Investment Policies Pertaining to certain Treasury's Investment Options

A. Short-term Fixed Income Pool Investments - Investment Policy

Treasury invests the funds in this pool in a broad range of short-term fixed income investments. Under the Prudent Investor Rule, Treasury constructs the pool's portfolio with a low risk tolerance. Individual fixed rate securities will be limited to 14 months to maturity or expected average life upon purchase for amortizing securities. Floating rate securities will be limited to three years to maturity or three years average life upon purchase for amortizing securities. These constraints apply to trade date, except for securities brought at new issue, for which settlement date applies. Investments include instruments with a long-term credit rating of at least "A3" or equivalent and instruments with a short-term credit rating of at least "P1" or equivalent.. Investments for this pool are limited to:

- Money market investments comprising:
  - Repurchase agreements collateralized only by U.S. Treasury obligations, including bills, notes, and bonds, and only when the collateral carries a market value equal to or greater than 102% of the amount of the repurchase agreements, and only when the custodial bank appointed by Treasury will take custody of the collateral;
  - Commercial paper rated at least Prime-1 by Moody's Investor Services, Inc. and A-1 by Standard and Poor's Corporation; and
  - Negotiable certificates of deposit and bankers acceptances; provided that an issuing bank must have total assets in excess of $5 billion.
  - United States Treasury obligations including bills, notes, bonds, and other debt obligation issued by the United States Treasury, and backed by the full faith and credit of the U.S. Government.
  - Institutional money market funds rated Aaa by Moody's Investors Service and AAA by Standard & Poors ratings group which comply with SEC Rules governing such funds.
- Other full faith and credit obligations of the U.S. Government.
- Securities issued or guaranteed by agencies and instrumentalities of the U.S. Government, but not explicitly backed by the full faith and credit of the U.S. Government.
- Obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars.
- Corporate debt securities comprising:
  - Corporate debt issued in the U.S. capital market by U.S. companies;
  - Euro-dollar debt (that is, U.S. dollar-denominated securities issued outside the U.S. capital markets by U.S. companies or by foreign issuers); and
  - Yankee debt (that is, U.S. dollar denominated obligations issued in the U.S. capital market by foreign issuers).
- Asset-Backed Securities.

- Agency and non-agency mortgage-backed securities backed by loans secured by residential, multifamily and commercial properties including, but not limited to pass-throughs, collateralized mortgage obligations (CMO's), project loans, construction loans, and adjustable rate mortgages.

  Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 or equivalent rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

Investment in this pool is ideal for fund participants needing to invest part or all of their money with the following characteristics:

Risk Tolerance	Low. The daily investment results reflect daily changes in the market value of the pool's investments. It is possible to have a loss on a single day based on the changes in market value of the pool's assets.
Investment Objectives	Minimizing exposure of principal to loss is very important.
Current Income	Daily earnings credit. The earnings of the pool include interest and changes in the market value of the investments held in the pool. There is no distinction between current income and capital gains.
Inflation Protection	Little need for significant long-term inflation protection. The pool should earn a positive real rate over the near-term but could earn less than inflation over time while meeting its other objectives.
Liquidity	Need for significant liquidity. The pool can accommodate major withdrawals and contributions (exceeding $50,000,000) in the normal operating environment. The Pool can accommodate much larger withdrawals with very little advance notice.
Time Horizon	Very short to short time horizons. The short time horizon effectively limits the risk taken in this pool.

Treasury's performance benchmark for the Short-term Fixed Income Investment Pool is:

100% Three-Month U.S. Treasury Bill - the market measure for risk-free, extremely liquid investments.

B. Intermediate-term Fixed Income Pool Investments - Investment Policy

Treasury invests the funds in this pool in a broad range of intermediate-term fixed income investments. Under the Prudent Investor Rule, Treasury constructs the pool's portfolio with a moderately high risk tolerance. Investments include instruments with a long-term credit rating of at least "Baa3" or equivalent and instruments with a short-term credit rating of at least "P1" or equivalent. Investments for this pool are limited to:

- Money market investments comprising:
  - Repurchase agreements collateralized only by U.S. Treasury obligations, including bills, notes, and bonds, and only when the collateral carries a market value equal to or greater than 102% of the amount of the repurchase agreements, and only when the custodial bank appointed by Treasury will take custody of the collateral;
  - Commercial paper rated at least Prime-1 by Moody's Investor Services, Inc. and A-1 by Standard and Poor's Corporation; and
  - Negotiable certificates of deposit and bankers acceptances; provided that an issuing bank must have total assets in excess of $5 billion.
- United States Treasury obligations including bills, notes, bonds, and other debt obligation issued by the United States Treasury, and backed by the full faith and credit of the U.S. Government.
- Other full faith and credit obligations of the U.S. Government.
- Securities issued or guaranteed by agencies and instrumentalities of the U.S. Government, but not explicitly backed by the full faith and credit of the U.S. Government.
- Obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars.
- Investment grade corporate debt securities comprising:
  - Corporate debt issued in the U.S. capital market by U.S. companies;
  - Euro-dollar debt (that is, U.S. dollar-denominated securities issued outside the U.S. capital markets by U.S. companies or by foreign issuers); and
  - Yankee debt (that is, U.S. dollar denominated obligations issued in the U.S. capital market by foreign issuers).
- Investment grade Asset-Backed Securities.
- Agency and investment grade non-agency mortgage-backed securities backed by loans secured by residential, multifamily and commercial properties including, but not limited to pass-throughs, collateralized mortgage obligations (CMO's), project loans, construction loans, and adjustable rate mortgages.

Asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

- Total return swaps referenced to components or sub-components of fixed income indices. To mitigate interest rate risk, the proceeds may not be invested in securities with a maturity beyond 90 days, unless invested in the Department of Revenue internally-managed Short-Term Fixed Income Pool.

Investment in this pool is ideal for fund participants needing to invest part or all of their money with the following characteristics:

Risk Tolerance	Moderately high. The daily investment results reflect daily changes in the market value of the pool's investments. Losses are likely over the short-term based on the changes in market value of the pool's assets.
Investment Objectives	Willing to assume an average amount of market risk, volatility and principal loss to achieve higher returns.
Current Income	Daily earning credit. The earnings of the pool include interest and changes in the market value of the investments held in the pool. There is no distinction between current income and capital gains.
Inflation Protection	Moderate need for long-term inflation protection. The pool should earn a positive real rate over an intermediate time horizon while meeting its other objectives.
Liquidity	Need for moderate liquidity. The pool can accommodate withdrawals and contributions (exceeding $5,000,000) in the normal operating environment. The pool can accommodate much larger withdrawals, $50,000,000 or more, with very little advance notice.
Time Horizon	Intermediate time horizon. The intermediate time horizon allows a more aggressive investment policy with higher expected returns than the Short-term Pool.

Treasury's performance benchmark for the Intermediate-term Investment Pool is:

100% Merrill Lynch 1-5 year Government Bond Index.

C. Broad Market Fixed Income Pool Investments - Investment Policy

Treasury invests the funds in this pool in a broad range of fixed income investments. Under the Prudent Investor Rule, Treasury constructs the pool's portfolio with a high risk tolerance. Investments include instruments with a long-term credit rating of at least Baa3 or equivalent and instruments with a short-term credit rating of at least P1 or equivalent. Investments for this pool are limited to:

- Money market investments comprising:
  - Repurchase agreements collateralized only by U.S. Treasury obligations, including bills, notes, and bonds, and only when the collateral carries a market value equal to or greater than 102% of the amount of the repurchase agreements, and only when the custodial bank appointed by retirement funds will take custody of the collateral;
  - Commercial paper rated at least Prime-1 by Moody's Investor Services, Inc. and A-1 by Standard and Poor's Corporation; and
  - Negotiable certificates of deposit and bankers acceptances; provided that an issuing bank must have total assets in excess of $5 billion.

- United States Treasury obligations including bills, notes, bonds, and other debt obligations issued by the United States Treasury, and backed by the full faith and credit of the U.S. Government.

- Other full faith and credit obligations of the U.S. Government.

- Securities issued or guaranteed by agencies and instrumentalities of the U.S. Government, but not explicitly backed by the full faith and credit of the U.S. Government.

- Securities issued or guaranteed by municipalities in the United States.

- Obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars.

- Investment grade corporate debt securities comprising:
  - Corporate debt issued in the U.S. capital markets by U.S. companies;
  - Euro-dollar debt (that is, U.S. dollar-denominated securities issued outside the U.S. capital markets by U.S. companies or by foreign issuers); and
  - Yankee debt (that is, U.S. dollar denominated obligations issued in the U.S. capital markets by foreign issuers).

- Asset-backed Securities (ABS)

- Agency and investment grade non-agency mortgage-backed securities backed by loans secured by residential, multifamily and commercial properties including, but not limited to pass-throughs, collateralized mortgage obligations (CMO's), project loans, construction loans, and adjustable rate mortgages.

  Asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's

Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

- Total return swaps referenced to components or sub-components of fixed income indices. To mitigate interest rate risk, the proceeds may not be invested in securities with a maturity beyond 90 days, unless invested in the Department of Revenue internally-managed Short-Term Fixed Income Pool.

Investment in this pool is ideal for fund participants needing to invest part or all of their money with the following characteristics:

Risk Tolerance	High. The daily investment results reflect daily changes in the market value of the pool's investments. Losses are likely over the intermediate-term based on the changes in market value of the pool's assets.
Investment Objectives	Willing to risk significant short-term volatility and principal loss for the possibility of large gains in the long-term.
Current Income	Daily earnings credit. The earnings of the pool include interest and changes in the market value of the investments held in the pool. There is no distinction between current income and capital gains.
Inflation Protection	Moderate need for long-term inflation protection. The pool should earn a positive real rate over an intermediate time horizon while meeting its other objectives.
Liquidity	Need for moderate liquidity. The pool can accommodate withdrawals and contributions (exceeding $5,000,000) in the normal operating environment. The Broad Market Fixed Income Pool can accommodate much larger withdrawals, $25,000,000 or more, with advance notice.
Time Horizon	Moderately long to long time horizon. The long time horizon allows a more aggressive investment policy with higher expected returns than the Intermediate-term Pool.

Effective April 1, 2000, Treasury's performance benchmark for the Broad Market Fixed Income Investment Pool is:

100% Lehman Brothers Aggregate Bond Index.

D. Treasury Fixed Income Pool - Investment Policy

Treasury may invest the funds in this pool in a broad range of fixed income investments, but typically the portfolio will consist of U.S. Treasury notes. Under the Prudent Investor Rule, Treasury constructs the pool's portfolio with a moderately high interest rate risk tolerance and a low credit risk tolerance. Investments include instruments with a long-term credit rating of at least "Baa3" or equivalent and instruments with a short-term credit rating of at least "P1" or equivalent. The interest rate risk for this pool, as measured by duration, will generally be close (± 20%) to that of the Barclays Capital U.S. Treasury Index. Investments shall be limited to the following:

- Money market investments comprising:
    - Repurchase agreements collateralized only by U.S. Treasury obligations, including bills, notes, and bonds, and only when the collateral carries a market value equal to or greater than 102% of the amount of the repurchase agreements, and only when the custodial bank appointed by Treasury will take custody of the collateral;
    - Commercial paper rated at least Prime-1 by Moody's Investor Services, Inc. and A-1 by Standard and Poor's Corporation; and
    - Negotiable certificates of deposit and bankers acceptances; provided that an issuing bank must have total assets in excess of $5 billion.
- United States Treasury obligations including bills, notes, bonds, and other debt obligations issued by the United States Treasury, and backed by the full faith and credit of the U.S. Government.
- Other full faith and credit obligations of the U.S. Government.
- Securities issued or guaranteed by agencies and instrumentalities of the U.S. Government, but not explicitly backed by the full faith and credit of the U.S. Government.
- Securities issued or guaranteed by municipalities in the United States.
- Obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars.
- Investment grade corporate debt securities comprising:
    - Corporate debt issued in the U.S. capital market by U.S. companies;
    - Euro-dollar debt (that is, U.S. dollar-denominated securities issued outside the U.S. capital markets by U.S. companies or by foreign issuers); and
    - Yankee debt (that is, U.S. dollar denominated obligations issued in the U.S. capital market by foreign issuers).
- Asset-backed securities.

- Agency and investment grade non-agency mortgage-backed securities backed by loans secured by residential, multifamily and commercial properties including, but not limited to pass-throughs, collateralized mortgage obligations (CMO's), project loans, construction loans, and adjustable rate mortgages.

- Total return swaps referenced to components or sub-components of fixed income indices. To mitigate interest rate risk, the proceeds may not be invested in securities with a maturity beyond 90 days, unless invested in the Department of Revenue internally-managed Short-Term Fixed Income Pool.

- Investments in fixed income securities shall be placed solely in U.S. dollar denominated debt instruments.

- No more than 10% of the portfolio's assets may be invested in securities not explicitly backed by the United States Treasury or by full faith and credit of the U.S. Government.

- Corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies. Recognizing that ratings and relative asset worth may change, the manager shall liquidate invested securities with care and prudence when the credit rating of a security falls below the minimum standards set in these guidelines or when the relative market value of that investment type exceeds the levels of holdings permitted in these guidelines. The manager is required to notify the chief investment officer to discuss the situation and the proposed liquidation strategy if it is not prudent simply to liquidate immediately.

- The manager may not invest more than 5% of the portfolio's assets in BBB+ to BBB- rated debt by Standard and Poor's Corporation or the equivalents by Moody's or Fitch.

- Internal cross trades are permitted at prevailing market levels, in accordance with Department of Labor's Prohibited Transaction Exemption 95-66.

E. International Equity Investment Pool - Investment Policy

The capital market assumptions of the international equity allocation are based on the expected return volatility and correlation assumptions of the EAFE Stock Index. Treasury invests the money in an actively managed portfolio to achieve higher returns and lower volatility than the Index.

Investment in this pool is ideal for funds needing to invest part or all of their money with the following characteristics:

Risk Tolerance	High. Losses are likely over the intermediate-term based on the changes in market value of the portfolio's underlying assets.
Investment Objectives	Willing to risk significant short-term volatility and principal loss for the possibility of large gains in the long-term.
Current Income	Not a particularly high priority. The total earnings of the International Equity Investment Pool are calculated daily and are credited to participants on a monthly basis. The total earnings of the portfolio include dividends and net appreciation. In calculating anticipated return, there is no distinction between current income and net appreciation. However, the ability to separately account for net appreciation is required for any trust that may invest in this pool.
Inflation Protection	High need for long-term inflation protection. The international equity investments should earn a positive real rate of return over a long time horizon while meeting its other objectives.
Liquidity	Very limited liquidity required. The International Equity Investment Pool can accommodate withdrawals and contributions (exceeding $1,000,000) only with advance notice.
Time Horizon	Long. This time horizon allows a more aggressive investment policy with higher expected returns than any of the fixed income options.

Treasury's performance benchmark for the common trusts is:

100% Morgan Stanley Capital International Europe, Australia and Far East Stock Index. (EAFE)

F. World Common Trust Funds

1. State Street Global Advisors Passive Bond Market Index Common Trust Fund

The Passive Bond Market Index Common Trust Fund became available to fund participants in March 2003 and is an efficient investment option for fund participants requiring a broad market fixed income option. Money is invested in a passively managed index fund that includes other, non-State institutional investors. When investing in this Trust, the State does not own the individual securities, but instead, much like an investment in a mutual fund, it owns shares of the Trust.

Investment Policy

Treasury invests money in State Street's Passive Bond Market Index Common Trust Fund. According to the State Street Global Advisors, the objective is to match the total return of the Lehman Aggregate Index while minimizing tracking error. Consequently, the risk characteristics of the Common Trust Fund approximates the risk of the fixed income market.

Investment in this option is ideal for funds needing to invest part or all of their money with the following characteristics:

Risk Tolerance	High. The daily investment results reflect daily changes in the market value of the common trust investments. Losses are likely over the intermediate-term based on the changes in market value of the common trust assets.
Investment Objectives	Willing to risk significant short-term volatility and principal loss for the possibility of large gains in the long-term.
Current Income	The total earnings of the common trust are calculated daily and included in the daily unit price. Earnings are recorded on a monthly basis. The total earnings of the common trust include dividends and net appreciation. In calculating anticipated return, there is no distinction between current income and net appreciation.
Inflation Protection	Moderate need for long-term inflation protection. The common trust should earn a positive real rate over an intermediate time horizon while meeting its other objectives.
Liquidity	Substantial liquidity available. The common trust can accommodate large withdrawals because of the size of common trust itself.
Time Horizon	Moderately long to long time horizon. The long time horizon allows a more aggressive investment policy with higher

expected returns than the other fixed income options.

Treasury's performance benchmark for the common trust is:

100 % Lehman Brothers Aggregate Bond Index.

2. State Street Global Advisors Russell 3000 Broad Market Index Common Trust Fund

State Street's Russell 3000 Trust Fund became available to fund participants in May 2000 and is an efficient investment option for fund participants requiring a domestic equity option for fund participants that do not have high liquidity needs and that can take high residual or equity risk in exchange for higher expected returns over time.. Money is invested in a passively managed index fund that includes other, non-State institutional investors. When investing in this Trust, the State does not own the individual securities, but instead, much like an investment in a mutual fund, it owns shares of the Trust.

Investment Policy

Treasury invests money in State Street's Russell 3000 Stock Index Common Trust Fund. According to the Frank Russell Company, this index represents approximately 98% of the investable U.S. equity market. Consequently, the risk characteristics of the Trust approximates the risk of the broad U.S. equity market.

Investment in this option is ideal for funds needing to invest part or all of their money with the following characteristics:

Risk Tolerance	High. Losses are likely over the intermediate-term based on the changes in market value of the common trust's assets.
Investment Objectives	Willing to risk significant short-term volatility and principal loss for the possibility of large gains in the long-term.
Current Income	Not a particularly high priority. The total earnings of the common trust are calculated daily and included in the daily unit price. Earnings are recorded on a monthly basis. The total earnings of the common trust include dividends and net appreciation. In calculating anticipated return, there is no distinction between current income and net appreciation. However, the ability to separately account for net appreciation

	is required for any trust that may invest in the common trust.
Inflation Protection	High need for long-term inflation protection. The common trust should earn a positive real rate of return over a long time horizon while meeting its other objectives.
Liquidity	Limited liquidity required. The common trust can accommodate withdrawals and contributions (exceeding $5,000,000) in the normal operating environment. The common trust can accommodate much larger withdrawals, $25,000,000 or more, with advance notice.
Time Horizon	Long. This time horizon allows a more aggressive investment policy with higher expected returns than any of the fixed income options.

Treasury's performance benchmark for the common trust is:

100% Russell 3000 Stock Index.

3. State Street Global Advisors MSCI EAFE Index Common Trust Fund

State Street's MSCI EAFE Index is an efficient investment option for fund participants requiring an international equity option for fund participants that do not have high liquidity needs and that can take high residual or equity risk in exchange for higher expected returns over time. Money is invested in a passively managed index fund that includes other, non-State institutional investors. When investing in this Trust, the State does not own the individual securities, but instead, much like an investment in a mutual fund, it owns shares of the Trust.

Investment Policy

Investment in this option is ideal for funds needing to invest part or all of their money with the following characteristics:

Risk Tolerance	High. Losses are likely over the intermediate-term based on the changes in market value of the portfolio's underlying assets.
Investment Objectives	Willing to risk significant short-term volatility and principal loss for the possibility of large gains in the long-term.
Current Income	Not a particularly high priority. The total earnings of the International Equity Investment Pool are calculated daily and

are credited to participants on a monthly basis. The total earnings of the portfolio include dividends and net appreciation. In calculating anticipated return, there is no distinction between current income and net appreciation. However, the ability to separately account for net appreciation is required for any trust that may invest in this pool.

Inflation Protection	High need for long-term inflation protection. The international equity investments should earn a positive real rate of return over a long time horizon while meeting its other objectives.
Liquidity	Very limited liquidity required.
Time Horizon	Long. This time horizon allows a more aggressive investment policy with higher expected returns than any of the fixed income options.

Treasury's performance benchmark for the common trusts is:
100% Morgan Stanley Capital International Europe, Australia and Far East Stock Index. (EAFE)