OAS Retirement and Pension Fund
Investment Policy Statement

(April 2022)

Part I. The OAS Retirement and Pension Plan

The Retirement and Pension Plan (the Plan) of the Organization of American States ("OAS") was created in 1928 as a means to protect the staff members of the then Pan American Union, later the OAS General Secretariat ("GS/OAS"), in their old age after retirement. The Plan preceded many of the social achievements of the international civil service community and even quite a few of the social security programs of the Member States of the OAS.

Although initially established for the benefit of the GS/OAS staff, over the years, staff members of other institutions of the Inter-American System have been allowed to participate in the Plan. Currently, the Plan counts with participants from the Inter-American Institute for Cooperation on Agriculture, the Inter-American Defense Board, the Inter-American Court of Human Rights, and the Tropical Agricultural Research and Higher Education Center (CATIE). The employers of the participants are known under the Plan as the "Affiliated Institutions."

The Plan protects each participant not only after retirement, but also during the entire period of association with an Affiliated Institution. This protection also covers the participant's family.

The Plan is under the responsibility of the Retirement and Pension Committee ("the Committee"), composed of three voting trustees: a member elected by the OAS Permanent Council, the OAS Secretary General or his/her representative, and a GS/OAS staff member elected by the Plan participants. A representative of the Association of Pensioners also participates in the Committee, with voice but without vote. For each member, there is an alternate, duly appointed or elected by the authority that appointed the corresponding principal member. The Committee is assisted in its work by the Plan's Secretary Treasurer, a legal advisor, staff of the Secretary-Treasurer's office, and, as needed, other GS/OAS staff members, and consultants.

Under U.S. Law, the Plan is a "defined benefit" plan. The Plan's features, which make it a "defined benefit" plan, are its retirement and disability annuities computed under a fixed formula based on each participant's years' of Fund participation and average remuneration over the best three of the last five years. Nonetheless, the plan has several features commonly found in "defined contribution" plans. One is that participants have fixed accounts to which they make a personal contribution from each paycheck of 7% of their remuneration, and to which the Affiliated Institution then makes an additional contribution of twice that amount (14%). Another is that participants accumulate cash in their accounts, which is paid out to them in a lump-sum distribution ("liquidation") if they separate from service, either voluntarily or involuntarily, before compulsory retirement (age 65 with at least 15 years' Fund participation). Still another is a feature that allows participants who qualify for the formula based annuity to resign before taking that pension, and, in the alternative, purchase from the Fund with cash in their account an alternative annuity based solely on the amount of cash they pay for the annuity and annuity tables periodically approved by the Committee. Notwithstanding those

“defined contribution” features, the Plan is a “defined benefit” plan because US law classifies, a retirement plan with both defined benefit and defined contribution characteristics as a defined benefit plan.

The Committee also manages another plan called the Provident Plan, which is a defined contribution plan. Its use is limited and the number of participants is small. The Provident Plan does not have the social security characteristics of the Retirement and Pension Plan. It is no more than a retirement savings plan. The contributions to participant accounts are substantially lower than those to Plan participant accounts—5% of the participant’s remuneration by the participant; 5% from the Affiliated Institution. The funds in Provident Plan participant accounts are managed and invested together with the Retirement and Pension Fund and receive the same percentage semiannual accreditation of interest as Plan participant accounts. The Provident Plan participant receives the cash contributed to his/her account, plus accumulated accreditations of interest, as a final liquidation upon his/her separation from service; nothing more. [1].

Part II. The OAS Retirement and Pension Fund

All the benefits provided by the Plan are financed out of the OAS Retirement and Pension Fund (the Fund). The Fund is funded with the contributions from the participants, contributions from the institutions employing the participants, all earnings and income generated by the investments of its resources, forfeitures of certain sums from accounts of participants leaving before achieving full vesting and some other sources as explained in Section III part 1. of the Plan.

All these sums are placed in a trust fund that satisfies all the rules and regulations applicable to fiduciary funds, including the complete separation of pension assets from the employer’s assets. The assets in the Fund are invested according to specific guidelines (provided in this Investment Policy Statement) approved by the Committee.

Special Characteristics of the Fund in the United States of America:

The beneficial owners of the Fund are the participants, the pensioners, and other beneficiaries receiving payments under the Plan and under Section VIII(4) of the Plan, its assets cannot revert to the OAS or any other Affiliated Institution. Nonetheless, the Fund is specifically designated an OAS fund in the 1994 Headquarters Agreement Between the United States Government and the OAS. As an OAS fund, it is protected by privileges and immunities from confiscation, search and seizure, and legal process in the United States of America, and its income is exempt from all taxation—state, federal, and local. Under the 1984 Tax Reimbursement Agreement between the United States Government and the GS/OAS, both parties are obligated to keep the Fund a Qualified Pension Fund under the Internal Revenue Code. That affords tax-deferred accumulations in participant accounts plus opportunities for participants separating from service to transfer cash deferred liquidations to Individual Retirement Accounts and other Qualified Pension Funds providing continued tax deferment for earnings on those accounts and the qualified pre-tax contributions.

[1] For the purpose of this document any time there is a reference to the Plan or the Fund, it will be assumed that covers both the Retirement and Pension Plan and the Provident Plan unless it is specifically discriminated.

Part III. Management and Administration of the Fund

The Retirement and Pension Committee

The Fund is supervised and administered by the Retirement and Pension Committee. The Committee is the Fund's Trustee. As such and in accordance with the Plan's provisions, it adopts the rules and regulations necessary for carrying out the Plan; it determines the rate of interest that will be credited to participant accounts every semester; it approves investment and interest-accreditation policies; and it approves the hiring and firing of the Fund's investment managers, the financial advisor, other consultants, auditors, and custodians; and it monitors the strength and health of the Fund.

The Secretary Treasurer

Upon the recommendation of the Committee, the OAS Secretary General appoints the Fund's Secretary-Treasurer. Although the Secretary-Treasurer is an employee of the OAS General Secretariat ("GS/OAS"), he/she exercises the powers and functions of the Fund's administration and management under the authority of the Committee, pursuant to standards established by the Committee and by the Plan. The Secretary-Treasurer is the Committee's technical secretary. In that role, he/she convenes its meetings, advises its members in all matters related to the Plan. As the Fund's treasurer, the Secretary-Treasurer is responsible for assuring that there is enough cash on hand to pay current pension payment obligations and liquidation payments to participants separating from service prior to being eligible for retirement, and she/he must manage the Fund portfolio, in accordance with the Committee's policies and directives. The Secretary-Treasurer carries out his/her duties and responsibilities with the assistance of his/her staff and consultants (including financial advisors and investment managers), and custodial institutions, all paid by the Fund.[2]

Fiduciary Duties

The Committee, the Secretary-Treasurer and the staff members of his/her office, and many of the Plan's consultants, as the case may be, are fiduciaries. That is, they are obligated to assure that the Fund's assets are duly protected and invested so as to assure the purposes of the Plan in accordance with the best interests of its beneficiaries, the participants and pensioners; and, they must not allow their responsibilities to others and their own personal interests to interfere with that obligation.

The Financial Advisor and Investment Managers

Financial Advisor: Of all the professionals advising and providing information to the Committee and the Secretary-Treasurer, the financial advisor is perhaps the most important for the Fund's well-being and capacity to satisfy the Plan's objectives and responsibilities. The financial advisor must be a company or an investment adviser accredited under the Registered Investment Advisers Act of 1940. Moreover, to assure its

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[2] Please refer to paragraph 5.4 of Article V of the Codified Regulations of the Retirement and Pension Plan.

independence, it must be a fee-based advisor who does not obtain commissions from investments made by the Fund based on its advice and recommendations.

The financial advisor's duties include: giving advice and recommendations for the Fund's investment policy and for selection of the Fund's investments; monitoring the performance of the Fund's investment managers; assisting in the selection, termination and replacement of investment managers; and serving as a point of access to news, market and manager updates.

Investment Managers/Custodians: The managers/custodians are entrusted to hold the investments of the Fund following established custodial practices. In some cases, the investment managers may have their own custodial arrangements. For those investment managers that do not have such custodial arrangements, a separate custodian will be contracted. From time to time, the Committee will retain another company to monitor the performance of the Fund's investment managers.

This investment policy permits obtaining services from a single or multiple firms as appropriate. Particularly as regards investment managers, it may be beneficial to obtain the service of separate investment managers for separate portions of the Fund portfolio depending on the characteristics of the invested assets.

Part IV. Investment Objectives

The Plan is fully funded, in other words, its resources shall be sufficient to pay all present and future benefits. The main objective of the investment policy of the Plan is to maintain a fully funded status of the Fund and keep a healthy and solid situation while providing the maximum benefit to participants, retirees, pensioners, and surviving beneficiaries.

This is a delicate balance that requires constant monitoring of the Fund and its resources, including annual external audits, periodical actuarial valuations and asset/liability studies, which will provide information helpful in designing, monitoring and improving the investment policy of the Fund.

The bulk of the investments of the Fund should seek a balance of long-term capital appreciation (mostly by investments in equity, i.e. domestic and international stocks) and preservation of assets (primarily by investments in fixed income, i.e. bonds). At the same time, the investment policy should maintain liquidity to meet the payment of liquidations, pensions and operational costs.

Part V. Investment Strategy and Asset Allocation

A. Asset Allocation Policy

1. The Committee recognizes that the strategic allocation of the Fund's portfolio assets across broadly defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and portfolio asset value stability.
2. The Committee expects that actual returns and return volatility may vary from expectations and return objectives. While the Committee wishes to retain flexibility with respect to making periodic changes to the portfolio's asset allocation, it expects to do so only in the event of material changes

to the Fund's situation (i.e. need to rebalance to get back to investment policy parameters), to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes in which the portfolio invests.

3. The Fund's investments will be selected in ways that provide competitive returns under acceptable levels of risk and cost. Many institutional funds, commingled funds, mutual funds and exchange traded funds (ETFs) provide adequate levels of diversification and return. In selecting such funds preference should be given to those which show at least average performance (yield % compared to the benchmark); and competitive fee levels (for instance, as reported by Morningstar and/or other rating agencies) with low operating expenses (typically below 0.10% for index funds, up to a maximum of 1% for actively managed funds of domestic assets, 1.25% if international).
4. Fund assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. Cash and cash equivalents will be considered within the fixed income portion of the asset allocation. The expected role of Fund equity investments will be to maximize the long-term real growth of portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of portfolio equity investments.
5. Distributions of dividends or capital gains generated by funds included in the managed investment portfolio will by default automatically be reinvested in the funds which generate the distribution. Any cash which is not reinvested in the fund(s) which generate the cash will only be considered as a temporary portfolio holding (30 days or fewer) and will be used to meet the Plan's liquidity needs (via immediate transfer to the Fund cash and cash equivalents accounts or short-term investments) or to facilitate a planned program of rebalancing into investments in equity and fixed income asset classes (either or both).
6. The Strategic Asset Allocation of the Fund is approved by the Committee. The Committee adopts a long-term strategic asset allocation guideline consistent with the Fund's primary investment objectives presented in Part III. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines as shown in Annex A – OAS Retirement and Pension Fund Approved Investment Strategic Asset Allocation. The Committee will periodically review and evaluate Annex A – OAS Retirement and Pension Fund Approved Investment Strategic Asset Allocation, taking into consideration recommendations or advice from the investment advisor, the actuarial consultants and the Office of the Secretary-Treasurer of the Fund, and update it as necessary. The Strategic Asset Allocation should be reviewed not later than three months after the results of a new Asset/Liability study become available. These Asset/Liability studies should be performed periodically, at least every three years, but preferably every two (in the intervals left by two consecutive Actuarial Valuation Studies which are typically performed every two years).
7. The Committee will periodically review, select and adjust specific investment funds consistent with the Strategic Asset Allocation, taking into consideration recommendations or advice from the investment advisor, the actuarial consultants and the Office of the Secretary-Treasurer of the Fund.

8. To the extent the portfolio holds investments in nontraditional, illiquid, and/or nonmarketable securities including (but not limited to) venture capital, private equity, hedge funds, and real estate investments (exclusive of real estate investments included in mutual fund holdings), these assets will be treated collectively as alternative investments for purposes of measuring the portfolio's asset allocation. Should alternative investments be made, they may comprise no more than 5% of total portfolio assets and, to the extent they are owned, will proportionately reduce target allocations to the two primary asset classes itemized in numeral V. A. 4. above.
9. A first division of the strategic asset allocation will be given by broad asset classes:
    a. Equity
    b. Fixed income (including cash and cash equivalents)
    c. Alternatives
10. The Committee recognizes two management styles:
    a. Active: when the manager can select investment instruments trying to beat the index used as a benchmark.
    b. Passive: when the manager makes an effort to replicate (completely or by sampling) an index.

B. Diversification Policy

1. Diversification across and within asset classes is the primary means by which the Committee expects the portfolio to avoid undue risk of large losses over long time periods. To protect the portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:
    a. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security (excluding institutional funds, commingled funds, mutual funds and exchange traded funds which are already diversified within their own structure) shall represent more than 5% of total portfolio assets.
    b. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or mutual fund shall comprise more than 20% of total portfolio assets.
    c. With respect to fixed income investments, for mutual funds investing in fixed income instruments, the credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher). Bonds in which the quality of the debt is below investment grade are also known as "high yield" or "junk" bonds. It is acceptable for a mutual fund to hold lower-graded investments only if the fund's policy is to minimize such holdings over time. When investing in indexes, a small portion might be invested in "high yield" as long as that portion does not constitute more than 2% of the total asset allocation.
    d. With respect to fixed income investments, by default all investments should be via mutual funds. Due to the special characteristic for liquidity of the Plan and the possible need to liquidate assets during an unfavorable market situation, the Fund is allowed to have a cash flow matching bond strategy. When the Fund acquires individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

e. With respect to fixed income investments, the Fund does not invest in Emerging Market Debt, unless that portion forms part of a broad index, in which case it should be limited to no more than 2% of the total asset allocation. Similarly, the Fund will not invest in International Developed Countries Bonds (unless they are bonds traded in the US markets).

C. Rebalancing

The Committee expects that the portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub- asset classes. The purpose of rebalancing is to reset the value of investments to the Plan's chosen asset allocation targets. Rebalancing involves selling assets that have outperformed and buying those that have underperformed. The portfolio will be rebalanced to its target normal asset allocation under the following procedures:

1. The Office of the Secretary-Treasurer is in charge of rebalancing the portfolio based on the following guidelines. The Office of the Secretary-Treasurer will notify the Committee periodically when a major rebalancing has been made.
2. The Office of the Secretary-Treasurer of the Fund will use incoming cash flows (contributions) or outgoing money movements (disbursements) of the portfolio to realign the current weightings closer to the target weightings for the portfolio. For example, the Office of the Secretary-Treasurer may need to liquidate assets to pay for lump sums or other benefits, in which case assets whose weightings are above the target strategic asset allocation may be selected for this purpose.
3. The investment advisor will review the portfolio at least quarterly (March 31, June 30, September 30 and December 31) to determine the deviation from target weightings. During the investment asset allocation reviews, the following parameters will be applied:
    a. If any major asset class (equity or fixed income) within the portfolio is 5 percentage points above or below from its target weighting, the portfolio will be rebalanced. For example: if the target investment level for an investment category is 60% of the total Fund assets and the value of this investment category declines below 55% or rises above 65% that asset class must be rebalanced.
    b. Any rebalancing will also include a rebalancing of funds included within the asset class. For example, equity is composed by two sub asset classes: domestic equity and international equity, each with their own strategic asset allocation. If there is need to rebalance equity a few alternatives may emerge, for example only domestic equity is unbalanced, only international equity is unbalanced or both are unbalanced, so the rebalancing has to be performed in such a way as to leave the major asset class and its integral sub classes as balanced as possible.
    c. The Committee may assign tactical asset allocations to some asset classes. The Office of the Secretary-Treasurer, with the support of investment and actuarial consultants may allow an asset class to vary from the strategic asset allocation within the parameters established by the tactical asset allocation, depending on market and economic considerations.
    d. Unless otherwise allowed by the tactical asset allocation guidelines, if any fund within the portfolio has increased or decreased by greater than 20% of its strategic allocation weighting, or 2% of the total Fund assets (whichever is the lowest) the fund will be rebalanced.

i. Example 1: if the strategic asset allocation of an investment fund is 5% of the total Fund assets and the value of this investment category declines below 4% or increases above 6%, the asset class has to be rebalanced. (In this case, 20% of the strategic asset allocations gives a variation of 1% which is lower than 2%).
ii. Example 2: if the strategic asset allocation of an investment is 30% of the total Fund assets and the value of the investment declines below 28% or increases above 32%, the asset class has to be rebalanced. (In this case, 2% is lower than 20% of the strategic asset allocation, which would give a larger 6% variation, so the 2% limit is used.
iii. Example 3: if the strategic asset allocation of an investment is 10% of the total Fund assets and the value of the investment declines below 8% or increases above 12%, the asset class has to be rebalanced. (In this case, both the 2% fixed variation and the 20% of the 10% of the strategic variation, give the same variation of 2%).

e. However, if a tactical asset allocation has been established, the "buffer" of allowed allocations for the particular asset class will be given by the combination of the tactical asset allocation and the 20% rule.
i. Example 4: The strategic asset allocation is set at 10% but the Committee will allow the asset to decline as low as 5%. The tactical asset allocation for this asset will go from 5% to a maximum of 12%.
ii. Example 5: The strategic asset allocation is set at 30% but the Committee will allow the asset to go as high as 35%. The tactical asset allocation for this asset will go from 28% to a maximum of 35%.
iii. Example 6: The strategic asset allocation is set at 10% but the Committee will allow the asset to go as high as 15% and as low as 5%. The tactical asset allocation will go from 5% to a maximum of 15%.

In other words, the tactical asset allocation will always overrule the values as given by V. C. 3. d. and its examples. And if the variations presented by the tactical asset allocation are lower than the variations given by V. C. 3. d. then the last ones take effect.

4. The investment advisor may provide a rebalancing or asset allocation recommendation at any time, and particularly when markets are experiencing rapid changes in valuation which may make rebalancing or reallocation advantageous.
5. The Office of the Secretary-Treasurer shall act within a reasonable period (90 days) to evaluate deviations from the strategic and tactical asset allocations and rebalance the portfolio accordingly.
6. The Office of the Secretary-Treasurer shall evaluate the total return of the portfolio as well as the individual returns of all its asset and sub-asset classes as well as the current asset allocation and present a report to the Committee after each month has ended.
7. As explained in numeral V. C. 1. above, the Office of the Secretary-Treasurer will use its judgment in rebalancing the portfolio, following the guidelines established in this investment policy statement. The Office of the Secretary-Treasurer may consult with the Committee or the Committee Chair in exceptional circumstances.

D. Other Investment Policies

Unless expressly authorized by the Committee, the Office of the Secretary-Treasurer is prohibited from:

1. Purchasing securities on margin or executing short sales.
2. Pledging or hypothecating securities, except for loans of securities (securities lending) that are fully collateralized.
3. Purchasing or selling derivative securities for speculation or leverage.
4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of the Plan's portfolio.
5. Investment in "high yield" bonds, emerging markets debt, or international developed country bonds, unless as per the conditions presented in V. B. 1. c. through e.

E. Review of Investment Performance and Allocation

1. The Committee will conduct annual reviews of the investment portfolio and its performance with the investment advisor and the Secretary-Treasurer of the Fund. The Committee will consider the asset allocation of its investment plan and its appropriateness to the Fund's objectives and shall make any adjustments that it deems necessary.
2. Given the broad spectrum of specialization of funds, the Fund may invest in funds that focus on the following asset classes:
   a. In equities, these may be domestic or international. Primarily mid to large-cap, and a smaller allocation to small caps.
   b. In fixed income, which will include short-, medium- and long-term bonds, including US government, agencies and corporations.
   c. In cash and money market mutual funds to meet short term liquidity requirements.
3. For each of these asset classes, their performance should be weighed against appropriate benchmarks selected in consultation with the investment advisor.
4. The funds selected can have active or passive management and should be open ended funds.
5. Index funds should constitute the majority of the Fund's investments due to their broad diversification and low costs. Actively managed mutual funds may be selected when their net return performance over time is shown to exceed that of the benchmark. Actively managed funds will more likely be attractive in less efficient markets.
6. Investment funds should be removed from the investment plan when the reasons for their inclusion is no longer present, or when superior alternative funds are available. The most important factor in a decision to remove a fund will be poor performance (net performance including management fees) with respect to the benchmark and its peers over a sufficiently long (multi-year) period. Also, it would be taken into consideration fund management changes that may significantly change the performance and style of the mutual fund and changes in investment selection inconsistent with the original guidelines or objectives of the fund (for example, if a fund was selected to invest in small cap value stocks and they are actually selecting small cap growth stocks, or medium cap value stocks).
7. There are assets that tend to have higher operating expenses and/or considerable risk exposure. They should be excluded from the portfolio unless the Committee finds compelling reasons to the

contrary. A high rate of return alone cannot be cited as sufficient justification to include these assets in the portfolio:

a. Hedge funds
b. Closed-ended mutual funds and Unit Investment Trusts
c. Mutual funds that focus on a particular industrial sector such as telecommunications, energy or technology
d. Mutual funds that rely on leverage (borrowing cash) as part of their investment strategy

8. The following assets require an extraordinary level of expertise in order to manage them successfully and prudently. Thus, they should also be excluded unless they are part of a diversified mutual fund or actively managed portfolio:
   a. Individual (company-specific) stocks
   b. Individual (company-specific) bonds, callable or non-callable
   c. Collateralized mortgage obligations or mortgage-backed securities
9. The following assets are considered to pose an unacceptable risk level and should not be part of the portfolio:
   a. Derivatives
   b. Options
   c. Foreign currencies
   d. Commodities (precious metals, lumber, oil, etc.)

Part VI. Spending and Liquidity Policy

The Fund must cover the payment of pensions every month. At the same time the Fund receives every month contributions from the affiliated institutions which provide a source of liquidity since these contributions go to the cash bank account of the Fund. Additional expenses are the ones needed for the operation of the Plan including investment manager fees and the personnel costs for the Office of the Secretary Treasurer as well as actuarial, investment and audit reports, to name some of the items in the annual budget. For that reason, the Fund needs to have liquid assets in the form of cash. Another important source of expenditures is the payment of lump sums during the liquidation of accounts.

The rebalancing policy offers the possibility of selling assets that have unrealized gains, to realize those and use them for covering some of the expenses.

However, because of the nature of the Plan, and the ability of participants to receive their full account as a lump sum (rather than taking a full or partial pension), the Office of the Secretary-Treasurer has to plan ahead and prepare estimates of the costs associated with future mandatory retirements and the possible requirements for cash to pay benefits in the form of lump sums.

The Fund should keep a bank account for its day-to-day operations and that bank account should hold around 1% of the portfolio assets in cash. The amount of cash there may fluctuate. The high end may

be due to the use of the cash account to hold assets while moving funds from one fund to another in the portfolio, or in anticipation of a large number of near-term retirements with expected lump sum payments.

The Plan has routine requirements for cash payments to those receiving pensions and annuities. In order to maximize income and produce a cash flow consistent with predicted requirements, the Committee maintains a managed bond account with a ladder of bonds that mature every six months (approximately). As bonds mature, they provide a source of funds to meet cash requirements, to rebalance investments (especially in the case of declines in equity markets), or to reinvest in the bond ladder, depending on forecasted liquidity needs.

Part VII. Coordination with the Plan and its Regulations

Notwithstanding the foregoing, if any term or condition of this investment policy conflict with any term or condition of the Plan or its regulations, the terms and conditions of the Plan and its regulations shall control.

This Investment Policy Statement will be reviewed annually as necessary and, if appropriate, can be amended to reflect changes in the capital markets, Plan objectives, actuarial or other factors relevant to the Plan and the Fund. This Investment Policy Statement shall not be changed without approval of the OAS Retirement and Pension Committee. The approval may be during a meeting or via electronic vote of the majority of the Committee.

Annex A

OAS Retirement and Pension Fund Approved Investment Strategic Asset Allocation

1. The following is the summary list of the assets that compose our current asset allocation:

   Equity:
   Domestic Large and Medium Caps
   Domestic Small Caps
   International Equity
   Fixed Income:
   Intermediate-Term Bonds
   Short-Term Bonds
   Individual Bonds (Cash Flow Matching Strategy)
   Cash and Cash Equivalents
   Alternative Assets:
   Real Estate

2. The following table provides a summary of the **current strategic asset allocation.** It shows asset types with the percentage level in which the Fund's assets should be invested, the managers that cover each sector and their investment style (including the index they follow).

Asset Class/Type	Strategic Asset Allocation	Manager	Style
Equity	**70%**		
Domestic Large (and Medium) Caps	40%	State Street Global Advisors	Passive, follows the Russell 1000 index, includes medium caps.
Domestic Small Caps	10%	Bank of New York Mellon	Passive, follows the Russell 2000 index.
International Stocks	20%	Black Rock Inc.	Passive, follows the MSCI EAFE index, no country above 40% of the index (capitalization).
Fixed Income	**25%**		
Intermediate-Term Bonds	17%	State Street Global Advisors	Passive, follows the Bloomberg Barclays Aggregate Bond Index.
Short-Term Bonds	3.5%	Northern Trust Company	Passive, combined benchmark (40% of Bloomberg 1-3 years US Government index and 60% Bloomberg Intermediate Government/Credit index).
Cash Flow Matching Strategy	3.5%	Northern Trust Company	Active, matches forecasted cash flow needs.
Cash and Cash Equivalents	1%	Bank of America/OAS Staff FCU	Cash
Alternative Assets	**5%**		
Real Estate	5%	TBD	TBD

3. The Asset Allocation Policy will have tactical allocations or buffers which will trigger rebalancing of the portfolio when the asset allocation for a particular class or subclass exceeds or falls below one of these limits.
4. The tactical allocation for the general division (Equity vs. Fixed Income) is established by the Committee.
5. The last approved value for these buffers was of 5% above and below the current strategic asset allocation per investment class (Equity and Fixed income). Fixed Income could fluctuate between 20% and 30% and Equity could fluctuate between 65% and 75%.
6. The Secretary-Treasurer can rebalance the portfolio at any point within the buffers; there is no need to reach the limits to do so. That decision falls within the scope of the Secretary-Treasurer's functions.
7. The tactical allocation for the subdivisions is decided by the Secretary Treasurer of the Fund to allow him/her to modify the portfolio according to operational needs. The Secretary Treasurer will publicize tactical allocations at least quarterly via routine reports.
8. The following list shows a summary of the current strategic asset allocation with the buffers allowed in the current policy, also known as **tactical allocation.** When the asset class or subclass exceeds the top buffer limit or falls below the bottom buffer limit, that will trigger a rebalancing of the portfolio, the Secretary/Treasurer, though, may rebalance the portfolio before the trigger is reached:

Asset Class	Strategic Allocation	Tactical Allocation
	Class	
Equity in General	**70%**	**High: 75% Low: 65%**
	Subclasses	
Domestic Large (and Medium) Caps	40%	High: 45% Low: 35%
Domestic Small Caps	10%	High: 12% Low 5%
International Equity	20%	High: 22% Low: 18%
	Class	
Fixed Income and Cash	**25%**	**High: 30% Low: 20%**
	Subclasses	
Intermediate-Term Bonds (Passive)	17%	High: 19% Low: 15%
Short-Term Bonds	3.5%	High 5%: Low: 2%
Cash Flow Matching Strategy	3.5%	High: 8% Low: 0%
Cash and Cash Equivalents	1%	High: 10% Low: 0%
	Class	
Alternative Assets	**5%**	**High: 7% Low 3%**
	Subclass	
Real Estate	5%	High: 7% Low 3%