

Kansas Board of Regents Investment Policy Statement

Mandatory Retirement Plan

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Investment Policy Statement

Kansas Board of Regents

I. DESCRIPTION OF THE MANDATORY PLAN

The Kansas Board of Regents Mandatory Retirement Plan (the "Plan") was established in 1962 to provide retirement benefits to employees who meet the statutory requirements for such benefits. Each eligible employee is required to contribute a percentage of his or her compensation to the Plan, and the eligible employee's employer is required to contribute an additional amount equal to a percentage of the employee's compensation to the Plan.

The Plan is required by Kansas law to meet all rules applicable to Section 403(b) plans under the Internal Revenue Code ("Code"), in order to provide the ensuing tax advantages to their participants. The Plan is also governed by Kansas statute and administrative rules.

The Plan is funded through the purchase of annuity and custodial contracts from Investment Providers designated by the Kansas Board of Regents (the "Investment Providers"). Participants are authorized to select an Investment Provider and to direct the investment of their accounts among the Investment Options offered by that Investment Provider.

Definition of Key Terms used in This Investment Policy Statement

- a) "Board" means the Board of Regents, a nine-member body that governs, supervises and coordinates state education institutions.
- b) "Committee" means the Retirement Plan Committee, the group charged by the Board to provide plan administration and investment oversight to the Plan. The Committee reports to the Board.
- c) "Plan" means the Kansas Board of Regents Mandatory Plan. The Plan maintains account balances of participants in which contributions are accumulated, investment earnings and losses are credited and debited, and from which certain operating expenses of the Plan may be paid.
- d) "Staff" means those persons employed by the Board and those persons who are employed by institutions controlled by the Board who serve as advisers to the Board and the Committee with respect to the Plan.
- e) "Trustee" means the person(s) or entity named in any separate trust agreement forming a part of this Plan, and any successors.
- f) "Investment Providers" mean those firms designated by the Board who are permitted to offer Investment Options to participants in the Plan.
- g) "Investment Options" means the mutual funds, annuity contracts or custodial accounts available to participants in the Plan.
- h) "Policy" means this Investment Policy Statement.

Responsibility and Authority

The Board has ultimate responsibility and final decision making authority for the Plan. The Board has charged the Committee with certain oversight responsibilities for the Plan subject to Board approval. These responsibilities include:

- a) Establishing and revising the Plan's Policy;
- b) Designating Investment Providers from which Investment Options are to be selected;
- c) Designating the Investment Options for use under the Plan;
- d) Designating the Trustee, if applicable, for any separate trust agreement to hold in trust any of the assets of the Plan;
- e) Recommending the form and contents of any annuity contracts, custodial account contracts, mutual fund contracts, or separate trust agreements;
- f) Measuring and reviewing compliance with this Policy at least annually.

The Staff is responsible for day-to-day operations of the Plan in accordance with Plan documents, applicable law and the policies and decisions of the Board and Committee. The Staff will provide input to the Board and Committee to facilitate their decision making responsibilities. The selection of Investment Options for any participant's account is the sole responsibility of that participant.

Purpose of This Investment Policy Statement

This Policy is intended to assist the Committee in designating, monitoring, and managing the Investment Providers and the Investment Options established under the Plan. Specifically, the purpose of the Policy with respect to the Plan is to:

- a) Assist the Committee in determining the Investment Providers permitted to offer Investment Options under the Plan;
- b) Set investment guidelines for the Committee to utilize in the selection of Investment Options that will provide participants with adequate investment choices to meet their objectives and control the level of overall risk for their accounts;
- c) Establish criteria for the on-going evaluation and monitoring of Investment Providers and Investment Options under the Plan;
- d) Identify responsibilities under these guidelines;
- e) Communicate the investment policies, objectives, guidelines and performance criteria to all interested parties; and
- f) Demonstrate that the Board and the Committee is fulfilling its responsibilities under the Plan.

Plan participants are responsible for directing the investment of their own accounts. Nothing in this Policy implies a guaranteed rate of return for participants, unless specifically provided by the selected

Investment Option. It is the responsibility of participants to select Investment Options with risks appropriate for their circumstances. The investment risk resides with participants.

In addition, this Policy is intended:

- a) To Address Fiduciary Obligations – The Board recognizes the importance to act with skill, care, prudence, and diligence in all matters relating to the Plan and to perform its duties with respect to the Plan in the interests of the participants and their beneficiaries and in accordance with the governing Plan document.
- b) To Record Policy – Although the Committee will review investment performance on a regular, periodic basis, the formation of judgments and the actions to be taken on those judgments will be aimed at matching the needs of the participants with Investment Options available to the participants.
- c) To Promote Understanding Among Various Functional Roles – This policy is also intended to serve as a reference tool, and a communications link between the Board and
 - the Committee;
 - employer management;
 - its other professional advisors and service providers;
 - its investment managers.

Legal and Regulatory Environment

The Plan is subject to federal and state tax law and supporting regulations. The assets of the Plan shall be invested in accordance with all relevant legal requirements. Specifically:

- a) All transactions undertaken on behalf of the Plan shall be solely in the interest of participants and their designated beneficiaries;
- b) Investments shall be managed with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; and
- c) Investment Options, collectively, shall be diversified so as to allow the participant(s) the opportunity to minimize the risk of large losses, unless under some unforeseen extraordinary circumstances it would clearly not be prudent for the Committee to do so.
- d) Kansas statute provides that an Investment Provider must be (i) a life insurance company authorized to do business in the State of Kansas, or (ii) a bank or approved non-bank trustee or custodian under Code Section 401(f), the assets of which are invested exclusively in regulated investment company stock.

II. CONTEXT OF INVESTMENT POLICY STATEMENT

Investment Objective

The investment objective of the Plan is to provide participants with an opportunity to create diversified portfolios with varied aggregate risk and return characteristics. This is best accomplished by offering participants a broad range of investment alternatives.

Each Investment Provider's Investment Options will have sufficiently different risk and return characteristics so that, taken together, they enable a participant to arrange a portfolio with aggregate risk and return characteristics according to his/her desires.

Risk Tolerances

This Policy recognizes the difficulty of each participant achieving his or her investment objectives in light of the uncertainties and complexities of contemporary investment markets. This Policy also recognizes that participants should and will seek to assume different individual levels of risk exposure in order to achieve their various investment objectives and risk tolerance.

Plan participants may wish to tolerate some interim fluctuations in market value and rates of return in order to achieve their investment objectives. However, it is the Board's goal for the Plan to offer investment vehicles whose performance patterns do not excessively deviate their benchmark index. Therefore, when evaluating investment funds in the Plan, the Committee shall separately consider each investment's risk and return characteristics compared to the relevant benchmark in order to effectively discharge its responsibilities under the Plan in the best overall interests of Plan participants and their beneficiaries.

III. INVESTMENT PROVIDERS

The Board must approve the Investment Providers permitted to offer Investment Options to participants in the Plan. The Investment Providers that have been approved by the Board to offer Investment Options under the Plan are listed in the Appendix. The current Investment Providers and any future Investment Providers shall satisfy the following requirements:

- a) Have the ability to comply with the Plan provisions;
- b) Demonstrate competitive investment performance;
- c) Offer a diversity of Investment Options;
- d) Offer a wide range of forms of benefit payments;
- e) Agree to the terms and conditions of the Mandatory Plan Investment Provider Agreement;
- f) Permit transfers of accounts between Investment Providers and between Investment Options;
- g) Have a minimum of ten years experience in offering Investment Options for 403(b) plans;
- h) Make its Investment Options available to all eligible employees and participants on an equal basis, without any minimum balance requirements;
- i) Maintain investment grade ratings from major credit rating agencies such as A.M. Best Company, Standard & Poors, Moodys, and Fitch if the Investment Provider is an insurance company;
- j) Provide service capabilities such as tailored communication materials, secure internet account access, and a toll-free telephone number; and
- k) Have reasonable fees and charges, including annual administrative charges, surrender charges, fund expense, transfer charges, charges on rollovers, charges for mortality risk and expense guarantee (if applicable), asset management charges, and market value adjustments.

Monitoring Investment Providers for the Plan

The Committee shall review the approved Investment Providers under this Policy at least annually, or more frequently as determined necessary in the Committee's sole discretion, to determine if the above-criteria continues to be satisfied and if additional or fewer Investment Providers should be designated to offer Investment Options under the Plan. The Committee shall make its recommendations to the Board, and the Board shall approve the appropriate Investment Providers.

If an Investment Provider no longer satisfies the requirements outlined above the Board shall notify the Investment Provider in writing that it is no longer authorized to offer Investment Options under the Plan(s), unless the Board determines that, in its absolute discretion, it is prudent to retain the Investment Provider under the Plan(s).

IV. INVESTMENT ALTERNATIVES

Investment Options

Based on participants' varying risk tolerances, the following types of Investment Options should be made available for participants in the Plan. Participants may individually diversify among these funds in order to achieve their own optimum level of risk and return. *See the Appendix for a summary of the asset classes and funds currently offered in the Plan and their respective peer groups and market benchmarks. Refer to the individual fund Prospectuses for detailed descriptions of the options.* A description of the asset classes represented in the plan follows:

General Asset Class Category Descriptions	
Principal Protection (Money market, Fixed Accounts or Stable Value)	<ul style="list-style-type: none"> • Seek the highest level of stable income consistent with the safety of principal afforded by the portfolio's investments. • The portfolio may hold U.S. Government and Agency securities and other money market securities issued by corporations. • The portfolio may hold book value investments, including traditional account Guaranteed Investment Contracts (GICs) and synthetic GICs.
Bond	<ul style="list-style-type: none"> • Provides exposure to a variety of fixed income instruments. • This type of fund may provide exposure to U.S. or global bond markets including government, agency, corporate, mortgage backed and high yield sectors.
Balanced	<ul style="list-style-type: none"> • Provides exposure to both equity and fixed income investments which allows for simplifying the asset allocation decision for plan participants. • This type of fund will typically invest in a broad array of domestic and foreign stocks, bonds and money market securities.
Core Equity	<ul style="list-style-type: none"> • Provides broad equity market exposure with the opportunity of capital appreciation and income through dividends. • This option may be actively or passively managed to a particular broad market index such as the Standard & Poor's 500 Index. • This fund will invest primarily in large cap stocks.
Style Based Equity	<ul style="list-style-type: none"> • Primary focus is to provide capital appreciation. • Managers are seeking advantages in the market place through their particular strategy. Funds offered in this category will have a style specific orientation such as value or growth. • This type of fund will invest primarily in mid to large capitalization stocks of U.S. domiciled corporations.

Asset Class Category Descriptions Continued on the Next Page

Asset Class Alternatives (continued...)

General Asset Class Category Descriptions	
International/Global Equity	<ul style="list-style-type: none"> • This option will provide investors with exposure to a broad range of stocks largely based outside of the U.S. • Currency hedging may also be employed by the manager with the primary objective to protect currency translation exposure or create an initial position in a country. • International funds will invest primarily in non-U.S. markets. Global funds will invest in foreign and domestic markets.
Aggressive Equity	<ul style="list-style-type: none"> • Broad category that encompasses funds with investments specifically in small or mid capitalization stocks. • Managers seek to outperform the appropriate benchmark during a market cycle and are willing to take risks to achieve this objective. • Managers may seek advantages in the market place through their particular strategy. Funds offered in this category may have a style specific orientation such as value or growth. • This option has the opportunity to dramatically underperform or outperform the broad market during different market periods.
Real Estate	<ul style="list-style-type: none"> • Invests in real estate or real estate-related investments including REITs, mortgage loans, mortgage backed securities and common or preferred stock of companies whose operations involve real estate. • Managers may seek diversification by investing in direct ownership interests in income-producing real estate such as office, industrial, retail and multi-family residential properties.
Specialty Fund	<ul style="list-style-type: none"> • Broad category encompassing sector, commodity or other fund types.

Life Cycle Investment Options

The Plan's investment choices may also include a series of "life cycle" Investment Options. These funds provide pre-set asset allocations based upon individual risk tolerance or anticipated retirement date, for those participants who do not feel comfortable making their own allocation decisions.

Summary of Investment Options

The Plan's investment choices are designed to:

- Provide an opportunity for a participant to exercise control over assets in his/her individual account.
- Provide a participant or beneficiary an opportunity to choose, from a broad range of investment alternatives, the manner in which the assets in his/her account are invested.

Performance Objectives

It is in the best interest of the Plan's participants and beneficiaries that performance objectives be established for each Investment Option.

The performance objectives and criteria items will include but are not limited to the following:

- Manager's adherence to his/her stated investment objectives and style
- Performance Numbers
 - Long-term focus
 - Above median results relative to peer group and above market benchmark over cumulative (3 and 5 year periods) and rolling 3-year periods
 - Net of fees basis
- Value Added and Risk Statistics, including:
 - Sharpe Ratio
 - Alpha
 - Beta
 - Standard Deviation
 - Downside Risk
- Qualitative Factors such as:
 - Assets under management
 - Manager tenure
 - Organizational structure and stability
- Management Expenses relative to comparable portfolios

V. OPERATIONAL GUIDELINES

Frequency of Measurement

The Board expects the Committee to measure and review compliance with this policy at least annually.

Investment Performance

The Committee shall review investment performance to determine if the Investment Options offered under the Plan continue to provide the participants with a broad range of Investment Options with competitive returns relative to appropriate benchmarks and peer groups as defined in the Appendix.

The Committee shall:

- Review each Investment Option's adherence to this Policy for that offering.
- Compare each Investment Option's return with appropriate indices or benchmarks and peer groups as defined in the Appendix.
- Identify any material changes in the Investment Option's organization, investment philosophy, and/or personnel.

Review of Plan Fees and Participant Activity

The Committee shall:

- Review total Plan fees, including those of any third party administrator, the directed Trustee and Investment Option fees.
- Review aggregate participant balances and elections.

Fund Termination

Investment Options shall be reviewed for possible replacement at least annually. The Board has little or no tolerance for an inconsistent investment approach. Therefore, the Committee shall monitor investment offerings on several key indicators for possible inconsistency, as set out below. Reasons for replacement may include, but are not limited to the following:

- Excessive deviation from the fund's benchmark and peer group.
- Acceptance of significantly more risk than the fund's benchmark index.
- Change or loss of key personnel, such as a fund manager and those servicing the account.
- Significant change, increase, or loss of assets under management.
- Evidence that actual portfolio characteristics do not follow published investing style.

- Performance patterns not logically explainable in terms of the published style, or performance out-of-step with a manager's style peer group, particularly (but not exclusively) if resulting in underperformance or excessive volatility.
- The identification by the Committee of more suitable funds.
- Legal or regulatory issues.
- Failure to attain a majority vote of confidence of the Committee.

None of these indicators shall be taken to be conclusive evidence of inconsistency. Such a finding will be based upon the facts and circumstances of each situation.

Investment Options

Subject to Board approval, the Committee may use whatever resources are deemed appropriate to secure and evaluate qualified Investment Options during the selection process, including but not limited to search firms and consultants. The Committee may recommend expanding or contracting the number of investment fund choices in the asset categories as deemed appropriate to meet the objective of providing a broad array of investment choices, which offer competitive returns at competitive and reasonable expense levels. The number of investment funds selected will be considered in the context of selecting a manageable number of Investment Options that provide comprehensive coverage along the risk/return spectrum. Manager skill and cost to the Plan and participants will be considered in establishing an efficient roster of Investment Options to implement the Policy.

VI. USE OF SERVICE PROVIDERS

Subject to Board approval, the Committee or staff may retain the services of various professionals in order to assist in the operation of the Plan. Unless in conflict with the Plan document or other considerations, the Committee intends that the Plan has the discretion to pay expenses for these services from the Plan's assets.

Consultants and service providers retained by the Committee or staff, on behalf of the Plan, may include, but are not limited to:

- Investment Fund Managers
- Investment Consultants
- Legal Counsel
- Other service providers the Committee believes appropriate

VII. POLICY MODIFICATION AND REVISION

The Committee shall consider at least annually whether any elements of this Policy need revision and make such recommendations to the Board. Key occurrences, which could result in a Policy modification, include, but are not limited to:

- (a) impractical time horizons;
- (b) changes in the operating environment or objectives and priorities;
- (c) issues found to be important, but not covered by the Policy; and
- (d) long-term changes in market trends, economic conditions, or investment opportunities that are materially different from those used to set the Policy.

The Board views this Policy, on the one hand, as the basic tool for the execution of the investing program, and on the other hand as a dynamic document which is responsive to any needs for fundamental or minor change. The Board does not believe it is desirable or productive to react to short-term situations but rather takes a long-term view of offering this Plan and the Investment Options to participants.

VIII. POLICY ADOPTION

This document is adopted as the Investment Policy Statement for the Kansas Board of Regents Mandatory Retirement Plan.

Dated: 12.19.05

By: Donna L. Shank

Title: _____

Chairperson, Kansas Board of Regents

Dated: 12/15/05

By: Bob Robinson

Title: _____

President & CEO of Kansas Board of Regents

APPENDIX -- ING

Fund Array and Performance Objectives

<u>Investment Option Category</u>	<u>Fund Name</u>	<u>Peer Group Universe</u>	<u>Market Benchmark</u>
Principal Protection	ING Money Market Portfolio	Callan Money Market Style	90 Day T-Bill
Principal Protection	Fixed Account Products	Callan Stable Value Style	90 Day T-Bill
Bond	ING VP Intermediate Bond Portfolio	Callan Mutual Fund: Core Bond Style	Lehman Brothers Aggregate Bond Index
Balanced	ING VP Balanced Portfolio	Callan Mutual Fund: Domestic Balanced Style	60% S&P 500 Index/40% Lehman Aggregate Bond Index
Balanced	Calvert Social Balanced Portfolio	Callan Mutual Fund: Domestic Balanced Style	60% S&P 500 Index/40% Lehman Aggregate Bond Index
Core Equity	ING VP Growth and Income Portfolio	Callan Mutual Fund: Core Equity Style	S&P 500 Index
Core Equity	ING MFS Capital Opportunities Portfolio	Callan Mutual Fund: Core Equity Style	S&P 500 Index
Core Equity	ING UBS Large Cap Equity Portfolio	Callan Mutual Fund: Core Equity Style	S&P 500 Index
Core Equity	ING VP Index Plus Large Cap Portfolio	Callan Mutual Fund: Core Equity Style	S&P 500 Index

APPENDIX - ING (Cont.)

<u>Investment Option Category</u>	<u>Fund Name</u>	<u>Peer Group Universe</u>	<u>Market Benchmark</u>
Style Based Equity	ING VP Value Opportunity Portfolio	Callan Mutual Fund: Large Cap Value Style	Russell 1000 Value Index
Style Based Equity	ING VP Growth Portfolio	Callan Mutual Fund: Large Cap Growth Style	Russell 1000 Growth Index
Aggressive Equity	ING Salomon Brothers Aggressive Growth Portfolio	Callan Mutual Fund: Mid Cap Growth Style	Russell Mid Cap Growth Index
Aggressive Equity	ING VP Small Company Portfolio	Callan Mutual Fund: Small Cap Blend Style	Russell 2000 Index
International Equity	ING JP Morgan Fleming International Portfolio	Callan Mutual Fund: Non-U.S. Equity	MSCI EAFE Index
Equity - Sector Fund	ING VP Natural Resources Trust	Lipper Natural Resources	S&P 500
Life Cycle Investment Options	ING Strategic Allocation Income Portfolio ING Strategic Allocation Balanced Portfolio ING Strategic Allocation Growth Portfolio	NA	Custom Benchmarks

NOTES:

- All actively managed funds are expected to outperform the market benchmark and provide above median results relative to its peer group over the majority of observable cumulative and rolling three-year periods.
- For indexed/passively managed options, performance should be within a reasonable tolerance of the index it is replicating after taking into consideration the fund's expense ratio and above median relative to its peer group over the majority of observable cumulative and rolling three-year periods.

APPENDIX -- Lincoln

Fund Array and Performance Objectives

<u>Investment Option Category</u>	<u>Fund Name</u>	<u>Peer Group Universe</u>	<u>Market Benchmark</u>
Principal Protection	Lincoln Money Market	Callan Money Market Style	90 Day T-Bill
Principal Protection	Lincoln Fixed Account	Callan Stable Value Style	90 Day T-Bill
Bond	Lincoln Bond Fund	Callan Mutual Fund: Core Bond Style	Lehman Brothers Aggregate Bond Index
Bond	Lincoln Global Bond Series	Callan Global Fixed Income Style	Lehman Brothers Global Aggregate Bond Index
Balanced	Lincoln Managed Fund	Callan Mutual Fund: Domestic Balanced Style	60% S&P 500 Index/40% Lehman Aggregate Bond Index
Balanced	Lincoln Global Asset Allocation Fund	Lipper Global Flexible Portfolio	Lincoln Global Asset Allocation Benchmark
Core Equity	Lincoln Growth & Income Fund	Callan Mutual Fund: Core Equity Style	S&P 500 Index
Core Equity	Lincoln Social Awareness Fund	Callan Mutual Fund: Core Equity Style	S&P 500 Index
Style Based Equity	Lincoln Equity Income Fund	Callan Mutual Fund: Large Cap Value Style	Russell 1000 Value Index
Style Based Equity	Lincoln Value Series	Callan Mutual Fund: Large Cap Value Style	Russell 1000 Value Index
Style Based Equity	Lincoln Capital Appreciation Fund	Callan Mutual Fund: Large Growth Style	Russell 1000 Growth Index

APPENDIX - Lincoln (Cont.)

Investment Option Category	Fund Name	Peer Group Universe	Market Benchmark
Aggressive Equity	Lincoln Special Opportunities Fund	Callan Mutual Fund: Mid Cap Value Style	Russell Mid Cap Value Index
Aggressive Equity	Lincoln Aggressive Growth Fund	Callan Mutual Fund: Mid Cap Growth Style	Russell Mid Cap Growth Index
Aggressive Equity	Lincoln Trend Series	Callan Mutual Fund: Small Cap Growth Style	Russell 2000 Growth Index
International Equity	Lincoln International Fund	Callan Mutual Fund: Non-U.S. Equity	MSCI EAFE Index

- All actively managed funds are expected to outperform the market benchmark and provide above median results relative to its peer group over the majority of observable cumulative and rolling three-year periods.
- For indexed/passively managed options, performance should be within a reasonable tolerance of the index it is replicating after taking into consideration the fund's expense ratio and above median relative to its peer group over the majority of observable cumulative and rolling three-year periods.

APPENDIX – Security Benefit

Fund Array and Performance Objectives

<u>Investment Option Category</u>	<u>Fund Name</u>	<u>Peer Group Universe</u>	<u>Market Benchmark</u>
Principal Protection	SBL Money Market	Callan Money Market Style	90 Day T-Bill
Principal Protection	SBL Fixed Account	Callan Stable Value Style	90 Day T-Bill
Bond	SBL Diversified Income	Callan Mutual Fund: Core Bond Style	Lehman Brothers Aggregate Bond Index
Bond	SBL High Yield	Callan High Yield Style	CSFB High Yield Index
Balanced	SBL Managed Asset Allocation	Callan Mutual Fund: Domestic Balanced Style	60% S&P 500 Index/ 40% Lehman Aggregate Bond Index
Core Equity	SBL Social Awareness	Callan Mutual Fund: Core Equity Style	S&P 500 Index
Core Equity	SBL Equity	Callan Mutual Fund: Core Equity Style	S&P 500 Index
Style Based Equity	SBL Equity Income	Callan Mutual Fund: Large Cap Value Style	Russell 1000 Value Index
Style Based Equity	SBL Large Cap Value	Callan Mutual Fund: Large Value Style	Russell 1000 Value Index

APPENDIX - Security Benefit (Cont.)

Investment Option Category	Fund Name	Peer Group Universe	Market Benchmark
Aggressive Equity	SBL Mid Cap Value	Callan Mutual Fund: Mid Cap Value Style	Russell Mid Cap Value Index
Aggressive Equity	SBL Mid Cap Growth	Callan Mutual Fund: Mid Cap Growth Style	Russell Mid Cap Growth Index
Aggressive Equity	SBL Small Growth	Callan Mutual Fund: Small Cap Growth Style	Russell 2000 Growth Index
Global Equity	SBL Global	Callan Mutual Fund: Global Equity Style	MSCI World Index

- All actively managed funds are expected to outperform the market benchmark and provide above median results relative to its peer group over the majority of observable cumulative and rolling three-year periods.
- For indexed/passively managed options, performance should be within a reasonable tolerance of the index it is replicating after taking into consideration the fund's expense ratio and above median relative to its peer group over the majority of observable cumulative and rolling three-year periods.

APPENDIX - TIAA-CREF

Fund Array and Performance Objectives

<u>Investment Option Category</u>	<u>Fund Name</u>	<u>Peer Group Universe</u>	<u>Market Benchmark</u>
Principal Protection	CREF Money Market	Callan Money Market Style	90 Day T-Bill
Principal Protection	TIAA Traditional	Callan Stable Value Style	90 Day T-Bill
Bond	CREF Bond Market	Callan Mutual Fund: Core Bond Style	Lehman Brothers Aggregate Bond Index
Bond	CREF Inflation Linked Bond	Callan Mutual Fund: Core Bond Style	Lehman US TIPS Index
Balanced	CREF Social Choice	Callan Mutual Fund: Domestic Balanced Style	60% S&P 500 Index/40% Lehman Aggregate Bond Index
Core Equity	CREF Equity Index	Callan Mutual Fund: Core Equity Style	S&P 500 Index
Core Equity	CREF Stock Account	Callan Mutual Fund: Core Equity Style	S&P 500 Index
Style Based Equity	CREF Growth Account	Callan Mutual Fund: Large Cap Growth Style	Russell 1000 Growth Index
Global Equity	CREF Global Equities	Callan Mutual Fund: Global Equity Style	MSCI World Index
Real Estate	TIAA Real Estate	Callan Total Real Estate	TIAA Real Estate Custom Composite

- All actively managed funds are expected to outperform the market benchmark and provide above median results relative to its peer group over the majority of observable cumulative and rolling three-year periods.
- For indexed/passively managed options, performance should be within a reasonable tolerance of the index it is replicating after taking into consideration the fund's expense ratio and above median relative to its peer group over the majority of observable cumulative and rolling three-year periods.