REQUEST FOR PROPOSAL
FAYETTE COUNTY EMPLOYEE'S PENSION FUND
REAL ESTATE ADVISORY SERVICES
RFQ NUMBER 10-07

The Fayette County Retirement Board ("Board") is requesting sealed qualifications to be received in the Office of the County Controller, Fayette County Courthouse, Uniontown, Pennsylvania, until 3:00 PM, Thursday, October 28, 2010 for the services of real estate investment advisor.

Specifications for RFQ 10-07 may be obtained from the Warren Hughes, Fayette County Manager by calling 724-430-1200, extension 212 or e-mailing Warren Hughes at whughes@fayettepa.org. All qualifications submitted pursuant to this advertisement must be **SEALED WITH CLEAR TAPE** and clearly marked on the outside of the envelope as **RFQ NO. 10-07.**

The RFQ will be publicly opened and read aloud in the Fayette County Commissioner's Office Conference Room, 1st Floor, Fayette County Courthouse, Uniontown, PA 15401 on Thursday, October 28, 2010 at 3:00 p.m.

Interested parties should submit **one (1) original proposal (clearly marked) and six (6)copies** of the original proposal to the Office of the Controller, Fayette County Courthouse, 61 East Main Street, Uniontown, PA 15401.

The Board reserves the right to reject any part of or all proposals and make an award in the best interest of the County Retirement Fund. Any questions should be forwarded to Sean Lally, Retirement Board Secretary and Fayette County Controller, at 724-430-1217.

Fayette County Employees Retirement Fund

Request for Qualifications
RFQ 10-07

Pension Investment Management Services
US Core Real Estate Investment Manager Search

Responses due by 3 pm EST, Thursday, October 28, 2010

Fayette County Employees Retirement Pension Board is soliciting proposals from qualified investment companies to manage approximately $2-4 million in an open-end, US core private real estate fund. This account will be managed as a domestic core real estate mandate benchmarked to the NFI-ODCE index. In conjunction with this RFQ, the Board has engaged the investment consulting services of Morrison Fiduciary Advisors, Inc. to assist in preparing this RFP and the evaluation process. Morrison is a fee only investment consulting firm with no affiliation with any money manager or broker dealer which allows Morrison to be completely objective when advising the Plan.

Attached to this RFQ is the Plan's current Investment Policy Statement which can be used as a reference when considering this RFQ. Any Firm responding to this RFQ is encouraged to make suggestions and comments in regards to this Policy Statement.

The County has approximately $45 million in Pension assets currently managed by 6 investment management firms invested in 4 specific investment disciplines (3 large cap, 1 small cap, 1 foreign equity, &1 fixed income manager). PNC Bank provides custody services to the Fund. In selecting a domestic core real estate manager, the Board is desirous of achieving the following overall goals:

- Utilize open-end commingled funds.
- Engage a manager with an experienced real estate investment team and well established investment process with supporting infrastructure.
- Achieve competitive investment performance as compared to established market benchmarks and peer group databases.
- Maintain a cost competitive fee schedule.

In regards to this RFQ process, the Board has established the following minimum standards:

- Responses **must** propose investment products that are institutional in caliber, managed by qualified investment professionals and demonstrate competitive GIPS returns.
- Proposing firms **must** be currently SEC registered investment advisors and have at least $400 million in total assets under management and at least $250 million in domestic core real estate assets under management.
- Investment management contracts **must** be succinct and structured in manner that does not overly burden the Plan's legal review process.

General Questions:

In conjunction with this evaluation, the Board requests responding firms prepare a response to the following questions:

1. State that your firm meets the 3 minimum standards identified above.

2. Provide information about your organization's background, organizational structure and assets under management. Identify your organization's ownership and all related and/or affiliated companies. Confirm that your organization is registered as an SEC registered investment advisor.

3. Identify the person that will serve as key contact for the Board's evaluation process and include their contact information including e-mail address. Identify the professional(s) who would be responsible for representing your Firm on an on-going basis. Specify which of these professionals would be directly responsible for investing the Plan assets in the investment product being proposed.

4. Identify your firm's investment professional staff, tenure, and their qualifications. Specifically identify those professionals that will have direct involvement in the management of the product being proposed. Have any key real estate professionals left the firm in the last 3 years?

5. Break out your firm's client base between institutional and retail, then further breakdown your institutional client base by type (i.e. Public, Taft-Hartley, Corporate, etc.). How many current clients do you have in the product being proposed? Break out the institutional client-type make-up of the product being proposed. Does your firm utilize third-party agents to garner clients?

6. Describe how your firm makes real estate acquisitions? Describe your due diligence procedures and the approval process for new acquisitions? Describe your firm's disposition process.

7. Does your firm engage in property management or is this outsourced? If outsourced, please describe your process to select third-party property managers. What are the names of third party property managers used and does your firm have any financial relationships with these property managers?

8. <u>The next set of questions deal with the specific product being proposed</u>. What is the name and inception date of the product you are proposing? Please describe in detail the investment strategy and objective of the product being proposed. Is the product style core, value-added, or opportunistic? What investment manager database does this product appear in?

9. Identify the legal structure of the product being offered? Please identify the Auditing firm used with this product.

10. What is the product's current gross rent and operating profit? What is the capitalization rate? How many properties are currently in the portfolio? Please list any forward commitments.

11. Is there currently a withdrawal queue? If so, please identify the amount of the queue and the proposed timeline of meeting these redemption requests. How is this queue managed to protect the interests of new and existing investors?

12. Describe the product's valuation methodology & process? How often are external appraisals performed? Identify the firm who completes the appraisals and disclose any relationships or affiliations with that firm?

13. Describe the product's use of leverage including the current leverage used. Historically, what has been the range of leverage employed over the last 5 years? Please provide a schedule of maturing/refinancing debt and identify the interest rates used. How are tenant improvements financed?

14. In regards to the geographical, property type, and industry group for the product being offered, please indicate what percentage of the given categories are representative of the gross market value for the product's assets in the format below:

Property Type	**%**	**Geographic Region**	**%**	**Property Size**	**%**	**Life Cycle**	**%**
Office		East		\$0 - \$10 million		Existing	
Retail		West		\$10 - \$20 million		Re-Development	
Residential		Midwest		\$20 - \$50 million		Development	
Industrial		South		\$50 - \$100 million		Land	
Hotel		Canada		\$100 - \$200 million		Other	
( )		( )		Over \$200 million		( )	
Total	100%	**Total**	100%	**Total**	100%	**Total**	100%

15. Please provide historical 5-year return information as of 6-31-10 for the product being proposed in the format below. Please annualize performance numbers through 6-30-10.

Year	Period	Gross Income	Gross Appreciation	GROSS Total Return	NET Total Return	Leverage Ratio**
2010	2Q					
2010	1Q					
2009	4Q					
2009	3Q					
2009	2Q					
2009	1Q					
2008	4Q					
2008	3Q					
2008	2Q					
2008	1Q					
2007	4Q					
2007	3Q					
2007	2Q					
2007	1Q					
2006	4Q					
2006	3Q					
2006	2Q					
2006	1Q					
2005	4Q					
2005	3Q					
Annualized	1-year					-
Annualized	3-year					-
Annualized	5-year					-

*** Total debt (at property and portfolio level) divided by total assets.*

16. Describe the factors and market trends that led to your Firm's performance as provided in your response to #15 above.

17. State your organization's professional fees and related costs and charges that would be associated with the management of the Plan assets. Include charges paid directly by the Plan as well as charges indirectly charged to the Plan assets.

Submission information and summary:

Please provide your qualifications, your proposed fee schedule and any additional information that you feel would be useful in the Board's evaluation by 3 pm EST, Thursday, October 28, 2010 by sending 6 original proposals to Sean Lally, County Controller, using the address shown below:

Fayette County Employees Retirement Fund
Sean Lally, County Controller
Fayette County Courthouse
61 East Main Street
Uniontown, PA 15401
controller@fayettepa.org

All proposals submitted pursuant to this request must be **SEALED WITH CLEAR TAPE** and clearly marked on the outside of the envelope as **RFQ NO. 10-07**. To ensure a more efficient evaluation process, all respondents should direct their inquiries regarding this RFQ to Morrison Fiduciary Advisors (e-mail preferred) as follows:

Morrison Fiduciary Advisors, Inc.
Robert J. Bulas
1405 McFarland Road
Pittsburgh, PA 15216
(412) 344-6057
rjb@morrisonadvisors.com

At any time during this RFQ process, the Board has the right to consider all factors and take any action to ensure the Plan obtains the best possible manager evaluation result. These Board actions include the Board's right to negotiate proposals received, amend the RFQ process, accept additional proposals, consider information not contained in the original proposals and consider all factors in addition to price. This RFQ process is for professional services and the final award will not be based strictly on price.

The Board appreciates your interest in serving the Plan and looks forward to your response.

INVESTMENT POLICY STATEMENT
FOR

THE FAYETTE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Approved June 9, 2010

(Revises and updates Previous Policy of November 14, 2007)

(With exception for Federated's high yield investments)

Prepared by:

Frank R. Burnette
Morrison Fiduciary Advisors, Inc.
(412) 344-6052
frb@morrisonadvisors.com

TABLE OF CONTENTS

Page Number

I. INTRODUCTION

1. Purpose of this Investment Policy Statement

This investment policy statement outlines the goals and investment objectives of The Fayette County Employees' Retirement System (the "Plan"). This policy statement identifies the operating procedures for the Plan and its agents, specifies the target asset allocation, establishes guidelines for the selection of investment managers, identifies permissible securities, specifies criteria for evaluating the investment performance and addresses numerous administrative issues.

2. Investment Objective

The funding obligations of the Plan are long term in nature and the investment of the Plan assets should also have a long term focus. The investment objectives for the Plan assets are to:

- Achieve a long term rate of return sufficient to meet the Plan's actuarial interest rate.
- Provide for the payment of benefit obligations and expenses in perpetuity in a secure and prudent fashion.
- Achieve a rate of return after adjusting for inflation sufficient to preserve the purchasing power of the Plan assets.
- Maintain a prudent risk level that balances growth with the need to preserve capital.
- Diversify the Plan investments to minimize the risk of large losses or excessive fluctuations in market value from year to year.
- Achieve long term investment results that compares favorably with similarly invested pension plans and appropriate market indices.

3. General Background

The Plan is a single employer defined benefit Plan with a member contributory supplementary feature. The Plan has approximately $52mm in assets as of September 1, 2009 and approximately 400 total Plan participants. The Plan uses approximately seven Investment Managers each with a style specific mandate. The Plan was slightly under funded as of the 1-1-09.

4. Regulatory Environment

The Plan and its Board are governed by the Commonwealth of Pennsylvania County Pension Law Act 96 of 1971 and the Commonwealth of Pennsylvania Probate, Estates and Fiduciaries Code Section 73. While the Plan is not subject to the Employment Retirement Investment Security Act (ERISA), ERISA should be used as a guide for administration of the Plan. The Plan and its agents are subject to the Pennsylvania Public Official and Employee Ethics Act. All Trustees, administrative staff and vendors serving the Plan are serving the Plan in a fiduciary status and are required to act on behalf of the Plan's best interest at all times.

II. Responsibilities Of The Plan's Representatives

The Plan is governed by the "Prudent Man Rule" is a fiduciary standard that requires the Plan be managed with the care, skill, prudence and diligence that a prudent man familiar with such matters would use in like circumstances. All of the Plan's representatives are governed by this rule and all professional services provided to the Plan must be performed within these guidelines.

1. The **Retirement Board** (the "Board") is comprised of the three County Commissioners, the County Controller and the County Treasurer. The Board will have the following responsibilities:

   - Approve the Investment Policy Statement, establish asset allocation guidelines, make investment manager selections & terminations and monitor investment performance.

   - Delegate fiduciary responsibilities to professional advisers in a prudent and responsible manner.

   - Designate the Board Secretary to act as primary contact for Plan communications.

2. The Plan **Custodian** will have the following responsibilities:

   - Hold Plan assets in a centralized fashion and safeguard these assets at all times.

   - Settle investment transactions as instructed by the investment managers in the most efficient manner possible.

   - Provide accounting and related reporting for the total Plan assets as well as for the individual investment managers.

   - Provide securities pricing using a recognized third party pricing vendor which will serve as the primary source for performance measurement.

   - Determine eligibility for class action suits and register the Plan as appropriate.

   - Accommodate cash flows of the Plan and rebalance the funds allocated to the individual investment managers as advised by the Consultant and authorized by the Board Secretary.

   - Maintain a general pension checking account to facilitate all contributions, withdrawals and expenses for the Plan. The cash in the account will be maintained in an interest bearing money market account with competitive interest rates.

3. The **Investment Consultant** (the "Consultant") retained by the Board will have the following responsibilities:

- Assist in developing the investment policy statement, asset allocation strategy and the investment manager structure.
- Facilitate communication between the Board, the investment managers, custodian, actuary and other vendors of the Plan.
- Provide quarterly performance reporting for individual investment managers and for the total Plan, assess organizational issues of investment managers and report on the capital markets with regard to investment trends and portfolio management opportunities.
- Rebalance the Plan's allocation as appropriate with the concurrence of the Board Secretary (including routine rebalancing as well as tactical allocations) in accordance with the Plan's investment policy allocation (see section V) provided advance notice of such rebalancing is made in writing to the Board (e-mail acceptable) in advance of the rebalancing
- Perform investment manger searches, recommend investment managers as appropriate and rebalance the Plan's allocations among investment managers as appropriate.
- Avoid conflicts of interest by prohibiting the acceptance of any additional sources of revenues (brokerage, commissions, asset management, sale of research, marketing, etc.).

4. The **Investment Managers** retained by the Board will have the following responsibilities:

- Manage the Plan assets in a manner consistent with the investment policies outlined in this policy statement and in accordance with applicable laws.
- Accommodate the Plan's cash flow needs in the most efficient manner possible.
- Execute every investment transaction in the best interests of the Plan on a "best execution" basis to ensure that all trades are placed in a timely manner with the best possible execution prices at commission rates (3 cents per share or less) that are competitive with market conditions.
- Promptly notify the Board and Consultant of significant changes in the investment manager's investment strategy, organizational structure, financial condition or personnel assigned to manage the Plan assets.
- Exercise voting rights and proxies according to the investment manager's discretion in the long term best interests of the Plan.
- Maintain registration as an investment adviser under the Investment Advisers Act of 1940 or be a bank or insurance company with duly authorized investment authorities.
- Submit quarterly reports to communicate all relevant issues regarding the manager's investment of the Plan assets including information specifically defined by the Board and/or the Consultant.
- Attend Board meetings as requested.

III. INVESTMENT GUIDELINES

1. Risk Tolerances:

The Board recognizes the challenges of achieving the Plan's investment objectives because of the lack of predictability inherent in the capital markets. The Plan's current financial condition and risk tolerance permit the Plan to experience interim fluctuations in market value in order to achieve long-term objectives.

The Board prefers investment managers with active investment styles that seek to achieve investment returns exceeding market indexes over longer periods of time. Investment managers will be provided discretion to manage the Plan assets in the best interest of the Plan and in a manner that creates the best opportunity to generate returns that compare favorably with investment statement standards.

The Plan's investments will be broadly diversified to minimize the risk of substantial loss as measured by a percentage of the Plan assets. The Board expects that Plan assets will remain as fully invested as practical and that investment managers will refrain from short-term market timing.

The Plan should establish segregation of duties when reasonably possible and will endeavor to maintain Plan assets at a Custodian independent of the investment management and brokerage activities of the Plan. The Consultant to the Plan should be independent of all other vendor services of the Plan.

2. The following types of investments are prohibited for the Plan:

- Commodities Transactions.
- Restricted securities (letter stock).
- Futures, options, margins, warrants and short sale transactions.
- Direct purchases of real estate and limited partnerships not advised by a registered investment advisor.
- Leveraged and derivative transactions.
- Direct purchase of oil, gas, timber or other natural resources.

3. Equity guidelines will be as follows:

- The equity portfolio will be well diversified to avoid undue exposure to any single economic sector, industry group or individual security.

- ➢ No more than 5% of the total equity holdings of the entire Plan shall be invested in the securities of any one equity security (based on market value cost at purchase).
- ➢ Investments in any company will not exceed 2% of the outstanding shares of the corporation.
- ➢ Equity managers will not hold securities that are not representative of their investment style such as bonds, convertible bonds, preferred stock or leveraged instruments.
- ➢ Foreign equity holdings will be limited to dollar denominated ADR's unless the foreign investment is made through a mutual fund or commingled fund in which case this restriction does not apply.

4. Fixed income guidelines will be as follows:

- ➢ Investments in any one issuer (based on market value or cost at purchase) will not exceed 5% of the total fixed income assets of the entire Plan. No limitations are placed on investments in U. S. Government guaranteed obligations and fully backed Federal Agency obligations.
- ➢ The fixed income assets held by the Plan must maintain investment grade or better by Moody's or Standard & Poor's (Baa/BBB).
- ➢ The average credit quality of the fixed income portfolio must maintain a rating of AA- or better.
- ➢ Fixed income managers will not hold securities that are not representative of their investment style (i.e. stocks, convertible bonds, preferred stock, etc.).

5. The Custodian money market guidelines will be as follows:

- ➢ All money market investment options selected for the Plan will be safe and secure and ensure that the Plan's cash reserves are not subject to loss or market value deterioration.
- ➢ The Plan's investment in money markets will have daily liquidity without risking loss of principal during liquidation.
- ➢ The custodian must maintain a daily sweep account keeping all funds in a competitive money market fund.

6. Mutual Funds / Commingled Funds guidelines are as follows:

If mutual funds and/or commingled funds are used to implement the investment strategy of the Plan, the prospectus or documents of the fund(s) will govern the investment policies of the Plan investments. In selecting mutual funds/commingled funds, the Board and the Consultant will attempt to select funds that have investment policies that adhere to the spirit of this investment policy statement to the greatest extent possible although exceptions may occur.

7. Exceptions to this Investment Policy Statement

The Board understands that investment managers may have unique investment skills and/or specialized investment styles that will include investments that are not authorized by this policy statement. The Board further understands that, in certain circumstances, these non-authorized investments may be in the Plan's best interests and should be considered for special Board authorization after careful consideration. Accordingly, the Consultant may recommend, and the investment managers may request written exceptions to policy as deemed necessary for the effective management of the Plan assets.

Any exceptions to this policy that are identified in any investment manager's portfolios must be reported to the Board and the Consultant in writing as soon as identified and corrected within 30 days unless specific written authority for the exception is provided by the Board.

IV. Asset Allocation

The Plan will be invested consistent with an overall asset allocation strategy. This strategy identifies a portfolio structure and sets a long term percentage target for the amount of the Plan's market value that is to be invested in each asset class. Numerous asset classes (i.e., large cap equities, small cap equities, foreign equities, fixed income, etc.) will be considered and each investment manager engaged will be highly specialized in managing the assigned asset class.

The Consultant shall consistently (at least quarterly) monitor the Plan to insure that the assets of the Plan are invested in accordance with the asset allocation model. The Consultant (with the concurrence of the Board Secretary) is authorized to reallocate assets among investment managers within the ranges identified for each asset class in the asset allocation model provided advance notice of such rebalancing is made in writing to the Board (e-mail acceptable) in advance of the rebalancing.

The Board will identify one fixed income manager to serve as the Plan's "liquidity manager". This manager will coordinate with the Board Secretary and associated administrative staff to ensure that the plan's checking account maintains the proper funds balance. This manager may incur a slight modification to its benchmark to allow for a percentage of the account to be maintained in cash.

The Plan will invest assets in accordance with the following asset allocation model using the indicated performance benchmarks as a guide for performance measurement.

The maximum equity exposure for the total Plan will be 70%.

Asset Class	Target	Range	Benchmark Indexes
Total Plan			**After 1-1-08, 40% S&P 500/10% Russell 2000/10% MSCI EAFE/20% Barclay's Intermediate Gov Credit/20% Barclay's Aggregate** (Until 1-1-08, 50% S&P 500/Barclay's Intermediate Gov Corp until 1-1-08)
Equities	**60%**	**+/-10%**	
Large Cap Core	14%	+/-5%	S&P 500
Large Cap Growth	13%	+/-5%	Russell 1000 Growth
Large Cap Value	13%	+/-5%	Russell 1000 Value
Small Cap Core	10%	+/-5%	Russell 2000
Foreign Equity	10%	+/-5%	MSCI EAFE
Fixed Income	**40%**	**+/-10%**	
Fixed Income	20%	+/-5%	Barclay's Intermediate Gov Credit
Fixed Income	20%	+/-5%	Barclay's Aggregate

V. EVALUATION OF INVESTMENT MANAGERS

1. New Vendor RFQ Process

All new vendor services for the Plan will be engaged by way of a Request for Qualifications (RFQ) in accordance with the County's standard bid process. The advertising and official issuance of the RFQ (as prepared by the Consultant) will be conducted by the administrative staff of the Controller's office. Most vendors engaged by the Plan will be professional service providers and the Board's selection process may consider all relevant factors in addition to price and select the vendor proposal that best suits the specific needs of the Plan. Additionally, the Board may negotiate terms contained in proposals when in the best interests of the Plan. During the RFQ process, the Board is permitted to amend the RFQ and make exceptions to the RFQ process when in the best interests of the Plan.

Once a new vendor has been identified and properly authorized evidence of a majority Board vote, the engagement documents (i.e. contracts) require signatures of only three of the five Pension Board members to be effective but all five trustees will be offered an opportunity to sign the engagement documents. At the Board's election, the engagement documents may undergo a legal review prior to execution by the Fund's designated solicitor. The Board Secretary and the Controller's office administrative staff will be responsible for coordinating this engagement process. Once a new vendor has been properly authorized by the Board and the vendor's engagement documents have been properly executed as described above, an additional Board vote to approve the final engagementg documents being executed is not required.

2. Selection Criteria for Investment Managers

Investment managers retained by the Plan shall be chosen using the following criteria:

- Past performance relative to other investment managers having the same investment objective. Consideration will be given to both consistency of performance and the level of risk taken to achieve results.

- The investment style and discipline of the investment manager and how well the manager's investment style complements other investment managers in the Plan.

- Level of experience, organizational resources and staffing levels of the investment manager and the amount of the Plan assets managed by the manager relative to the investment manager's total assets under management.

- Type and appropriateness of client and the manager's ability and willingness to service the Plan in a customized fashion.

- The competitiveness of fees and costs of investment managers.

The Plan will recognize and evaluate investment managers that have a local geographical presence and will consider local managers when their investment management credentials are competitive with national caliber standards.

3. Measurement Time Period

The investment performance of individual managers will be measured over longer periods of time and less importance will be placed on short term results. Generally, an appropriate measure of time for performance measurement will be three to five years but circumstances may exist which warrant a longer or shorter time period to effectively judge performance.

4. Quarterly Return Analysis

Investment performance results of the total Plan and the individual investment managers will be measured on at least a quarterly basis. The investment performance of each investment manager will be measured against specific and appropriate benchmarks and the performance is expected to exceed these benchmarks after fees. The investment performance of each investment manager will also be measured against a representative peer universe of professionally managed portfolios with similar investment objectives and the manager's performance is expected to rank in the top half of the manager's respective peer group universe.

All managers will report investment performance calculated on a trade date accounting basis and in conformance with the standards established by the CFA Institute's Global Investment Performance Standards (GIPS). The performance of each individual manager will be based upon the entire sum of assets assigned to the manager's discretion including the cash balances associated with the manager's account. The Custodian's pricing will be used as the Plan's official basis for performance measurement.

Quantitative analysis will identify risk characteristics and investment style. Qualitative analyses will consider organizational issues and investment philosophies. Investment managers must adhere to their stated investment philosophies and goals and invest in a manner consistent with the manager's assigned performance benchmark.

5. Corrective Action

The Plan recognizes the importance of a long-term focus when evaluating the performance of investment managers. The Plan understands the potential for short-term periods when the performance of individual managers may deviate significantly from the performance of assigned performance benchmark. However, the Plan may require an extra level of scrutiny and place a manager on "Watch Status" which may ultimately lead to termination of the investment manager based on the following conditions:

- Any material event that affects the organizational structure of the investment management firm. Failure on the part of the investment manager to notify the Plan and Consultant of such change in writing may be grounds for termination.

- Twelve month performance ranking in the bottom quartile of peer managers.

- Long term performance that fails to meet investment policy objectives.

- Any material client servicing deficiencies.

- Violation of terms of contract or investment policy without prior written approval from the Board.

- Material change in investment manager philosophy or a failure to remain consistent with the investment style mandate established by the Plan for the manager.

The Plan will generally not terminate an investment manager on the basis of short-term performance. If the investment manager's organization is sound and the firm is adhering to its investment style discipline, the Plan will allow a sufficient interval of time over which to evaluate performance.

Any investment manager may be replaced at any time as part of an overall restructuring of the Plan. The Plan reserves the right to terminate any investment manager for any reason in accordance with any applicable investment management agreements.

VI. CONCLUSION

This document is made part of each investment manager's contract with the Plan by reference and the manager(s) agrees to its terms and conditions. Periodically, the investment policy statement will be reviewed by the Board and changes made as appropriate.

VII. EXECUTION

IN WITNESS WHEREOF, the Board has caused this Investment Policy Statement to be executed by it's duly authorized representatives on May 19, 2010.

By the Plan:

By: __________________________________

Vince Zapotosky, Chairperson

By: __________________________________

Vince Vicites

By: __________________________________

Angela Zimmerlink

By: Sean P. Lally

Sean Lally

By: Dianne Rossini, Dep. Treas.

Bob Danko

Exception to Investment Policy
Federated Investors

This Exception is a part of the Investment Policy Statement of the Fayette County Employees Pension Fund. It indicates the Board's determination to allow limited investments in high yield fixed income securities (issuers rated below investment grade). This authority extends only to Federated Investors in accordance with a specific exception to policy that has been authorized by the Pension Board at the February 2010 Retirement Board meeting.

The sum of all high yield securities (below investment grade) will not exceed 10% of the market value of the total fixed income assets assigned to Federated. Federated will accomplished its high yield investment via the use of Federated's high yield commingled fund.