

**TOWN OF GLASTONBURY**  
**PROFESSIONAL SERVICES PROCUREMENT NOTICE**  
**Investment Advisor for the Town's Retirement and Other Post**  
**Employment Benefit Plans**  
**RPGL-2010-48**

The Town of Glastonbury will be accepting proposals from qualified firms who can provide full-retainer investment advisory services to the Town for its Retirement and Other Post Employment Benefit fund investments. Interested individuals and firms can download the proposal instructions and details from the Town's website at [www.glastonbury-ct.gov](http://www.glastonbury-ct.gov) or request them from the Purchasing Agent, 2155 Main Street, Glastonbury, CT 06033.

Proposals must be submitted to the Purchasing Agent no later than **June 8, 2010 at 11:00 AM**. **LATE PROPOSALS WILL NOT BE CONSIDERED**. The Town reserves the right to waive informalities or reject any part of, or the entire proposal, when said action is deemed to be in the best interest of the Town.

Mary F. Visone  
Purchasing Agent

Legal Ad:

**Town of Glastonbury, CT**

**Request for Qualifications  
Investment Advisor for the Town's Retirement and Other Post  
Employment Benefit Plans  
RPGL-2010-48**

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- A. Proposal Response Form**
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**Town of Glastonbury, CT**  
**Request for Qualifications**  
**Investment Advisor for the Town's Retirement and Other Post**  
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**I. GENERAL INFORMATION**

**A. INTRODUCTION**

The Town of Glastonbury is soliciting a Request for Qualifications (RFQ) from qualified individuals and firms who can provide full-retainer investment advisory services to the Town for its Retirement and Other Post Employment Benefit fund investments. The selected firm will demonstrate extensive experience and superior capability for providing investment advisory services in similar sized municipal pension plans including investment performance evaluation, evaluation of investment manager performance, review of investment guidelines with appropriate recommendations, asset allocation services, investment manager searches and other miscellaneous projects.

**B. BACKGROUND INFORMATION**

The Town of Glastonbury currently administers and maintains a defined benefit pension plan to provide benefits to substantially all full-time employees, except certified personnel of the Board of Education who are covered under the State Teachers' Retirement System. Both the employer and the employee are obligated to contribute to the plan. Currently, the Town's pension assets are administered by Prudential Retirement and as of December 31, 2009 the market value of the Town's pension fund was approximately \$75 million. Membership of these three groups consists of 464 active members and 234 retired members, 86 terminated employees entitled to benefits not yet receiving them and 7 inactive members. The Town also maintains a separate Other Post Employment Benefits (OPEB) Trust Fund for post retirement medical benefits. There is currently approximately \$300,000 set aside for these purposes and it is anticipated that there will be future employer contributions to this fund.

The Town's long term investment strategy is currently 60% Equities, 5% Real Estate and 35% Fixed Income. A copy of the Town's current investment policy statement is included as Attachment C.

At March 31, 2010 actual assets were invested 58.9% Equities, 3.3% Real Estate and 37.8% Fixed Income. A copy of the March 31, 2010 investment report is included as Attachment D.

**C. MINIMUM REQUIREMENTS**

Firms meeting the following minimum requirements shall be given greater consideration.

- The firm must provide investment advisory services to clients with aggregate assets totaling at least one (1) billion U.S. dollars.

- The primary Advisor assigned to the Town of Glastonbury account must have a minimum of seven (7) years experience providing domestic and international investment advisory services to public and/or private pension plans, the last three years of which must have been with present firm or team. The primary Advisor listed must be the person in attendance to present updates on the pension fund to the Board of Finance.
- As of December 31, 2009, the firm or team must have been in business at least three (3) years.
- As of December 31, 2009, the firm must have at least two (2) public pension fund clients, one of which must have assets in excess of one hundred (100) million U.S. dollars.
- The firm must carry Errors and Omissions coverage for the amounts specified in this RFQ or must have applied for it by the submission date of the RFQ.

#### **D. EVALUATION CRITERIA**

The following factors will be considered by the Town when evaluating proposals.

- Accuracy, overall quality, thoroughness and responsiveness to the Town's requirements as summarized herein;
- Firm's approach to project including firm's perception of the project requirements, and understanding of the customer's needs and objectives.
- The qualifications and municipal public sector experience of the firm and the designated account executive and other key personnel to be assigned to the account.
- Demonstrated long term consistent successful performance on other municipal and institutional accounts including flexibility, efficiency and timeliness in providing day to day service to municipal clients, implementation of initiatives, and cost saving measures as applicable.
- Familiarity and experience with the management of investments for municipal and public pension plans.
- Project Work Plan and Suggested Timeline.

Following review and evaluation of proposals, the Town reserves the right to request certain additional information. The Town will utilize a two step evaluation process in the selection of an investment Advisor.

##### Step 1

Based on review and rating of proposals, a short list of respondents will be invited to interview with the Town Selection Committee. Respondents are advised that interviews of the top rated firms will be scheduled during the week of June 21, 2010.

This Selection Committee will recommend for further consideration the top four to six firms to the Board of Finance.

## Step 2

Based on recommendation of the Selection Committee in Step 1, the top four to six selected firms will interview with the Town Manager, Director of Finance and the six member Town of Glastonbury Board of Finance.

Based on the results of Step 2 of the interview process, the Town Manager will review the Scope of Services, proposed fee structure, and other factors with the top rated firm(s) and negotiate a specific agreement and final fee based on these discussions.

### **E. TERM OF SERVICE**

- The selected firm or individual will be expected to commence services on or about September 1, 2010 subject to contract execution.

## **II. SCOPE OF SERVICES**

### **A. SPECIFIC SERVICES**

The Town of Glastonbury is seeking a qualified firm to provide comprehensive full-retainer, investment advisory services. The selected investment advisory firm will report to the Town Manager and/or his designee. The selected firm will functionally work closely with the Town Manager, the Director of Finance and staff. The selected firm will attend Board of Finance meetings at a minimum, quarterly, and report on the status of the Pension Fund Investments. The selected firm will demonstrate extensive successful experience and superior capability for providing those investment advisory services that are critical to the success of a large public pension system.

In general, the selected firm will assist the Town in the on-going process of investment policy development and implementation. In all cases, the firm and its Advisors will offer advice to the Town that is solely in the interest of the plan participants and beneficiaries of the Town of Glastonbury Plan.

Scope of Services required will include, but are not limited to, the following:

#### **Phase I - Review of Current Plan**

Perform a review of the current pension plan investments, fund managers, performance, asset allocation and investment policy guidelines and make recommendations as needed which may include, but are not limited to:

- **Investment Manager Oversight, Search, and Selection**
  - Investment manager search and selection services and make recommendations as necessary.
  - Advice and recommendations on investment manager allocation and structure, manager mandates and performance benchmarks.
  - Assist with negotiating appropriate investment management fees.

- **Investment Policy and Asset/Liability Studies**
  - Conduct a comprehensive review and analysis of investment policies, objectives, asset allocation and portfolio structure, and recommend changes, if appropriate.

### **Phase II – Transition**

- **Transition of fund assets, as applicable, to new investment managers**
  - Coordinate and assist with the transition of funds with Town staff, the custodian, investment advisors and any other third parties to ensure that the pension assets are transitioned in the most efficient and cost effective manner possible.

### **Phase III - Ongoing Services**

- **Investment Manager Oversight, Search, and Selection**
  - Provide on-going monitoring and oversight of investment managers to ensure compliance with laws and regulations, investment policies and manager mandates.
  - Monitor and evaluate manager trading and transaction costs.
  - Have periodic discussions with managers on investment performance and organizational issues (such as changes in ownership, staff, new products, etc.)
  - Advise on manager retention/termination, as applicable and assist in developing a formal manager review process.
- **Investment Policy and Asset/Liability Studies**
  - Work with staff and the actuary to conduct an asset/liability study of the fund at least every three years, including recommending methodologies, assumptions, asset classes for consideration, and alternative asset allocations.
  - Develop policies, guidelines and procedures for rebalancing the asset mix.
  - Advise the Town of new developments in investment management techniques and portfolio management strategies.
  - Provide advice and recommendations on various other investment policy issues.
- **Performance Evaluation and Reporting**
  - Compare the investment performance of the total fund, asset classes and investment managers to relevant benchmarks and “peer group” samples.
    - Present performance reports on a quarterly basis to the Town and a monthly performance summary to staff.
- **Client Service and Education**
  - Attend on a quarterly basis meetings of the Board of Finance, as well as special meetings pertaining to pension investments that may be necessary from time to time.
  - Coordinate effectively with staff, the actuary and the Retirement Plan custodian.
  - Respond to inquiries between meetings in an appropriate and timely manner.
  - Report any significant changes in the firm’s ownership, organizational structure and personnel in a timely manner.
  - Assist on special projects as needed from time to time.

- Provide all other investment advisory-related services as requested.
- Provide education to Board of Finance and staff on investment issues.
- **Review, Selection and Search for Other Investment-Related Vendors, Investment Opportunities and/or Instruments**
  - Provide advice and recommendations on custodial arrangements (including custodial search and review services)
  - Assist with evaluation, search and selection involving other investment-related Advisors, investment opportunities and vendors as required.

**B. INSURANCE**

The Consultant shall, at its own expense and cost, obtain and keep in force during the entire duration of the Project or Work the following insurance coverage covering the Consultant and all of its agents, employees, sub-contractors and other providers of services and shall name the Town, its employees and agents as an Additional Insured on a primary and non-contributory basis to the Consultant's Commercial General Liability and Automobile Liability policies. **These requirements shall be clearly stated in the remarks section on the Consultant's Certificate of Insurance.** Insurance shall be written with insurance carriers approved in the State of Connecticut and with a minimum Best's Rating of A-. In addition, all carriers are subject to approval by the Town. Minimum limits and requirements are stated below:

1) Worker's Compensation Insurance:

- Statutory Coverage
- Employer's Liability
- \$100,000 each accident/\$500,000 disease-policy limit/\$100,000 disease each employee

2) Commercial General Liability:

- Including Premises & Operations, Products and Completed Operations, Personal and Advertising Injury, Contractual Liability and Independent Contractors.
- Limits of Liability for Bodily Injury and Building Damage  
Each Occurrence \$1,000,000  
Aggregate \$2,000,000 (The Aggregate Limit shall apply separately to each job.)
- A Waiver of Subrogation shall be provided

3) Automobile Insurance:

- Including all owned, hired, borrowed and non-owned vehicles
- Limit of Liability for Bodily Injury and Building Damage:  
Per Accident \$1,000,000



#### 4) Errors and Omissions Liability or Professional Services Liability Policy

- Provide Errors and Omissions Liability or Professional Services Liability Policy for a minimum Limit of Liability \$1,000,000 each occurrence or per claim. The Town, its employees and agents shall be named Additional Insured for this specific Project. The certificate shall specify that the Town and Board of Education shall receive 30 days advance written notice of cancellation or non-renewal specific to this Project.
- The Consultant agrees to maintain continuous professional liability coverage for the entire duration of this Project, and shall provide for an Extended Reporting Period in which to report claims for seven (7) years following the conclusion of the Project.

The Consultant shall provide a Certificate of Insurance as "evidence" of General Liability, Auto Liability including all owned, hired, borrowed and non-owned vehicles, statutory Worker's Compensation and Employer's Liability and Professional Services Liability coverage.

The Consultant shall direct its Insurer to provide a Certificate of Insurance to the Town before any work is performed. The Certificate shall specify that the Town shall receive 30 days advance written notice of cancellation or non-renewal. The Certificate shall evidence all required coverage including the Additional Insured and Waiver of Subrogation. The Consultant shall provide the Town copies of any such insurance policies upon request.

#### **Indemnification**

To the fullest extent permitted by law, the Consultant shall indemnify and hold harmless the Town and the Board of Education and their respective consultants, agents, and employees from and against all claims, damages, losses and expenses, direct, indirect or consequential (including but not limited to fees and charges of engineers, attorneys and other professionals and court and arbitration costs) to the extent arising out of or resulting from the performance of the Consultant's work, provided that such claim, damage, loss or expense is caused in whole or in part by any negligent act or omission by the Consultant, or breach of its obligations herein or by any person or organization directly or indirectly employed or engaged by the Consultant to perform or furnish either of the services, or anyone for whose acts the Consultant may be liable.

As to any and all claims against the Town or any of its consultants, agents or employees by any employee of Consultant, by any person or organization directly or indirectly employed by Consultant to perform or furnish any of the work, or by anyone for whose acts Consultant may be liable, the indemnification obligation stated herein shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for Consultant under worker's or workman's compensation acts, disability benefit acts or other employee benefit acts.

The above insurance requirements are the Town's general requirements. Insurance requirements with the awarded respondent are subject to final negotiations.

### III. SUBMISSION OF PROPOSAL

#### A. PROPOSAL INSTRUCTIONS

By submitting a proposal, you represent that you have thoroughly examined and become familiar with the scope of services outlined in this RFQ and you are capable of performing the work to achieve the Town's objectives.

All firms are required to submit an original **clearly marked** and seven (7) copies of their proposal to Mary F. Visone, Purchasing Agent, 2155 Main Street, Glastonbury, CT by **June 8, 2010 at 11:00 AM**. All proposals will be opened publicly and recorded as received. Proposers may be present at the opening; however, there will be no public reading of Proposals. Proposals received later than the time and date specified will not be considered. The proposal must be submitted in a sealed envelope or package and the outside shall be clearly marked:

**SEALED REQUEST FOR QUALIFICATIONS  
INVESTMENT ADVISOR FOR THE TOWN'S RETIREMENT  
AND OTHER POST EMPLOYMENT BENEFIT PLANS  
RPGL-2010-48  
DATE – June 8, 2010  
TIME - 11:00 A.M.**

All respondents are required to submit the information detailed below. **Responses shall be organized and presented in the order listed below to assist the Town in reviewing and rating proposals.** Responses should be presented **clearly and concisely** with appropriate detail to thoroughly respond to the requirements and expected services described herein.

- a. Table of Contents to include clear identification of the material provided by section and number.
- b. A letter of transmittal indicating the firm's interest in providing the service and any other information that would assist the Town in making a selection. This letter must be signed by a person legally authorized to bind the firm to a contract. This letter also must affirm that the firm or their representative has made themselves knowledgeable of those matters and conditions in the Town which would influence this Proposal.
- c. Name and telephone number of person(s) to be contacted for further information or clarification.
- d. A background and qualifications statement, including description and history of your firm, the servicing office, number of professional employees, years in business and technical qualifications. Respondents shall specifically address all of the minimum requirements identified in Section C. Firms meeting all of these requirements will be given greater consideration.
- e. Include a list of not less than three current client references from who services similar to those outlined herein have been provided or are currently being provided. This list shall include the following information:

1. Name of the organization
2. Approximate value of pension assets managed as of 12/31/2009
3. Dates services encompass
4. Services being provided
5. Name, address, and telephone number of the responsible official of the organization

The Town reserves the right to contact these organizations regarding the services performed by the firm.

- f. List of personnel to be assigned to this project, including years of experience in their current position, municipalities served and their roles in providing services. Please provide their resumes, and document the chain of command to service the Town for these individuals. Indicate registration with SEC as investment advisor. Firm and project leader must also be licensed to do business in the State of Connecticut.
- g. Identify your firm's specific expertise, including personnel in the areas listed below:
  - Asset Allocation
  - Domestic Equity
  - International Equity
  - Fixed Income
  - Derivatives
  - Real Estate
- h. Detail the specific data your firm would require from the Town to begin servicing this account.
- i. Understanding of Scope of Work describe the following:
  1. Information that explains your firm's ability to perform, implement and administer these services, emphasizing experience with other similar municipal or public retirement plans.
  2. Describe your firm's general approach, philosophy, capabilities and experience in providing advisory services to establish goals, guidelines and objectives and the establishment and/or review of an asset allocation policy.
  3. Describe the Investment Analysis approach that will be used to service the account including:
    - i. Your firm's investment style analysis, including an explanation of methodologies employed in investment performance evaluation and advise.
    - ii. how benchmarks are chosen or developed
    - iii. how performance is compared to similar portfolios
    - iv. how your firm responds to changing markets

4. Indicate the number of money managers your firm currently evaluates and the criteria by which your firm decides which managers to evaluate. Include how your firm performs due diligence of investment managers.
5. Explain the size, composition and source of your database used for relative comparison purposes.
- j. Describe the transition process your firm would implement to transfer existing retirement fund assets and information from the current provider
- k. Include examples of reports or materials provided to other municipal clients. These materials should demonstrate innovation and leadership in the area of pension investment performance as well as the type of information and format of quarterly reports which will be provided to the Town.
- l. Project work plan with suggested timeline for review of pension investments, recommendations for changes and transition plan of assets. Specific project work plan and completion dates to be determined with Town upon contract execution with selected firm.
- m. General description of firm's approach to professional fees. Actual fee proposal is not required at this time.
- n. A concluding statement as to why the respondent is best qualified to meet the needs of the Town.
- o. A statement of those items in the Scope of Services your firm is unable or unwilling to provide.
- p. Proposal Response Page (ATTACHMENT A)
- q. Signed Non-Collusion Statement (ATTACHMENT B)
- r. Respondent is required to review the Town of Glastonbury Code of Ethics adopted July 8, 2003 and effective August 1, 2003. Bidder shall acknowledge that they have reviewed the document in the area provided on the bid/proposal response page (BP). The selected Bidder will also be required to complete and sign an Acknowledgement Form prior to award. The Code of Ethics and the Advisor Acknowledgement Form can be accessed at the Town of Glastonbury website at [www.glastonbury-ct.gov](http://www.glastonbury-ct.gov). Upon entering the website click on **Bids & RFPs**, which will bring you to the links for the **Code of Ethics** and the **Advisor Acknowledgement Form**. If the Bidder does not have access to the internet a copy of these documents can be obtained through the Purchasing Department at the address listed within this bid/proposal.

## **B. TOWN CONTACTS**

1. All technical inquiries relative to this RFQ must be directed in writing to Ms. Diane M. Waldron, Director of Finance and Administrative Services at [diane.waldron@glastonbury-ct.gov](mailto:diane.waldron@glastonbury-ct.gov) or 2155 Main Street, Glastonbury, CT 06033.

For administrative questions concerning this proposal, please contact Mary F. Visone, Purchasing Agent at (860) 652-7588. All questions, answers, and/or addenda, as applicable, will be posted on the Town's website at [www.glastonbury-ct.gov](http://www.glastonbury-ct.gov) (Upon entering the website click on Bids & RFPs). It is the respondent's responsibility to check the website for addenda prior to submission of any proposal.

2. No other Glastonbury Town employee, elected official, or evaluation committee member should be contacted concerning this RFQ during the proposal process. Failure to comply with this requirement may result in disqualification.

**C. EVALUATION & SELECTION PROCESS**

This request for qualifications does not commit the Town of Glastonbury to award a contract or to pay any costs incurred in the preparation of a proposal to this request. All proposals submitted in response to this request for qualifications become the property of the Town of Glastonbury. The Town of Glastonbury reserves the right to accept or reject any or all proposals received as a result of this request, to negotiate with the selected respondents, the right to extend the contract for an additional period, or to cancel in part or in its entirety the request for qualifications, and to waive any informality if it is in the best interests of the Town to do so.

Proposals and qualifications statements will be reviewed to determine a short list of individuals or firms to be invited for interview. Based on results of the interview process, selected firms will be asked to submit a detailed fee proposal based on a specific scope of services.

**D. TIMELINE**

The following schedule is anticipated. The Town intends to adhere to this schedule as closely as possible but reserves the right to modify the schedule in the best interest of the Town as required.

Publicize RFQ	April 30, 2010
RFQ Due Date	June 8, 2010 at 11 AM
Shortlist of Proposals Received	June 15, 2010
Step 1 Interviews with short listed respondents	Week of June 21, 2010
Step 2 Interviews with Top Respondents	June 30, 2010
Fee Proposal and Scope of Services	August 2010
Contract Effective Date	On or about September 1, 2010

ATTACHMENT A

TOWN OF GLASTONBURY

PROPOSAL

RPGL # 2010-48

DATE ADVERTISED

April 30, 2010

DATE/TIME DUE

June 8, 2010 at  
11:00 AM

DESCRIPTION

**Investment Advisor for the Town's  
Retirement and Other Post Employment  
Benefit Plans**

Insert this completed form in respondent's proposal

CODE OF ETHICS:

I / We have reviewed a copy of the Town of Glastonbury's Code of Ethics and agree to submit a Advisor Acknowledgement Form if I/We are selected. Yes \_\_\_\_\_ No \_\_\_\_\_ \*

\*Agent is advised that effective August 1, 2003, the Town of Glastonbury cannot consider any bid or proposal where the Agent has not agreed to the above statement.

The Respondent acknowledges receipt of the following Addendums:

Addendum #1 \_\_\_\_\_ Date: \_\_\_\_\_  
Addendum #2 \_\_\_\_\_ Date: \_\_\_\_\_  
Addendum #3 \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
Type or Print Name of Individual

\_\_\_\_\_  
Doing Business as (Trade Name)

\_\_\_\_\_  
Signature of Individual

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
Title

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Date

\_\_\_\_\_  
Telephone Number / Fax Number

\_\_\_\_\_  
E-mail Address

\_\_\_\_\_  
SS # or TIN#

**ATTACHMENT B**

**TOWN OF GLASTONBURY  
PROFESSIONAL SERVICES PROCUREMENT NOTICE  
Investment Advisor for the Town's Retirement and Other Post  
Employment Benefit Plans  
RPGL- 2010-48  
NON-COLLUSION STATEMENT**

The company submitting this proposal certifies that it is being submitted without any collusion, communication or agreement as to any matter relating to it with any other respondent or competitor. We understand that this proposal must be signed by an authorized agent of our company to constitute a valid proposal.

Date: \_\_\_\_\_

Name of Company: \_\_\_\_\_

Name and Title of Agent: \_\_\_\_\_

By (SIGNATURE): \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone Number: \_\_\_\_\_



ATTACHMENT C

**INVESTMENT POLICY STATEMENT**

**Town of Glastonbury Retirement Income**



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Attachment B: Global Portfolio Strategies Inc. Services and Annual Report

## **PURPOSE**

This Investment Policy has been developed for the Board of Finance the Town of Glastonbury to:

- serve as a management tool to provide the framework within which the Board makes investment decisions,
- set forth the objectives and constraints for an asset allocation strategy appropriate to the Town of Glastonbury Retirement Plan ("the Plan"),
- provide a resource for inquiries regarding pension asset allocation strategy,
- establish standards to measure the investment managers' performance, and
- outline roles and responsibilities and the ongoing review process.

## **I. OBJECTIVES**

### **A. Plan Objectives**

The Town of Glastonbury offers the Retirement Income Plan to its employees to help provide retirement income and to attract, reward and retain employees.

### **B. Investment Objectives**

The Plan's pension investments shall be allocated in a manner designed to:

- provide a long-term investment return greater than the actuarial assumption.
- maximize investment return commensurate with appropriate levels of risk.
- comply with the Employee Retirement Income Security Act of 1974 (ERISA) by investing the funds in a manner consistent with ERISA's fiduciary standards.

### **C. Constraints**

#### *1. Liquidity*

Assets shall be allocated to provide adequate liquidity for the Plan's disbursements, such as benefit payments and ongoing expenses. The Plan's assets shall be managed such that all retirement benefits are met as they become due.

#### *2. Time Horizon*

The Plan's investment strategy will focus on the long term to take into account the long-term nature of the Plan's liabilities.

#### *3. Volatility*

The asset allocation strategy shall be implemented with due regard for the Plan's long-term needs and in a manner designed to control volatility.

#### *4. Risk Tolerance*

The asset allocation strategy shall be developed with regard to the risk tolerance deemed appropriate by the Plan Administrators. The risk tolerance is comprised of financial and other relevant characteristics of Board as well as its risk philosophy for pension assets. Certain characteristics may reduce the tolerance for volatility of investment returns and potential swings in contribution levels.

6. *Asset/Liability Analysis*

The asset allocation strategy shall incorporate the results of an analysis of assets and emerging liabilities, by projecting a ten year horizon of expected contributions and disbursements, including benefit payments and expenses. Assets should be suitably matched in time horizon to the projected liabilities. In general, assets freed from near-term liquidity constraints would be available for equity investment.

An asset/liability analyses indicated that approximately 30% of the projected Plan assets are needed for upcoming disbursements and reserves. Accordingly, 70% of the Plan's assets are available to invest in long-term securities, such as equities.

However, the Board is concerned about the level of volatility implicit in an asset mix of 70% equity / 30% fixed income.

In summary, the quantitative analyses of Town of Glastonbury's assets and liabilities show:

Available to invest in equities	70%
Reduction for risk tolerance and philosophy	(5%)
Total equities	65%

## II. INVESTMENT ALTERNATIVES

### A. Rationale

The Plan's investment strategy will be predicated on the Plan's investment objectives, as set forth in Section 1, and the risk and return expectations of asset classes appropriate to the Plan. An analysis of both liabilities and assets will be used in determining the Plan's long-term investment strategy.

The Plan's asset allocation will be designed using modern portfolio theory, which quantifies the impact of diversification among various asset classes. Diversification can optimize investment performance and reduce risk.

The process begins with an efficient frontier analysis that identifies the lowest level of return volatility for each level of expected return. Risk reduction will be sought through the use of diverse asset classes, which do not move in tandem. Since each asset class does not move up or down precisely when the others do, this imperfect correlation will serve to stabilize the overall portfolio.

### B. Asset Classes

The investment funds utilized by the Plan will fall within the following broad asset class alternatives:

- Large Capitalization U.S. Equity
- Mid Capitalization U.S. Equity
- Small Capitalization U.S. Equity
- International Equity
- Real Estate
- Domestic Fixed Income

### C. Long Term Asset Allocation Strategy

After considering all the factors in Section I relating to investment objectives, the Board shall determine an appropriate asset allocation for the Plan, which appears at the end of this document in Attachment A.

### D. Selection

Specific investment funds will be chosen within the asset class alternatives selected. In addition to being clearly within one of the investment alternatives, each fund will be selected on the basis of:

- historically competitive investment returns and risk,
- stability and financial soundness of companies offering funds,
- desirability of offering funds run by different managers, and
- manager's investment philosophy and style.

Generally, all funds are selected from the Prudential Multi-Manager Matrix, which is designed to provide retirement plan sponsors with a full array of investment funds across asset classes, management styles, and investment managers. These funds are reviewed quarterly through the Prudential Due Diligence Advisor Program. This is a formal process by which:

- funds are reviewed for consistency of style,
- investment performance is competitively evaluated against a universe of similar funds
- standard criteria are applied to the funds in the Multi Manager Matrix for ongoing participation in Prudential Retirement's offerings,

Generally, the Board may select funds that are ranked favorably by the Prudential Due Diligence Advisor process. The funds chosen are described in material provided by Prudential Retirement.<sup>1</sup>

## **E. Monitoring**

### *1. Performance Standards*

The Prudential Due Diligence Advisor (DDA) Program provides ongoing due diligence and fund monitoring, which helps the Plan Administrators meet its fiduciary obligations. Therefore, the Plan Administrators may use the DDA process as one of the standards of monitoring, in addition to standard benchmarks and peer groups. The funds will maintain the following standards:

- DDA rankings of Quartile 1 or Quartile 2
- OR outperform the relevant benchmark for 3 or 5 year periods
- OR maintain a top half ranking in the relevant peer group for 3 or 5 year periods

Other criteria considered may include the risk and return trade-off, beta, account objectives, manager tenure, and key personnel departures. Occasionally, a fund may be selected which does not meet performance benchmarks but fits or maintains a particular investment objective.

Additional details about the investment return objectives of the specific funds are as follows:

- for the Guaranteed Deposit Account: seeks to outperform five-year Treasury yield over three- or five-year periods.
- for a short term fixed income fund: seeks to outperform the I-Money Index over three- or five-year periods.
- for government/corporate bond funds: seeks to outperform the Lehman Brothers Aggregate Bond Index over three- or five-year periods, or maintain a top half ranking in the relevant peer group over three- or five-year periods.
- for real estate funds: seeks to outperform the National Council of Real Estate Investment Fiduciaries Index over three- or five-year periods.
- for large capitalization domestic common stock funds: seeks to outperform the Standard & Poor's 500 Index, the Russell 1000 or the relevant style-specific Russell 1000 Growth or Russell 1000 Value.
- for a large cap index fund: seeks to perform within reasonable tracking error around the Standard & Poor's 500 Index, consistent with this form of passive management exclusive of management fees.

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<sup>1</sup>Prudential Retirement is a service mark of The Prudential Insurance Company of America, Newark, NJ and its affiliates. Securities products and services are distributed by Prudential Investment Management Services, Inc. (PIMS) 280 Trumbull Street, Hartford, CT, 06103. PIMS is a Prudential Financial company. Prudential Retirement is a Prudential Financial business.

- for small capitalization stock funds: seeks to outperform the Russell 2000 or the relevant style-specific index Russell 2000 Growth or Russell 2000 Value
- for mid capitalization stock funds: seeks to outperform the Russell Mid Cap index or the relevant style-specific index Russell Mid Cap Growth or Russell Mid Cap Value
- for international stock funds: seeks to outperform the relevant benchmark, the Morgan Stanley Capital International Europe, Australia, and Far East (MSCI-EAFE) for international funds over three- or five-year periods, or maintain a top half ranking in the relevant peer group for three- or five-year periods.

## *2. Watch List*

The Prudential Due Diligence Advisor program employs the WatchList to express general concern with a particular fund, for reasons including not only substandard performance but also concerns regarding future performance, such as changes in the portfolio team or process.

The Plan may consider the information about the Watch List in deciding whether to take action on any funds in the Plan.

## *3. Reporting*

The Prudential Due Diligence Advisor program produces quarterly reports, including detailed analysis of fund performance and other supporting documentation. The Plan may use these reports to provide a record of fund performance and to support decisions made on the funds in the Plan.

## **F. Termination**

At its discretion, the Board may decide to terminate a fund or identify a replacement fund in the same asset class and style.

### III. PLAN MANAGEMENT

#### REVIEW PROCESS

The Board of Finance will meet annually to review this Policy Statement and decisions relating to investment alternatives and investment funds. At this meeting, the Board will consider:

- strategy and asset allocation
- regulatory environment,
- capital markets,
- performance of the investment funds relative to the markets, according to the Performance Standards set forth in Section II-C of this Investment Policy Statement,
- the need to make changes to investment alternatives and/or investment funds, and
- applicability of the Investment Policy Statement as written, in light of current company philosophy and objectives, as well as the objectives of the plan.

#### ROLES AND RESPONSIBILITIES

The Board of Finance of the Town of Glastonbury shall carry out their duties in keeping with this policy statement. The responsibilities include:

- determining the investment alternatives and specific investment funds
- assuring ongoing communication is provided to the employees, if applicable
- working with qualified representatives, where necessary, who will review and revise investment objectives and guidelines, as well as provide risk/reward analyses, and investment information to the Board with supporting quantitative data.

Any changes to the investment policy will be in writing. The rationale for decisions and for revisions to this Policy Statement will be fully documented.

Attachment A: Asset Allocation Strategy

The Board of Finance will target the following as part of its long-term asset allocation strategy for the Retirement Income Plan:

General Account* .....	10%	
Intermediate Term Fixed Income.....	25%	
<b>Total Fixed Income .....</b>		<b>35%</b>
Large Capitalization U.S. Equity .....	36%	
Mid Capitalization U.S. Equity .....	5%	
Small Capitalization U.S. Equity .....	5%	
International Equity .....	14%	
Real Estate .....	5%	
<b>Total Equity .....</b>		<b>65%</b>

\* The General Account is not in itself an asset class. However, it is used contractually by this Plan to cover disbursements and reserves.



Attachment B: Global Portfolio Strategies, Inc. Notations

Representatives of Global Portfolio Strategies, Inc. will perform the following services:

- Communicate and document the Plan's asset distributions, long-term strategy, and portfolio returns on a quarterly basis.
- Meet annually with representatives of the plan sponsor to review this Investment Policy Statement and decisions relating to the investment strategy.
- Update this Investment Policy Statement as needed.

\*Prudential Retirement's Manager of Managers funds are offered through separate accounts available under group annuity contracts issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, a Prudential Financial company.

INST-20061101-A021826

**MARCH 31, 2010 NET PERFORMANCE RESULTS**

Dean M. Molinaro, Vice President, (860) 534-3461

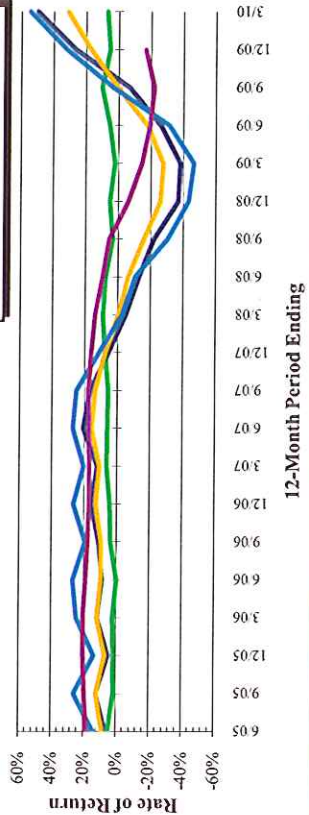


**NET DOLLAR WEIGHTED RATES OF RETURN**

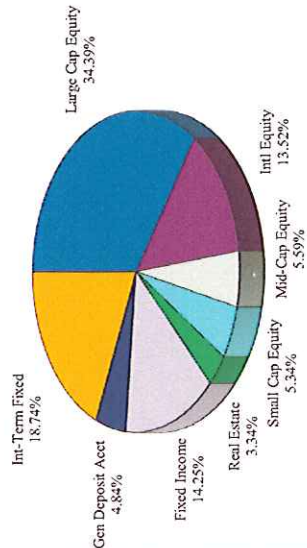
Three Months	3.28%
Plan Year-to-Date	3.28%
One Year	30.99%
Three Years	-1.97%
Five Years	3.09%
Ten Years	2.93%

January 1 Plan Year

**Performance Comparisons**

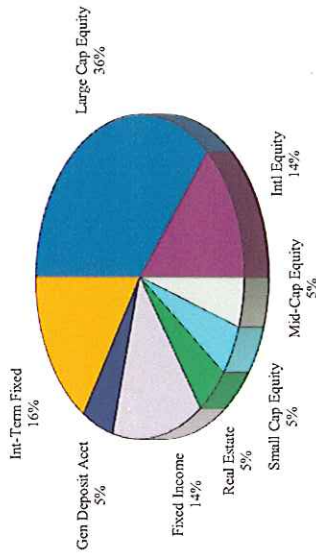


**March 31, 2010 Status of Assets**



Total Assets \$77,101,384  
Equity 58.84%, Real Estate 3.34%, Fixed Income 37.83%

**Long-Term Strategy**



Equity 60%, Real Estate 5%, Fixed Income 35%

**QUARTERLY UPDATE**

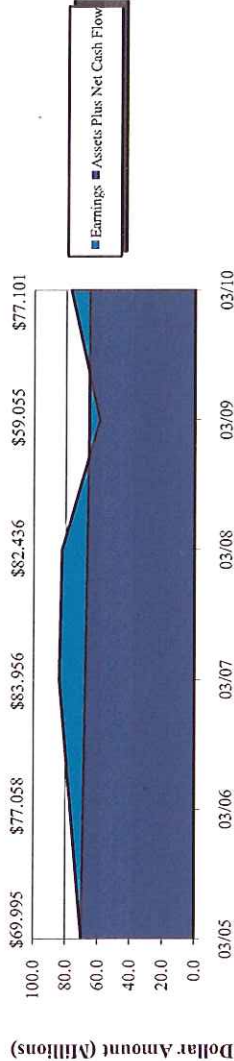
Following growth rates of 5.6% and 2.2%, the U.S. economy expanded at an estimated 3.5% annual rate during the first quarter, led by a rebound in consumer spending and strength in the manufacturing sector, which remained in an inventory-restocking mode. Despite the appearance of strong GDP data, underlying economic trends remained weak during the first quarter. Consumer debt remains excessive and personal savings depressed; real estate markets remain weak; and bank lending continues to contract. Finally, labor markets were stagnant in the quarter.

The domestic equity and high-yield corporate bond markets were the two best-performing major asset classes during the quarter, while investment-grade corporate bonds also generated positive returns. Laggards were U.S. government bonds, foreign sovereign debt and equity markets, emerging market equities, and commodities, all of which were essentially flat in the quarter.

**NEXT STEPS**

As you can see in the accompanying charts, your Plan's current asset mix is in line with its long-term investment strategy. Therefore, no adjustments are needed at this time to rebalance your plan.

**Portfolio Growth Versus Net Contributions**



## MARCH 31, 2010 NET PERFORMANCE RESULTS

Dean M. Molinaro, Vice President, (860) 534-3461



FUND NAME	Account Description	Plan Assets as of 03/31/10	Performance as of Date	Inception Date	CUMULATIVE RETURNS		AVERAGE ANNUAL TOTAL RETURNS					Since Inception Return
					3 Mos.	YTD	1 YR	3 YRS	5 YRS	10 YRS		
<b>DOMESTIC EQUITY - LARGE CAPITALIZATION</b>												
Dryden S&P 500 Index	Blend	\$11,442,622	03/31/2010	12/31/1987	5.32	5.32	49.49	-4.22	1.81	-0.78	N/A	
Large Cap Growth / Turner	Growth	\$7,440,785	03/31/2010	05/31/1998	3.87	3.87	45.94	-4.40	2.38	-2.97	N/A	
Large Cap Value / LSV	Value	\$7,628,724	03/31/2010	07/19/2002	6.73	6.73	56.09	-8.56	0.85	N/A	6.42	
S&P 500 Index			03/31/2010		5.39	5.39	49.77	-4.17	1.92	-0.65	N/A	
Russell 1000 Index			03/31/2010		5.70	5.70	51.60	-3.98	2.31	-0.36	N/A	
Russell 1000 Growth Index			03/31/2010		4.65	4.65	49.75	-0.78	3.42	-4.21	N/A	
Russell 1000 Value Index			03/31/2010		6.78	6.78	53.56	-7.33	1.05	3.10	N/A	
<b>DOMESTIC EQUITY - MID-CAPITALIZATION</b>												
Mid Cap Growth / Artisan Partners	Growth	\$2,116,159	03/31/2010	09/29/2000	6.52	6.52	57.50	1.78	6.11	N/A	3.26	
Mid Cap Value / Wellington	Value	\$2,195,957	03/31/2010	09/29/2000	9.70	9.70	74.49	-3.95	4.39	N/A	8.19	
Russell MidCap Index			03/31/2010		8.67	8.67	67.71	-3.30	4.20	4.84	N/A	
Russell MidCap Growth Index			03/31/2010		7.67	7.67	63.00	-2.04	4.27	-1.69	N/A	
Russell MidCap Value Index			03/31/2010		9.61	9.61	72.41	-5.23	3.71	8.46	N/A	
<b>DOMESTIC EQUITY - SMALL CAPITALIZATION</b>												
Small Cap Growth / TimesSquare	Growth	\$2,379,142	03/31/2010	12/04/1997	5.17	5.17	56.88	2.65	7.42	3.77	N/A	
Small Cap Value / TS&W	Value	\$1,734,766	03/31/2010	01/29/2001	7.51	7.51	44.83	-5.82	2.33	N/A	6.43	
Russell 2000 Index			03/31/2010		8.85	8.85	62.76	-3.99	3.36	3.68	N/A	
Russell 2000 Growth Index			03/31/2010		7.61	7.61	60.32	-2.42	3.82	-1.53	N/A	
Russell 2000 Value Index			03/31/2010		10.02	10.02	65.07	-5.70	2.75	8.90	N/A	
<b>INTERNATIONAL EQUITY</b>												
International Blend / Munder Capital (1)	Blend	\$5,065,345	03/31/2010	12/05/1997	0.69	0.69	48.70	-12.19	0.94	-0.65	N/A	
International Growth / Artisan	Growth	\$2,799,070	03/31/2010	02/28/2001	-2.52	-2.52	50.35	-5.66	5.09	N/A	3.49	
International Value / LSV	Value	\$2,561,840	03/31/2010	01/05/2005	-0.48	-0.48	54.51	-12.73	0.74	N/A	1.01	
MSCI EAFE Index			03/31/2010		0.87	0.87	54.44	-7.02	3.75	1.27	N/A	
<b>REAL ESTATE</b>												
CIGNA Realty Investors Open End Real Estate Fund	Equity Real Estate	\$2,577	03/31/2010	10/31/1981	0.09	0.09	-0.12	7.43	7.65	8.84	N/A	
PRISA	Equity Real Estate	\$2,568,900	03/31/2010	06/30/2004	-0.51	-0.51	-23.06	-14.30	-2.35	3.51	N/A	
National Council of R. E. Investment Fiduciaries			12/31/2009		-2.11	-16.86	-16.86	-3.42	4.75	7.30	N/A	
MAREIT Equity Index			03/31/2010		10.02	10.02	115.07	-9.40	4.63	11.87	N/A	
<b>FIXED INCOME</b>												
Guaranteed Deposit*	Guaranteed	\$3,730,939	03/31/2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00	
Core Plus Bond / PIMCO	Fixed Income	\$14,450,716	03/31/2010	07/19/2002	2.41	2.41	14.94	8.83	7.00	N/A	6.71	
Long Duration Bond / IR&M	Fixed Income	\$10,983,842	03/31/2010	10/31/2005	1.98	1.98	14.92	6.82	N/A	N/A	4.62	
iMoney Net Taxable Money Funds - Net			03/31/2010		0.01	0.01	0.08	1.87	2.66	2.45	N/A	
Barelays Capital Aggregate Bond Index			03/31/2010		1.78	1.78	7.69	6.14	5.44	6.29	N/A	
Barelays Capital Corporate High Yield Index			03/31/2010		4.62	4.62	56.18	6.65	7.78	7.45	N/A	
Barelays Capital U.S. Govt / Credit Long Term Index			03/31/2010		1.55	1.55	10.29	5.81	5.29	7.26	N/A	
<b>TOTAL PLAN ASSETS</b>												
		\$77,101,384										

\*Guaranteed Deposit Account 2010 New Money Rate, before any contract related charges, is 3.2%.

(1) Demotes Funds on the Due Diligence Advisor Program Watch List for performance related concerns.

See footnotes attached for general disclosures.

# - Shares of the mutual fund described above are not offered for sale to you. Investments made in this Separate Account are purchasing units of the Separate Account. The Separate Account will then purchase shares of the mutual fund. All voting rights associated with ownership of the mutual fund shares are rights of the Separate Account. The "investment manager" of the PRJAC separate account as defined by ERISA, is Prudential Retirement Insurance and Annuity Company.

For Institutional Plan Sponsor Use Only. Not for Use with Participants

## Footnotes

Investors should carefully consider a fund's investment objectives, risks, charges and expenses before investing. For more complete information about the investment options available through your plan, please call 1-877-778-2100 for a free prospectus that contains this and other information about our funds. Read the prospectus carefully before investing.

All returns are net of the highest level of management fees charged for the separate account and net of other operational expenses and are before any contract charges, if any, unless noted otherwise. Historical returns reflect actual account performance. Performance is representative of each separate account's investment management discipline. All returns are deemed accurate at the time of reporting but are subject to change. **Performance data represents past performance and is not necessarily indicative of future results. For more information, please contact your Prudential Retirement Investment Representative. The performance information provided in this document is provided for the use of plan sponsors and investment professional use only.**

Part II of the Form ADV of Global Portfolio Strategies, Inc. is available without charge upon request.

(1) This fund is currently on the Due Diligence Advisor Program Watch List for performance related concerns and/or fund manager organizational changes.

Keep in mind that application of asset allocation and diversification concepts does not ensure a profit or protect against loss in a declining market. **It is possible to lose money by investing in securities.**

Fixed income investment (bond) funds are subject to interest rate risk; their value will decline as interest rates rise.

Smaller companies may present greater opportunities for capital appreciation, but also may involve greater risks than larger companies. As a result, the value of stocks issued by smaller companies may go up and down more than stocks of larger issuers.

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes. This may result in greater share price volatility.

Investing in emerging markets is generally riskier than investing in foreign securities. Emerging-market countries may have unstable governments and/or economies that are subject to sudden change. These changes may be magnified by the countries' emergent financial markets, resulting in significant volatility to investments in these countries. These countries also may lack the legal, business, and social framework to support securities markets.

Sector funds are subject to risks within their specific sectors because they concentrate their investments in securities of companies within those industries. Therefore, the prices of these securities can be volatile.

An investment in the money market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

Shares of this Fund are not issued or guaranteed by the U.S. government.

High Yield "junk" bonds involve a greater risk of default of payment of principal and interest than higher-rated bonds. Also, these bonds tend to be less liquid than higher-rated securities. Therefore, an investment in this Fund may not be appropriate for short-term investing.

**For Plan Sponsor and Financial Professional Use Only; Not for use with Participants**

## Footnotes (Continued)

The information in this report has been provided by Prudential Retirement Insurance and Annuity Company ("PRIAC") and has not been independently verified by Global Portfolio Strategies, Inc.

Outside Fund information offered through other firms was provided by the fund's custodian or from publicly available sources. Global Portfolio Strategies, Inc. urges its clients to compare information provided in this statement to statements from their qualified custodian or benefit plan service provider.

Prudential Retirement, Prudential Financial, PRU, Prudential and the Rock logo are registered service marks of The Prudential Insurance Company of America, Newark, NJ and its affiliates. Prudential Retirement is a Prudential Financial business.

Separate accounts are insurance products issued by Prudential Retirement Insurance and Annuity Company, Hartford, CT, a Prudential Financial company.

Shares of the funds are offered by Prudential Investment Management Services LLC (PIMS), Three Gateway Center, Newark, NJ 07102-4077. PIMS is a Prudential Financial company.

The Guaranteed Deposit Account (GDA) is a group annuity product issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT 06103. Amounts contributed to the contract are deposited in PRIAC's general account. Payment obligations and the fulfillment of any guarantees specified in the group annuity contract are insurance claims supported by the full faith and credit of PRIAC. PRIAC periodically resets the interest rate credited on contract balances, subject to a minimum rate specified in the group annuity contract. Past interest rates are not indicative of future rates. This product is neither a mutual fund nor a bank product. The obligations of PRIAC are not insured by the FDIC or any other federal governmental agency.

Prudential Retirement is compensated in connection with this product by deducting an amount for investment expenses and risk from the investment experience of certain assets held in PRIAC's general account. Prudential Retirement may earn fee revenue in addition to the foregoing compensation if your plan has agreed to pay Contract charges, which are sometimes paid in respect of plan and benefit recordkeeping, distribution services and any applicable elective services. For some plans, Prudential Retirement uses a portion of its aggregate compensation to satisfy the plan's request for allowances and for payments to defray plan expenses. If Prudential Retirement's aggregate compensation from this product and from other plan investment products exceeds the costs of servicing your plan, Prudential Retirement earns a profit; otherwise we incur a loss.

Frequent exchanging between plan investment options may harm long-term investors. Your plan or the plan's investment funds may have provisions to deter exchanges that may be abusive. These policies may require us to modify, restrict or suspend purchase or exchange privileges and/or impose redemption fees.

PRISA is an investment option structured as an insurance company separate account available under a group annuity contract issued by The Prudential Insurance Company of America (PICA), Newark NJ, a Prudential Financial company. Net fund-level returns are calculated by deducting aggregate fees that are collected from all of its clients from income and appreciation gains.

For funds that are not part of Prudential Retirement's Manager of Managers Program, Prudential Retirement does not assume any responsibility for the plan's decision to invest in the funds, to monitor their performance or to provide information regarding the funds. Each of those is the sole responsibility of the plan. To the extent Prudential Retirement provides such information, it makes no warranty as to the accuracy of such information and makes no undertaking to continue to provide such information unless Prudential Retirement agrees to continue to provide such information in writing.

**For Plan Sponsor and Financial Professional Use Only; Not for use with Participants**

*All indexes are unmanaged. It is impossible to invest in an index.*

**60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index:** An unmanaged, weighted-average composite index that consists of the S&P 500 Index (60%) and the Barclays Capital U.S. Aggregate Bond Index (40%).

**Barclays Capital U.S. Aggregate Bond Index:** This index covers the U.S. investment grade fixed rate bond market (measuring bonds with maturities of at least one year), with index components for government and corporate securities, mortgage pass-through securities, and asset backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

**Barclays Capital U.S. High Yield Bond Index:** Covers the universe of fixed rate, non-investment grade debt (having a maximum quality rating of Ba1). Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144As are also included.

**Barclays Capital U.S. Long Term Government/ Credit Index:** Includes bonds in the Government and Corporate indices that have maturities of 10 years or longer.

**FTSE NAREIT U.S. Real Estate Index:** An unmanaged market capitalization index of all tax-qualified Equity REITs listed on the NYSE, AMEX, and the NASDAQ that have 75% or more of their gross invested book of assets invested directly or indirectly in the equity ownership of real estate.

**iMoneyNet Taxable Money Funds Index:** Reports on the average yields of all major money market funds, on a 7- and 30-day basis.

**Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index (net):** A market capitalization-weighted index comprised of companies representative of the market structure of 21 developed market countries in Europe, Australia and the Far East. The MSCI EAFE Index is available both in local currency and U.S. dollar terms. The returns shown in the performance chart are calculated with dividends reinvested and are net of foreign withholding tax.

**MSCI EMF Index (net):** A market capitalization-weighted index comprised of companies representative of the market structure of 25 emerging market countries open to foreign investment. The MSCI EMF Index excludes closed markets and those shares in otherwise open markets that are not available for purchase by foreigners. The returns shown in the performance chart are calculated with dividends reinvested and are net of foreign withholding tax. The index is available both in local currency and U.S. dollar terms.

**NCREIF Property Index:** A quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

**Russell 1000® Growth Index:** A market capitalization-weighted index that measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth rates.

**Russell 1000® Index:** A market-capitalization weighted index that measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 92% of the total market capitalization of the Russell 3000® Index.

**Russell 1000® Value Index:** A market capitalization-weighted index that measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth rates.

**Russell 2000® Growth Index:** A market capitalization-weighted index that measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth rates.

**Russell 2000® Index:** A market capitalization-weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000® Index.

**Russell 2000® Value Index:** A market capitalization-weighted index that measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth rates.

**Russell 3000® Index:** A market capitalization-weighted index that measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

**Russell Midcap® Growth Index:** A market capitalization-weighted index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth rates. The stocks are also members of the Russell 1000® Growth Index.

**Russell Midcap® Index:** A market capitalization-weighted index that measures the performance of the 800 smallest companies in the Russell 1000® Index, which represent approximately 24% of the total market capitalization of the Russell 1000® Index.

**Russell Midcap® Value Index:** A market capitalization-weighted index that measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth rates. The stocks are also members of the Russell 1000® Value Index.

**S&P 500® Index:** (registered trademark of The McGraw-Hill Companies, Inc.) An unmanaged index of 500 common stocks, weighted by market capitalization, representing approximately 75% of NYSE (New York Stock Exchange) capitalization and 30% of NYSE issues. (Index performance includes the reinvestment of dividends and capital gains.)