



Asset Allocation Policy

Approved by the Board of Trustees

Adopted: July 18, 2013
Revised: November 17, 2016

Asset Allocation

The Board of Trustees will have a strategic asset allocation plan that sets forth a list of asset categories and corresponding allocation percentages as described in Table 1 below. The Board will annually review the strategic asset allocation plan, considering (1) opportunities to balance expected risks and returns by further diversification, (2) the existing allocation percentages and priorities, and (3) possible modification to the asset allocation plan and the list of asset categories. Tables 1 and 2 are updated by Board action to reflect changes of asset categories and allocation parameters.

Capital Market Assumptions

Concurrent with the annual review of strategic asset allocation plan or whenever changes are made to the asset allocation plan, the Board of Trustees will adopt a current set of capital market assumptions. Table 1 will be updated by Board action to reflect the current capital market assumptions.

TABLE 1
Asset Allocation: Targets and Asset Class Benchmarks

Asset Class	2016 Capital Market Assumptions			Min %	Max %	Long-Term Policy Benchmarks
	Expected Return	Standard Deviation	Target (%)			
<i>Fixed Income</i>			<i>30</i>	<i>17</i>	<i>43</i>	
Cash	2.3	1.0	0	0	5	<i>ML 90-day U.S. T-Bills</i>
U.S. Core Fixed Income	3.6	4.5	11	7	15	<i>BC U.S. Aggregate</i>
U.S. TIPS	3.3	7.5	6	4	8	<i>BC U.S. TIPS</i>
U.S. High Yield	6.8	12.5	4	2	6	<i>BC U.S. High Yield</i>
Bank Loans	5.7	10.0	3	1	5	<i>CS Leveraged Loan</i>
Foreign Bonds	2.6	9.0	2	1	3	<i>BC Global ex U.S. Aggregate</i>
Emerging Markets Bonds	6.3	14.0	4	2	6	<i>JPM GBI-EM Global Diversified</i>

Public Equities			46	34	58	
U.S. Equities	7.8	18.0	20	15	25	<i>Russell 3000</i>
Int'l. Dev. Markets Equities	8.1	20.0	16	12	20	<i>MSCI World ex U.S. ND</i>
Emerging Markets Equities	10.5	26.5	10	7	13	<i>MSCI Emerging Markets ND</i>
Absolute Return	5.6	10.5	4	2	6	3-Month LIBOR + 5%
Private Equity	9.4	24.0	9	4	14	Cambridge Global Private Equity Index (1-Quarter Lag)
Real Assets			11	6	16	CPI-U + 5.5%
Real Estate	7.1	18.0	6	4	8	
Infrastructure	7.8	19.5	3	1	5	
Natural Resources	8.4	22.0	2	1	3	

TABLE 2
Manager Structure: Investment Manager Portfolio Parameters

Asset Class	Investment Manager	Style	Long-Term Performance Objective
Fixed Income			
Cash	NTAM	Active	Outperform ML 90-day U.S. Treasury Bills
U.S. Core Fixed Income	Blackrock	Passive	Replicate BC Aggregate Bond Index before fees
U.S. TIPS	Blackrock	Passive	Replicate BC U.S. TIPS Index before fees
U.S. High Yield Bonds	DDJ	Active	Net excess returns >150 bps over custom index (80% BofA US High Yield Master II, 20% CSFB Leveraged Loan Index) and net returns in the top quartile of the eVestment Alliance U.S. High Yield Fixed Income Universe over 3-5 year periods
Bank Loans	Beach Point	Active	Net returns in excess of the custom index (20% BofA US High Yield Master II, 80% CSFB Leveraged Loan Index) over 3-5 year periods
International Bonds	Mondrian	Active	Net returns in excess of BC Global Aggregate ex U.S. Index over 3-5 year periods
Emerging Markets Bonds	Stone Harbor	Active	Net returns in excess of JPM GBI-EM Global Diversified Index over 3-5 year periods
Public Equities			
U.S. Equities			
Core	NTAM	Passive	Replicate Russell 3000 Index before fees
Small Cap Value	Channing	Active	Net returns in excess of Russell 2000 Value over 3-5 year periods

Large Cap Growth	Sands	Active	Gross excess returns >200 bps over Russell 1000 Growth Index over 3-5 year periods
Int'l. Dev. Markets Equities	SSgA	Passive	Replicate MSCI World exUS Index ND before fees
	Altrinsic	Active	Net returns in excess of MSCI EAFE Index ND over 3-5 year periods
Emerging Markets Equities	SSgA	Passive	Replicate MSCI Emerging Markets Index ND before fees
	LSV	Active	Net returns in excess of MSCI Emerging Markets Index ND over 3-5 year periods
<i>Absolute Return</i>	Portfolio	Active	Net returns in excess of the HFRI Fund-Weighted Composite Index over 3-5 year periods
<i>Private Equity</i>	Portfolio	Active	Net excess returns >300 bps over MSCI ACWI ND (1QLag) over 10 year periods
<i>Real Assets</i>			
Private Real Estate	Portfolio	Active	Net returns in excess of Cambridge Real Estate Index (1QLag) over 10 year periods
Global REITs	NTAM	Passive	Replicate FTSE EPRA/NAREIT Global Index before fees
Infrastructure	Portfolio	Active	Net returns in excess of Cambridge Infrastructure Index (1QLag) over 10 year periods
Natural Resources	Portfolio	Active	Net returns in excess of Cambridge Energy Upstream & Royalties and Private Equity Energy Index (1QLag) over 10 year periods