



FORM ADV PART 2A

NISA Investment Advisors, L.L.C.

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This brochure provides information about the qualifications and business practices of NISA Investment Advisors, L.L.C. If you have any questions about the contents of this brochure, please contact us at 314-721-1900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. The terms "registered" and "registered investment adviser" do not imply a certain level of skill or training.

Additional information about NISA Investment Advisors, L.L.C. is available on the SEC's website at: www.adviserinfo.sec.gov

The following statement is required by the rules of the Commodity Futures Trading Commission (the "CFTC"):

Pursuant to an exemption from the Commodity Futures Trading Commission in connection with accounts of qualified eligible persons, this brochure or account document is not required to be, and has not been, filed with the Commission. The Commodity Futures Trading Commission does not pass upon the merits of participating in a trading program or upon the adequacy or accuracy of commodity trading advisor disclosure. Consequently, the Commodity Futures Trading Commission has not reviewed or approved this trading program or this brochure or document.

Item 2 – Material Changes

This section describes important updates to this document made since it was last filed with the SEC on August 8, 2014. The following changes were made:

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.
The Equity subsection of Item 8 was clarified to include the correct term, "after-tax-alpha."

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ITEM 4 - ADVISORY BUSINESS

About NISA

NISA Investment Advisors, L.L.C. is registered as an investment adviser under the Investment Advisers Act of 1940. NISA began advising clients in April 1994. NISA's principal owners are:

- Jess Yawitz, Chairman and Chief Executive Officer, through Parkridge, Inc., and
- William (Bill) Marshall, President, through Marshall Holdings, Inc.

Types of Advisory Services

NISA manages assets on a fully or partially discretionary basis. Refer to **Item 16 – Investment Discretion** for more information about the requirements for NISA to accept discretion for client assets.

NISA focuses on the following investment sectors:

- domestic high-grade fixed income;
- domestic publicly traded equity;
- Canadian high-grade fixed income; and
- synthetic exposure to domestic and international fixed income, equity, currency, and commodity markets.

Additionally, NISA may provide services to clients that have or wish to establish completion mandates. Completion mandates are strategies where the client targets specific interest rate and credit spread hedge ratios, and NISA rebalances to those targets on a periodic basis. A client may also allocate some or all of its completion mandate assets to a strategy specifically designed to only obtain beta exposure. The investment approach for this type of fixed income portfolio may differ from actively managed strategies.

NISA may also provide other investment advice. This advice may be more general in scope than the advice normally given in a typical asset management assignment. Examples of this advice include asset/liability management, rebalancing policy, and stable value wrap selection and administration. Typically, NISA tailors this advice to the client's investment objectives and circumstances. NISA may provide this type of advice on a discretionary or non-discretionary basis.

Investment Restrictions

NISA assists each client in developing investment guidelines tailored to the client's specific needs. The guidelines generally specify limits on the type and amount of securities held. The client may specify limits at the issuer, industry, rating or other level. NISA will accept other restrictions if we believe we can comply with them.

Wrap Fee Programs

NISA does not participate in or sponsor wrap fee programs.

Assets Under Management

NISA calculates assets under management for use in our client and promotional presentations, regulatory filings, consultant databases, composite calculations and for other similar uses. NISA's assets under management calculation normally includes actively managed cash assets such as regular cash portfolios, including those that utilize derivatives to manage duration, actively managed cash collateral portfolios and the marked-to-market value of:

- derivatives used in cash securities portfolio management;
- derivatives used to adjust the duration of a cash securities portfolio in which the use of derivatives is incidental to the investment strategy; and
- derivatives used in synthetic exposure portfolios that are secured by collateral.

NISA generally excludes the following assets when calculating assets under management:

- derivatives in overlay-only engagements managed as part of an overlay of cash assets not managed by NISA;
- derivatives in a duration overlay engagement;
- the market value of accounts over which NISA has no discretion, such as an account that has been liquidated for withdrawal or for which NISA has received a termination notice;
- stable value assets for which NISA only provides wrap administrative services; and,
- collateral posted by a counterparty to a client.

As of December 31, 2013, NISA managed the following assets under management:

Discretionary	\$99,041,864,976
Non-Discretionary	Not Included
Total	\$99,041,864,976

Additionally, as of December 31, 2013, NISA managed over \$60 billion notional value in derivatives.

All of the assets NISA manages are predominantly U.S. dollar denominated securities. NISA also manages some portfolios that hold Canadian dollar denominated securities, and may manage other non-U.S. denominated securities. In these cases, NISA uses the then current exchange rate to convert the market value of these portfolios into U.S. dollars when calculating NISA's assets under management.

Additional Information with Respect to Regulatory Assets Under Management Found in Part 1 of this Form ADV.

The SEC has created a classification of assets under management called “regulatory assets under management” or “RAUM”. NISA’s RAUM calculation, as defined by the SEC, includes more assets than NISA normally includes when calculating assets under management. In addition to requiring the inclusion of more assets, the RAUM also requires definitions of discretionary and non-discretionary assets that are different from those NISA uses when reporting assets under management.

NISA’s RAUM includes the assets of all client accounts that meet the SEC’s definition of a securities portfolio, including cash and cash equivalents, for which NISA provides continuous and regular supervisory or management services. Some of these assets include, but are not limited to:

- the absolute value of the marked-to-market positions of each derivative instrument, as well as cash and cash equivalents held in these accounts. Using the absolute value of these positions means NISA counts a negative marked to market value as a positive.
- the market value of cash and cash equivalents (generally, STIF and or T-Bills) set aside to meet derivative collateral requirements.
- temporary portfolios holding securities that are set aside to raise cash for upcoming withdrawals; and stable value assets for which NISA provides wrap administrative services.

The following is a non-exhaustive list of assets that NISA does not include in RAUM:

- the market value of broker owned collateral posted to client accounts; and,
- any measure of derivative notional exposure.

RAUM is a higher number than the assets under management number NISA uses in our promotional materials. In fact, NISA does not use RAUM in any place other than Part 1 of our Form ADV.

Other Information

NISA provides similar services to many clients. NISA’s advice to one client may not relate to, and may differ from, the advice given and/or timing of NISA’s advice to another client.

NISA may acquire material, non-public information or “inside information” about companies or their securities. If NISA believes we have inside information about a security or issuer, we will not act on that security or related securities. Having this information may limit the universe of securities in which NISA can invest for our clients. NISA does not believe that these restrictions will materially affect our ability to provide investment advisory services to our clients.

ITEM 5 – FEES AND COMPENSATION

Fees

Fee schedules and the manner in which fees are calculated may be negotiable. The client's Investment Management Agreement specifies the fee schedule and terms. The following describes the general terms and practices frequently specified in such agreements.

The following are NISA's standard annual fee schedules.

<u>Fixed Income and Equity</u>	<u>Synthetic Exposure</u>
0.225% on the first \$100 Million	0.10% on the first \$1 Billion
Negotiable on the balance	Negotiable on the balance

Typically, Fixed Income and Equity fees are based on the market value of the account. The client's Investment Management Agreement specifies the valuation frequency and timing and the party that provides the market value for billing purposes. Synthetic Exposure fees are based on a measure other than market value, for example, notional value, to seek to fairly compensate NISA for our services. Fee agreements typically specify an adjustment to market value or other measure to pro-rate for contributions and withdrawals during the billing period. NISA may require a minimum quarterly or annual fee.

NISA may require a one-time set-up and/or start-up fee for engagements that require greater initial costs for NISA. These fees are not pre-paid fees. These fees are non-refundable and are payable at the time the Investment Management Agreement is executed. Clients may also pay NISA a retainer fee or other type of fee for investment services. These types of fees are paid in arrears and are non-refundable.

NISA may agree to a fee based on the performance of the client's account relative to a specified benchmark over a specified period. Account performance typically includes income and realized and unrealized capital gains of the client's account. Typically, the client's custodian provides this information. NISA and the client agree to and specify the terms of the performance fee in the client's Investment Management Agreement. Refer to **Item 6 – Performance-Based Fees and Side-By-Side Management** for important disclosures related to performance fee agreements.

NISA may agree to combine assets from related accounts for billing purposes. The client determines the allocation of the fees among related accounts.

For some engagements, different fee schedules may apply to different types of financial instruments used in the engagement. As a result, NISA may be able to affect the amount of fees we receive by our choice of investments.

Consider the following example: An engagement includes a securities portfolio and a synthetic exposure portfolio. The fee schedule for the securities portfolio is higher

than the fee schedule for the synthetic exposure portfolio. If NISA elects to cash out positive marked-to-market value of the synthetic exposure portfolio and invest the proceeds in the securities portfolio, the total fees paid to NISA will be higher.

As described in **Item 4 – Advisory Business**, NISA may provide other investment advice. NISA negotiates the fees for this advice with each client based on the overall client relationship and scope of such services.

How and When Fees are Billed and Paid

NISA bills fees in arrears, typically quarterly. NISA does not deduct fees from the client's account, nor do we have the authority to do so. The client or its designee must direct fee payment.

In most cases, the client directs NISA to use the market value determined by the client's custodian for the fee calculation. However, the client may direct NISA to use the market value determined by NISA. If the client directs NISA to use our market value for the fee calculation, NISA may be able to overvalue the portfolio to increase the fees paid to us.

NISA does not use a pricing service for fixed income securities. NISA internally determines fixed income security prices. For fixed income, the fees calculated using NISA's market value could be different than the fee calculated using a different market value source.

NISA uses a pricing service to price equity securities. The fee calculated using NISA's market value should not be materially different than the fee calculated using a commonly used market value source.

Synthetic exposure fees are based on the notional value determined by NISA. Fees calculated using NISA's notional value may be different than those calculated using a different valuation.

Additionally, at the custodian's or client's request, we may provide custodians with pricing and valuation information about the securities we purchase, sell and hold. We also review differences, both positive and negative, greater than 2% between NISA's internal pricing and the custodians' pricing and may challenge the custodian on such prices. Custodians are free to accept our challenge and change their pricing or they may choose to reject our information and maintain their own valuations. Notwithstanding, if the client has directed NISA to use the market value determined by the custodian for the fee calculation, NISA may be able to influence our fees by providing custodians with pricing information or challenging prices.

Other Fees and Expenses

NISA provides investment advisory services and certain ancillary services to investment advisory clients. These ancillary services vary among clients and may include, but are

not limited to: reporting, coordination and support services, document facilitation, and information on benchmarks/investment products.

In addition to NISA's fees, a client must pay fees to other service providers for services such as custody, transaction settlement, pricing, record keeping, legal and audit. The client makes its own arrangements and negotiates the terms of these services. The client will incur brokerage and other transaction-related costs. These costs are included in the net settlement costs/proceeds of the trade. Please see **Item 12 – Brokerage Practices** for a description of NISA's brokerage practices.

NISA's clients usually elect to sweep cash from their accounts to a cash management fund the client selects. NISA does not manage these cash management funds. NISA typically bills clients on a total account value, without a reduction for cash held in the cash management fund. As a result, NISA's clients may pay multiple fees for cash balances.

The client's guidelines may permit, and NISA may choose, to purchase exchange-traded funds ("ETFs") and/or other securities that charge investment fees in addition to NISA's fees. As a result, the client pays multiple fees for those assets.

Advance Payment of Fees

NISA or the client may terminate the Investment Management Agreement without penalty. NISA does not require advance payment of fees, but if applicable, NISA will reimburse any unearned fees due to the client upon termination of the agreement.

Other Compensation

Neither NISA nor any of our employees receive compensation for selling securities or other investment products to clients.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in **Item 5 – Fees and Compensation**, some clients pay performance-based fees to NISA. NISA also manages accounts that pay non-performance based fees. Managing these accounts side-by-side may create conflicts of interest between NISA and our clients.

For example, when allocating investment opportunities, NISA may have an incentive to favor performance-based fee accounts over accounts with other fee arrangements. For clients that pay a performance fee, NISA may have an incentive to pursue strategies or make investments that are more risky or speculative than we would in the absence of such a fee.

NISA has several policies designed to mitigate these types of conflicts. NISA's Standards of Professional Conduct and Conflicts of Interest policies provide guidance for treating clients fairly. In addition, NISA's Trade Allocation policy specifies that trades be allocated equitably among clients. NISA's Compliance Group periodically reviews investment activities to assess compliance with these policies. See **Item 12 – Brokerage Practices** for more information on allocation practices.

ITEM 7 - TYPES OF CLIENTS

NISA provides investment advice only to institutional clients. Our clients include:

- Pension and profit sharing plans and other post-retirement benefit programs
- Nuclear Decommissioning Trusts
- Not-for-profit entities such as charitable, educational, healthcare, religious organizations and endowments
- Insurance companies
- Corporations

NISA does not require a specified minimum account size to open or maintain an account, but may require a minimum fee as described in **Item 5 – Fees and Compensation**.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

OVERVIEW

Generally, a client specifies a benchmark index for its portfolio. In these cases, the client chooses a benchmark and specifies guidelines that reflect the client's investment objectives and risk tolerance for the portfolio.

Investing in securities involves the risk of loss that a client should be prepared to bear. The potential magnitude and likelihood of the loss will vary primarily with the benchmark selected or the investment goals set by the client.

STRATEGIES

Domestic and Canadian Fixed Income

NISA seeks to achieve portfolio returns that closely track the relevant benchmark returns. NISA's secondary objective is to achieve excess returns vis-à-vis the benchmark, commonly known as alpha.

Our clients generally define risk as tracking error vis-à-vis the relevant benchmark. We evaluate each position net of the benchmark to determine "active" risks. We strive to structure risk-controlled portfolios with diversified sources of risk. This strategy does not generally include large or volatile active positions. Rather, we seek to generate

profits for our clients from a large number of small, diversified active positions. Our goal is to implement active positions that we believe meet the client's active risk/reward thresholds either on an individual basis or when viewed in the context of the entire portfolio.

As described in **Item 4 – Advisory Business**, the client's guidelines specify limits on the amount and types of investments NISA may hold in the portfolio. These limits provide general guidance to NISA in determining the amount and type of active risk NISA may take in the portfolio.

NISA utilizes what we believe to be a highly analytical and quantitative approach toward investing which emphasizes research of the overall economy, sectors, industries, issuers, and individual securities. This enables us to look at a wide variety of opportunities rather than depend on a single strength, such as credit analysis.

NISA does not believe that interest rate timing can produce excess returns that justify the volatility associated with such strategies. Therefore, we seek to keep each portfolio's duration approximately neutral to its benchmark and do not expect interest rate timing to contribute to alpha.

Our investment strategy includes strategic (yield-curve positioning and sector selection) and tactical (security selection and trading) decisions.

Strategic Decisions. NISA's Investment Committee develops strategic themes based on market and economic research.

Yield Curve Positioning. NISA closely monitors the yield curve exposure of each portfolio relative to its benchmark. We may engage in modest yield curve positioning to reflect views on volatility and to take advantage of what we believe to be technical aberrations in yield curve slope and curvature.

Sector Selection. In making sector selection decisions, we evaluate the relative compensation for bearing the risks inherent to each sector. We evaluate these risks in the context of our market and economic research.

Tactical Decisions. We implement tactical decisions when structuring the portfolio to reflect the desired strategic positioning. Tactical decisions include industry and issuer under/over weights based on relative value analysis, as well as active trading. Generally, NISA's Fixed Income Portfolio Management Group is responsible for making tactical decisions.

Security Selection. We seek to profit for our clients from pricing inconsistencies. We believe that pricing inconsistencies frequently result from the specific preferences of some investors due to, for example, tax status, investment horizon, liquidity needs, risk tolerance, or regulatory constraints. In analyzing these opportunities, we utilize our quantitative expertise and analytical

approach. By breaking down complex securities into their fundamental parts, we are able to value each component (i.e., cash flows and embedded options) individually, and sum the component values. While certain investors may not focus on an unfamiliar structure, NISA seeks to verify that the security is “cheap” or “rich” relative to comparable investments and to measure the risks it brings to a portfolio. We use the same process in both our buy and sell decisions.

Active Trading. As active or frequent traders, we find frequent opportunities to trade similar bonds for small gains at little or no incremental risk. Every position is for sale every day and we may sell a position if there is another bond that represents better value to replace it or if the conditions that warranted its purchase no longer exist.

A note about active or frequent trading. Frequent trading may result in increased transaction costs and reduced returns. NISA evaluates the transaction costs inherent in our trading strategies and on each trade. These costs are included in NISA’s performance calculations and reporting. Transaction-related custodial costs, however, are not included in NISA’s performance calculations and reporting. Each client negotiates its own custodial fees and arrangements. If the client’s custodian charges a per trade fee, the client’s realized return will be reduced by the amount of those fees.

Risk. Duration is the price sensitivity of a bond to changes in interest rates and is a primary determinant of risk in fixed income investing. Other fixed income risks include:

- Creditworthiness – the issuer may default.
- Liquidity – bonds are not exchange-traded, but rather are traded “over-the-counter.” Some securities may be difficult to sell, particularly in times of market turbulence.
- Optionality – certain securities have structural features that may impact their realized return. For example, some bonds are callable – that is, the issuer can redeem the security at a date prior to its maturity. Similarly, for structured securities such as asset-backed securities and mortgage-backed securities, the expected cash flows may vary with the cash flow of the assets collateralizing those securities. If the cash flow of the underlying assets is different than expected, the cash flow of the security may vary and change the realized return.

NISA does not generally use out of benchmark asset classes in our fixed income strategies. NISA may use futures contracts within a client’s fixed income portfolio if permitted by the client’s investment guidelines. NISA may additionally manage synthetic overlay strategies in conjunction with fixed income portfolios. The client determines the extent of derivatives use in a synthetic overlay strategy.

NISA typically invests cash balances held in client portfolios in the Short Term Investment Fund(s) ("STIF") selected by the client or in U.S. Treasury Bills maturing in less than one year. NISA does not generally monitor the investments of the STIF(s); however, if we become aware that the client has selected a STIF (or other client-specified cash equivalent vehicle) that holds securities other than U.S. Treasury securities, NISA may, from time to time, choose to invest a larger portion of the client's cash balance in U.S. Treasury Bills. This may impact the return of the portfolio.

Pricing. NISA does not use a pricing service for fixed income securities. NISA's traders internally price fixed income securities. The traders price most securities using market data provided by the relevant index provider, but may use other data sources or their own judgment in pricing securities in accordance with our Pricing and Valuation policy. Portfolio and benchmark return comparisons will be affected to the extent that NISA prices securities different than the index provider.

NISA's internal valuations are used to calculate our portfolio performance returns, which are used for client reporting and in composite presentations that are shown to prospective clients and current clients. Current clients also may receive performance returns for their portfolios from their independent custodians. The internal pricing practices NISA uses will impact NISA's calculated and reported performance returns, alpha and tracking error. The performance returns, alpha and tracking error calculated using other prices will be different from those that NISA reports. NISA will provide a summary of our Pricing and Valuation policy upon request.

NISA also uses internally priced securities to determine whether NISA is in compliance with the client's investment guidelines. By under or overvaluing a security, NISA could affect these guideline checks.

Additional Considerations for Stable Value Clients. NISA manages fixed income portfolios for stable value funds. NISA may agree to select a wrap provider for the portfolio NISA manages for the stable value fund and provide wrap administration services. NISA's primary considerations for selecting a wrap provider are its contract terms and creditworthiness. In addition to the fixed income investing risks described above, a stable value fund may be exposed to the wrap provider's credit risk.

Additional Considerations for Taxable Clients. NISA does not purport to be experts in, and does not provide, tax, legal, accounting or any related services or advice. Tax, legal or accounting related statements are for analysis purposes only and are based upon limited knowledge and understanding of these topics. You should consult your advisors with respect to these areas.

When selecting a benchmark, the client also considers its tax circumstances. Clients in lower tax brackets typically select taxable bond benchmarks, while clients in the higher tax brackets generally select tax-exempt municipal bond benchmarks.

NISA works closely with each taxable client to understand the tax circumstances and objectives of the engagement. Active tax management includes detailed analysis of unrealized gains and losses at the tax lot level. NISA monitors, on a daily basis, the estimated book value of each security in the portfolio and the approximate after-tax contribution to portfolio performance of holding or selling a security.

Taxable Bond Benchmarks. Our primary objective is to achieve excess after-tax returns vis-à-vis the benchmark. We employ the same risk-controlled strategy described above, with two additional considerations.

First, we may overweight certain taxable bonds that receive preferential tax treatment. In particular, clients with very high state tax rates may benefit from holding certain U.S. Government securities that are exempt from state taxes. Additionally, we may hold state tax-exempt municipal bonds that we believe offer attractive after-tax yields.

Second, turnover in our taxable portfolios is generally lower than it is for non-taxable portfolios since the client must pay taxes on recognized gains. Therefore, in periods of declining interest rates (increasing prices), we generally trade taxable portfolios less frequently. In periods of rising interest rates (declining prices), we are likely to trade taxable portfolios more frequently.

Municipal Bond Benchmarks. NISA believes that the primary benefit of investing in municipal bonds is the tax advantage associated with the sector, and that opportunities for over or underperformance due to changes in the credit outlook of an issuer are rare. Our objective is to construct portfolios that are high quality and well diversified, with more liquid securities.

We invest primarily in tax-exempt municipal bonds that have been “pre-refunded” or “escrowed to maturity.” A pre-refunded or escrowed to maturity municipal bond is a security where a third party trustee holds U.S. Treasury and/or other U.S. Government securities sufficient to pay interest and principal on the municipal bond. Even though the municipal bond has been defeased with U.S. Government securities, the income from these bonds continues to be federally tax-exempt.

We also seek to construct portfolios to benefit, to the extent possible, from the client’s specific tax situation. For example, we may overweight in-state municipals if they are state-tax exempt for a specific client. The amount of the overweight is a function of the state tax rate and the after-tax yields of in-state versus out-of-state bonds.

Investing Contributions and Divesting for Disbursements

NISA generally executes trades to invest contributions at or near the market close (or later if sufficient liquidity is available) on the day that the client’s custodian confirms deposit of funds in the client’s account. If NISA is not able to invest on the date of the

deposit, NISA may, in our discretion, or at the client's direction, invest the following day by market close.

An authorized client signatory must provide instruction to NISA to create liquidity to provide for an upcoming withdrawal. NISA generally executes the trades to fund a withdrawal at or near the close of business on the day before the withdrawal. NISA may execute the necessary trade at other times if directed by the client, required due to the standard settlement convention of the securities being sold, required due to custodian requirements or market constraints.

Significant Cash Flows

NISA uses a temporary portfolio methodology for significant portfolio cash flows as permitted by the Global Investment Performance Standards ("GIPS"). When a client makes a significant contribution to or withdrawal from its portfolio, as defined in NISA's Large and Significant Cash Flows policy, NISA accounts for it in a separate portfolio in our systems until it is fully invested in the strategy. For certain trades, NISA may allocate a trade to both the permanent and temporary portfolio. As a result, for those trades, NISA will send two trade instructions to the custodian. If the client's custodian charges a per trade or per settlement fee or an additional fee for each holding lot, this will result in additional fees. If the client's custodian does not charge such fees, there will not be any additional cost.

EQUITY

NISA seeks to achieve portfolio returns that closely track the relevant benchmark returns. For taxable investors, NISA's secondary objective is to achieve after-tax excess returns vis-à-vis the benchmark, commonly known as after-tax-alpha. For taxable and tax-exempt investors with preferred style, sector, or factor objectives, such as high dividend return, NISA seeks to incorporate those objectives into overall management. International equity and other "non-domestic equity" portfolio exposures are obtained through utilization of ETFs.

NISA does not purport to be experts in, and does not provide, tax, legal, accounting or any related services or advice. Tax, legal or accounting related statements are for analysis purposes only and are based upon limited knowledge and understanding of these topics. Clients should consult their advisors with respect to these areas.

Strategic Decisions

NISA's Investment Committee, along with the Head of the Equity Portfolio Management Group, evaluates the overall strategy for equity portfolios based on client objectives and market conditions.

Tactical Decisions

The Equity Portfolio Management Group is responsible for making the tactical decisions for NISA's equity portfolios. NISA's objective is to achieve index-like pre-tax returns and enhance the portfolio's after-tax return relative to the benchmark's after-tax return ("after-tax alpha"). NISA seeks to achieve after-tax alpha by actively realizing losses and deferring the recognition of gains.

NISA works closely with each taxable client to understand the tax circumstances and objectives of the engagement. Active tax management includes detailed analysis of unrealized gains and losses at the tax lot level. NISA monitors, on a daily basis, the estimated book value of each security in the portfolio and the approximate after-tax contribution to portfolio performance of holding or selling a security.

NISA employs a quantitative approach to portfolio management, using a third-party multi-factor model to construct a portfolio with risk characteristics similar to its benchmark's characteristics. Risk characteristics include factors such as price volatility, price momentum, stock capitalization, earnings volatility, dividend yield and economic industry. We construct and maintain the portfolio to closely track the benchmark's industry, fundamental and technical risk characteristics.

We review and evaluate security and industry exposures, along with the unrealized gain/loss in each tax lot daily. We evaluate each position in terms of the tax cost/benefit of trading and the resulting impact on portfolio tracking error. We sell securities to realize losses and/or adjust or maintain the portfolio's tracking error objective. NISA executes equity trades primarily through "market on close" orders. A market on close order is executed at or near the exchange closing time and typically at or near the closing price. However, NISA may elect to execute trades throughout the day to seek to reduce the market impact of trades. Trades in less liquid securities, trades with irregular settlement requirements, Exchange Traded Funds or trades with other special circumstances may also be executed at times other than market on close.

Risk

General equity market risk is the primary determinant of risk in equity investing. Given NISA's tight tracking error objectives, we do not expect individual security performance to pose additional material risk.

Pricing

Equity securities are priced using the exchange closing prices obtained from a third-party data provider.

SYNTHETIC EXPOSURE

Strategic Decisions

NISA's Investment Committee evaluates the overall strategy for synthetic exposure portfolios based on client objectives and market conditions. Many of the trades

executed by the Derivatives Portfolio Management Group are strategically directed by the client or are executed to meet a strategic hedge target established by the client. In the case of a completion mandate, derivative overlay or other similar service, NISA's Hedge Portfolio Management and Strategic Portfolio Management groups coordinate portfolio strategy decisions. In mandates where NISA has been granted additional discretion in the implementation of a hedge strategy, the Strategic Portfolio Management Group is responsible for evaluating and monitoring these engagements.

Tactical Decisions

The client determines the extent of potential derivatives use. The Derivatives Portfolio Management Group uses derivatives to obtain synthetic exposure specified by the client. A client may use synthetic exposure to hedge liabilities, overlay cash, rebalance asset allocation, and implement tactical views, among other things. NISA's clients commonly request synthetic exposure, which can be a long or short position, for the following:

- Duration overlay
- Domestic and international equity indices
- Foreign currency
- Commodities
- Domestic and international fixed income indices

NISA's primary objective is to achieve portfolio returns that closely track the return of the benchmark or index that reflects the client's objective. NISA uses many types of derivative instruments, including futures, forwards, swaps, swaptions, repurchase agreements and options.

The client must establish certain documentation with a counterparty in order to transact in most derivative instruments. Please refer to **Item 12 – Brokerage Practices** for more information.

Duration Overlay

NISA's pension plan clients may use a duration overlay strategy to reduce the interest rate sensitivity mismatch between the plan's assets and liabilities. We typically work closely with each client, its advisors and actuaries to understand the objective, customize the strategy, specify benchmarks and risk tolerances, and develop investment guidelines.

Domestic and International Equity, Foreign Currency and Domestic and International Fixed Income

Typically, NISA assists the client in determining the type(s) of instruments that offer a cost and tracking error trade-off that meets the client's objective for the strategy. The size of the program and/or target benchmark or index may be significant considerations in the choice of instrument. From time to time, the market of other derivative instruments is more liquid than the futures market and also allows for customization to meet specific client needs.

Synthetic exposure to international equity indices may include a currency overlay. Additionally, NISA's clients may direct NISA to obtain a specific currency exposure. NISA generally obtains currency exposure using forward transactions executed under an International Swaps and Derivatives Association Agreement.

Commodities

Generally, the client specifies its desired commodity exposure in terms of specific commodity futures contracts or a commodity index. Commodity indices are typically based on commodity futures contracts rather than physical commodities. Depending on the client's objectives, NISA may use different types of derivatives instruments to obtain commodity exposure.

Risk

The underlying market risk is generally the largest risk in synthetic exposure programs. Another potential source of risk is the credit risk of the counterparty.

Futures. The counterparty for futures transactions is the futures exchange clearinghouse. Thus, one market participant is not directly exposed to the risk of another market participant. The clearinghouse reduces its risk to market participants with initial and variation margin requirements and rules for liquidating positions if a participant fails to post required margin. Market participants are exposed to the bankruptcy risk of the Futures Commission Merchant and the clearinghouse.

Cleared Derivatives Transactions. The counterparty for cleared swap transactions is the clearinghouse. Thus, one market participant is not directly exposed to the risk of another market participant. The clearinghouse reduces its risk to market participants with initial and variation margin requirements and rules for liquidating positions if a participant fails to post required margin. Market participants are exposed to the bankruptcy risk of the clearing broker and the clearinghouse.

In order for NISA to execute cleared derivatives transactions, the client must establish certain documents with a clearing member as described in **Item 12 - Brokerage Practices**. Clearing documentation provides the clearing member with broad rights in the event a client defaults, including specific contractual liquidation and close-out rights with respect to the client's transactions. In exercising its liquidation and close-out rights, the clearing member will be acting solely in its own best interests, and not in the best interests of the client. The terms of the clearing documentation may present additional risks to clients

Uncleared Derivative Transactions. Uncleared derivative transactions are between a client and counterparty and do not currently trade, settle or clear on an exchange or through a clearinghouse. As such, the client is at risk to the counterparty. In order for NISA to execute uncleared derivative transactions, the client must establish certain documents with a counterparty as described in **Item 12 - Brokerage Practices**. The client can include certain protections in its counterparty agreements, including terms in

collateral agreements. Certain terms in collateral agreements can mitigate much of the potential counterparty risk. The specifics of the collateral agreement will determine the degree of risk reduction. Collateral agreements specify, among other things, timeframes for requesting and posting collateral. NISA makes reasonable efforts to request collateral, if applicable, before the first deadline. If NISA's business is interrupted, NISA may not be able to request collateral in a timely manner. If such an event occurs, we will contact the affected clients as soon as practicable.

Most NISA clients have been required to clear interest rate swaps and credit default swaps since September 2013. It is anticipated that other instruments will become subject to the clearing mandate over time.

Pricing

For futures and cleared derivatives, NISA uses the exchange or clearinghouse settlement valuation.

NISA does not use independent pricing sources to value uncleared derivatives. NISA's traders internally value these derivative instruments using market data provided by the relevant index provider, when possible. From time to time, NISA's traders may use other data sources or our own judgment in valuing these instruments. Generally, NISA's values are compared daily with independent valuations obtained from the counterparty as part of the collateral management process.

These internal calculations are used to create our performance returns that are shown to prospective clients and current clients, although current clients also may receive performance returns from their independent custodians. The internal valuation practices NISA uses will impact NISA's calculated and reported performance returns, alpha and tracking error. The performance returns, alpha and tracking error calculated using other valuations will be different from those that NISA reports. NISA will provide a summary of our Pricing and Valuation policy upon request.

NISA also uses internal valuations and pricing to determine whether NISA is in compliance with a client's investment guidelines. By under or overvaluing an instrument, NISA could affect these guideline checks.

ITEM 9 - DISCIPLINARY INFORMATION

We are required to disclose all material facts regarding any legal or disciplinary events that may be material to a client's evaluation of NISA or the integrity of NISA's management. Events we are required to disclose include, but are not limited to:

- criminal or civil action for investment-related activities;
- an administrative proceeding before a regulatory agency for investment-related activities; and
- a self-regulatory organization proceeding related to investment activities.

NISA has no information to disclose. Based on reasonable inquiries and annual certifications made by all our employees, NISA also does not believe any current employee has any information to disclose.

The Securities and Exchange Commission initiated a routine periodic examination of NISA in February 2013. NISA is in the response phase of the SEC examination.

The Department of Labor ("DOL") conducted an onsite examination of NISA in February 2014 related to NISA's investment management activities on behalf of ERISA pension plans. NISA is in the response phase of the DOL examination.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer Affiliation

NISA is not registered nor does NISA have an application pending to register as a broker-dealer. No NISA employee is registered or has an application pending to register as a representative of a broker-dealer.

Derivatives Industry Activities

NISA is registered as a Commodity Trading Advisor with the National Futures Association ("NFA"). Some of NISA's employees are registered with the NFA as Principals and/or Associated Persons. NISA may include derivative instruments in a portfolio if the portfolio's Investment Guidelines permit such instruments, and the portfolio meets certain regulatory requirements.

Please refer to **Item 5 - Fees and Compensation** for information on the potential conflict of interest NISA may have for managing both securities and derivatives in an engagement.

Other Industry Relations and Arrangements

NISA is registered as a "Portfolio Manager" in Canada in order to expand our services to Canadian clients.

NISA does not have any other relations or arrangements that we believe are material to our business or in conflict with our clients' interests.

Other Adviser Recommendations

NISA does not recommend or select other investment advisers for our clients.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

All NISA employees, and, in certain circumstances, certain interns and contractors (for the purposes of this section, “Employees”) are subject to NISA’s Code of Ethics. The primary objective of the Code of Ethics is to prevent Employees and their immediate family members from engaging in activities that create a conflict of interest between NISA or our Employees and NISA’s clients. NISA will provide our Code of Ethics to clients and prospective clients upon request. NISA’s Code of Ethics includes policies that cover the following:

Standards of Professional Conduct. This policy requires all Employees to, among other things,:

- act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employer, Employees, colleagues in the investment profession, and other participants in the global capital markets.
- place the interests of clients and integrity of the investment profession above his/her own personal interests.
- use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.

Insider Trading. This policy prohibits all Employees from, among other things:

- trading in securities, either personally or on behalf of others (including accounts managed by NISA), while in possession of material nonpublic information related to those securities.
- communicating material nonpublic information to anyone other than the General Counsel or Chief Compliance Officer.

Personal Securities Transactions. See the section “Employee Personal Trading” for more information.

Conflicts of Interest. All Employees are required to:

- discharge his/her duties for the sole benefit of each NISA client.
- avoid activities, interests, and relationships that may (or may appear to) conflict or interfere with NISA’s fiduciary duty to our clients.
- not take any action with respect to a client’s account in order to benefit any person or entity other than NISA’s client.
- not favor one client at the expense of another client.

Outside Activities. Employees are required to obtain prior approval:

- to serve on the board of directors or a creditors committee of any company with publicly available securities outstanding.
- for outside employment.

- to serve on the finance, investment or similar committee for a not-for-profit entity.

Confidentiality. Protecting confidential information is vital to NISA's interests and success. All Employees must:

- not reveal any confidential information except to Employees at NISA who need to know that information in order to carry out their duties on behalf of clients.
- take care not to disclose information about any client to a third party except as necessary to establish and manage the client's account, as requested or permitted by the client, as required by applicable law or as directed by the General Counsel or a designee.

Supervisory Duties. This policy requires supervisors to, among other things:

- establish procedures and a system for applying such procedures, that are reasonably expected to prevent and detect violations of the Compliance Manual and NISA's other policies and procedures.
- promptly report violations of policies and procedures in the Compliance Manual to the Chief Compliance Officer.
- establish procedures that could be reasonably expected to monitor the accurate and timely performance of each employee's duties and responsibilities.

In addition to the policies in our Code of Ethics, NISA has two other policies designed to mitigate conflicts of interest: the Gifts and Entertainment policy and the Political Contributions policy.

Gifts and Entertainment. This policy prohibits Employees from giving gifts to or receiving gifts from persons:

- doing business or seeking to do business with NISA.
- for the purpose of influencing clients, prospective clients, their agents or consultants.

Political Contributions. This policy covers political contributions made by Employees and their immediate family members, the policy:

- permits contributions to a candidate for state or local office in an amount no greater than \$250 per election and only to a candidate for whom the Employee is eligible to vote, with the pre-approval of the Compliance Group.
- prohibits the making of, or soliciting of any third party to make, contributions to state or local political parties, political action committees, or any official related to transition or inaugural expenses or election/campaign debts.

Participation or Interest in Client Transactions and Personal Trading

The following sections address NISA's and our Employees' trading and investment activities. This information applies only to Reportable Securities. "Reportable Securities" is defined in the Investment Advisers Act of 1940. Most securities other than U.S. Treasuries and unaffiliated open-end mutual funds are Reportable Securities.

The CCO will determine on a case-by-case basis whether an intern or contractor is required to report and certify to their trading and investment activities.

Investment in Securities NISA Recommends to Clients

NISA does not have a material interest in securities that we recommend, buy or sell for our clients. NISA monitors Employees' investments and trading as described below. We do not believe that any Employee holds an amount of securities that would be material to any publicly traded security or issuer. NISA does not believe that it is likely that such a situation will occur due to the types of securities that NISA buys or sells for our clients.

Employee Personal Trading

NISA's Personal Securities Transaction policy governs Employee accounts. The policy includes, but is not limited to, the following requirements for trading Reportable Securities:

- Employees must obtain pre-approval for trades from both their supervisor and the Managing Director or Director, or a designee of the applicable portfolio management group. In certain cases, pre-approval is also required from the Chief Compliance Officer or a designee;
- Employees must enter and/or verify transactions in NISA's monitoring system;
- Employees must permit NISA to receive duplicate account statements and/or electronic feeds of transactions and holding;
- Employees must review their transactions and holding reports quarterly and certify as to their accuracy.

NISA's Compliance Group monitors compliance with the policy. This process includes, but is not limited to:

- regular reviews of NISA's monitoring system;
- reviewing Employees' quarterly reports;
- comparing each Employee's holdings and transactions to the brokerage statement; and
- comparing Employee trades to client trades.

Timing of NISA's Employee Trades

NISA's policy specifies that the Managing Director or Director, or a designee, of the applicable portfolio management group may approve an Employee's personal trade if

NISA did not trade the security or related security on the prior business day, and does not anticipate trading the security or related security on the requested day or the following business day.

Item 12 - Brokerage Practices

BROKERAGE SELECTION AND RECOMMENDATIONS

The following describes the factors NISA considers when selecting or recommending brokers and assessing the reasonableness of the broker's compensation.

Fixed Income and Equity. When placing a trade with a broker, NISA considers the quality, quantity, nature and scope of the brokerage firm's professional services. NISA considers factors such as:

- the ability to transact the desired volume;
- price;
- commission rate (if any);
- market impact;
- responsiveness;
- timeliness;
- handling of confidential information;
- settlement efficiency; and/or
- statistical and other research information that may be of either general or specific benefit to one or more clients

One of NISA's primary considerations for fixed income trades is the net price. NISA negotiates commissions on agency transactions, if any.

Futures and Exchange-Traded Options. NISA generally transacts in futures and exchange-traded options in derivatives portfolios. If permitted by investment guidelines, NISA may also use futures contracts in a client's fixed income portfolio. To execute trades in futures and exchange-traded options, the client must first establish an account with a Futures Commission Merchant ("FCM"). NISA may suggest FCMs to our clients. NISA considers the FCM's execution and settlement capabilities in the contemplated contracts to determine the FCMs to suggest to the client. The client determines the FCMs with whom it will establish an account. The FCMs that NISA suggests to clients may, but are not required or obligated to, provide research on futures and other products to NISA as part of their commitment to the general business relationship.

NISA seeks to negotiate the most favorable commission schedule available for our clients. NISA may direct trades to FCMs that charge higher commissions, if NISA believes that the FCMs obtain better net prices through better execution by limiting market impact.

Cleared Derivatives Transactions. To execute cleared derivative transactions, the client must establish certain documents with a clearing member. The documents specify certain terms that apply to all transactions cleared by the clearing member on the client's behalf. Alternatively, the client may choose to use NISA's "umbrella" documents that NISA has established with certain clearing members. Umbrella documents are currently available only to ERISA clients. In order to use NISA's umbrella documents, the client must provide certain certificates and other documents to NISA.

NISA may suggest potential clearing members to our clients. NISA's primary considerations when suggesting a clearing member include:

- clearing and settlement capabilities;
- margin requirements and procedures;
- documentation terms;
- collateral transformation capabilities; and
- fees and commissions.

Uncleared Derivatives. To execute uncleared derivative transactions, the client must establish certain documents with a counterparty. The documents specify certain terms that apply to all transactions between the client and counterparty. Alternatively, the client may choose to use NISA's "umbrella" documents that NISA has established with certain counterparties. Umbrella documents are currently available only to ERISA clients. In order to use NISA's umbrella documents, the client must provide certain certificates and other documents to NISA. Prior to the execution of an uncleared derivatives trade, NISA negotiates a standard form of confirmation for each financial instrument type that it intends to trade with a given counterparty.

NISA may suggest potential counterparties to our clients. NISA's primary considerations when suggesting counterparties include:

- execution capabilities for the proposed strategy;
- settlement capabilities for the proposed strategy;
- collateral exchange requirements and procedures;
- documentation terms; and
- creditworthiness.

Exchange-Traded Funds. Clients may direct NISA to gain exposure to certain benchmarks by purchasing certain ETFs or provide NISA an investment objective to meet through the purchase of ETFs. We may also invest in ETFs in the management of our discretionary assets if permitted by the client's investment guidelines. ETFs charge an investment management fee in addition to the fee charged by NISA for our advisory services.

Limitations on Broker-Dealers, Counterparties, Clearing Members or Futures Commission Merchants

Client Restrictions. For various reasons, clients may elect to impose certain restrictions on NISA's use of specific broker-dealers, even if those broker-dealers are approved for trading by NISA. If a client chooses to restrict the broker-dealers with which NISA is allowed to trade, the client may be left out of trades, could pay higher transaction costs or could receive less favorable net prices than would be the case if NISA were not restricted. For derivatives programs, the client may select counterparties, clearing members or futures commission merchants with which NISA is allowed to trade. NISA will seek to achieve the best price and execution taking into account any limitations or restrictions.

Please note that NISA may not be able to accept a client's restriction for certain transactions in ERISA accounts.

Other Restrictions. In addition, NISA may, from time to time, create internal counterparty diversification objectives that NISA believes may benefit clients in certain situations. Based on these objectives, NISA may, in our sole discretion, omit an otherwise eligible counterparty from the counterparty selection process.

Research and Other Soft Dollar Benefits

NISA does not participate in soft dollar programs. NISA does not have any arrangement that specifies the amount of transactions for NISA to direct to any brokerage firm, FCM, clearing member or counterparty (collectively, for this section, "Brokers"). NISA does not acquire any products or services through soft dollar benefits.

NISA receives certain research and services from Brokers as described below. If NISA did not receive these services from Brokers, it would incur additional costs. To mitigate the potential conflict of interest from such services, NISA has a Best Execution and Trade Order Management policy. The policy requires NISA's traders to seek to achieve the best combination of price and execution for our clients.

NISA receives market, statistical and research information provided by Brokers at no cost. This may include access to proprietary research databases, information websites and reports. The information NISA receives from Brokers may be of general or specific benefit to one or more clients.

Additionally, certain Brokers have dedicated telephone connections to NISA's office. NISA can only use these connections for calls to/from the applicable broker. NISA has no control over these connections other than to permit the Broker to have them installed.

NISA's employees may attend conferences sponsored by Brokers. In such cases, NISA pays for the employee's transportation and lodging, but typically does not pay for conference fees or meals or entertainment provided to all conference attendees on a non-individualized basis.

OTHER PRACTICES

Brokerage for Client Referrals. NISA does not receive client referrals in exchange for brokerage.

Directed Brokerage. If a client requests NISA to direct brokerage to a specific broker-dealer or broker-dealers, NISA will require the client to make certain representations and acknowledgements, including that the client may not obtain prices that are the most favorable at that time, and the client may be excluded from aggregated orders that NISA believes may benefit the client.

NISA will consider expressed client preferences and will periodically include those brokers when putting brokers in competition for trades.

Please note that NISA may not be able to accept a client's direction for certain transactions in ERISA accounts.

Obtaining Bids or Offers. In general, except for derivatives trades mandated to be traded through a Swap Execution Facility ("SEF"), traders may use any number of methods to obtain bids and offers. The trader may use electronic methods (such as Bloomberg or Market Axess), telephone or email to contact two or more broker-dealers for bids or offers in competition. Additionally, the trader may contact only one broker-dealer who, in the trader's judgment, affords the best opportunity for the most favorable price and execution with the least amount of impact or disruption to the market, in addition to other considerations for best execution. Lastly, the trader may be contacted by only one broker-dealer, in which case, before accepting a bid or offer it must be determined, in the trader's judgment, to be the most favorable combination of price and execution given all relevant circumstances at the time of the trade.

All or None. NISA may elect to sell bonds using a bidding process known as "all or none". Using this process, NISA submits a list of bonds that we intend to sell to one or more brokers. However, instead of offering the bonds individually, we offer them as a package. A broker who wants to purchase the bonds must take all the bonds on the list. In certain cases, one or more bonds may be carved out of the list and the list maybe re-submitted to the brokers again as a package. When using the "all or none" process, NISA may receive a higher or lower price for any single bond that is part of that package than if it sold that bond individually.

TRADE AGGREGATION

NISA's traders determine whether it is practical and in the clients' best interests to aggregate trades for multiple portfolios. Traders at NISA may combine or bunch orders when negotiating trades with brokers or other counterparties. NISA considers a trade to be "aggregated" for the purposes of this policy if the trade blotter indicates one purchase that is allocated to a number of client portfolios. NISA does not consider

trades to be aggregated if the portfolios are combined during negotiation but each portfolio has a separate trade ticket or a separate trade blotter entry.

Fixed Income

NISA generally aggregates trades in fixed income portfolios, including futures contracts in fixed income portfolios. When NISA aggregates trades, it may receive less than the desired quantity. In some cases, it may not be practicable to allocate the trade pro rata across all accounts included in the trade order. In those cases, the Fixed Income Portfolio Management Group allocates the trade on a reasonable basis with the goal of treating all accounts equitably over the long term.

NISA has a process for allocating trades for non-Treasury fixed income securities that places portfolios in different groups as follows:

- the first group includes all current client portfolios not in transition;
- the second group includes portfolios with large, new contributions or large withdrawals;
- the third group includes portfolios in transition to a new benchmark; and
- the fourth group contains newly funded client portfolios.

If the broker is only able to partially fill NISA's order, NISA allocates the trade by group in the order listed above. Trades for each group must be filled before the trader can move to the next group. If the broker is unable to fill the order for the first group, NISA will generally, but not in all cases, allocate on a pro-rata basis among the portfolios in the first group.

If the first group is filled but the second group cannot be completely filled, NISA will allocate the trade among the clients in the second group depending on the deadline for which the portfolio is scheduled to be fully invested or the withdrawal to be completed. Those portfolios closer to their deadline will receive their allocation before the portfolios in the second group that are further away from their deadline. When the second group is filled, the same process is followed for the third group, if NISA was able to fill the first two groups, but not completely fill the orders for the third group. If the third group is filled, but not the fourth group, the same process is followed for the fourth group until the transaction has been fully allocated. As an alternative to this process, an authorized trader may also elect, in their sole judgment, to allocate trades within a group on a pro-rata basis.

NISA also has a process for allocating non-Treasury fixed income securities where an order is filled in multiple trades at different execution levels. This allocation process is designed with the goal of achieving the average execution level of the total order for each participating portfolio. In some cases, when determining whether a portfolio will be allocated to a richer or cheaper trade, a random method, such as a coin flip is used to determine the outcome.

Futures in fixed income portfolios will be allocated pro rata in proportion to the order placed for each portfolio, so long as it is practicable to do so.

Equity

NISA does not aggregate equity trades, however the broker with whom NISA trades does aggregate trades. Situations may arise where NISA does not receive the number of shares requested from a broker to cover all trades. If that occurs, the broker will follow NISA's instructions to allocate the shares received on a pro rata basis based on the total number of shares requested for each portfolio in the original orders.

On the rare occasion that an equity holding in a client portfolio involved in a corporate action receives a warrant or other non-index security, those securities will be allocated by the client's custodian to each client portfolio based on its holding of the target security.

Futures in Derivative Portfolios, Cleared and Uncleared Derivative Transactions

In many cases, trades done in derivative portfolios are executed at the strategic direction of the client or based upon client specific circumstances and objectives, and as such, are not aggregated or even combined during negotiation. However, under certain conditions, NISA may aggregate futures, cleared and uncleared derivative transactions. In these rare cases, we may run into a situation where the entire order cannot be filled. If that occurs, we handle as follows:

Futures in a Derivative Portfolio: The trader will allocate the trade pro-rata in proportion to the order placed for each portfolio so long as it is practicable to do so.

Cleared Derivative Transactions: The trader will generally allocate pro-rata among the portfolios. If the trader chooses not to do so, the trader must notify the Chief Compliance Officer. The Chief Compliance Officer, with the trader, will then determine an appropriate alternative allocation methodology, taking into consideration the facts and circumstances surrounding the trade.

Uncleared Derivative Transactions: The trader will allocate the trade pro-rata across all portfolios, with units or amounts rounded to amounts generally accepted for the type of transaction being executed.

Inter-Portfolio Sell/Buy Process

The fixed income marketplace is an over-the-counter market. The trading characteristics of the thousands of securities that are in NISA client portfolios and benchmarks vary dramatically on a number of critical dimensions, including: turnover (frequent vs. infrequent), availability for purchase (readily available vs. scarce), and expected transaction cost (tight bid/offer spread vs. wide bid/offer spread). In NISA's efforts to obtain securities that have the desired attributes for client portfolios while meeting our obligation to seek to achieve best execution, we may from time to time use a process that we call Inter-Portfolio Sell/Buy or IPSB. This process is generally

used to trade securities that turnover infrequently, are relatively scarce, and/or typically trade at wide bid/offer spreads. We believe using this process benefits our clients because it allows us to engage the broker-dealer community when we know that they own these relatively scarce securities and therefore may be willing and able to produce the securities at a reasonable price.

The IPSB process has inherent conflicts of interest with which NISA must contend. For example, NISA could manipulate the process to get a better price for one client to the detriment of another.

NISA has a number of compliance policies including Best Execution and Trade Order Management, Conflicts of Interest, Trading Practices and Trade Allocation, as well as our Standards of Professional Conduct, to help avoid conflicts such as pre-arrangement or other manipulations. Below, we describe the IPSB process and the steps that we take to help mitigate these conflicts.

NISA may sell a non-Treasury security on behalf of a client and subsequently NISA may attempt to repurchase the same security on behalf of a different client or clients. The IPSB process relates to trades that are executed in the same or similar amounts on the same day in different portfolios with the same broker-dealer. The trades that are subject to the IPSB process represent a very small percentage of the total trades executed by NISA, usually less than 1% of the market value of NISA's corporate bond trades annually. Each transaction is an independent, at-risk, bona fide, separate arms-length transaction between the relevant client portfolio and the broker-dealer. No transaction is conditioned on any other transaction. The broker-dealer is "at risk" on each transaction.

As with all trades, NISA's Authorized Traders must have determined that, under the circumstances, each trade that is part of an IPSB is in the best interest of each participating client. Each trade remains fully subject to all of NISA's trading policies, including the requirement that the Authorized Trader seek to achieve best execution for each sale as well as any subsequent purchase.

In most cases, NISA is selling the security involved in the IPSB process along with other securities being sold for the same client due to a portfolio transition. Unlike the other securities being sold as part of the portfolio transition, the security that may become part of the IPSB is usually scarce and due to the fact that it is infrequently traded, the bid/offer spread tends to be wider on these securities. NISA's Authorized Traders regularly seek to purchase these scarce securities outside the IPSB context but because of their scarcity these securities are frequently difficult to obtain at reasonable transaction costs. Accordingly, if for example, a scarce security has to be sold to accommodate a portfolio transition, NISA will generally seek to purchase the amount being sold and likely more than the amount NISA is selling.

As part of the portfolio transition process NISA generally indicates its interest in selling securities via a competitive bid process where we send requests for bids to purchase the securities on the list to multiple broker-dealers. The broker-dealers may respond

with respect to each security on the list, only certain securities on the list, or a dealer may not respond at all. Depending on the security and other factors not within NISA's control, NISA may receive an interest to purchase from a subset of broker-dealers or even only one broker-dealer, with respect to a given security. The Authorized Trader may choose not to sell a security if the trader determines that it is in the selling client's best interest at that time.

Once NISA selects the best combination of price and execution available for the selling client, NISA may turn its attention to attempt the repurchase of the security. At no point in the process is the sale of the security conditioned in any manner on the subsequent purchase of the security. Accordingly, NISA may not be able to repurchase the security subsequent to the sale. This may occur for a number of reasons such as the broker-dealer obtained the security for another client or the broker-dealer and NISA cannot agree on a price.

Once the sale of the security is complete, NISA will indicate its willingness to purchase this security through a competitive process by contacting numerous broker-dealers with a request to purchase this security. The broker-dealer that purchased the security will be included in this list. If NISA is able to purchase the security from any broker-dealer, including the one that just purchased the security, at a level that the trader believes is the best combination of best price and execution, NISA may purchase the security. Once again, the response to the request may be limited and NISA may not receive any offers in response to the request or may receive offers at disadvantageous prices. The Authorized Trader may call or otherwise directly contact the purchasing broker-dealer or any other broker-dealer in an attempt to purchase the security. The sell and buy process may occur within moments of each other. Moreover, the repurchases may consistently be executed at a spread of one to two basis points lower than the corresponding sell.

NISA's Compliance Group conducts a number of tests to confirm that our Authorized Traders are following NISA's policies and procedures. In addition, NISA's Compliance Group also conducts tests specific to the trades that are part of the IPSB process which include email surveillance and confirmation of the competitive bid process for each trade.

Finally, from time to time, in the normal course of trading, the IPSB process may not be followed due to extenuating circumstances such as different Authorized Traders unknowingly being involved on each side of a transaction or an unforeseen circumstance arising with respect to a portfolio. In these rare situations, the Authorized Trader or his designee must report such trades and the relevant circumstances to the Compliance Group for further specific evaluation and review. If the Compliance Group believes that the trades are an attempt by the Authorized Trader to avoid the IPSB process or an attempt to violate any other compliance policy or procedure, NISA's

Compliance Group will escalate the violation to a Managing Director, Portfolio Management or the President for the appropriate disciplinary action.

Offsetting Trades

With respect to derivatives, the authorized trader will not place orders such that offsetting trades (trades in which one portfolio is a buyer and another portfolio is a seller of an index, rate, etc.) are packaged or linked together. Offsetting transactions include transactions in the same instrument (e.g., 10-year interest rate swap, S&P 500 swap, or total return swap) as well as transactions in instruments that may have similar market impact (e.g., one portfolio entering into a swap to receive 30-year fixed, pay floating and another portfolio is entering into a swap to pay 10-year fixed, receive floating).

TRADE ERRORS

NISA has designed our trading processes and procedures to help reduce the possibility of errors when trading in our clients' portfolios. However, it is inevitable that errors will occur. Errors in the placement, execution or settlement of trades are often due to a unique set of circumstances, which makes it difficult to specify in advance the procedures for addressing each case as it may arise.

A trade revision is any change of a trade's details including the re-allocation of a traded security due to a mistake by NISA personnel or the entity with whom NISA is trading. A trade revision is an error by NISA or a counterparty which is categorized as a Process Error, Documentation Error or Trade Error. Only Trade Errors are reported to clients. Except as provided in NISA's Trade Error and Revision policy, no NISA employee is allowed to resolve an error or revision in the execution or terms of a trade without the approval of the Chief Compliance Officer or a designee. Under no circumstances will any error ever be resolved through the use of soft dollars or through a reciprocal arrangement with the broker-dealer, counterparty, clearing member or futures commission merchant.

NISA will attempt to correct all errors as expeditiously as is prudent and practicable. If the end result of the error is a gain in the client portfolio, that gain is retained by the client. An error that results in an economic loss to the client portfolio will be resolved in a manner consistent with the client's contractual provisions governing the resolution of errors, if any, NISA's overall fiduciary duty to our clients and any applicable laws. NISA will not be responsible for any indirect, consequential or punitive damages. A copy of NISA's Trade Error and Revision policy is available upon request.

Item 13 – Review of Accounts

Account and Financial Plan Review

Generally, each client chooses the benchmark, and specifies the risk and return objectives for its account. NISA does not review our clients' financial plans.

NISA reviews accounts as described below. The client determines the timing and frequency of meetings to review its account(s).

Fixed Income

The Fixed Income Portfolio Management Group and the Compliance Group monitor each portfolio for compliance with its investment guidelines. The Fixed Income Portfolio Management Group also monitors the active risk in each portfolio and reviews each portfolio's structure against its targets.

Equity

The Equity Portfolio Management Group and the Compliance Group monitor each portfolio for compliance with its investment guidelines.

Synthetic Exposure

The Derivatives Portfolio Management Group and the Compliance Group monitor each portfolio for compliance with its investment guidelines. The group also monitors the risk in each portfolio and reviews each portfolio's structure against its targets.

Reports

NISA typically provides quarterly reports for each managed account based on NISA's internal pricing. These reports generally include the following:

- portfolio performance comparison and attribution versus the benchmark;
- portfolio and benchmark characteristics; and
- portfolio holdings and market value.

NISA may provide additional reports as agreed upon between NISA and the client.

NISA does not provide legal, accounting, tax, recordkeeping or valuation services. NISA provides reports containing accounting or valuation information to clients with the understanding that NISA does not provide these services. Each client should compare and verify the information on NISA's reports with the information on the statements it receives from its recordkeeper.

NISA values securities and other financial instruments held in clients' accounts for its internal use, including guideline compliance and performance calculations. NISA provides reports containing such information to clients solely for the purpose of evaluating NISA as an investment manager.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

NISA's only compensation is the fees that clients pay to NISA. The only compensation that NISA's employees receive for providing investment advice to NISA's clients is the

compensation the employees receive from NISA. NISA does not pay any third party for client introductions or referrals.

NISA may manage assets for pension plans whose sponsors or affiliates provide services to other NISA clients and prospective clients. These sponsors include investment or pension plan consultants that may be able to influence a client to hire NISA. NISA does not directly compensate, provide reduced fees or provide other benefits to these plans or sponsors in exchange for recommendations or referrals. NISA discloses such relationships on our client list if the client permits NISA to do so. If the client is not included on NISA's client list, NISA will require the client or its affiliate to tell NISA that they have disclosed its relationship with NISA to any common client and to any prospective client of NISA before NISA and the prospective client enter into an Investment Management Agreement.

ITEM 15 - CUSTODY

NISA does not custody client assets. If NISA received funds or securities intended for a client, NISA would promptly forward those funds or securities to the client or its custodian or return them to the sender.

ITEM 16 - INVESTMENT DISCRETION

NISA manages assets on a fully or partially discretionary basis. The client must execute an Investment Management Agreement before NISA will accept discretionary authority. Please refer to **Item 4 – Advisory Business** for information about the limitations a client may place on NISA's authority.

ITEM 17 – VOTING CLIENT SECURITIES

The following is an overview of NISA's policies for voting client securities. NISA will provide a copy of its securities voting policies and procedures upon request. Clients may also obtain a record of votes cast for securities held in their account upon request.

NISA will vote client securities for a client unless the client retains such authority. NISA will accept a client's direction as to how to vote that client's securities only if the client has retained voting authority for that matter in its Investment Management Agreement. If the client wishes to direct NISA how to vote a proxy, it should contact NISA at the phone number on the cover page of this brochure. The client should follow a similar procedure if it wishes to discuss a particular proxy matter.

If the client retains authority to vote its proxies, the client must arrange with its custodian to receive proxies or other solicitations.

Proxy Voting, Class Actions and Other Security Elections Policy and Procedures

NISA votes proxies in the client's best interest. NISA's Proxy Voting Committee determines how to vote proxies. The Committee includes employees from our portfolio management groups as well as the Legal Group or the Compliance Group. The Committee specifies proxy-voting guidelines to reduce possible conflicts of interest. The Committee determines how to vote proxies not covered by the guidelines on a case-by-case basis. For case-by-case votes, the appropriate portfolio management group researches the issue and presents its findings and recommendation to the Committee. The Committee determines the appropriate course of action. If a case-by-case vote poses a material conflict of interest between NISA and its clients' accounts, NISA may contact the affected clients.

NISA may abstain from voting a proxy if:

- the economic effect on the client's interest or the value of the account holding is indeterminable or insignificant;
- the cost of voting the proxy outweighs the benefits; or
- the account no longer holds the security.

NISA uses a third party vendor for proxy voting and record keeping. The vendor votes proxies pursuant to NISA's guidelines or instructions. The vendor also maintains, reconciles and tracks proxy-voting records. The vendor may also provide non-recommendation research and analysis.

NISA does not rely on proxy voting recommendations from any third party. NISA may purchase research from third parties that include a recommendation.

Additional considerations for ERISA plans. NISA will not subordinate the economic interests of the plan's participants and beneficiaries to any unrelated objectives. NISA will not vote in favor of a proposal related to public policy matters, political activities or other social issues unless NISA reasonably believes that such a proposal is in the plan participants' and beneficiaries' best economic interests.

Other Security Elections

NISA may vote on other security matters as part of its investment discretion. These votes relate to economic decisions, such as tender offers, security exchanges, or consent to an indenture change, among others. NISA votes these matters solely in the best economic interests of each account.

Class Actions

NISA does not act, participate in, file or advise clients on securities class action suits. NISA does not seek out potential or pending class action suits. Upon request, NISA may provide the client or its designee with the account's holdings and/or transactions of a particular security and other supporting information.

Bankruptcy Claims

NISA does not participate in, file or advise clients with respect to bankruptcy claims. If an account holds a security or other obligation of an issuer that files for bankruptcy, NISA may sell or assign that interest to another party. If NISA cannot sell or assign the interest to another party or NISA believes that doing so is not in the client's best interest, NISA will notify the client.

ITEM 18 - FINANCIAL INFORMATION

NISA does not require or solicit prepayment of advisory fees.

NISA does not believe that we have any financial condition that will impair our ability to meet our contractual commitments to clients.

NISA has not been the subject of a bankruptcy petition in the past ten years.