

INVESTMENT POLICY STATEMENT

Staff Education Association Retirees

VEBA Trust

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Prepared By:



Investment Policy Statement
Staff Education Association Retirees VEBA Trust

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Staff Education Association Retirees VEBA Trust

Statement of Investment Objectives, Policy and Guidelines

Introduction

The Staff Education Association Retirees Trust is a “Voluntary Employees’ Beneficiary Association” (VEBA) established March 1, 2010 by the Class Representatives in the litigation known as *James Prater et al v Ohio Education Association*. This VEBA is established under Section 501(c) (9) of the Internal Revenue Code as amended to provide post-retirement health care benefits to the retired members, the retired members’ spouses and dependents of the certified class (the “Participants”) of the Ohio Education Association who were members of the collective bargaining units known as the Professional Staff Union (PSU) and the Ohio Associate Staff Union (OASU) who retired before August 31, 2006. The authority to establish and maintain the VEBA is specified in the Staff Education Association Retirees VEBA Trust. Additionally, the VEBA agreed to accept two (2) Class Representatives who are currently Medicare Disabled (SSDI) and specific non-Class Representatives (Managers) under OEA who have signed individual Settlement Agreements with OEA to participate in the VEBA as permitted.

The following is the Trustees’ Statement of Investment Objectives, Policy and Guidelines (the Policy Statement), which provides a structure for the ongoing policies and procedures, and measurement of performance for the VEBA Trustees, the investment managers (the “Managers”) and investment consultant (the “Consultant”) in the course of managing the assets of the VEBA Trust (the “Fund”).

I. Roles and Responsibilities

Following is a list of the primary investment-related responsibilities of various parties related to the Fund. A description of the legal responsibilities of various parties is stated in the Trust Agreement.

A. Responsibilities of the Trustees

The Trustees along with any and all other fiduciaries are responsible for ensuring that the Fund is managed:

1. Effectively and prudently, in full compliance with ERISA and all other applicable laws and regulations;
2. For the exclusive benefit of participants and beneficiaries;
3. To provide for reasonable expenses of administering the Fund;
3. With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character;
4. Such that the investments of the Fund are diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
5. In accordance with the Trust Agreement; the Trustees have the sole responsibility to hire and terminate the Investment Manager(s).

B. Responsibilities of the Investment Consultant

The Consultant shall have the following responsibilities:

1. Act as a fiduciary to the Fund;
2. Measure the investment performance results, evaluate the investment program on an ongoing basis, and advise the Trustees as to the performance and continuing appropriateness of each manager;
3. Recommend to the Trustees modifications to the Policy Statement or the investment management structure as appropriate;
4. Keep the Trustees informed of current investment trends and issues;
5. Act as a liaison between the Managers, and the Trustees to facilitate communication of important information in the management of the Fund; and
6. Conduct such other duties as may be mutually agreed upon by the Trustees and the Consultant within the scope of the Consultant's contract.

C. Responsibilities of the Investment Manager

The Investment Manager (Manager) shall have the following responsibilities:

1. Act as fiduciary for that portion of the Fund under its discretion;
2. Manage the portion of the Fund under its control in accordance with this Policy Statement and in accordance with prudent standards required by ERISA, unless modified by manager's specific guidelines;
3. Comply with any and all applicable legislative or regulatory stipulations;
4. Exercise full investment discretion within the policies and standards included herein as to buy, hold and sell decisions for all assets under its discretion;
5. Promptly inform the Trustees and/or its designated agent (i.e., Consultant) regarding significant matters pertaining to the investments of its portfolios;
6. Fulfill its "best execution" requirements as specified in the Investment Advisors Act of 1940;
7. Initiate written communication with the Trustees and Consultant when this Policy Statement should be altered. No deviation from the guidelines and objectives established in the Policy Statement is permitted until after such communication has occurred and the Trustees have approved such deviation in writing;
8. Submit quarterly fund reports to the Custodian, and Consultant within 30 days after the end of each quarter as described in VII.B; and
9. Respond to funding requests within the requested timeline.

D. Responsibilities of the Custodian

The Custodian of the Trust shall have the following responsibilities:

1. Hold securities and other investments in the name of the Trust or in the name of the nominee custodian or in bearer form;
2. Collect and receive income, interest, proceeds of sale, maturities, investments, deposit of all receipts in a custodial or checking account and reinvest these receipts as directed by the Consultant;
3. Make disbursements and transfers as directed by the Consultant;
4. Maintain accounting records and assist in the preparation of reports required by the Trustees;

5. Settle purchases and sales and engage in other transactions, including receipts and deliveries, exchanges and other voluntary corporate actions, with respect to securities or other property received by the Custodian;
6. Manage the securities lending program, if applicable; and
7. Perform other services for the Fund as are customary and appropriate for custodians.

II. Investment Goals and Objectives

1. The Fund is to be invested to achieve the greatest return (or reward) for the VEBA consistent with a prudent level of risk. The primary reward measure to be considered is the change in the overall health of the VEBA — the trend in surplus growth (assets in excess of total VEBA liabilities); the risk of most concern is the volatility of the surplus or the probability that the surplus will dip below a threshold. Other returns and risks to be considered, but which are subsidiary to the VEBA's overall health, are those with respect to asset values and contributions.
2. The VEBA's long-term nominal rate of return objective is to meet or exceed an assumed actuarial rate or the Trustees' assumption of a reasonable rate of return. Return shall be measured as "total return," including income and capital gains and losses, both realized and unrealized.
3. Total return for the Fund shall:
 - a. Meet or exceed the return of the Fund's Policy Index (see Addendum II-1) the equivalent of the return that would have been earned by a portfolio invested in market index funds, weighted in the proportions outlined for each asset class in the Asset Allocation Policy shown in Section III; and
 - b. Consistently perform better than an average "actively managed" manager allocated according to this Policy Statement.
4. Total portfolio risk exposure and risk-adjusted returns will be regularly evaluated and compared with other similar funds. The risk exposure of the total Fund is expected to commensurate to a universe of comparably allocated funds.
5. Normally results are evaluated over a three- to five-year time horizon, but shorter-term results are recognized for the initial years of the Fund. Investment results will be regularly reviewed and earlier action taken if in the best interest of the Fund.

III. Asset Allocation

A. General

The following asset allocation policy is based upon an evaluation of the VEBA's ability and willingness to assume investment risk in the Fund in light of the Trustees' goals and objectives.

B. Asset Allocation Procedures

In arriving at an asset allocation policy, the Trustees working with the Consultant, have evaluated and on an ongoing basis will continue to evaluate the following factors:

1. The financial condition of the VEBA and long-term goals of the Trustees, including the philosophy and attitudes toward investment return and risk;
2. Actuarial methods and assumptions and benefit policies for the VEBA;
3. The prospective liability of the VEBA;
4. Historical and prospective risk and return characteristics associated with various asset classes and investment management styles; and

5. Characteristics unique to the VEBA, e.g., annual budgets, liquidity requirements and /or investment constraints.

C. Permissible Investments

In fulfilling the investment objectives set forth above, the Fund may invest in the following categories:

1. Domestic Equity Investments are permitted and may include common stocks traded over-the-counter or on an established domestic stock exchange. Convertible bonds, preferred stocks, warrants and rights may be purchased as equity substitutes so long as the underlying equity meets with applicable standards. American depository receipts (ADRs) and dual listed foreign stocks, which are dollar denominated foreign securities traded on domestic U.S. stock exchanges, may be held by each domestic equity manager to a maximum of 10%.
2. Domestic Debt Securities are permitted and may include U.S. Government and agency obligations, corporate bonds (either deemed “investment grade” or “high yield”), asset backed securities, agency guaranteed mortgage pass-through securities, commercial paper and certificates of deposit. Managers may also invest in U.S. dollar denominated issues of international agencies, foreign governments and foreign corporations (i.e., Eurodollar).
3. International investments are permitted and may include equity and fixed income securities. International investments shall only be entered into through the selection of a qualified investment management organization as consistent with fiduciary responsibilities.
4. Real estate investments are permitted and may include both debt and equity investments. The Trustees may invest in real estate by appointing a registered real estate Manager or by utilizing pooled accounts, limited liability companies, partnerships or group trusts. Investments may include real estate investment trusts (REITs), real estate operating companies (REOCs), and mutual funds composed of REITs and REOCs.
5. Cash Equivalents and other short-term funds are permitted and may be invested in direct U.S. Government obligations such as U.S. Treasury Bills or repurchase agreements, which are fully collateralized by U.S. Treasury issues. Unless expressly prohibited by the Trustees, excess cash may be invested in the short term investment fund of the Custodian Bank(s) or negotiable certificates of deposit, or other short-term investment vehicles designated by the Trustees.
6. Futures and options strategies may be employed, upon specific authorization by the Trustees, on equity and fixed income investments to provide volatility protection or to enhance the rate of return over time.
7. Commingled funds and/or institutional mutual funds may be used as investment vehicles. The Trustees recognize that they cannot give specific policy directives to a fund (whose policies are already established). Therefore, the Trustees understand that investments in commingled or mutual funds shall be managed in accordance with the objectives, policies, and restrictions set forth in the commingled fund’s guidelines or mutual fund’s prospectus. For mutual funds and other commingled vehicles, the prospectus or trust documents of the fund(s) will govern the investment policies of the portion of the Fund invested therein.
8. Securities lending may be implemented through the Fund’s Custodian or other reputable agents provided that the loaned securities are fully collateralized (at least 100% for domestic securities and 105% for international securities) and the custodian or agent

receives the collateral prior to the release of the securities. The program shall be governed by a Securities Lending Agreement which shall set forth, among other things, procedures for broker selection; responsibilities of the agent; types of collateral; crediting of revenues; and indemnification measures.

D. Prohibited Investments

Managers may not engage in the following:

1. Transactions prohibited or limited by federal, state or local law;
2. Short sales, except where specifically permitted by the Trustees ;
3. Purchases of letter stock, private placements (except for 144A securities with registration rights);
4. Investment in tax-exempt securities, except where specifically permitted by the Trustees;
5. Use of margin, or investments in any derivatives (including calls, straddles and other option strategies) not explicitly permitted in this Policy Statement; and
6. In the Manager's own securities, its affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Trustees).

E. Target Asset Mix

1. Funded Allocation – The Trust will ultimately be funded at a level sufficient to fund its daily liquidity needs and provide for Reserve assets of a long-term nature. As such, the Trustees have adopted the asset allocation mix shown in Addendum I for the Reserve assets. Consistent with the Fund's return objectives and risk parameters, the mix of assets for the Fund should be maintained as outlined therein (percentages are of the market value of the Fund).
2. Working Capital Allocation – On an annual basis, prior to the Trust's calendar year, the trustees will establish a budget of the Plan's anticipated expenses for the upcoming year. The funds needed to fund those expenses will be invested in investments of a short-term nature with goals targeting the maintenance of principal and upon discussion of the Trustees in concert with input from the Investment Consultant. Given the fluid nature of the investment markets, all Working Capital Allocation decisions will be documented in the approved Board Meeting minutes.

F. Rebalancing Process

In light of the importance of the asset allocation decision, adherence to the agreed overall Policy Statement is highly desirable. Different returns between the various asset classes will cause the Fund's allocation to deviate from the strategic targets. Because of the cost and disruption of buying and selling assets, it is undesirable to respond to every such movement by rebalancing immediately to the strategic target. In consideration of this circumstance, the Trustees have established tactical ranges within which the asset allocation is allowed to move without triggering any rebalancing transactions. These ranges provide a balance between keeping the actual asset allocation close to the original strategic target without requiring excessive transactions. The Trustees, through the Consultant, will actively monitor the Fund's allocation on an ongoing basis and rebalance quarterly when the benefit outweighs the transaction cost of the rebalancing. If an asset has moved outside the tactical allocation range it will be rebalanced to the original strategic weight with consequent changes to other asset classes. As asset allocation target allocation percentages are revised to reflect new strategies or asset classes, the policy target and ranges may be breached for periods of time in order to allow for a smooth and efficient transition to the new approved targets. Any breach of ranges will be discussed with the Consultant and be subsequently reported to the Trustees for appropriate action.

G. Benefit Payments

Liquidity requirements may also be met using net contributions and residual cash positions. Net contributions to the VEBA generally will be distributed in such a manner as to maintain the target asset allocation. The Consultant, will determine the precise manner in which liquidity requirements/net contributions will be met/invested on a periodic (but not less than annual) basis. Managers will be informed of these decisions by the Consultant.

IV. Investment Manager Structure

A. General

In order to maximize diversification benefits of the Fund, the Trustees will utilize a multi-manager structure of complementary investment styles and asset classes to invest Fund assets.

B. Investment Manager Selection Criteria

In selecting Managers for the various asset classes, candidate organizations have been and will continue to be identified and evaluated according to criteria and a process established jointly by the Trustees and the Consultant. Managers retained by the Trustees shall be chosen based on, but not limited to, the following criteria:

1. The investment style and discipline of the Manager and/or pooled fund and how well the Manager's investment style or approach complements other asset classes in the Fund;
2. Past performance, considered relative to other Managers having similar investment styles, including both consistency of performance and the level of risk taken to achieve results;
3. The level of experience, financial resources, and staffing levels of the Manager;
4. An assessment of the Manager's investment process and philosophy; and
5. An assessment of the likelihood of future investment success (with an emphasis on expenses), relative to other opportunities.

V. Investment Manager Guidelines

The investment guidelines governing each asset class/Manager will together constitute the Fund guidelines.

A. General

1. Full discretion shall be granted to the Managers regarding the selection of securities and the timing of transactions within the parameters of the objectives and guidelines described herein.
2. While the Trustees are sensitive to excessive turnover, there shall be no specific limitation to reasonable turnover in this regard, recognizing the importance of providing flexibility to the Manager to adjust the security selection in changing market conditions.
3. The flexible management of the portfolio is permitted and while the Trustees are appropriately sensitive to paper losses, there is no justification to hold a particular security or to manage the collective assets for the principal purpose of avoiding the recognition of an unrealized loss.
4. Compliance with all guidelines outlined in this Policy must be monitored by the Managers on a regular basis (monthly or more frequently when unusual market conditions warrant) and be based on the then current market values. In the event that the Manager's portfolio moves out of compliance with these limitations, guidelines and restrictions, for any reason, the Manager must bring the portfolio into compliance immediately. If the portfolio cannot be brought into compliance immediately or the

Manager has reason to believe that it would not be prudent to bring the portfolio into compliance immediately, the Manager must notify the Trustees and Consultant immediately in writing and submit a written request for a compliance waiver. The written request should provide a discussion of the circumstances creating the non-compliance and a recommended course of action.

B. Domestic Equity Managers

Specific guidelines for domestic equity Managers are specified in Addendum II-2. Domestic equity Managers will be expected to manage their holdings in order to maximize net long-term returns.

C. Domestic Fixed Income Managers

Specific guidelines for fixed income Managers are specified in Addendum II-3. Securities are to be selected and managed to ensure appropriate quality and maturity exposure, consistent with these guidelines and current money market and economic conditions. "Active" bond management (i.e., over- or underweight sectors, securities, maturities, duration relative to benchmark) is encouraged, as deemed appropriate by the Managers.

D. International Equity Managers

Specific guidelines for international equity Managers are specified in Addendum II-4. Securities selected for this portfolio are expected to be issued by non-U.S. corporations, although the Manager has latitude to hold U.S. securities provided that such investments are consistent with attainment of the portfolio's investment objective and are limited to 10% of the portfolio.

E. Real Estate Managers

1. Specific guidelines for the real estate Managers are specified in Addendum II-2. The role of the real estate segment is to provide a stable return premium, after inflation, and to increase the diversification of the overall Fund.
2. Real estate Managers will have full discretion to invest portfolios in accordance with the terms of their advisory agreements. It is expected that the Managers will adhere to their stated philosophies and that any material deviations will be communicated promptly to the Trustees.
3. It is expected that the real estate investment program shall be broadly diversified with respect to property type and geography, and primarily be in the equity of real property, which may or may not be leveraged.
4. The majority of real estate investments shall be "core" investments, with the remainder being styles complementary to core, such as "value-added" and "opportunistic".
5. All investments shall be in commingled funds, including but not limited to partnerships, limited liability companies, insurance company commingled separate accounts, and private REITs. Funds shall primarily be open-ended, although closed-end funds may be used as appropriate, particularly for value-added and opportunistic styles.

VI. Evaluation and Review

A. General Policies

1. The Trustees will be responsible for monitoring the Managers' performance on a regular basis, and for taking action as necessary to ensure the achievement of the established goals.
2. The Trustees expect to receive results from its Managers that are consistent with the provisions of its Policy Statement. The specific objectives and guidelines established for each asset category will provide the basis for evaluating the effectiveness of the overall investment program and Managers over time.

3. The Trustees and the Consultant will review the performance of each Manager and its adherence to the restrictions and policies applicable to the assets under its discretion on a quarterly basis to determine whether the Manager has performed in accordance with its stated investment approach and objectives.
4. Failure by a Manager to achieve the performance objectives established by the Trustees during the initial three year period and over any given rolling three-year period thereafter shall cause that Manager to be placed on a “watch list.” The Trustees will determine a specific time period to measure performance when the Manager is placed on the watch list. If performance does not improve within that time period, that Manager’s role in the program will be reviewed with a bias towards termination or reducing funding.
5. Procedures for Evaluating Active Manager Underperformance versus Index Benchmark
 - a. A Manager that underperforms its primary index benchmark (as specified in the Policy Statement) over three consecutive quarters or, if shorter, over a rolling three-year period (based on a quarterly rolling periods) shall be placed on the “watch list.”
 - b. A Manager may be placed on the watch list or on probation for under-performance in a lesser time period. Other actions may be taken if deemed appropriate by the Trustees in consultation with its Consultant or other Fund professionals.
6. A Manager placed on probation for performance will be subject to:
 - a. A reappraisal of its investment process and philosophy, with particular emphasis on the Manager’s buy and sell disciplines;
 - b. A requirement to satisfactorily explain its substandard performance; and
 - c. Two additional quarters to bring its performance up to standard relative to its designated benchmark without modifying its stated investment style.
7. A Manager may also be placed on probation as a result of the announcement of a regulatory action or legal proceedings, including investigations, litigations and disciplinary actions brought about by the Securities and Exchange Commission (SEC), any securities regulatory body, any securities exchange, or any relevant governmental body or agency. The Trustees, the Consultant and Plan Attorney will review each situation on a case by case basis, including the impact of the action or investigation on the Manager’s ability to perform its duties under the Investment Management Agreement.
8. A Manager on a probationary status may not be eligible to receive additional investment funds, including funds from rebalancing of the portfolio, except as approved by the Trustees.
9. Failure to comply with the conditions of probationary status will be grounds for termination.

B. Ongoing Qualitative Manager Evaluation

1. On an ongoing basis, the Consultant shall monitor changes in a Manager’s personnel, assets, and other qualitative factors that are likely to have an impact on the Manager’s implementation of its investment process and results. Notwithstanding the above policies and procedures, a Manager’s role may be reviewed or terminated for qualitative reasons. A Manager may only be terminated by action of the Trustees.
2. On at least an annual basis or as requested, each Manager will be expected to meet with the Trustees, and/or Consultant. Each Manager will be asked to respond to all information requests on a timely basis. In addition, each Manager will be expected to provide the Consultant with the information requests in Section VII.

3. The Trustee's may, at their discretion place a Manager on the Watch List as referenced in section VI(4) for qualitative deficiencies.
4. The Trustees, with the assistance of the Consultant, will review the overall investment program at least once per year. Key issues reviewed will include:
 - a. The ongoing appropriateness of the asset allocation targets;
 - b. Current trends and developments in the capital markets and manager community;
 - c. Changes in the liability structure of the VEBA or financial or benefits goals of the Trustees; and
 - d. The ongoing appropriateness of the policies included herein.

VII. Investment Manager Reporting Requirements

A. Managers shall report on the following as soon as they occur:

1. Discovery of a violation of the investment guidelines contained in this Policy Statement;
2. A significant change in investment strategy, portfolio structure, or market value or liquidity of managed assets;
3. A significant change, in the ownership affiliations, organizational structure, financial condition, professional staffing, or clientele of the Manager; and
4. Investigations, complaints or changes that could lead to sanctions against the Manager or its employees by any state or federal governmental or regulatory agency, or by the Financial Industry Regulatory Authority (FINRA), except where prohibited by law.

B. Managers shall report on the following within 30 days after each quarter:

1. Guideline compliance;
2. Brief review of investment process;
3. Discussion of any changes to the investment process;
4. Investment strategy used over the past year and underlying rationale;
5. Evaluation of strategy's successes/disappointments;
6. Comment on the Manager's assessment of the current liquidity of the portfolio and the market(s) in which the portfolio is invested;
7. Returns for last quarter, year-to-date, last year, three years and five years, and since inception versus designated benchmarks both on a gross and net of fees and expenses basis. Similarly, provide calendar year returns since inception;
8. Discuss net performance relative to benchmarks; including volatility measures (e.g. beta, standard deviation)
9. A list of portfolio holdings grouped by industry/sector or other intuitive grouping;
10. Portfolio characteristics relative to benchmark; and
11. Derivatives review each Manager that invests in derivatives contracts or securities shall also prepare a quarterly report on the following information:
 - a. All derivatives positions as of quarter-end;
 - b. An assessment of how the derivatives positions affect the risk exposure of the total portfolio; and
 - c. An explanation of any significant pricing discrepancies between the Manager and the custodian bank.

C. Managers shall report on the following annually:

1. Proxy voting
 - a. The Trustees shall delegate responsibility for the exercise of ownership rights through proxy voting to the Managers, who shall exercise this responsibility strictly for the economic benefit of the Fund and its participants.
2. Broker commissions & trading costs
 - a. The annual commission report should be delivered to the Trustees and Consultant within forty-five (45) days of the end of each calendar year. The report shall cover all trades executed during the prior calendar year.
 - b. Each annual commission report shall include the following:
 - i. Commission expense -- Provide a review of the portfolio's actual commission expense over the prior year. At a minimum, this shall be broken down by broker and include average commission per share, total shares traded, total commission expense, and total trading volume.
 - ii. Transaction cost analysis --If the Manager has a plan for monitoring total transaction cost, commissions plus market impact, a copy of this analysis shall be provided.

VIII . Implementation

All monies invested for the Fund by its Managers after the adoption of this statement shall conform to this Policy Statement.

IX. Approval

It is understood that this Policy Statement is to be reviewed periodically by the Trustees to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, changes in the VEBA or changes involving the Managers.

The above Investment Policy Statement is hereby found acceptable to both Dover Consulting Group (Investment Consultant) and the Board of Trustees of the Staff Education Association Retirees VEBA Trust.

BOARD OF TRUSTEES

Signature

Date

Robert E. Hochenberger Jr.

12-19-2020

DOVER CONSULTING GROUP

A Division of Dover Partners, Inc.

Signature

Date

Joshua A. Smittkamp, CRPS
Chief Operating Officer

12/28/20

ADDENDUM I
Funded Asset Allocation Guidelines

A. Asset Allocation GUIDELINES by Category

Asset Class	Min %	Target %	Max %
Domestic Stocks	25	30	33
International Stocks	7	9	11
Emerging Market Stocks	8	10	12
Domestic Bonds*	34	31	42
High Yield Bonds	8	10	12
Real Estate	4	5	6
Cash & Equivalents*	1	5	6

- B. To maintain compliance with this statement, the Board retains the ability to implement changes in asset allocation. This will be accomplished by the direction of Fund cash flows to various asset classes and/or the reallocation of funds among asset categories.
- C. At its option, the Board may initiate a formal asset allocation study every three to five years to aid it in its asset allocation discussions and decisions.
- D. The Board desires the portfolios to be fully invested. Cash (or its equivalents) are not deemed a strategic asset of the overall Fund.

** Due to asset class similarities and fund liquidity requirements, Bonds and Cash allocation guidelines may overlap.*

ADDENDUM II-1 Total Portfolio Performance

STATEMENT OF GENERAL INVESTMENT OBJECTIVES, PERFORMANCE AND RISK-TOLERANCE GOALS For the: STAFF EDUCATION ASSOCIATION RETIREES VEBA

Effective July 1, 2010

A. GENERAL INVESTMENT OBJECTIVE

Preserve and enhance the principal of the Fund.

B. PERFORMANCE GOALS

1. MINIMUM GOAL:

With respect to the Fund, to earn over a three to five-year period a time weighted, compounded annual total rate of return of the rate determined by the Fund's actuary at full-funding (6%).

2. RELATIVE GOAL:

With respect to the Fund, to earn over a three to five-year period a time-weighted, compounded annual total rate of return above the median balanced return of a national universe of similarly allocated investment managers and the composite Fund Index (see D below).

C. RISK-TOLERANCE GOALS

1. Over any given three to five year period, the risk (i.e. volatility) of the total Fund, as measured by the quarter-to-quarter standard deviation of its quarterly total rates of return, will be compared to a national universe of similarly allocated investment managers and its respective composite Fund benchmark (see D below).
2. The volatility and rate of return of the Fund over any given three to five-year period should be commensurate with the volatility and rates of a national universe of similarly allocated investment managers and the Fund benchmark.

D. FUND BENCHMARK INDEX

1. A composite Benchmark Index specific to the Fund has been constructed to assist the Board in its evaluation process. The components of the index will be the target percentages of the range of the allowable major asset classes (described in Section V above). Major market indices will be used as representations for the asset classes in the following percentages:

Asset Class	Benchmark	Weight %
Domestic Equity	CRSP US Total Market Index	30
Dev. Mkts. International Equity	FTSE Developed Mkts ex N.A. Index	9
Em. Mkts. International Equity	FTSE Emerging Mkts.	10
Fixed Income - Core	Barclays Agg. Index	31
High Yield Fixed Income	ICE BofA US High Yield	10
Real Estate	<i>Manager Specific</i>	5
Cash (& Equivalents)	90 Day T-Bill	5

2. The above index *is not to be construed as an explicit objective of the Fund*. Its role is to provide a comparison of market returns and risk levels from a static asset allocation perspective. In this manner, the Board can better evaluate the cost or benefit to the Fund of the investment managers' portfolio decisions and/or the Board's asset allocation judgments compared to a passively managed portfolio.

Addendum II-2 CURRENT FUND INVESTMENTS

This section provides details on how each of the investment vehicles will be regularly monitored (by the investment consultant). It also provides a Statement of Prospectus Objective, the Performance Goal and a Risk-Tolerance Goal. Nothing in this section precludes the Board from pursuing or authorizing investments outside of those listed.

Vanguard – Total Stock Market ETF (VTI) PASSIVELY MANAGED LARGE CAP CORE EQUITY

- 1) **Prospectus Objective:** The fund Seeks to track the performance of the CRSP US Total Market Index. It invests in Large-, mid-, and small-cap stocks diversified across growth and value styles by employing a passively managed, index-sampling strategy. The fund remains fully invested, has low expenses and minimizes net tracking error.
- 2) **Performance Goal:** To earn over a three to five year period a time-weighted, compounded annual total rate of return comparable to the index tracked **less the fund's expense ratio AND, over time, to be in the top 50% of Morningstar's appropriate Category Average.**
- 3) **Risk-Tolerance Goal:** Over any given three to five year period, the risk (i.e. volatility) of this fund, as measured by the quarter-to-quarter standard deviation of its quarterly total rates of return, should be indistinguishable from the index tracked.

Vanguard – FTSE Dev Mkts ex-N.A. ETF (VEA) PASSIVELY MANAGED CORE INTERNATIONAL EQUITY

- 1) **Prospectus Objective:** The Dev Mkts ex-N.A. ETF seeks to track the performance of a benchmark index that measures the investment return of stocks of companies located in developed and emerging markets around the world including 2,200 stocks in nearly 50 countries.
- 2) **Performance Goals:** To earn over a three to five year period a time-weighted, compounded annual total rate of return comparable to the index tracked **less the fund's expense ratio AND, over time, to be in the top 50% of Morningstar's appropriate Category Average.**
- 3) **Risk-Tolerance Goals:** Over any given three to five year period, the risk (i.e. volatility) of this fund, as measured by the quarter-to-quarter standard deviation of its quarterly total rates of return, should be equal to or lower than a comparable universe of similar funds and should be indistinguishable from the index tracked.

Vanguard - FTSE Emerging Markets ETF (VWO)

PASSIVELY MANAGED EMERGING MARKETS INTERNATIONAL EQUITY

- 1) **Prospectus Objective:** The FTSE Emerging Markets ETF seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in emerging market countries.
- 2) **Performance Goals:** To earn over a three to five year period a time-weighted, compounded annual total rate of return comparable to the index tracked less the fund's expense ratio **AND, over time, to be in the top 50% of Morningstar's appropriate Category Average.**
- 3) **Risk-Tolerance Goals:** Over any given three to five year period, the risk (i.e. volatility) of this fund, as measured by the quarter-to-quarter standard deviation of its quarterly total rates of return, should be equal to or lower than a comparable universe of similar funds and should be indistinguishable from the index tracked.

Vanguard - Short-Term Corporate Bond ETF (VCSH)

PASSIVELY MANAGED FIXED INCOME FUND

- 1) **Prospectus Objective:** This fund seeks to track the performance of the Barclay's U.S. 1-5 Year Corporate Bond Index. It provides a diversified exposure to the short-term investment grade U.S. corporate bond market.
- 2) **Performance Goal:** To earn over a three to five year period a time-weighted, compounded annual total rate of return comparable to the index tracked less the fund's expense ratio **AND, over time, to be in the top 50% of Morningstar's appropriate Category Average.**
- 3) **Risk-Tolerance Goal:** Over any given three to five year period, the risk (i.e. volatility) of this fund, as measured by the quarter-to-quarter standard deviation of its quarterly total rates of return should be should be equal to or lower than a comparable universe of similar funds and should be indistinguishable from the index tracked.

Vanguard - Short-Term Bond ETF (BSV)

PASSIVELY MANAGED FIXED INCOME FUND

- 1) **Prospectus Objective:** This fund seeks to track the performance of the Barclay's Government/Credit Float Adjusted Index. It provides a diversified exposure to the short-term investment grade U.S. bond market.
- 2) **Performance Goal:** To earn over a three to five year period a time-weighted, compounded annual total rate of return comparable to the index tracked less the fund's expense ratio **AND, over time, to be in the top 50% of Morningstar's appropriate Category Average.**
- 3) **Risk-Tolerance Goal:** Over any given three to five year period, the risk (i.e. volatility) of this fund, as measured by the quarter-to-quarter standard deviation of its quarterly total rates of return should be should be equal to or lower than a comparable universe of similar funds and should be indistinguishable from the index tracked.

Vanguard - Total Bond Market ETF (BND)
PASSIVELY MANAGED FIXED INCOME FUND

- 1) **Prospectus Objective:** This fund seeks to track the performance of the Barclay's Aggregate Index. It provides a diversified exposure to the investment grade U.S. bond market.
- 2) **Performance Goal:** To earn over a three to five year period a time-weighted, compounded annual total rate of return comparable to the index tracked less the fund's expense ratio AND, over time, to be in the top 50% of Morningstar's appropriate Category Average.
- 3) **Risk-Tolerance Goal:** Over any given three to five year period, the risk (i.e. volatility) of this fund, as measured by the quarter-to-quarter standard deviation of its quarterly total rates of return should be equal to or lower than a comparable universe of similar funds and should be indistinguishable from the index tracked.

Baird Core Plus Bond Fund - Inst (BCOIX)
ACTIVELY MANAGED FIXED INCOME FUND

- 1) **Prospectus Objective:** The investment objective of the Fund is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays U.S. Universal Bond Index (aggregate + high yield).
- 2) **Performance Goal:** To earn over a three to five year period a time-weighted, compounded annual net total rate of return in excess of the Barclay's Aggregate Bond Index AND, over time, to be in the top 50% of Morningstar's appropriate Category Average.
- 3) **Risk-Tolerance Goal:** Over any given three to five year period, the risk (i.e. volatility) of this fund, as measured by the quarter-to-quarter standard deviation of its quarterly total rates of return should be somewhat lower than other similarly managed mutual funds and to the Barclay's Aggregate Bond Index.

Vanguard - REIT ETF (VNQ)
PASSIVELY MANAGED REIT

- 1) **Prospectus Objective:** The Fund seeks maximum total return, consistent with preservation of capital and prudent investment management.
- 2) **Performance Goal:** To earn over a three to five year period a time-weighted, compounded annual net total rate of return in excess of the appropriate real estate Index AND, over time, to be in the top 50% of Morningstar's appropriate Category Average.
- 3) **Risk-Tolerance Goal:** Over any given three to five year period, the risk (i.e. volatility) of this fund, as measured by the quarter-to-quarter standard deviation of its quarterly total rates of return should be somewhat lower than other similarly managed funds and to the appropriate index.

