable).
vii. A review of any guidelines contained in this document which might constrain the Manager adversely in the performance of its duties, and recommendations concerning any changes in policy which should be given consideration by the Board.

Exhibit A: Executive Summary

Current Assets (12/31/14):	$9,138,309
Investment Time Horizon:	Greater than ten years (perpetual)
Actuarial Return Assumption:	7.5%
Expected Portfolio Return:	8% (approximately 4.5% over CPI)
Risk Tolerance:	Moderate

Policy Asset Allocation:	Target Allocation	Range
Domestic Equity: Large Cap Growth	13.0%	10-30%
Domestic Equity: Large Cap Value	13.0%	10-30%
Domestic Equity: Smid Cap	9.0%	0-20%
International Equity	20.0%	0-20%
Emerging Markets	10%	0-10%
Domestic Fixed Income	35.0%	0-50%
Cash and Equivalents	0.0%	0-5%

Composite Policy Benchmark Index	Percentage
Russell 1000 Growth	13.0%
Russell 1000 Value	13.0%
Russell 2500	9.0%
MSCI EAFE Net	20.0%
MSCI Emerging Markets Net	10.0%
BC Aggregate	35.0%

Manager Allocation	Sector/Style	Target Alloc.	Collar Percent	Lower Limit	Upper Limit
Congress	Domestic Equity: LC Growth	13.0%	10.0%	11.70%	14.30%
Columbia Mgmt	Domestic Equity: LC Value	13.0%	10.0%	11.70%	14.30%
Great Lakes Advisors	Domestic Equity: Smid Cap	9.0%	15.0%	7.65%	10.35%
Delaware	International Equity: Value	10.0%	15.0%	8.50%	11.50%
MFS Investment	International Equity: Growth	10.0%	15.0%	8.50%	11.50%
Glovista Investments	Emerging Markets	10.0%	15.0%	8.50%	11.50%
Federated Investors	Core Fixed Income	35.0%	10.0%	31.50%	38.50%

Congress LC Growth	Russell 1000 Growth	Russell 3000	Focus
Columbia LC Value	Russell 1000 Value	Russell 3000	Approved
Great Lakes SMID Core	Russell 2500	none	Approved
Delaware Investments Intl Value	MSCI EAFE Value Net	MSCI EAFE Net	Focus
MFS Investment Intl Growth	MSCI EAFE - Growth Net	MSCI EAFE Net	Approved
Glovista Investments EM	MSCI - EM Net	MSCI EAFE Net	Approved
Federated Core Aggregate	BCAG	BC G/C	Approved

Exhibit B: Chronology of Investment Decisions

The City of Orange Firemen's Relief and Retirement Fund currently has 31 retirees and 37 active duty participants. The Fund adopted a consultant-multiple manager format in August 2001. The Fund's payroll is administered by the City of Orange. The Fund is currently in negative cash flow of approximately $216,000 per year and is projected to be in negative cash flow for the foreseeable future.

On March 2, 2004, the Board voted to engage the services of the Consulting Group of Smith Barney to provide consulting and custody for their Fund's assets. On March 19, 2004, the Board voted to replace their small cap manager Reed, Conner, Birdwell with TCW Value Opportunities SMID Value equity manager.

At a meeting on May 12, 2004, the Board voted to engage Allegiance Capital to manage an intermediate bond portfolio in addition to the market duration portfolio then in place. This was done in order to implement a tactical allocation move by the Board to reduce interest rate exposure with rates at forty year lows. On a tactical basis, the fixed income portion was changed from the strategic allocation of 40% market duration to 20% market duration and 20% intermediate duration.

On May 5, 2005 after studying a new strategic and tactical asset allocation proposal by the Consultant, the Board adopted these new policies which include a specific allocation to mid-cap stocks. In order to implement the new strategy, a new small and mid-cap manager, Penn Capital, was hired and assigned the small and mid-cap equity allocation. This required terminating the then existing mid-cap manager, TCW. In addition, NewBridge large cap specialty growth was terminated and the full allocation to that space was given to Congress LCG.

A revised Investment Policy Statement, Revision 1.3 was presented to the Board and subsequently adopted on November 17th, 2005.

At the April 27, 2006 meeting, the Board was presented with a new recommended strategic allocation increasing the international allocation from 10% to 18%. The Board voted to adopt the new strategic allocation and to leave the tactical split at 15.5% each to LCG and LCV. Additionally, the two Allegiance Capital fixed income accounts were combined into one account benchmarked to the Lehman Brothers Aggregate A or better index.

Revision 1.4 of the IPS was presented on August 23, 2006

On January 16, 2007 the Board agreed to revise the benchmark for Congress LCG from the S&P 500 to the Russell 1000 growth to more accurately reflect their relative performance. The composite index was revised accordingly and reflected in Revision 1.5 of the IPS, which was subsequently adopted on April 26, 2007.

On February 19, 2009, the Board voted to make the tactical allocation of 15.5% each to large cap value and large cap growth as reflected in the rebalancing worksheet permanent. Revision 1.6 of the IPS to was adopted by the Board on its March 18, 2010 meeting.

The Board at its July 15, 2010 meeting voted to replace Macquarie Allegiance Capital with Federated Investors to manage the fixed income account.

On August 18, 2011, the Board adopted a new asset allocation based on an asset allocation study and the advice of the investment consultant. A 5% allocation is approved for emerging markets. Allocation to international equity is increased from 18% to 20%; allocation to domestic equities is reduced from 42% to 35%; and allocation to fixed income remains at 40%. The international equity allocation is split among value and growth investment styles.

At the same meeting on August 18, 2011, the Board voted to hire Glovista Investments (with 5% allocation) as the emerging markets manager and MFS Investment Management (with 10% allocation) as the international growth manager based on recommendation by the investment consultant. Allocation to Delaware Investment is reduced from 18% to 10%.

On February 20, 2014, the Board at its regular meeting voted to increase the allocation to emerging markets from 5% to 10%. Allocation to fixed income is reduced from 40% to 35%.

On April 16, 2015, the Board at its regular meeting voted to replace Penn Capital with Great Lakes for the smid cap mandate on recommendation of the investment consultant.

Appendix A: Manager Acknowledgement Letter

Date

Money Manager Name
Firm
Address
City, State, Zip

Re: Acknowledgement of Receipt of Statement of Investment Policy, Guidelines, and Investment Objectives, Revision 2.0, dated October 15, 2015.

Dear Sir or Madam:

Please sign and return this letter to us as acknowledgement of your receipt of the City of Orange Firemen's Relief and Retirement Fund's Statement of Investment Policy, Guidelines, and Investment Objectives, Revision 2.0, dated October 15, 2015.
This signed letter also serves as your acknowledgement and agreement in writing of your fiduciary responsibility to fully comply with the Statement of Investment Policy, Guidelines, and Objectives unless a deviation is agreed upon in writing by you and the City of Orange Firemen's Relief & Retirement Fund in advance of any non-complying action.

It is the intention of the City of Orange Firemen's Relief and Retirement Fund to review the above named document on an annual basis to reaffirm the continued relevancy or to revise it as deemed appropriate. You will be notified in writing of any changes to the document.

Yours very truly,

Tim Sharpe, CFA, CIMA
Senior Institutional Consultant

Acknowledged and agreed to by the Manager:

Signed: ______________________________

Title: ______________________________

Date: ______________________________

Please return a signed original of this letter to:
Tim Sharpe, CFA, CIMA
Senior Institutional Consultant
Morgan Stanley Smith Barney
2800 Post Oak Blvd., Suite 1800
Houston, TX 77056