

Proposed: February 25, 2022

The Educational Employees' Supplementary Retirement System of Fairfax County

Investment Consultant Oversight Policy

Adopted March 25, 2022

I. PURPOSE

This Investment Consultant Oversight Policy (“Policy”) is intended to establish and provide guidelines by which the Educational Employees’ Supplementary Retirement System of Fairfax County (“ERFC”) will periodically review the performance and services rendered of its investment consultants. As used herein, the term “investment consultant” will be construed broadly to include ERFC’s general investment consultant as well as private market consultants serving in an advisory or discretionary basis, and any other investment consultant hired from time to time. The Policy applies to all of ERFC’s investment consultants.

II. POLICY OBJECTIVES

A. The objectives of this Policy are to:

1. Ensure that the investment consultants provide advice and act in the best interest of ERFC and ERFC’s members and beneficiaries and comply with the ERFC Investment Policy Statement as the same may be amended from time to time, and subject to any exceptions approved in advance by ERFC’s Board of Trustees (“IPS”).
2. Ensure that the investment consultants remain in compliance with regulatory and contractual requirements.
3. Provide the opportunity for interactive feedback to investment consultants in order to optimize their ability to provide quality service to ERFC.

III. Roles, Responsibilities, and Assumptions

- A. Each investment consultant will provide information, reports, and access to its operations as requested by ERFC, to allow ERFC to monitor the performance of such investment consultant.
- B. ERFC’s Executive Director/CIO and investment staff (collectively “Staff”) will:
 1. Ensure that timely reports and other required information are received from each investment consultant.
 2. Provide the Board of Trustees (“Board”) with a due diligence review and analysis of the investment consultants annually as described in Section IV below.
 3. Conduct further due diligence as required by this Policy or as the Board may further direct.
- C. Consistent with its fiduciary obligations, the Board will consider the analysis and recommendations prepared by the Staff in accordance with this Policy regarding the oversight of ERFC’s investment consultant.
- D. This Policy applies to both general and private market investment consultants. However, oversight may be distinct in practice. The evaluation of ERFC’s general consultant will

focus on information and recommendations provided to the Board, while the evaluation of each specialty consultant will include a review of discretionary investment decisions made by such investment consultant on behalf of ERFC.

- E. The frequency of due diligence reviews described in this Policy may vary as the Board deems appropriate.

IV. POLICY GUIDELINES

A. Initial Hiring Process

1. The initial hiring process for each investment consultant includes, but is not limited to, significant review and analysis of the firm's key personnel and supporting staff, their investment/investment manager selection process, research capabilities, legal compliance procedures, and other key procedures and functions.

B. Investment Policy

1. Staff will review actual allocation to ensure compliance with guidelines set forth in the IPS at least quarterly, with an understanding that Private Markets allocation might deviate from long-term targets in the early stages of investment.
2. Any deviations will result in discussions with the investment consultant to rebalance the portfolio unless rebalancing is not in the best interest of the Plan.

C. Performance Benchmarks

1. Performance of the recommended investments and investments made on behalf of ERFC will be measured against appropriate public market and/or custom indices and applicable peer universe as described in the IPS.

D. Annual Due Diligence

1. The annual due diligence review will be completed no later than March 31 of each year unless the Board changes the date.
2. Each investment consultant will respond to a questionnaire addressing the following:
 - Any material changes related to the firm and business, including, but not limited to, business acquisitions/dispositions and other organizational changes
 - Any significant changes in firm personnel, including, but not limited to, ERFC's designated investment consultant team and the investment consultant's investment committee/decision making members
 - Confirmation that the investment consultant has been and continues to be in compliance with the IPS, the investment consultant's contract with ERFC, and any additional policies applicable to the investment consultant's services
 - Confirmation of the investment consultant's good standing as a registered investment advisor or other regulated role
 - Summary breakdown of allocations/commitments related to risk management guidelines outlined in ERFC's IPS

- Disclosure of any financial relationship or relationships between the investment consultant and its staff with any investment manager, general partner, or co-investor recommended or selected by the investment consultant
- Disclosure of any pending or threatened litigation or regulatory proceedings involving the investment consultant and firm
- Disclosure of any other material changes in the investment consultant's business, including, but not limited to, any business line acquisitions and/or dispositions
- A summary of significant projects and allocations implemented by the investment consultant that took place during review period
- Roadmap of projects and pending allocations for the next year for ERFC

E. Process

1. Staff will gather, analyze, and compile the information from investment consultants as described above.
2. Comments will be solicited from Board members and Staff regarding investment consultant performance by written questionnaire.
3. Staff will summarize the Board and Staff evaluations described in paragraph 2.
4. Staff will prepare a report to be presented to the Board no later than the March meeting of each year summarizing the results of the review of such investment consultant and making recommendations for further action as appropriate. The report will be provided to the applicable investment consultant in advance of presentation to the Board for comment. The investment consultant will have the opportunity to address the Board at the time that the report is presented and to respond to any questions the Board may have about the report.

V. REQUEST FOR PROPOSAL

- A. Per ERFC policies, an RFP will be issued for investment consulting services at least every five (5) years. The Board may consider issuing an RFP earlier than five (5) years.
- B. Issuance of a formal RFP ensures that the investment consultant remains competitive versus industry peers.

VI. POLICY REVIEW

The Board will review this Policy periodically to ensure it remains relevant and appropriate.