

Fixed Income Investment Guidelines

The Commerce Trust Company For City of Creve Coeur Pension Plan

July 2013

Policy

The accounts, under the supervision of The Commerce Trust Company ("Commerce"), are intended to be a high quality, diversified fixed income portfolios. Commerce will implement its stated investment philosophy/approach for the portfolio and should not deviate from it without prior approval.

Guidelines

1. The bond portfolio will be invested in fixed income securities or cash equivalents denominated in the U.S. including but not limited to: money market funds, mutual funds, certificates of deposit, commercial paper, U.S. Government and Agency securities, corporate bonds, mortgage-backed securities (including non-agency issues), asset-backed securities, sovereign and municipal obligations. Up to 10% of the account may be invested in 144A issues.
2. The bond portfolio will be adequately diversified according to the internal policies maintained by Commerce regarding individual securities and industries to avoid the undue risk inherent in non-diversified holdings..
3. The average duration of the bond portfolio is not to vary more than +/-30% of the duration of the benchmark index
4. Securities not issued by the U.S. Government or an agency of the U.S. Government should have a rating in the first four quality grades (AAA, AA, A, BBB) as established by one or more of the nationally recognized bond rating services. The bond portfolio in aggregate will maintain a minimum average quality of A- or better, on a market value weighted basis.
5. The purchase of BBB rated securities will be limited to 20% of the bond portfolio market value. Securities downgraded to below the BBB range (up to 5% of the portfolio value) may be held at the manager's discretion and must be reported to the client - amounts over 5% must be sold within 90 days.
6. The bond portfolio will maintain broad diversification with individual security positions of generally 2% or less of the portfolio at time of purchase, and a maximum position size of less than 5% (not including US Government or Agency issues).

7. Restricted Activities

- Parties-in-interest securities of Commerce.
- Futures, Option or other derivative contracts.
- Non-U.S. denominated securities or commingled funds constructed of non-U.S. denominated securities.
- Commodities.
- Lease-backs and conditional sales contracts.
- Equity real estate investment trusts.
- Naked call or put options.
- Private placement securities not identified as 144A securities.
- 144A issuers not rated as investment grade by either Moody's or Standard & Poor's.

Performance

1. The bond portfolio benchmark is the Barclays Capital Aggregate Bond Index. Over a reasonable measurement period (3 to 5 years), the fixed income portfolio's return should exceed the return of the benchmark.
2. The performance will be measured on total return basis that includes both income and changes in market value. On an ongoing basis, the portfolio will be reviewed for adherence to risk and style assignment.

Reporting Requirements

1. Investment manager will provide monthly account statements including holdings, transactions, income, current market values, and performance.
2. Investment manager shall communicate in a timely fashion any significant changes in strategy and/or investment philosophy, management, ownership, and key personal.
3. The manager assigned to the portfolio shall be available for meetings on an as needed basis.

These guidelines, while offering restrictions at the general policy level that are in keeping with the Client's fiduciary responsibility, still allow Commerce the freedom to establish and follow the day-to-day investment strategies it considers suited to the portfolio's best interest.

If at any time Commerce believes that these guidelines are unrealistic or may be a hindrance in pursuing its investment style, the Client is to be notified in writing immediately.

Investment Policy Review

The Manager and the Board will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

EMPLOYEE PENSION FUND BOARD OF TRUSTEES

Date: 8-28-13 By: Kelly B. Sullivan
Name: Kelly B. Sullivan
Title: Chairman

**THE COMMERCE TRUST COMPANY
Discretionary Fixed Income Investment Manager**

Date: 9/18/13 By: [Signature]
Name: John M. Bascio
Title: Vice President

Core Strategy Analysis of Sector Limitations July 2013

	Normal Unit Commitment (% Portfolio)	Max Exposure Per Credit (% Portfolio)	Max Sector Exposure (% Portfolio)	Additional Constraints	Constraint
U.S. Treasury Securities	Unlimited	Unlimited	Unlimited	Average Credit Quality	>=A-
Federal Agency Securities	Unlimited	Unlimited	Unlimited	Duration	±30% of Index
				BBB Credits	<=20%
				144A Issues	<=10%
Agency Passsthroughs/CDOs/Other MBS	2%	5%	60%	Below Investment Grade**	<=5%
Asset Backed Securities	2%	5%	25%		
Corporate Securities	2%	5%	75%		
Municipal Securities	2%	5%	20%		
Cash & Equivalents	2%	10%	10%		

* Index = Barclays Aggregate
 ** No below investment grade security may be purchased. Securities downgraded to below the BBB range (up to 5% of the portfolio value) may be held at the manager's discretion - amounts over 5% must be sold within 90 days.



city
of

CREVE COEUR

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August 28, 2013

John Bascio
Commerce Bank
8000 Forsyth, Ste. 611
St. Louis MO 63105

Dear John:

Enclosed are the fixed income guidelines approved by the Pension Board and signed by the chairman. Please have Commerce Bank sign and return a copy to me for the City's records. Please contact me at (314) 872-2519 if you have any questions.

Sincerely,


Daniel Smith
Director of Finance

Enclosure