



**INVESTMENT POLICY STATEMENT  
FOR THE  
PASSIVE EQUITY INDEX ACCOUNT  
OF  
CENTRAL STATES, SOUTHEAST AND  
SOUTHWEST AREAS PENSION FUND  
AS OF DECEMBER 26, 2007**

**I. INTRODUCTION**

**A. General**

1. The purpose of this Investment Policy Statement is to record the investment policies that govern the management of the Passive Equity Index Account ("Index Account") of Central States, Southeast and Southwest Areas Pension Fund ("Fund"), an account which is established and maintained in accordance with the consent decree ("Consent Decree") governing the Fund, as entered by U.S. District Judge James B. Moran in civil action No. 78 C 342 in the United States District Court for the Northern District of Illinois, Eastern Division ("Court"), as heretofore and hereafter amended.
2. This Investment Policy Statement has been adopted by the board of trustees ("Trustees") of the Fund.
3. The Trustees are authorized and responsible to develop this Investment Policy Statement and to implement it by one or more investment managers appointed by the Trustees and approved by the Court.
4. The Trustees are authorized and responsible to appoint and monitor one or more investment managers which will manage the Index Account and, if and when appropriate, to remove and replace any such appointed manager.

**B. Plan and Fund Characteristics and Considerations**

The investment policy applicable to the Index Account shall take into consideration the following factors:

1. The Fund is a multiemployer defined benefit pension plan and trust, and is a qualified plan and a tax-

exempt organization in accordance with Sections 401(a) and 501(a) of the Internal Revenue Code.

2. Participating employers remit periodic contributions to the Fund, on behalf of employee participants of the Fund, at rates specified in collective bargaining agreements. Active participants may, in specified conditions during temporary absences from employment, remit self-contributions to the Fund in order to increase benefit accruals. The Trustees are empowered to establish and amend the terms, provisions and limitations of plan benefits. Collective bargaining agreements are generally negotiated for multi-year periods and include specific expiration dates, provisions and employer contribution rates. The Fund is not a party to such negotiations or to such agreements.

### **C. Investment Philosophy**

1. The investment philosophy shall be to manage the Index Account in a prudent and conservative yet productive manner consistent with the Consent Decree and the Employee Retirement Income Security Act ("ERISA"), as heretofore and hereafter amended. Each appointed investment manager responsible to manage all or part of the Index Account shall seek to increase the aggregate purchasing power of the assets under management over the long-term, while conscious of the need to preserve asset value, in order to enhance the ability of the Fund to meet its obligations.
2. The Index Account will be diversified in accordance with the investment objectives stated in Section II.A., *infra*.

## **II. INVESTMENT POLICY**

### **A. Investment Objectives**

The investment objectives of the Index Account shall include the following:

1. To provide income and capital appreciation by diversified investment in the U.S. Equity Market matching the total return of the Standard & Poor's 500 Index ("S&P 500 Index").

2. To limit the Fund's investments in the Index Account to domestic equity securities within the scope of the Specified Investment Guidelines in Section II.B., *infra*.

3. To maximize investment returns and minimize tracking error in the Index Account to the extent consistent with the requirements of sufficient liquidity and minimum risk.

4. To minimize investment expenses.

## **B. Specific Investment Guidelines**

1. Each investment manager appointed to manage all or part of the Index Account shall seek to replicate the characteristics of the S&P 500 Index. Each investment manager shall remain fully invested in the equity market at all times and shall hold each security of the S&P 500 Index in the same index weight.

2. The S&P 500 Index is a broad-based measurement of 500 domestic large capitalization companies, representing various sectors that currently trade on the New York Stock Exchange. The companies that comprise the S&P 500 Index are weighted according to their respective shares outstanding. This market-value-weighted index makes each company's influence on the Index's performance directly proportional to that company's market value.