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PLAN UPDATES

Morningstar Elite Gold Rating. For 4 years running, Bright Start has been recognized by Morningstar® as one of the TOP 529 plans in the country.¹

Upcoming Changes. In our efforts to continue to enhance the Program, we have several changes to share with you.

1. **Expanded Illinois Qualified Expenses** – apprenticeship program expenses and repayment of up to \$10,000 of qualified education loans are now Illinois Qualified Expenses.²
2. **New Individual Fund Portfolio** – effective November 9, 2021 we are adding the following new investment option: Bank Savings 529 Portfolio. This Portfolio will be invested in an FDIC-insured bank account.
3. **Index Strategy Asset Allocation Changes** – effective November 9, 2021, several modifications will be made to the asset allocation in certain of the Age-Based and Target Portfolios. These modifications include:
 - a. Reallocation of a portion of the money market weightings to the FDIC-insured bank account;
 - b. Slight allocation modifications to other underlying investments as reflected in the attached Exhibit B – Investment Portfolios and Underlying Investments.
4. **Multi-Firm Strategy Asset Allocation Changes** – effective November 9, 2021, several modifications will be made to the asset allocation in certain of the Age-Based and Target Portfolios. These modifications include:
 - a. Reallocation of a portion of the money market weightings to the FDIC-insured bank account;
 - b. Adjustments to the short-term and total bond market allocations and moving a portion from active to passive investments;
 - c. Slight allocation modifications to other underlying investments as reflected in the attached Exhibit B – Investment Portfolios and Underlying Investments.
5. **Program Management Fee Reduced** – The annual program management fee charged by the Program Manager was reduced on July 3, 2021 from 0.075% to 0.07%.

What do you need to do? As a current investor, no action will be required on your part. The changes will be made to the relevant investment portfolios after market close on November 9, 2021.

Important Information: We have also enclosed the following important information:

- [Program Disclosure Statement Supplement](#) (dated October 25, 2021)
- [Investment Policy Statement](#) (effective November 2021)

Thank you for investing with Bright Start!

The Bright Start Direct-Sold College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Union Bank & Trust Company serves as Program Manager. Investments in the Bright Start Direct-Sold College Savings Program are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, Union Bank & Trust Company, the Federal Deposit Insurance Corporation, or any other entity.

An investor should consider the investment objectives, risks, and charges and expenses before investing. This and other important information is contained in the Bright Start Direct-Sold College Savings Program Disclosure Statement which can be obtained at BrightStart.com and should be read carefully before investing. You can lose money by investing in a portfolio. Each of the portfolios involves investment risks, which are described in the Program Disclosure Statement.

Before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's 529 plan.

Not FDIC Insured | No Bank Guarantee | May Lose Value

¹ Morningstar analyzed and rated 61 plans nationwide. Bright Start was one of only three plans to get Gold, the highest rating currently achieved by any plan. Analyst ratings for 529 college savings plans consider: Process, People, Parent, and Price. Based on their conclusions, analysts will assign pillar scores. Morningstar analysts retain discretion to override scores if they believe a unique characteristic justifies a different rating than the score suggests. The Morningstar Analyst Rating™ is a subjective evaluation and is not a credit or risk rating. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. ©2020 Morningstar, Inc. All Rights Reserved. The information contained herein:(1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <http://global.morningstar.com/equitydisclosures>.

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating an investment product, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group's expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the investment product.

² Withdrawals used to pay for qualified college costs are free from federal and Illinois state income tax. Qualified college costs include tuition, fees, books, supplies, and equipment required for enrollment or attendance; certain room and board expenses incurred by students who are enrolled at least half-time; the purchase of computer or peripheral equipment, computer software, or Internet access and related services, if used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution; certain expenses for special needs services needed by a special needs beneficiary; apprenticeship program expenses; and, repayment of up to \$10,000 of qualified education loans.

October 25, 2021 Supplement # 2
Bright Start Direct-Sold College Savings Program
December 31, 2019 Program Disclosure Statement

The Bright Start Direct-Sold College Savings Program (the “Program”) Disclosure Statement dated December 31, 2019, as supplemented, is hereby amended as set forth below. Except as amended herein, the Program Disclosure Statement remains in full force and effect. Unless otherwise defined herein, capitalized terms used in this October 25, 2021 Supplement (the “Supplement”) shall have the respective meanings assigned to them in the Program Disclosure Statement. In the event of a conflict between the terms of the Program Disclosure Statement and the terms of this Supplement, the terms of this Supplement shall control.

Definition of Illinois Qualified Expenses

As a result of recent changes made to State law, effective July 30, 2021, the definition of Illinois Qualified Expenses is expanded to include:

- Expenses for fees, books, supplies, and equipment required for the participation of a Beneficiary in an apprenticeship program registered and certified with the Secretary of Labor; and
- Amounts paid as a principal or interest on any qualified education loan (as defined in Code Section 221(d)) of the Beneficiary or a sibling (as defined in Code Section 152(d)(2)(B)) of the Beneficiary, but not to exceed \$10,000 per individual (reduced by the amount of distributions for all prior taxable years for such purposes).

You should consult with your financial, tax and other advisor regarding your individual situation.

Program Management Fee

The annual program management fee rate was reduced from 0.075% to 0.07% of the average daily net assets effective July 3, 2021.

Changes to the Asset Allocations of the Age-Based and Target Portfolios

Effective November 9, 2021, several modifications will be made to the asset allocations of the Age-Based and Target Portfolios. Page 3 and 4 of this Supplement set forth the form of Exhibit B which will go into effect after close of business November 9, 2021. The changes include:

- Addition of an FDIC-insured bank account to certain of the Target Portfolios and late-stage Age-Based Portfolios in the Index Strategy Portfolios and the Multi-Firm Strategy Portfolios.
- Addition of the Vanguard Short-Term Bond Index Fund to the Multi-Firm Age-Based and Target Portfolios with a reallocation of a portion of the Baird Short-Term Bond Fund allocation to the Vanguard Short-Term Bond Index Fund.
- Slight asset class allocation updates and underlying investment changes will be implemented as detailed in the attached Exhibit B.

Exhibit B – Investment Portfolios and Underlying Investments

Index Strategy and Multi-Firm Strategy Asset Allocations

Pages 46 and 47 of the Program Disclosure Statement, as supplemented, are hereby deleted in their entirety and replaced with the Tables on the following two pages.

New Individual Fund Portfolio

Effective November 9, 2021, the Program will offer a new Individual Fund Portfolio. The new Portfolio and the investment objectives for the Underlying Investment for the new Portfolio are outlined below:

- Bank Savings 529 Portfolio - invests solely in a Union Bank and Trust Company and/or Nelnet Bank omnibus savings account. This Portfolio seeks income consistent with preservation of principal. It is the most conservative of the Individual Fund Portfolios.

Investments in the Bank Savings 529 Portfolio will earn varying rates of interest. The interest rate generally will be equivalent to short-term deposit rates. Interest on the savings account will be compounded daily based on the actual number of days in a year (typically 365 days, except for 366 days in leap years) and will be credited to the savings account on a monthly basis. The interest on the savings account is expressed as an annual percentage yield (“APY”). The APY on the savings account will be reviewed on a periodic basis and may be recalculated as needed at any time. The minimum interest rate is 0.50% as of the date of this supplement. To see the current Bank Savings 529 Portfolio APY please go to BrightStart.com or call 877.432.7444. The Bank Savings 529 Portfolio is composed exclusively of a deposit in an interest-bearing omnibus savings account held in trust by the Plan at Union Bank and Trust Company and/or Nelnet Bank. The Bank Savings 529 Portfolio is designed for Beneficiaries of any age. Contributions to and earnings on the investments in the Bank Savings 529 Portfolio are insured by the FDIC on a per participant, pass-through basis to each account owner up to the maximum limit established by federal law (currently \$250,000). The amount of FDIC insurance provided to an account owner is based on the total of: (1) the value of an account owner’s investment in the Bank Savings 529 Portfolio and (2) the value of all other accounts held by the account owner at Union Bank and Trust Company and/or Nelnet Bank (including bank deposits), as determined in accordance with bank and FDIC rules and regulations. You are responsible for monitoring the total amount of your assets on deposit (including amounts held directly by you) at Union Bank and Trust Company and/or Nelnet Bank. For more information, please visit www.fdic.gov.

EXHIBIT B – INVESTMENT PORTFOLIOS AND UNDERLYING INVESTMENTS

The following table shows the target investment allocations for the Index Strategy Age-Based and Target Portfolios. These target allocations were designed by the Treasurer in consultation with Marquette Associates, the Program Manager and Wilshire Associates. The Program Manager rebalances the Portfolios on an ongoing basis. The Treasurer may amend or supplement the Investment Policy Statement at any time which may change the Portfolios, the asset allocation within the Portfolios, and the underlying investment funds and separately managed accounts in which the Portfolios invest, including the underlying mutual funds and separately managed accounts in which the Individual Fund Portfolios invest.

Index Strategy Age-Based & Target Portfolios - Asset Allocations

Age-Based Portfolios	Age of beneficiary												
	0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 plus	17 - 18	15 - 16	13 - 14	11 - 12
Index Aggressive Age-Based Option													
Index Moderate Age-Based Option		0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 plus			
Index Conservative Age-Based Option			0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 plus		
Target Portfolios	Index Equity Portfolio				Index Balanced Portfolio								Index Fixed Income Portfolio
Underlying Mutual Funds													
FDIC Insured Bank Account									4.0%	11.5%	25.0%		
Vanguard Federal Money Market Fund									4.0%	11.5%	25.0%		
Vanguard Short-Term Bond Index Fund					6.0%	11.0%	14.0%	22.0%	25.0%	22.0%	20.0%		
Vanguard Short-Term Inflation-Protected Securities Index Fund		3.0%	3.0%	4.0%	4.0%	4.0%	9.0%	11.0%	12.0%	14.0%	15.0%		
Vanguard Total Bond Market Index Fund		5.0%	12.0%	18.0%	20.0%	23.0%	24.0%	27.0%	25.0%	25.0%	15.0%		
Vanguard Total International Bond Index Fund		1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	5.0%	5.0%	3.0%			
Vanguard High-Yield Corporate Fund		1.0%	3.0%	5.0%	6.0%	7.0%	7.0%	5.0%	5.0%	3.0%			
Vanguard Total Stock Market Index Fund	57.0%	52.0%	48.0%	42.0%	36.0%	30.0%	25.0%	20.0%	13.0%	7.0%			
Vanguard Real Estate Index Fund	7.0%	6.0%	5.0%	5.0%	4.0%	4.0%	3.0%	2.0%	2.0%	1.0%			
Vanguard Total International Stock Index Fund	36.0%	32.0%	27.0%	23.0%	20.0%	16.0%	12.0%	8.0%	5.0%	2.0%			
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXHIBIT B – INVESTMENT PORTFOLIOS AND UNDERLYING INVESTMENTS

The following table shows the target investment allocations for the Multi-Firm Strategy Age-Based and Target Portfolios. These target allocations were designed by the Treasurer in consultation with Marquette Associates, the Program Manager and Wilshire Associates. The Program Manager rebalances the Portfolios on an ongoing basis. The Treasurer may amend or supplement the Investment Policy Statement at any time which may change the Portfolios, the asset allocation within the Portfolios, and the underlying investment funds and separately managed accounts in which the Portfolios invest, including the underlying mutual funds and separately managed accounts in which the Individual Fund Portfolios invest.

Multi-Firm Strategy Age-Based & Target Portfolios - Asset Allocations

Age-Based Portfolios		Age of beneficiary											
		0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 plus			
Aggressive Age-Based Option													
Moderate Age-Based Option			0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 plus		
Conservative Age-Based Option				0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 plus	
Target Portfolios													
	Equity Portfolio					Balanced Portfolio							Fixed Income Portfolio
Underlying Mutual Funds													
FDIC Insured Bank Account										4.0%	11.5%	25.0%	
Vanguard Federal Money Market Fund										4.0%	11.5%	25.0%	
Vanguard Short-Term Bond Index Fund													
Baird Short-Term Bond Fund						3.0%	5.5%	7.0%	11.0%	12.5%	11.0%	10.0%	
Vanguard Short-Term Inflation-Protected Securities Index Fund						3.0%	5.5%	7.0%	11.0%	12.5%	11.0%	10.0%	
Vanguard Total Bond Market Index Fund			3.0%	3.0%	4.0%	4.0%	4.0%	9.0%	11.0%	12.0%	14.0%	15.0%	
Dodge & Cox Income Fund			2.5%	6.0%	9.5%	10.5%	12.0%	12.5%	14.0%	13.0%	13.0%	8.0%	
BNY Mellon Global Fixed Income Fund			2.5%	6.0%	8.5%	9.5%	11.0%	11.5%	13.0%	12.0%	12.0%	7.0%	
BlackRock High Yield Bond Portfolio			1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	5.0%	5.0%	3.0%		
Nuveen Floating Rate Income Fund			1.0%	2.0%	3.0%	3.5%	4.0%	4.0%	3.0%	3.0%	2.0%		
Vanguard Institutional Index Fund	23.0%			1.0%	2.0%	2.5%	3.0%	3.0%	2.0%	2.0%	1.0%		
T. Rowe Price Large-Cap Growth Strategy	11.5%		21.0%	19.0%	17.0%	14.0%	12.0%	10.0%	8.0%	5.0%	2.0%		
DFA U.S. Large Cap Value Portfolio	11.5%		10.5%	10.0%	8.5%	7.5%	6.0%	5.0%	4.0%	3.0%	1.5%		
Vanguard Explorer Fund	5.5%		10.5%	10.0%	8.5%	7.5%	6.0%	5.0%	4.0%	3.0%	2.5%		
DFA U.S. Targeted Value Portfolio	2.5%		5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.0%	1.0%		
Ariel Fund	3.0%		2.0%	2.0%	1.5%	1.5%	1.5%	1.0%	1.0%	1.0%			
DWS RREEF Global Real Estate Securities Fund	7.0%		3.0%	2.5%	2.5%	2.0%	1.5%	1.5%	1.0%				
Vanguard Total International Stock Index Fund	14.0%		6.0%	5.0%	5.0%	4.0%	4.0%	3.0%	2.0%	2.0%	1.0%		
Invesco Oppenheimer International Growth Fund	6.0%		12.5%	11.0%	9.0%	8.5%	7.0%	5.5%	3.0%	3.0%	2.0%		
Dodge & Cox International Stock Fund	6.0%		5.5%	4.5%	4.0%	3.0%	2.5%	2.0%	1.5%	1.0%			
DFA International Small Company Portfolio	3.0%		5.5%	4.5%	4.0%	3.0%	2.5%	2.0%	1.5%	1.0%			
DFA Emerging Markets Core Equity Portfolio	7.0%		2.5%	2.0%	2.0%	1.5%	1.5%	1.0%	1.0%				
			6.0%	5.0%	4.0%	4.0%	2.5%	1.5%	1.0%				
TOTAL		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

**Investment Policy Statement for the
Bright Start College Savings Program**

Effective November 2021

State of Illinois
Office of the Treasurer
BRIGHT START COLLEGE SAVINGS PROGRAM
INVESTMENT POLICY STATEMENT
Effective November 2021



1.0 Statement of Purpose of Investment Policy

The purpose of this Investment Policy Statement (the “Policy”) is to assist contractors retained by the Office of the Illinois State Treasurer (the “Treasurer”) to provide services related to the management of the assets of the Illinois College Savings Pool (the “Pool”) that are contributed to the Bright Start College Savings Program (the “Program”) and to assist the Treasurer in evaluating the performance of such contractors by:

- Describing the Treasurer’s investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Treasurer’s long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program;
- Describing the Treasurer’s objective to include sustainability factors within the investment decision process; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Treasurer.

2.0 Establishment and Authority of Entity

The Program has been established as part of the Illinois College Savings Pool, and is intended to qualify as a qualified tuition program in accordance with Section 529 of the Internal Revenue Code of 1986, as amended. The Program was established to provide families with an opportunity to invest toward future college education expenses.

3.0 Investment Philosophy

The Treasurer has adopted a long-term total return strategy for the Program and its investments. To achieve the Program’s objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across financial markets will be the primary risk control mechanisms.

In its investment strategy, the Treasurer relies on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; (4) maturity; and (5) duration.

Contributions to the Program will be directed to one or more of the available Portfolios, Age-Based, Target, or Individual, (the “Portfolios”), each composed of a designated mix of investments or an individual investment fund. The determination of the investment parameters of each Portfolio shall be made by the Treasurer and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 18 years.

The Treasurer will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually.

The holdings of the Program and the Portfolios may be divided into the following broad asset categories:

- A. Short-Term Investments;
- B. Fixed Income Investments;
- C. Real Estate Investments;
- D. Domestic Equity Investments; and
- E. International Equity Investments.

The Treasurer will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Treasurer, participants bear the risk of investment results. Individual participants who seek investments materially different from those offered may wish to select an investment alternative outside of the Program.

Section 30 of the State Treasurer Act (15 ILCS 505/30) declares that it is the policy of the Treasurer to promote and encourage the use of businesses owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability (“MWVD Persons”) and sets forth the aspirational goal of directing 25% of the total dollar amount of funds under management, purchases of investment securities, and other contracts to businesses owned by or under the control of MWVD Persons. As such, consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer will endeavor to identify and evaluate investment managers that are more than 50% owned and/or managed by MWVD Persons.

Pursuant to the Illinois Sustainable Investing Act (30 ILCS 238/1 et seq.), the Treasurer shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence, and investment ownership in order to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty. As such, consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer will prudently exercise investment stewardship and integrate sustainability factors within such a framework predicated on the following:

- A. **Integration of Material Sustainability Factors** – Prudent integration of material sustainability factors, including, but not limited to (1) corporate governance and leadership factors, (2) environmental factors, (3) social capital factors, (4) human capital factors, and (5) business model and innovation factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership, given that these tangible and intangible factors may have material and relevant financial impacts;
- B. **Regular Evaluation of Sustainability Factors** – Recurring evaluation of sustainability factors to ensure the factors are relevant and decision-useful to the Program and the evolving marketplace;
- C. **Active Ownership** – Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through the exercise of proxy voting rights and engagement with entities – such as investment funds, investment holdings, portfolio companies, government bodies, and other organizations – and move the marketplace toward more prudent, sustainable business practices; and
- D. **Additional Relevant and Financially Material Factors** – Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

4.0 Investment Objectives

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants, shall seek to achieve the following long-term investment objectives:

- A. A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof; and
- B. An investment program flexible enough to meet the needs of participants based upon their age or investment objective and that provides each participant with the ability to invest in a diversified portfolio to meet his or her investment goals.

5.0 Investment Responsibilities

The Treasurer is responsible for the investment policy statement, the direction of investments, and administration of the assets of the Program. In order to properly carry out his responsibilities, the Treasurer may rely on one or more contractors to assist in the administration of the Program. The Treasurer will engage and plan to rely heavily on said contractor (the “Manager”) for administrative services as well as the contractor’s pertinent investment advisor, should they retain one, for investment management services. The Treasurer also plans to rely heavily on an external investment consultant for investment advisory services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Age-Based and Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation

bands. With the Treasurer's approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence, and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this Policy. The Treasurer and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the 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 like character and with like objectives.

In addition, the Treasurer may engage an independent investment consultant that will:

- Measure investment performance results, evaluate the investment program, and advise the Treasurer as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Treasurer regarding significant matters pertaining to the investment program.

6.0 Investment Parameters

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments or an individual investment fund, which is appropriate for the age of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, fixed-income, and/or short-term investments. The asset allocation of each Portfolio will be established by the Treasurer and managed by the Manager. The Treasurer may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The Policy target asset allocations and benchmarks for the underlying investments within the Age-Based and Target Portfolios are shown in the following table. There is a permissible range of plus or minus 10% of the target allocation for each underlying investment fund.

7.0 Plan Options

Direct Plan: Index Age-Based and Target Portfolios

Age-Based Portfolios		Age of Beneficiary										
Aggressive Option		0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 +		
Moderate Option			0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 +	
Conservative Option				0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 +
Target Portfolios		Equity Portfolio				Balanced Portfolio						Fixed Income
Asset Class		Benchmark										
Domestic Equity	CRSP U.S. Total Market Index	57.0%	52.0%	48.0%	42.0%	36.0%	30.0%	25.0%	20.0%	13.0%	7.0%	0.0%
Real Estate	MSCI US REIT Index	7.0%	6.0%	5.0%	5.0%	4.0%	4.0%	3.0%	2.0%	2.0%	1.0%	0.0%
International Equity	FTSE Global All Cap ex US Index	36.0%	32.0%	27.0%	23.0%	20.0%	16.0%	12.0%	8.0%	5.0%	2.0%	0.0%
Domestic Fixed Income	BofA/Merrill Lynch – High Yield Master II Index	0.0%	1.0%	3.0%	5.0%	6.0%	7.0%	7.0%	5.0%	5.0%	3.0%	0.0%
	Bloomberg Barclays U.S. 1-5 Year Government / Credit Float Adjusted Index	0.0%	0.0%	0.0%	0.0%	6.0%	11.0%	14.0%	22.0%	25.0%	22.0%	20.0%
	Bloomberg Barclays U.S. Aggregate Float Adjusted Index	0.0%	5.0%	12.0%	18.0%	20.0%	23.0%	24.0%	27.0%	25.0%	25.0%	15.0%
	Bloomberg Barclays U.S. 0-5 Year TIPS Index	0.0%	3.0%	3.0%	4.0%	4.0%	4.0%	9.0%	11.0%	12.0%	14.0%	15.0%
Foreign Bonds	Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged)	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	5.0%	5.0%	3.0%	0.0%
Money Market	3-month T-Bills	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	11.5%	25.0%
High Yield Savings	3-month T-Bills	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	11.5%	25.0%

Direct Plan: Multi-Firm Age-Based and Target Portfolios

Age-Based Portfolios		Age of Beneficiary										
Aggressive Option		0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 +		
Moderate Option			0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 +	
Conservative Option				0 - 2	3 - 5	6 - 8	9 - 10	11 - 12	13 - 14	15 - 16	17 - 18	19 +
Target Portfolios		Equity Portfolio				Balanced Portfolio						Fixed Income
Asset Class	Benchmark											
Domestic Equity	Russell 1000 Value	11.5%	10.5%	10.0%	8.5%	7.5%	6.0%	5.0%	4.0%	3.0%	2.5%	0.0%
	S & P 500 Index	23.0%	21.0%	19.0%	17.0%	14.0%	12.0%	10.0%	8.0%	5.0%	2.0%	0.0%
	Russell 1000 Growth	11.5%	10.5%	10.0%	8.5%	7.5%	6.0%	5.0%	4.0%	3.0%	1.5%	0.0%
	Russell 2500 Value	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.0%	0.0%	0.0%
	Russell 2500 Growth	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.0%	1.0%	0.0%
Global Real Estate	FTSE EPRA/NAREIT Developed Real Estate Index	7.0%	6.0%	5.0%	5.0%	4.0%	4.0%	3.0%	2.0%	2.0%	1.0%	0.0%
International Equity	MSCI ACWI ex-U.S. Index	26.0%	23.5%	20.0%	17.0%	14.5%	12.0%	9.5%	6.0%	3.0%	2.0%	0.0%
	MSCI World ex-U.S. Small Cap Index	3.0%	2.5%	2.0%	2.0%	1.5%	1.5%	1.0%	1.0%	0.0%	0.0%	0.0%
	MSCI Emerging Markets Index	7.0%	6.0%	5.0%	4.0%	4.0%	2.5%	1.5%	1.0%	0.0%	0.0%	0.0%
Domestic Fixed Income	BofA/Merrill Lynch – High Yield Master II Index	0.0%	1.0%	2.0%	3.0%	3.5%	4.0%	4.0%	3.0%	3.0%	2.0%	0.0%
	Bloomberg Barclays 1-3 Year U.S. Government / Credit Bond Index	0.0%	0.0%	0.0%	0.0%	6.0%	11.0%	14.0%	22.0%	25.0%	22.0%	20.0%
	Bloomberg Barclays U.S. Aggregate Bond Index	0.0%	5.0%	12.0%	18.0%	20.0%	23.0%	24.0%	27.0%	25.0%	25.0%	15.0%
	Bloomberg Barclays U.S. 0-5 Year TIPS Index	0.0%	3.0%	3.0%	4.0%	4.0%	4.0%	9.0%	11.0%	12.0%	14.0%	15.0%
	Credit Suisse Leveraged Loan Index	0.0%	0.0%	1.0%	2.0%	2.5%	3.0%	3.0%	2.0%	2.0%	1.0%	0.0%
Global Bonds	Bloomberg Barclays Global Aggregate Index (Hedged)	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	5.0%	5.0%	3.0%	0.0%
Money Market	3-month T-Bills	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	11.5%	25.0%
High Yield Savings	3-month T-Bills	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	11.5%	25.0%

*Benchmarks are subject to change as mutually agreed by the Treasurer and Manager in order to ensure that they remain appropriate for each underlying investment and consistent with industry standards.

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investments approved by the Treasurer having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such an underlying investment's assets may not be entirely invested in the asset class in which such underlying investment has been placed.

Individual Fund Portfolios:

To provide additional diversity and flexibility to participants the Individual Fund Portfolios and underlying investment funds the Treasurer selects will be described in the Program's current Program Disclosure Statement and may include the following asset classes:

Asset Class	Benchmark
High Yield Savings	3 Month T-Bills
Money Market	3 Month T-Bills
Short Term Fixed Income	Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index Bloomberg Barclays U.S. 1-5 Year Government/Credit Float Adjusted Index
Core Bond	Bloomberg Barclays U.S. Aggregate Float Adjusted Index Bloomberg Barclays U.S. Aggregate Bond Index
High Yield Bonds	BofA/Merrill Lynch – High Yield Master II Index
Short Term U.S. TIPS	Bloomberg Barclays U.S. 0–5 Year TIPS Index
Foreign Bonds	Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged)
Global Bonds	Bloomberg Barclays Global Aggregate Index (Hedged)
Bank Loans	Credit Suisse Leveraged Loan Index
Balanced	60% S&P 500 Index / 40% Bloomberg Barclays U.S. Aggregate Bond Index
All Cap US Equity	CRSP U.S. Total Market Index
Large Cap Value	Russell 1000 Value
Large Cap Blend	S&P 500 Index
Large Cap Growth	Russell 1000 Growth
Small-Cap Value	Russell 2500 Value
Small-Cap Growth	Russell 2500 Growth
All-Country Non-US	FTSE Global All Cap ex US Index
Emerging Market	MSCI Emerging Markets Index
Non-U.S. Small Cap	MSCI World ex-U.S. Small Cap Index
Real Estate	MSCI U.S. REIT Index FTSE EPRA/NAREIT Developed Real Estate Index

8.0 Minority- and Woman-Owned Portfolios

The Treasurer may also add additional Individual Fund Portfolios – for example, Minority, Woman, Veteran, and Disabled-Managed Portfolios – for participants who would like to have a more diverse set of investment options as new viable options become available. The woman- and minority-owned underlying investment funds utilized in the program shall be screened on the following initial criteria: (1) firms with at least 50% woman and/or racial minority ownership or (2) funds that have a woman and/or racial minority investment manager that makes the portfolio management decisions (*i.e.*, a minority-owned subadvisor), and (3) funds that deliver above median returns over a 3-year and/or 5-year time period. The woman- and minority-owned options provided in the program shall include relatively high scoring female- and minority-owned investment managers representing a diverse set of asset classes.

Contributions will be invested in one or more of the available Portfolios, each composed of an individual investment fund, which is appropriate for the investment objective of the Portfolio. The Treasurer may change the underlying investment funds within specially designated portfolios, such as the woman- and minority-owned portfolios, consistent with this Policy.

The Treasurer may also add additional portfolios – for example, a veteran- or disabled-owned and/or managed portfolio – as new viable options become available.