THE EDUCATIONAL EMPLOYEES' SUPPLEMENTARY RETIREMENT SYSTEM OF FAIRFAX COUNTY STATEMENT OF INVESTMENT POLICY

Version 2.10

Adopted September 19, 2019

Table of Contents

I. PURPOSE 3

II. RESPONSIBILITIES 4

Delegation of Responsibilities 4

Executive Director/CIO 4

Custodian 5

Investment Managers 5

Investment Consultant 6

Legal Counsel 7

Fund Actuary 7

III. INVESTMENT OBJECTIVE 8

IV. ASSET STRUCTURE 9

V. PERFORMANCE STANDARDS 10

TOTAL PLAN STANDARDS 10

POLICY INDEX 10

PASSIVE MANAGER STANDARDS 10

ACTIVE EQUITY MANAGER STANDARDS 10

ACTIVE FIXED INCOME MANAGER STANDARDS 10

MULTI ASSET CLASS SOULITON STRATEGIES (MACS) and GLOBAL TACTICAL ASSET ALLOCATION FUNDS (GTAA) 10

ALTERNATIVE INVESTMENT MANAGER STANDARDS 10

Absolute Return Strategies 10

Private Equity 11

VI. INVESTMENT ADMINISTRATION 12

CASH LIQUIDITY POLICY 12

ASSET ALLOCATION REBALANCING POLICY 12

MANAGER SELECTION 13

DOCUMENTATION 13

WATCH LIST 14

REPLACEMENT / TERMINATION 15

TRANSITION MANAGEMENT 15

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) CONSIDERATION 16

Investment Consultant Due Diligence Meeting 16

Soft Dollar Report 16
Ethics Report 17
Proxy Voting Report 17
Compliance with SEC Regulations 17 C.F.R. §275.206(4)-5 17
VII. ADOPTION 18
VIII. INVESTMENT ADMINISTRATION 19
Acceptance Agreement 19
Appendix A 22
Exceptions to the Investment Policy Statement 22
Equity Holdings – Diversification 22
Equity Holdings – Exclusions 22
Performance Standards 22
Loomis Sayles 23
T. Rowe Price 24
Delegation of Responsibilities. Investment Managers 24
Investment Guidelines. Equity Holdings. Pages 11-14 24
Investment Administration. Soft Dollar Report 24
Appendix B 28
Investment Guidelines 28
EQUITY HOLDINGS 28
COMMINGLED REAL ESTATE 31
ACTIVE FIXED INCOME HOLDINGS 32
CASH EQUIVALENTS 35
MULTI ASSET CLASS MANAGERS 37
ALTERNATIVE INVESTMENT MANAGERS 38
Appendix C 41
Investment Manager Universes and Benchmarks 41

I. PURPOSE

The purpose of this document is to define the investment policy for the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC). It will identify a set of investment objectives, guidelines and performance standards for the assets of the Fund. The objectives are formulated in response to the following:

- The anticipated financial needs of the ERFC
- Consideration of risk tolerance
- The need to document and communicate objectives, guidelines and standards to the investment managers

This *Investment Policy Statement* represents the formal document for the investment of the Fund's assets and is to be communicated to the investment managers for their use in developing an appropriate investment portfolio. This document will also be used as the basis for future measurement and evaluation of investment performance by the Board and its investment advisors.

The Board may grant exceptions to this *Investment Policy Statement* for individual investment managers. Any such exceptions shall be in writing, signed by an authorized representative of the Board and listed in Appendix A of this document.

This document will be reviewed at least annually to ensure that it is consistent with the needs of the System.

II. RESPONSIBILITIES

The primary investment responsibilities of the Board are:

- As a primary objective, to ensure that sufficient assets are available to provide the benefits for ERFC members or beneficiaries at the time they are payable
- As a secondary objective, to achieve an optimum level of return within specified risk tolerances;
- To consider the risk tolerance of the Board in making investment related decisions
- To use diversification to minimize exposure to company, industry-specific, asset investment class and other risks in the aggregate investment portfolio, unless it is clearly prudent not to do so
- To do so effectively and prudently, in full compliance with any applicable laws and regulations as presently stated or as they may be amended in the future

Specific oversight responsibilities of the Board in the investment process are to be performed with the advice and assistance of appropriate consultants, professional advisors, and staff, which include:

- Complying with applicable laws, regulations and rulings appropriate thereto
- Developing a sound and consistent investment policy including asset allocation, diversification and quality guidelines
- Communicating clearly the major duties and responsibilities of those accountable for achieving investment results and to whom specific responsibilities have been delegated
- Selecting and maintaining qualified investment managers and consultants
- Monitoring and evaluating results to ensure that policy guidelines are being adhered to and that policy objectives are being met
- Acting under appropriate circumstances to discharge an investment manager or advisor for failing to perform in terms of stated expectations or to abide by this *Investment Policy Statement*
- Undertaking such work and studies as may be necessary to keep the Board adequately informed as to the status of Fund assets

Delegation of Responsibilities

The Board is authorized to delegate certain responsibilities to qualified agents and staff to assist them in properly meeting the overall Board responsibilities as outlined above. Specifically, the Board has selected an Executive Director/Chief Investment Officer ("CIO") and appointed a custodian, investment managers, an investment consultant, legal counsel, and actuary to perform various functions.

Executive Director/CIO

The Executive Director/CIO and his/her staff are charged with the following responsibilities:

- Implement the investment decisions and policies as approved by the Board;
- Brief the Board as appropriate at Board and Investment Committee meetings on relevant investment activities;
- Ensure that there is sufficient cash available to meet cash flow requirements;
- Serve as consultants to the Investment Committee;
- Serve as a liaison between the Board and outside parties;
- In consultation with the investment consultant, maintain the target asset allocation in accordance with this *Investment Policy Statement*;
- Assist in the selection of investment managers in accordance with the direction of the Board;
- Facilitate the annual evaluation of the investment consultant and other consultants;
- Provide transition oversight and execution consistent with the Transition Management section of these investment guidelines;

- Maintain with the help from the Investment Consultant Appendix C of these investment guidelines up to date with all manager names, benchmarks and universes;
- Provide other services as requested by the Investment Committee or the Board.

Custodian

The custodian has been delegated the following responsibilities:

- Perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock, except for the voting of proxies, which shall be delegated to investment managers;
- Safe keep all assets including securities, cash and cash equivalents;
- Receive instructions from investment managers to purchase and sell various securities and ensure that transactions are settled according to established settlement procedures;
- Provide monthly transaction accounting on security holdings with reports provided to the Investment Consultant, CIO, and Board in a timely manner;
- Forward proxy materials to investment managers promptly after receiving them;
- Ensure the timely filing of documents in conjunction with recovery of losses pursuant to class action litigation;
- Daily sweep of idle cash to a competitive yielding, high quality money market investment.

Investment Managers

The designated investment managers are charged with the following responsibilities:

- Maintain registration as an investment advisor under the Investment Advisor Act of 1940 as amended from time to time;
- Adhere to the policy guidelines contained in this *Investment Policy Statement*, unless granted an exception in writing;
- Invest only in those asset classes, and adhere to the ranges for allocation among those classes, that the Board has stated to be appropriate for that manager's portfolio;
- Exercise complete investment discretion within the boundaries of the restrictions outlined in this *Investment Policy Statement* or in any written exceptions to this Statement;
- Report monthly, quarterly, and trailing annualized performance of the respective portfolio(s) to the Retirement System and its Investment Consultant. In addition, the investment manager will provide performance attribution statistics (typically on a quarterly basis) that explain the causes of under- or out-performance relative to its benchmark.
- Strictly comply with all of the provisions of appropriate law as they pertain to the firm's dealings, functions and responsibilities as fiduciaries;
- Prudently liquidate assets in the portfolio which cease to be in compliance with this *Investment Policy Statement* or any written exceptions to this Statement. If in the manager's judgment, it is in the Fund's best interest to not liquidate such an asset promptly, the manager will advise the Board of the circumstances and make a recommendation regarding the liquidation of that asset.
- Diversify the portfolio so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent to not so diversify;
- Ensure that brokers will be selected only on a competitive, best execution basis;
- Ensure that all foreign exchange transactions will be executed on a best price and best execution basis;

- Invest the assets of the Fund with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims;
- Vote the proxies for securities held in the accounts over which they have accepted responsibility, at all times in such a manner as they deem to be solely in the best interest of plan participants and beneficiaries and avoid consideration of any factors that would subordinate the interests of participants and beneficiaries in their retirement income to any unrelated objectives; and,
- Acknowledge in writing the recognition and acceptance of full responsibility as a fiduciary standard as defined by ERISA even though ERFC is defined as a governmental plan as defined under 3 (32) of ERISA and appropriate federal and state legislation, and the firm's intention to comply with this *Investment Policy Statement* as it currently exists or as is modified by joint agreement in the future.
- Comply with/adhere to the CFA Institute's (CFAI) Code of Ethics and Global Investment Performance Standards (GIPS), or a similar set of standards approved by ERFC.
- Promptly notify the Executive Director/CIO and Investment Consultant of any material ownership/organizational events (for example, key staff departures, mergers, and litigation).
- Promptly notify the Executive Director/CIO and Investment Consultant of any deviation from or violation of the Investment Guidelines described herein as soon as the manager is aware the policy has not been fully complied with. The timing, duration, and resolution to any policy violation must be disclosed.
- Initiate written communication with the Board when the manager believes that this *Investment Policy Statement* is inhibiting performance and/or should be altered for any valid reason. No deviation from the guidelines and objectives established in the *Investment Policy Statement* is permitted until after such communication has occurred and the Board has approved such deviation in writing.
- During a manager search period or an RFP for a manager(s), no manager(s) or their employees, consultants or agents are allowed to contact members of the Staff or the Board to provide information regarding products that may fall within the search category. This will be known as a quiet period.

Investment Consultant

The Board shall engage an investment consultant who shall serve as primary investment Fiduciary for the Retirement System, and who shall be responsible for guiding the Board as to asset allocation strategy, performance monitoring, evaluating, hiring, retaining, and terminating managers, rebalancing, investment provider procurements, asset liability modeling, risk assessment, capital markets projections and such other functions as agreed upon with the Board or as may be delegated from time to time to the CIO by the Board.

It shall be the responsibility of the designated investment consultant to assist the Board with the following functions:

- Provide comprehensive evaluation of the investment results achieved by the designated investment managers in light of the investment guidelines and performance standards contained in this *Investment Policy Statement*;
- Help the Executive Director/CIO maintain Schedule C of this Investment Policy;

- Make recommendations to the Board of appropriate actions to be considered which, in the consultant's opinion, will enhance the probability of achieving overall Fund objectives. Such recommendations may include, but are not limited to:
  - Use of alternate asset strategies or asset classes;
  - Changes in overall investment policy;
  - Changes in designated investment managers:
    - Recommend managers to be placed on "watch-list"
    - Aid the Board in screening and selecting investment managers, as appropriate.
    - During a manager search process the Consultant will provide a short list of appropriate candidates which have been screened through the Consultant's research group and represent the Consultant's Best Ideas in that asset class. Screening will include, but are not limited to the following:
      a. Extensive Due Diligence
      b. Qualitative and Quantitative analysis
      c. Site visits by the research group
      d. Formal write up of each candidate to be considered
    - Meet with the Board on a quarterly basis at a minimum.
    - Complete an annual fee analysis versus peers.
    - Report on the manager's compliance with this IPS
    - Any significant personnel changes at the manager's business
    - Act as a fiduciary to the Pension Fund.

Legal Counsel

The Board's designated legal counsel will advise and represent the Board in all matters requiring legal insight and advice. The legal counsel will review all contracts.

Fund Actuary

The Board's designated plan actuary shall have the following responsibilities:

- Prepare, on a frequency determined by the Board, a comprehensive evaluation of the Fund's funded status and required contribution levels and attest to the appropriateness of the Fund's assumptions and funding policy; and,
- Conduct special experience and actuarial studies as required by the Board.

III. INVESTMENT OBJECTIVE

The investment objective of the Fund is to ensure, over the long-term life of the Fund, an adequate level of assets to fund the benefits for ERFC members and their beneficiaries at the time they are payable. In meeting this objective, the Board seeks to achieve a high level of total investment return consistent with a prudent level of portfolio risk.

The Fund's actuary has the responsibility to prepare periodic evaluations of the Fund's funded status and to determine the contributions which, expressed as a percent of payroll, will remain approximately level over time and be sufficient to pay benefits when due while providing a reasonable margin for adverse experience. To accomplish this, the actuary uses an investment return assumption of 7.25%, compounded annually (net after administrative expenses) of which 2.0% constitutes an assumed rate of inflation and 5.20% constitutes an assumed real rate of return on investments. The Fund's investment objective, as expressed above, is to prudently meet or exceed the assumed real rate of return over time, while preserving the Fund's principal. The investment return assumption is a long-term goal and short-term fluctuations are a normal part of the process to achieve this long-term objective.

IV. ASSET STRUCTURE

The asset structure should reflect a proper balance of the Fund's needs for liquidity, growth of assets and the risk tolerance of the Board. The target asset mix, consistent with the achievement of the long-term objective of the Fund, is as follows:

Asset Class	Target Allocation	Ranges
U.S. Large Cap	14.0%	10.0% - 18.0%
Small Cap	10.0%	8.0% - 12.0%
International	5.0%	3.0% - 7.0%
Emerging Markets Equity	5.0%	3.0% - 7.0%
Global Equity	5.0%	3.0% - 7.0%
Total Equities	**39.0%**	
TIPS	4.0%	2.0% - 6.0%
Core Fixed Income	20.0%	15.0% - 25.0%
Emerging Markets Debt	3.0%	1% - 5.0%
Total Fixed Income	**27.0%**	
Multi-Asset Class Solutions (MACS)	5.0%	3.0% - 7.0%
Private Equity	7.0%	5.0% - 9.0%
Private Credit	4.0%	2.0% - 6.0%
Hedge Funds – Opportunistic	5.0%	3.0% - 7.0%
Real Estate – Core	3.0%	1% - 5.0%
Real Estate – Value Added	6.0%	4.0% - 8.0%
Infrastructure	4.0%	2.0% - 6.0%

This asset structure represents the Board's assessment of the optimal asset allocation based upon the System's long-term needs and structure, the Board's risk tolerance and the expected long-term return. It should not be regarded as a rigid set of rules regarding asset allocation. The Board will review the structure periodically and make adjustments as may be appropriate in light of changing market conditions. An interim policy target can be utilized as part of rebalancing to recognize the impact of capital calls when constructing and maintaining a private markets program (includes private equity, private real estate, private infrastructure, and private credit).

The strategic allocation provides a reasonable expectation that the Fund's investment objective can be achieved based on historic relationships of asset class performance and asset allocation modeling based on modern portfolio theory. Liquidity is required only to meet defined payout needs, unless the investment managers are otherwise advised by the Board.

The Board is charged with the responsibility of monitoring the overall allocation within the parameters described above with the help of the CIO and Investment Consultant. They will do so by giving specific instructions as to the range of allowable asset classifications to individual investment managers, as well as by monitoring the asset classifications actually held by managers. It is understood that the tactical ranges are targets and that deviations may occur from time to time as a result of market impact or from short-term decisions implemented by either the Board or, with prior approval, by the investment managers. However, in the absence of a compelling reason to do otherwise, the portfolio will be rebalanced should the allocations to the major asset classes (total equity, total fixed income) fall outside the stated tactical ranges.

V. PERFORMANCE STANDARDS

Standards used to measure investment performance will be set forth in context with the established objectives. **Each standard shall apply independently to the portfolio of each investment manager and is expected to be achieved net of investment management fees and expenses.**

TOTAL PLAN STANDARDS

The total fund returns net of fees should meet or exceed the Policy Index return, which are described below:

POLICY INDEX

The Policy Index return shall measure the success of the Fund's *target* allocation. It shall be calculated by using index rates of return for each asset class invested in by the Fund multiplied by the percent targeted to each asset class.

PASSIVE MANAGER STANDARDS

Over rolling one-year periods, the net of fee performance of each portfolio should be in line with its appropriate benchmark, as defined by the Board.

ACTIVE EQUITY MANAGER STANDARDS

Over rolling market cycles (usually 3-5 year periods), the performance of the portfolio should exceed the median of a universe of other equity funds, as defined by the Board. Over rolling market cycles (usually 3-5 year periods), the performance of the portfolio should exceed the return of an appropriate benchmark, as defined by the Board, by 1.0% per year.

ACTIVE FIXED INCOME MANAGER STANDARDS

Over rolling market cycles (usually 3-5 year periods), the performance of the portfolio should exceed the median of a universe of other fixed income funds, as defined by the Board. Over rolling market cycles (usually 3-5 year periods), the performance of the portfolio should exceed the return of an appropriate benchmark, as defined by the Board, by 0.5% per year.

MULTI ASSET CLASS SOULITON STRATEGIES (MACS) and GLOBAL TACTICAL ASSET ALLOCATION FUNDS (GTAA)

Over rolling market cycles (usually 3-5 year periods), the performance of each portfolio should exceed the median of a universe of global asset allocation and balanced funds, as defined by the Board. The Board recognizes that any such universe may not be robust given the significant differences in objectives, methodology and asset classes employed in such strategies. Therefore, the Board may consider other qualitative and quantitative factors in assessing compliance with this standard. Over rolling market cycles (usually 3-5 year periods), the performance of the portfolio should exceed the return of an appropriate benchmark, as defined by the Board, by 0.5% per year.

ALTERNATIVE INVESTMENT MANAGER STANDARDS

Absolute Return Strategies

Over rolling market cycles (usually 3-5 year periods), the performance of the portfolio should exceed the median of a universe of similar alternative funds, as defined by the Board in the Appendix C. Over rolling

8001 Forbes Place, Suite 300
Springfield, VA 22151-2205
www.fcps.edu/erfc

market cycles (usually 3-5 year periods), the performance of the portfolio should exceed the return of an appropriate benchmark, as defined by the Board in the table on Appendix C.

Private Equity

To outperform the Russell 3000 Index by 300 basis points on a net, rolling 5 year basis; this allows for a comparison of the typical private equity cycle to an appropriate passive, public market investment alternative, as defined by the Board in the table on Appendix C.

VI. INVESTMENT ADMINISTRATION

CASH LIQUIDITY POLICY

The following procedures are hereby adopted and will remain in effect until such time as monthly cash flows of the Plan and/or contributions to the Plan support the ongoing benefit and expense payments required by the Plan.

- The Cash Liquidity Policy for the Plan shall be integrated with the management of the Plan's asset allocation rebalancing policy.
- Cash required for monthly benefit payments and operating expenses shall be distributed from a cash account. The balance in that account will be monitored on a frequent basis and replenished as necessary, but not less often than quarterly.
- When it is determined that there is insufficient cash in the designated cash account to fund upcoming cash withdrawals, transfers will be made from one or more of the investment accounts into the cash account. The determination of which accounts will provide funds to the cash account will be made by the ERFC staff in consultation with the investment consultant, with the following objectives:
    - Rebalance toward the target asset allocation of each account
    - Minimize the transaction costs of providing cash.

ASSET ALLOCATION REBALANCING POLICY

Based on the investment objectives and constraints of the Retirement System, and on the expected behavior of asset classes, the Board will specify a long-term target allocation for each class of assets. These targets will be expressed as a percentage of the Retirement System's overall market value, surrounded by a band of permissible variation.

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Retirement System's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, short-term market volatility and other temporary changes in the Retirement System.

The Plan's staff in consultation with the Plan's investment consultant shall make the ongoing rebalancing decisions and determine the timing of such. All rebalancing decisions will be made within the guidelines established by the Board and stated within the Investment Policy document.

The Investment Consultant will monitor the portfolio's asset allocation relative to strategic allocations and ranges on a monthly basis. If the actual allocation for a major or sub asset class group falls outside the range determined by the Board, the Investment Consultant has the authority to recommend the staff to shift assets to return the allocation to the target range, and to determine the time frame for accomplishing the rebalancing. After executing any rebalancing transactions, the Investment Consultant shall report the activity to the Board at its next regularly scheduled public meeting. Nothing in this IPS shall preclude the Board from modifying its rebalancing policy.

When market movements or other factors cause asset class allocations to fall outside approved policy ranges, the Board, or if it so designates, the Investment Consultant or Staff, will rebalance the asset class back within the rebalancing range. The decision of the source or use of capital will be determined at the time of rebalancing based on factors such as:

- Asset class liquidity
- Fund-level cash flows
- Fees and other costs associated with rebalancing

The Board recognizes that certain illiquid private market asset classes (e.g., private equity, real estate) cannot judiciously be rebalanced over short time periods in a cost-effective way. Therefore, those asset classes will not be subject to the rebalancing policy.

MANAGER SELECTION

The Board will not consider the selection of any manager without first setting a target allocation to a particular asset class and determining that a manager is needed to implement that allocation strategy. Once it has been determined that a manager search is warranted, the Fund's Investment Consultant shall coordinate and summarize the findings of the search. The Investment Consultant will establish certain consistently applied minimum criteria for a manager to be considered eligible to participate in the search.

The Board intends that any qualified candidate receive fair consideration. The Board shall strive to hire investment managers that offer the greatest incremental benefit to the Fund, net of fees and expenses, in accordance with, but not limited to, the criteria listed below:

- Length of firm history;
- Length of key professionals' tenure;
- Appropriateness of investment philosophy and process;
- Fit between product and existing plan assets, liabilities and objectives;
- Absolute and relative returns, and variability of returns;
- Stability of the firm's client base and assets under management;
- Ownership structure;
- Compensation structure;
- Fee structure; and
- References and professional qualifications.

DOCUMENTATION

Investment managers shall submit requests for permission to deviate from this Policy Statement whenever their strategy or tactics change significantly as a result of changing market conditions or other factors. In addition, reports are to be supplied quarterly by the investment managers indicating:

- The portfolio composition (i.e., asset mix at book and at market values) for each major class of security, including derivatives and cash equivalents.
- Position, by individually named securities and/or by appropriately described units of collective funds, showing both book and market values of individually invested securities, and the unrealized gain or loss on each position.
- All transactions effected in the account, categorized by purchases, sales, and accrued income, including realized gains or losses on each position.
- A formal quarterly reconciliation letter, verifying that the manager's statement has been reconciled with the custodian bank. Any discrepancies between the manager and the custodian bank must be identified and explained.
- Performance of the portfolio compared to the relevant benchmark defined by the Board.

- A separate report listing each derivative in the portfolio at quarter end, showing book and market values, a total of the market values for all the derivatives in the account, the unrealized gain or loss on each position, and the percentage of derivatives in the manager's portion of funds. Additionally, a brief note must be included describing the market risk, credit risk, and legal risk that each type of derivative in the portfolio bears. For purposes of this report, a derivative is defined to be a contract whose value depends on, or derives from, the value of an underlying asset, reference rate, or index, including but not limited to, any structured notes or mortgage-backed securities.

Investment managers are expected to communicate with the Custodial Bank on a regular basis to reconcile any differences between their reports and the Bank's reports.

WATCH LIST

In order to provide a more specific timeframe around the review and watch list, the Investment Consultant suggest the following procedures.
All managers will be reviewed quarterly on both quarter end time periods (quarter, year to date, and longer periods) and also on a longer-term rolling period basis.

- Active managers will be compared to their respective style benchmarks AND relative to a peer group of like managers.
- Index managers will be compared to broad benchmarks only.
- Fundamental or other unique managers will be compared to customized benchmarks and/or peer universes as applicable.

The Fund's Investment Policy Statement sets forth specific benchmarks for all managers, for example; style group (value, growth etc.) and capitalization (large, mid, small, etc.). The expectation is that each manager will outperform (net of fees) over a market cycle (three to five years or longer if appropriate), and rank above the median of their applicable peer universe.

Underperformance versus the standards established or significant firm, personnel, style drift or other portfolio considerations will result in a manager being placed on watch list with the following actions occurring:

- The Investment Consultant will provide a written assessment of why the firm should be put on the watch list and review with the Board if the following criteria are no longer being fulfilled:
    - Sufficient resources
    - Effective investment strategy
    - Consistently applied decision making process
    - Strong risk-adjusted historical performance
    - Low operating costs
    - Stability of personnel
    - Regulatory or litigation risk

Managers on the watch list will continue to be reviewed quarterly as follows:

- If performance improves over the course of the next one-year period, the manager will be removed from the watch list.

- If performance continues to be below median for the two or three quarters, the Investment Consultant will initiate an additional review. This review will entail detailed review with the managers and written communication with the manager of the status on the watch list.
- If over the course of the next year performance has not improved relative to either the benchmark and/or the peer universe, the Investment Consultant will provide a recommendation for further action (termination, or reduction of account)

If the manager is placed on the watch list due to firm, personnel or other less quantitative reason, the firm will continue to be reviewed on a quarterly basis. After one year, The Investment Consultant will provide a recommendation for either removal from the watch list of continuation based on further ongoing review.

REPLACEMENT / TERMINATION

The appropriate Consultant shall make recommendations to the Board to hire and terminate investment managers, except for assets, which the Board has delegated such authority to a Specialty Consultant, based on the selection and termination policy adopted by the Board. The Consultant shall report to the Board an analysis of the rationale underlying the recommendations. The Consultant shall consult with staff on activities related to their recommendation on the hiring and termination of investment managers. The Board is responsible for choosing to hire or terminate investment managers, unless it has otherwise delegated such authority to a Specialty Consultant.

TRANSITION MANAGEMENT

The Board may employ a transition manager to facilitate the efficient transfer of plan assets from one investment manager to another or into or out of the System. Transitions are a risk and cost management exercise. The principal risk to manage is being un-invested for a period of time. Total transition costs, both direct and indirect, shall be carefully considered as well.

Each transition is unique and may require research and negotiation to determine the best approach and transition manager. As such, the Board delegates the transition selection, oversight and execution to the Executive Director/CIO. Generally, the Executive Director/CIO will maintain a list (2 - 4) of qualified transition managers that are vetted and approved for use as a transition manager. In the selection of a transition manager and strategy, the Executive Director/CIO will consider the total costs of the transition including direct and indirect costs and the risks of being out of the market. Any transition manager selected will serve in a fiduciary capacity and will sign a contract affirming this fiduciary status, without qualification.

In some cases, a transition may be best executed through derivatives. With express permission, the transition managers may make use of forwards, futures, options and options on futures contracts. Under no circumstances should a transition manager take positions in derivative securities that leverage the portfolio or materially increase a portfolio's stated or implied risk as characterized by the target portfolio.

With respect to each long position in a financial futures contract, the total market value of the derivative at all times will be collateralized with cash, cash equivalents, short-term United States dollar-denominated high-quality short-term money market instruments, and such collateral will be marked-to-market daily. Assets used for this purpose may not simultaneously be used as collateral for any other purpose.

All foreign exchange contracts may be transacted only with counterparties that are rated no less than A by two NRSROs, or the only NRSRO rating the company. The manager may only execute transactions through futures commission merchants ("FCMs") that have adjusted net capital of at least $500 million, that have a ratio of customer receivables to capital of not more than 10:1, and that are wholly owned by an entity that is rated no less than A by two nationally recognized statistical rating organizations ("NRSROs"), or by the only NRSRO rating the security.

The manager will promptly transfer all excess margin deposits held by an FCM to the custodian of the ERFC's assets.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) CONSIDERATION

The Plan prefers investment managers and funds that integrate ESG responsibility policies and/or criteria in their investment philosophy and security selection process. While considering these criteria in the management of the Plan, it is understood that the primary goal remains the long-term objective of preserving and growing the assets for the benefit of the beneficiaries of the Plan.

Investment Consultant Due Diligence Meeting

The manager will be expected to meet at least annually in person with the Investment Consultant and with the Board or its designee as requested. Periodic due diligence of all investment managers is performed by the Investment Consultant on at least an annual basis. This includes assessment of qualitative and quantitative factors on an ongoing basis and the reporting out of any concerns at quarterly investment committee meetings or ad hoc meetings of the Board and Staff.

Soft Dollar Report

Each manager shall complete an annual soft dollar report to be delivered to the Executive Director/CIO and Investment Consultant within forty-five (45) days of the end of each calendar year [December 31]. The report shall include the following:

- A discussion of the firm's soft dollar policy, including how the investment manager ensures its clients of full disclosure, record keeping, and consistency of soft dollar information.
- A discussion on how the investment manager determines that a service can be paid with soft dollars and how the investment manager allocates mixed-use research (services that are not 100% used in the investment decision-making process). If less than 100% of the research and/or services are used in the investment decision-making process, the Investment Manager should only pay for the portion attributed to assisting in the investment decision-making process.
- A discussion of the procedures in place to assure that any research and/or services purchased by the firm with soft dollars are used for the benefit of the Educational Employees' Supplementary Retirement System of Fairfax County plan participants or assists the investment manager with its investment decision making responsibilities for its accounts overall.
- A listing of all soft dollar brokers and their payout ratios for third party research.
- A report identifying any third-party research purchased by the manager with soft dollars over the past year. This should include soft dollars generated by agency and principal transactions.

This report should provide, at a minimum, the cost and description of the goods and services purchased.

- Verification that the Fund's commission rates are not materially greater than commission rates paid by other clients of the investment manager with similarly managed assets.

Ethics Report

Managers shall annually report to the Board, standing policies with respect to ethics and professional practice, within forty-five (45) days of the end of the calendar year [December 31].

- Managers shall annually report to the Board adherence with the CFA Institute (CFAI) Code of Ethics or similar approved standards. Managers shall disclose if they are made aware of any Chartered Financial Analyst (CFA) charter holders employed by their firm that have been publicly censured by the CFAI.

Managers shall disclose all pertinent information regarding any and all regulatory findings and/or litigation which are reportable in their ADV.

Proxy Voting Report

Reports shall be provided to the Board on an annual basis summarizing Proxy Voting over the previous Fiscal Year (ending June 30). The report shall detail any changes that have occurred in the Fund's Proxy Voting policies, and note any instances where proxies were not voted in accordance with the best interest of the Fund's plan participants.

Compliance with SEC Regulations 17 C.F.R. §275.206(4)-5

Each manager shall indicate quarterly its compliance with SEC Regulations 17 C.F.R. §275.206(4)-5 which prohibit any registered investment adviser from providing investment advisory services for compensation to a government entity within two years after making a contribution for the purpose of influencing the election of an official who has appointing authority over those who hire, or can influence the hiring of, investment advisers for the government entity.

VII. ADOPTION

All moneys invested for the Trust by investment managers after the adoption of this Policy shall be invested in accordance with the terms of this Policy.

Revised and adopted Sept. 19, 2019.

For the Board: ______________________
Chair

8001 Forbes Place, Suite 300
Springfield, VA 22151-2205
www.fcps.edu/erfc

VIII. INVESTMENT ADMINISTRATION

Acceptance Agreement

The undersigned investment manager hereby acknowledges its appointment as a fiduciary and agrees to invest assets committed to it in accordance with the attached Statement of Policy ("Statement of Policy"), as specified below.

Advisory Agreements: If the undersigned investment manager is party to an advisory agreement between the investment manager and the Board ("Advisory Agreement"), the manager accepts the attached Statement of Policy pursuant to that Advisory Agreement and agrees that the attached Statement of Policy will substitute for any prior Statement of Policy that existed pursuant to that Advisory Agreement. If the manager and the Board have agreed to any exceptions to the Statement of Policy, those exceptions are described in Exhibit A, which is made part of the Statement of Policy and is also included.

Commingled Vehicles: If the Board invests in a commingled vehicle ("Commingled Vehicle"), the Board acknowledges that the investment manager must invest all assets in that commingled vehicle in accordance with the trust agreement or offering statement that governs investments in the Commingled Vehicle. The investment manager acknowledges that those governing documents (which have been provided to the Board) are consistent with the attached Statement of Policy, except to the extent that the manager has disclosed any differences between the governing documents and the Statement of Policy in the agreement between the manager and the Board.

All Managers: If at any time the investment manager feels that the performance objectives in this Statement of Policy cannot be met or performed in strict compliance with this Statement of Policy (or, where applicable, in compliance with the documents governing investments in the Commingled Vehicle), the investment manager agrees to promptly notify the Board in writing. In consideration of the investment manager's initial engagement by the Board and the investment manager's ongoing relationship as an investment advisor for the Board, the investment manager hereby acknowledges a complete understanding of the Statement of Policy.

(INVESTMENT MANAGER) ____

____ _____________, 2019
Signature

____
Name (Print or type)

____
Company

History of Document Revisions

Version 1.05 –11/04 – Update manager lineup, replace T. Rowe with Wm. Blair, replace MSDW with Mellon Aggregate Index; Change cash management policy from using PIMCO to being at the discretion of staff, but rebalancing toward target. Eliminate 30% leverage exclusion for commingled real estate.

Version 1.05.1 – Amended 4/05 – Change benchmark for REIT manager to "NAREIT Equity Index"; update REIT guidelines to include Real Estate Operating Companies.

Version 1.05.2 – Amended 5/05 – Exception for Urdang to increase single security limit to 7.5%.

Version 1.06 – Amended 2/06 – Updated manager lineup, added JPMorgan, Prudential, and UBS; Changed
strategic target and tactical range to reflect increased allocation to international equity.

Version 1.07 – Amended 02/07 – Updated manager lineup, added Acadian & Alliance Bernstein International Strategic Value; removed Templeton & Mellon International Core Index; clarified equity holdings guidelines.

Version 2.0 – Amended 09/07 –Added staff responsibilities; Additional Investment Manager responsibilities; Investment Consultant required to be fiduciary; Permit investment in 144A securities; Alternative Investment, Global Asset Allocation , Portable Alpha and Better Beta manager guidelines; Established use of and defined the Allocation and Policy Indices; Modified investment manager performance standards to include each portfolio's total return and added standards for passive, global asset allocation, better beta, alternative asset and portable alpha managers; Updated manager universes and benchmarks, Guidelines for manager selection, Soft Dollar reporting requirement, Ethics reporting requirement, and Proxy Voting requirement. Revised Acceptance Agreement to differentiate between separate accounts and commingled accounts.

Version 2.1 – Amended 09/08 – Modified requirements relative to the selection of futures commission merchants (FCMs) when using derivatives and added Grosvenor and Permal Group to investor lineup.

Version 2.2 – Deleted terminated managers (Dodge & Cox, Alliance Bernstein and Mellon Russell 2000) and added new managers (Turner, Epoch and Wellington). Changed title of Executive Director to Executive
Director/CIO. Updated target asset allocation to allow for private equity. Added Transition Management language.

Version 2. 3 – Added Private Equity program guidelines, changed REIT guidelines to permit non-U.S. REITs, clarified Absolute Return Strategies return objective.

Version 2.4 – Included the target asset mix adopted by the Board in May 2011. Added additional types of securities as allowable investments under Fixed Income. Changed the Fixed Income quality standard for the percent of the portfolio that may be invested in below investment grade securities from 10 to 20%. Changed the Fixed Income duration band from 25 to 30% of the benchmark. Deleted language relating to Portable Alpha strategies. Deleted language relating to Standard #3. Added the manager and a benchmark for Emerging Markets Fixed Income.

Version 2.5 – Added statement on best execution for foreign exchange transactions; changed NEPC Universe designation; deleted terminated manager (Alliance Bernstein) and added new manager (Causeway); deleted notary requirement.

Version 2.6 – Deleted terminated manager (Turner) and added new manager (Russell).

Version 2.7 – Deleted terminated managers (Russell transition and PIMCO Fixed Income) and added new managers (T. Rowe Price, JP Morgan Fixed Income, GAM Unconstrained and Loomis Strategic Alpha); added compliance requirement with SEC Regulations 17 C.F.R. §275.206(4)-5.

Version 2.8 – Updated the actuarial investment return assumption, inflation rate and assumed real rate of return, clarified that the language on foreign exchange counterparties applied to all foreign exchange contracts.

Version 2.9 –Updated the target asset mix, per the Board's decision at the April 18 Board meeting; modified the Commingled Real Estate guidelines to allow investments in non-U.S. real estate; deleted Permal Group from the Investment Manager Universe.

Appendix A
Exceptions to the Investment Policy Statement

Equity Holdings – Diversification
- This confirms that "2%" means "2 percentage points."

Equity Holdings – Exclusions
- Forward currency contracts that are "commodities" or "swaps" are permitted for currency hedging purposes, subject to the restrictions on forward contracts in V. Investment Guidelines – Equity Holdings – Derivatives.

Performance Standards
- Causeway's benchmarks is the MSCI EAFE Index in the U.S. dollars, unhedged.

Loomis Sayles

Manager Exceptions to the Investment Policy Statement
Last Amended June 2015

- Minimum Average Quality of the portfolio is BBB-/Baa3.
- Up to 35% of the portfolio by market value may be invested in securities with a quality rating below investment grade (BBB-/Baa3).
- The minimum quality rating for any purchase in the portfolio is B-/B3. If there is a split rating, the higher of the two ratings shall be considered. Downgrades below this level require notification to the ERFC Board of the manager's intentions for the security in question and rationale for those intentions. The Board will notify the manager if it does not accept the managers recommended course of action on the security. The manager will provide quarterly updates on all portfolio holdings below B-/B3.
- The maximum allocation to securities rated below B-/B3 (due to downgrades) is 10% of the portfolio at market value.
- The portfolio may invest a maximum of 20% of the portfolio at market value in non-US Dollar denominated securities, issued either by U.S. or non-U.S. government, sovereign, supranational and corporate issuers.
- The portfolio may not invest more than 10% at market value in preferred securities.
- The portfolio is limited to a maximum allocation of 35% at market value to 144A securities.
- The Barclays Capital (BC) Govt/Credit Index is the secondary benchmark for purposes of managing the duration constraint on the portfolio and the duration policy band is increased to +/-50% around the BC Govt/Credit Index. Loomis is authorized to use Treasury futures to manage the portfolio's duration. The benchmark of 50% BC Credit Index and 50% BC Long Credit Index is used for performance measurement.
- In order to be an approved derivatives counterparty, the broker-dealer/bank must have a credit rating of Baa3 and BBB- by Moody's and Standard & Poor's. If the counterparty has a split rating, the lower rating will apply.
- The Loomis Sayles portfolio may receive instruments not contemplated in the Investment Policy Statement through the conversion or exchange of an otherwise permissible investment or through the reorganization, restructuring or bankruptcy of the issuer of an otherwise permissible investment. Loomis must notify the Executive Director if any such securities are received and must sell them within 90 days of receipt unless such sale is prohibited by market conditions, court order or the conditions of issuance. Loomis may only hold the instruments for a longer period of time with the prior, written consent of the Executive Director. Such securities are limited to 3% of the Loomis portfolio unless Loomis receives prior written consent from the Executive Director.

T. Rowe Price

Manager Exceptions to the Investment Policy Statement
Last Amended October 2014

Delegation of Responsibilities. Investment Managers

Page 7. Managers are required to comply with the CFA Institute Code of Ethics and Global Investment Performance Standards ("CFA Code") or a similar set of standards approved by ERFC. It is understood that Manager's Code of Ethics and Conduct for T. Rowe Price Group, Inc. and Its Affiliates has been approved as a substitute for the CFA Code by ERFC.

Investment Guidelines. Equity Holdings. Pages 11-14

- Types of Securities: Manager is authorized to invest in the following additional types of securities: rights/warrants: PTPs, REITs, convertible securities including convertible preferred stock and convertible bonds; ETFs for cash management purposes, units (e.g. share of stock combined with warrant), as well as the custodian's STIF for cash reserves. The Account can participate in IPOs.
- Benchmark. The Account's benchmark is the Russell 1000 Growth Index.

Investment Administration. Soft Dollar Report

Page 33 Manager's Form ADV Part 2A, Item 12 along with a current copy of Manager's Policy on Use of Commissions (and ongoing Account brokerage reports) will meet reporting requirements including a discussion of Manager's determinations regarding eligible research under Section 28(e) of the Securities Exchange Act of 1934. (Manager does not receive mixed used products in connection with soft dollar practices.) It is understood that Section 28 (e) of the Securities Exchange Act of 1934 does not require that all research received from broker-dealers benefit each account utilizing the broker-dealers; rather, research must assist the investment manager with its investment decision making responsibilities regarding its accounts overall. The Account's Equity Brokerage Reports will identify the top ten brokers providing soft dollar research. Neither proprietary research nor third-party vendor research is obtained in connection with payout ratios. Proprietary "bundled" research is received from full-service brokers at no specified "unbundled" cost. Third party vendor research services received by Manager through Commission Sharing Arrangements are paid for by the providing broker-dealer on an actual cost basis.
Ethics Report. Page 33. Manager will report annually regarding material compliance with the TRP Code within 45 days of the end of the calendar year. Manager will report regulatory findings or litigation as reportable in Form ADV by providing ERFC with a copy of Form ADV, Part 1A, as amended.

Westfield
Manager Exceptions to the Investment Policy Statement
Last Amended September 19, 2019

If Westfield's Small Cap Growth strategy's cash & cash equivalent is over the 10% threshold, Westfield compliance will notify ERFC staff and its consultant immediately. Westfield will have up to 12 consecutive business days to rectify the cash allocation unless a written permission to hold cash over 10% is given by the ERFC CIO.

J.P. Morgan

Manager Exceptions to the Investment Policy Statement
Last Amended September 19, 2019

Delegation of Responsibilities. Investment Managers

- JPMIM requests ERFC's approval of the JPMAM Code of Ethics, which is described Item 11 A of JPMIM's Form ADV Part 2A, as a substitute for the CFAI Code of Ethics.

- *Investment Administration. Soft Dollar Report.*
    - JPMIM notes that, in general, its soft dollar arrangements relate to its equity trading. JPMIM does not currently have any soft dollar arrangements with broker-dealers for real estate and/or fixed income transactions.

    - JPMIM requests ERFC's approval of JPMIM's Form ADV Part 2A, Item 12, as a substitute for the reporting requirements of the Soft Dollar Report.

- *Investment Administration. Ethics Report.*
    - JPMIM requests the following exceptions:
        - JPMIM will report annually regarding material compliance with the JPMAM Code of Ethics
        - JPMIM will report regulatory findings or litigation as reportable in Form ADV by providing ERFC with a copy of Form ADV, Part 1A, as amended.

8001 Forbes Place, Suite 300
Springfield, VA 22151-2205
www.fcps.edu/erfc

J.P. Morgan Commingled Real Estate

Manager Exceptions to the Investment Policy Statement

Last Amended September 19, 2019

ERFC acknowledges that it is invested in the Commingled Pension Trust Fund (Special Situation Property) of JPMorgan Chase Bank, N.A. ("JPMCB SSPF") pursuant to an Investment Management Agreement dated February 17, 2005, as amended from time to time (the "Agreement"), whereby ERFC directed JPMIM to invest and reinvest assets of the Account in JPMCB SSPF. JPMCB SSPF is managed solely in accordance with the investment objective, guidelines and restrictions set forth in its Declaration of Trust and Fund Summary (the "Fund Documents"). As set forth in Section of 2.b. of the Agreement, any restriction in ERFC's Investment Policy Statement shall not restrict the power and authority of JPMorgan Chase Bank, N.A. ("JPMCB") as Trustee and Investment Manager of JPMCB SSPF, and the terms and conditions of JPMCB SSPF's Fund Documents shall be controlling in all cases.

- JPMIM has provided ERFC with copies of the Fund Documents for JPMCB SSPF.
- ERFC further acknowledges that JPMCB SSPF is excluded from the Commingled Real Estate Investment Guidelines as, pursuant to the Fund Guidelines set forth in JPMCB SSPF's Fund Summary, 40% of JPMCB SSPF is invested in developmental property – non income producing max.
- With respect to the Diversification and Quality provisions of the Commingled Real Estate Guidelines, ERFC acknowledges that JPMIM has disclosed that:
  - JPMCB SSPF's investment objective is "to provide a moderate level of current income and high residual property appreciation by investing in a wide variety of value-added real estate opportunities in the United States."
  - JPMCB SSPF is a balanced portfolio of stabilized and value-added real estate opportunities that focuses primarily on office, industrial/warehouse, residential/multi-family and retail sectors.
  - JPMCB SSPF's leverage guideline 75% at the property level and 60% at the portfolio level.

Appendix B

Investment Guidelines

EQUITY HOLDINGS

Types of Securities	Equity securities shall mean common and preferred stocks, and issues convertible into common stocks, of both domestic and international corporations, American Depository Receipts (ADRs) and Global Depository Receipts (GDRs). 144A securities may represent up to 5% of each portfolio.
Asset Allocation	Each equity portfolio is to have no more than 5% of its assets allocated to cash or cash equivalent securities. It is understood that the manager may periodically, in the course of trading, exceed this limit. The manager should notify ERFC staff when this temporary situation occurs. If a manager wishes to exceed the 5% cash limit for more than a frictional period of time, the manager must obtain written Board approval.
Diversification	The securities of any one issuer are limited to the greater of 5% or the security's weight in the benchmark index plus 2 percentage points of each equity portfolio at market value. Broad industry diversification is desirable. For international equities, both industry and country diversification are desirable.
Quality	Except as referenced above, all securities held in the portfolio should be publicly traded and have sufficient marketability to permit prompt, orderly liquidation under normal circumstances. Stock selection should emphasize quality with due regard to risk. The manager is restricted from investing in any stock with a market capitalization less than $20 million.
Exclusions	Without the expressed written consent of the Board as detailed in Appendix A of this document, the following investments are prohibited: • short naked call options, • short put options, • commodities, • swaps, and • other derivatives. Where written consent is given for investment in any of these categories, the Board will require the investment manager to adhere to specific safeguards, described below.
Exchange Traded	Funds Managers may invest up to 5% of their portfolio's assets in Exchange Traded Funds (ETFs) that are designed to match the performance of the manager's benchmark index. Any allocation to ETFs should be considered in lieu of a cash holding and the combined holdings in ETFs and cash should not exceed 5% without notification and approval of the Board. The particular ETF used to equitize cash in this manner should be the most cost-effective ETF available, as determined by the manager, after considering liquidity and the internal management fee of the ETF.
Derivatives	Derivatives generally refer to financial instruments that derive their values from underlying cash market investments. Examples of derivatives include, but are not limited to, financial futures, forwards, and options, options on futures, collateralized mortgage obligations and swaps. The Board in Appendix A must expressly authorize any uses of derivatives. Where such authorization has been given, the restrictions and safeguards described below shall apply.

	Managers shall not purchase securities on margin or sell short unless expressly authorized to do so in writing by the Board. However, with express permission, the managers may make use of futures, options and options on futures contracts as long as they are restricted to (a) the creation of synthetic securities and (b) non-leveraged, hedge strategies, using contracts related to otherwise allowable equity investments of the manager's portfolio. Under no circumstances should a portfolio manager take positions in derivative securities that leverage the portfolio or materially increase a portfolio's stated or implied risk as characterized by the manager's investment style. Additionally, derivatives may not be used for dynamic hedging strategies. Any broader use of derivatives than the strategies and purposes described below will require prior authorization from the Board. Financial futures may be used solely for bona fide hedging purposes within the meaning of 17 CFR 1.3(z)(1), and for long positions (accompanied by the cash set-aside described below) as incidental to ERFC's activities in the underlying cash market. With respect to each long position in a financial futures contract, the total market value of the derivative at all times will be collateralized with cash, cash equivalents, short-term United States dollar- denominated high quality short-term money market instruments, and such collateral will be marked to-market daily. Assets used for this purpose may not simultaneously be used as collateral for any other purpose. The manager will not enter into financial futures contracts for which the aggregate margin, including both initial margin and daily variation margin, exceeds 5% of the liquidation value of ERFC's portfolio under management by the manager. A synthetic security is one created from a combination of portfolio positions including long futures positions on any of the equity indexes (e.g., S&P 500) and short maturity (short-term) securities the prices of which do not fluctuate materially. The use of such indexes is limited to ones which are specifically appropriate to the manager's portfolio. The market value of the short maturity securities must be equal to the notional value of the futures contracts. For purposes of synthetic securities, the term "short maturity (short-term) securities" shall include short-term U.S. debt obligations, U.S. dollar denominated high quality short-term money market instruments, including the client's custodial bank STIF, or a short-term security that is rated in one of the two highest rating categories by two nationally recognized statistical rating organizations ("NRSROs") or by the only NRSRO rating the security. All foreign exchange contracts may be transacted only with counterparties that are rated no less than A by two NRSROs, or the only NRSRO rating the company. Additionally, the total notional (face) amount of a foreign exchange contract transacted with any single counterparty shall not typically exceed 10% of the total portfolio value for ERFC's portfolio under management of a single manager. The manager may only execute transactions through futures commission merchants ("FCMs") that have adjusted net capital of at least $500 million, and that are wholly owned

	by an entity that is rated no less than A by two nationally recognized statistical rating organizations ("NRSROs"), or by the only NRSRO rating the security. Notwithstanding the above, the manager should not rely on these minimum guidelines and must establish and execute internal procedures to independently evaluate all FCMs. The manager will promptly transfer all excess margin deposits held by an FCM to the custodian of the ERFC's assets.
Pooled Funds	It is understood that investing through a pooled fund vehicle means that the investments will be governed by the fund's own set of guidelines and restrictions. While it is the intent to invest in funds which meet the general intent of these guidelines, there may, in fact, be instances in which the funds' guidelines differ in a number of ways. In such cases, the pooled fund guidelines and restrictions will supersede those outlined above. For that reason, investments in pooled funds may be made only with the prior approval of the Board. The Investment Manager shall provide the Board with a copy of the prospectus of any pooled funds that it proposes to use and shall specifically identify any guidelines and restrictions that differ from those outlined above. To the extent that pooled funds are implemented, the fees imposed should be at no higher cost than that incurred if the securities were separately managed.

COMMINGLED REAL ESTATE

Types of Securities	Units in pooled fund(s) (open-end, closed-end (core, core plus, value add) or real estate investment trusts) whose primary objective(s) is equity investment in income producing real property located primarily within the United States.
Diversification	Each pooled fund should have diversification as an objective. Diversification can be by either property type (office, retail, industrial or residential) and/or by the various geographic regions of the country. Investment in non-U.S. real estate is limited to 30 percent of fund commitments. In no event shall the Fund's interest in any pooled fund exceed 15% of the pooled fund's market value. Portfolio measurement characteristics including but not limited to leverage, occupancy, property type, and geography should remain within generally accepted bounds of the Manager's specific stated strategy in order to prevent style drift.
Quality	Each pooled fund should have as an objective the establishment of a portfolio of high quality, income-producing real estate. Ownership should primarily be through equity interests with the use of leverage being limited to no more than 30% of the total pooled fund portfolio.
Exclusions	Pooled funds whose primary investment objectives include the following are excluded: • investment in undeveloped, non-income producing property

ACTIVE FIXED INCOME HOLDINGS

Types of Securities	Debt instruments of any U.S. entity denominated in U.S. dollars, and not otherwise prohibited, including U.S. dollar denominated sovereign and supranational bonds (Yankee bonds); non-US denominated (developed and emerging markets) sovereign, supranational and corporate bonds; and US denominated mortgage-backed, CMBS and CMOs except as prohibited below. 144A securities may represent up to 5% of each portfolio.
Diversification	The securities of any one issuer, with the exception of the U.S. Government and its agencies, are limited to 10% at cost and 15% at market of each fixed income portfolio.
Quality	The fixed income portfolio should be, on average, comprised of high-quality issues. The average credit quality of the portfolio must be at least A. Up to 20% of the portfolio may be invested in below investment grade securities (Moody's or Standard & Poor's quality rating below Baa or BBB, respectively). If any security has a split rating, the lower of the two ratings shall be considered for the purposes of meeting minimum quality standards.
Duration	While there are no maturity limits placed on the portfolio, it is expected that the average effective duration of the fixed income portfolio will be within +/- 30% of the portfolio's benchmark duration.
Exclusions	Without the express written consent of the Board, as documented in Appendix A, the following investments are prohibited: • inverse floaters, • capped floaters, • interest-only CMO tranches, • principal-only CMO tranches, • support CMO tranches, • swap contracts, and • other derivatives. Where written consent is given for investment in any of these categories, the Board will require the investment manager to adhere to specific restrictions and safeguards, described below.
Derivatives	Derivatives generally refer to financial instruments that derive their values from underlying cash market investments. Examples of derivatives include, but are not limited to, financial futures, forwards, and options, options on futures, collateralized mortgage obligations and swaps. Any uses of derivatives must be expressly authorized by the Board and documented in Appendix A. Where such authorization has been given, the restrictions and safeguards described below shall apply. Managers shall not purchase securities on margin or sell short unless expressly authorized to do so in writing by the Board. However, with express permission, the managers may make use of forwards, futures, options and options on futures contracts as long as they are restricted to (a) the creation of synthetic securities and (b) non-leveraged, hedge strategies that use contracts related to otherwise allowable fixed income investments of the manager's portfolio. Under no circumstances should a portfolio manager take positions in derivative securities that leverage the portfolio or materially increase a portfolio's stated or implied risk as characterized by the manager's investment style. Additionally, derivatives may not be used for dynamic hedging strategies. Any broader use of derivatives than the strategies and purposes described below will require prior authorization from the Board.

	Financial futures may be used solely for bona fide hedging purposes within the meaning of 17 CFR 1.3(z)(1), and for long positions (accompanied by the cash set-aside described below) as incidental to ERFC's activities in the underlying cash market. With respect to each long position in a financial futures contract, the total market value of the derivative at all times will be collateralized with cash, cash equivalents, short-term United States dollar-denominated high-quality short-term money market instruments, and such collateral will be marked to-market daily. Assets used for this purpose may not simultaneously be used as collateral for any other purpose. The manager will not enter into financial futures contracts for which the aggregate margin, including both initial margin and daily variation margin, exceeds 5% of the liquidation value of ERFC's portfolio under management by the manager. A synthetic security is one created from a combination of portfolio positions including long futures positions on any of the fixed income indexes (Treasury Bond, Note or Bill) and short maturity (short-term) securities the prices of which do not fluctuate materially. The market value of the short maturity securities must be equal to the notional value of the futures contracts. For purposes of synthetic securities, the term "short maturity (short-term) securities" shall include short-term U.S. debt obligations, U.S. dollar denominated high quality short-term money market instruments, including the client's custodial bank STIF, or a short-term security that is rated in one of the two highest rating categories by two nationally recognized statistical rating organizations ("NRSROs") or by the only NRSRO rating the security. All foreign exchange contracts may be transacted only with counterparties that are rated no less than A by two NRSROs, or the only NRSRO rating the company. Additionally, the total notional (face) amount of a foreign exchange contract transacted with any single counterparty shall not typically exceed 10% of the total portfolio value for ERFC's portfolio under management of a single manager. The manager may only execute transactions through futures commission merchants ("FCMs") that have adjusted net capital of at least $500 million, that have a ratio of customer receivables to capital of not more than 10:1, and that are wholly owned by an entity that is rated no less than A by two nationally recognized statistical rating organizations ("NRSROs"), or by the only NRSRO rating the security. The manager will promptly transfer all excess margin deposits held by an FCM to the custodian of the ERFC's assets.
<u>Pooled Funds</u>	It is understood that investing through a pooled fund vehicle means that the investments will be governed by the fund's own set of guidelines and restrictions. While it is the intent to invest in funds which meet the general intent of these guidelines, there may, in fact, be instances in which the funds' guidelines differ in a number of ways. In such cases, the

	pooled fund guidelines and restrictions will supersede those outlined above. For that reason, investments in pooled funds may be made only with the prior approval of the Board. The Investment Manager shall provide the Board with a copy of the prospectus of any pooled funds that it proposes to use and shall specifically identify any guidelines and restrictions that differ from those outlined above. To the extent that pooled funds are implemented, the fees imposed should be at no higher cost than that incurred if the securities were separately managed.

CASH EQUIVALENTS

Types of Securities	Debt securities of any U.S. entity not otherwise prohibited, with a maximum average maturity of one year.
Diversification	No more than 10% of the cash portfolio shall be invested in Certificates of Deposit or Banker's Acceptances issued by any single bank. No more than 35% of the cash portfolio shall be invested in commercial paper, with no more than 5% of the portfolio invested with any single issuer of commercial paper. No more than 35% of the cash portfolio may be invested in corporate bonds, with no more than 5% invested with any single issuer of corporate bonds.
Quality	Only cash equivalents with the following minimum quality ratings are eligible for inclusion in the portfolio: • Asset Backed Securities: A • Certificates of Deposit and Banker's Acceptances: • Thompson Bankwatch B or better • Commercial Paper: A1/P1. • Corporate Bonds: AA-, Aa3. • Repurchase Agreements: U.S. Government or agency secured.
Exclusions	Without the expressed written consent of the Board, as documented in Appendix A, the following investments are prohibited: • floating rate notes with maturities under two years that have any embedded leverage or optionability (e.g., caps, floors, multiple re-set features, etc.) • floating rate notes with maturities over two years • structured notes, including Collateralized Mortgage Obligations (CMOs), • swaps, and • other derivatives. floating rate notes with maturities over two years • structured notes, including Collateralized Mortgage Obligations (CMOs), • swaps, and • other derivatives. Where written consent is given for investment in any of these categories, the Board will require the investment manager to adhere to specific safeguards, described below.
Derivatives	Derivatives generally refer to financial instruments that derive their values from underlying cash market investments. Examples of derivatives include, but are not limited to, financial futures, forwards, and options, options on futures, collateralized mortgage obligations and swaps. Managers shall not enter into a derivatives contract, purchase securities on margin, or sell short unless expressly authorized to do so in the cash equivalents fund by the Board as documented in Appendix A. Under no circumstances should a portfolio manager take positions in derivative securities that leverage the portfolio or materially increase a portfolio's stated and implied risk characterized by the manager's investment style.
Pooled Funds	It is understood that investing through a pooled fund vehicle means that the investments will be governed by the fund's own set of guidelines and restrictions. While it is the intent to invest in funds which meet the general intent of these guidelines, there may, in fact, be instances in which the funds' guidelines differ in a number of ways. In such cases, the

	pooled fund guidelines and restrictions will supersede those outlined above. For that reason, investments in pooled funds may be made only with the prior approval of the Board. The Investment Manager shall provide the Board with a copy of the prospectus of any pooled funds that it proposes to use and shall specifically identify any guidelines and restrictions that differ from those outlined above. To the extent that pooled funds are implemented, the fees imposed should be at no higher cost than that incurred if the securities were separately managed.

MULTI ASSET CLASS MANAGERS

The purpose of the Multi Asset Class manager program is to provide an additional layer of diversification with the twin goals of increasing return and decreasing risk. The tools of the manager will include valuing various global markets and making opportunistic investment shifts. To the extent necessary, the managers can use active or passive underlying portfolios. Generally speaking, the return goal of these portfolios should be in one of two formats: an absolute return objective (e.g., T-bills + 5%) or a blended benchmark (e.g., 60% S&P 500 + 40% BC Aggregate). For performance comparison, the blended benchmarks would be used.

It is recognized that commingled investment funds cannot customize investment policies and guidelines to the specific needs of individual clients and therefore the investment objectives and strategies, trading policies, and restrictions of commingled funds will govern the investments. The
Board is willing to accept the policies of such funds in order to achieve the lower costs and diversification benefits of commingled funds, or when a separately managed account is neither available nor appropriate.

Due to the global nature of these mandates, managers are expected to be evaluating and/or investing in US and non-US instruments, to include derivative instruments allowing for market exposure or risk mitigation (e.g., index futures and currency forwards). The sum of all asset class exposures included in a global asset allocation portion will equal 100% (no leverage). The use of leverage in lower-risk asset classes is a risk mitigation tool in Better Beta strategies.

ALTERNATIVE INVESTMENT MANAGERS

The Committee recognizes that certain Alternative Investment strategies (such as private equity, private real estate, infrastructure or hedge fund strategies) do in fact make use of derivatives and other instruments which may not be in full compliance with the guidelines set out for separately managed portfolios. Given that virtually all alternative investment strategies will be in a commingled format, it is recognized that commingled investment funds cannot customize investment policies and guidelines to the specific needs of individual clients. The Board is willing to accept the policies of such funds in order to achieve the lower costs and diversification benefits of commingled funds, or when a separately managed account is neither available nor appropriate. To the extent that the Committee selects an Alternative Investment manager offering a separately managed account, the Committee shall use its discretion in terms of granting exceptions to these guidelines to that manager.

<u>Hedge Funds</u>
Generally speaking, the return objective of Hedge Fund Strategies is an absolute return of cash plus 3% to 5% (e.g., T-bills + 5%).

<u>Private Equity</u>
Private Equity Managers may invest in a number of private equity strategies. These strategies may include, but are not limited to, the following: mezzanine debt, growth/expansion, distressed, buyout and venture capital, and secondaries.

- *Venture Capital:* Seed, start up, first stage, expansion and later stage financing of growing companies and innovative business ideas, technologies or service that is proprietary.
- *Buyouts (Management or Third Party):* Leveraged capital and corporate finance assistance is provided to management teams or third-party buyers to enable the acquisition or restructuring of relatively mature businesses and industries from either a private or public company. Strategies include: "buy and build"; growth oriented; and industry focused.
- *Mezzanine:* Unsecured and subordinated debt (senior to equity but below senior secured debt on a balance sheet) is used to facilitate changes in ownership through leveraged buyouts or recapitalization, financing acquisitions or enabling growth, by leveraging equity capital to a level not possible within the constraints of senior lenders.

- *Secondary Funds:* Involves the purchase of private equity interests of motivated owners who desire to sell their fund position. Interests are purchased at a price and time within a fund's term, which enhances early distributions and thus helps to mitigate the typical early negative returns experienced in a private equity fund life.
- *Special Situations:* Opportunistic and select investments that could include: Structured Finance (senior or subordinated debt or preferred equity) or Distressed/Stressed Equity and Debt-Oriented Opportunities (taking advantage of security mispricing and company valuation changes through a variety of strategies such as buying and selling of distressed company securities; debt for control through reorganization or the bankruptcy process; or turnaround a troubled business through control of the equity).
- *Co-Investments:* Opportunity to invest directly into portfolio companies alongside qualified general partners.

The nature of such investing calls for a longer-term investment horizon than other investments. It is expected that these investments will be illiquid and that any future return of capital and profits will depend on the success of the Manager's execution and will generally occur between five to ten years after the initial investment.

The Private Equity Manager must be an SEC Registered Investment Advisor and should agree to acknowledge that it is a fiduciary with respect to the Fund and assume the duties, responsibilities and obligations of a fiduciary as defined under ERISA with respect to the Fund assets under its management, although exceptions may be acceptable in certain cases even though ERFC is defined as a governmental plan as defined under 3 (32) of ERISA. The Manager must agree to provide reporting on the Private Equity Funds vehicle to the ERCF and the Investment Consultant, including but not limited to, fund and client performance on a quarterly basis, fees, capital account status and aggregate strategy exposures on a quarterly basis. The Manager must provide a minimum level of transparency regarding the underlying private equity fund managers, investment vehicles, and strategies in the Private Equity portfolio. In most cases, this will include a list of underlying manager names, investment vehicle names, and strategies. The guidelines contained in the partnership agreement, Manager contract, trust agreement or prospectus of the Private Equity Manager will apply.

Generally speaking, the return objective of private equity is Cambridge Associates All Private Equity and private equity sub-strategies are typically benchmarked relative to their vintage year and style (e.g., mezzanine, buyout, venture, energy etc.).

Private Debt

Managers serve in a specialized role underwriting and issuing debt/loans to private corporations. Private debt managers may invest up and down the capital structure consistent with its stated objectives and risk parameters. Given the nature of private debt, it is expected that these investments will be less liquid than other debt related investments. For private debt partnerships, commingled trusts and mutual funds, the partnership documents, trust guidelines or other guidelines outlined in the prospectus will apply.

Real Estate Value Add

This strategy involves investing in properties that may be 'broken' in some form with the goal of converting them to 'core'. Managers can employ a number of different investment activities to add value to a property including releasing, re-tenanting, re-positioning or light development. As such, price appreciation comprises a significant portion of an investment's total return. Leverage is typically capped at 70%. While the majority of value-add funds are closed-end there are a small number of open-end vehicles and fund of funds in the market.

Infrastructure Managers

Investments in assets which provide essential services or facilities to a community and can be classified either as social or economic in nature. Social assets are structures such as schools, prisons, or hospitals. Economic assets consist of investments in transportation, distribution, communication, power generation, water and waste treatment management.

Managers serve in a specialist role managing infrastructure assets. For infrastructure partnerships, commingled trusts and mutual funds, the partnership documents, trust guidelines or the guidelines outlined in the prospectus will apply. Unless otherwise authorized in writing by the Board, the following guidelines apply to each infrastructure Manager.

Infrastructure investments may be purchased directly or through commingled funds. Selection, evaluation and asset management of physical assets and/or the concessionary rights to those assets shall be assumed by each infrastructure Manager utilizing prudent underwriting criteria including, but not limited to asset type, geographical location, greenfield and brownfield exposures, market analysis and yield efficiency.

Appendix C

Investment Manager Universes and Benchmarks

Manager	Asset Class	Benchmark	Universe
AJO	Large Cap Value Equity	Russell 1000 Value Index	Large Cap Value Equity Universe
Mellon Russell 1000	Large Cap Core Equity	Russell 1000 Index	Large Cap Core Equity Universe
T. Rowe Price	Large Cap Growth Equity	Russell 1000 Growth Index	Large Cap Growth Equity Universe
Lazard	Small-Mid Cap Equity	Russell 2500 Index	Mid Cap Core Equity Universe
Westfield	Small Cap Growth Equity	Russell 2000 Growth Index	Small Cap Growth Equity Universe
Epoch	Small Cap Value Equity	Russell 2000 Value Index	Small Cap Value Equity Universe
CenterSquare	REIT	FTSE EPRA NAREIT Developed Equity Index	Global REIT Universe
JPMorgan	Real Estate	Real Estate NCREIF Property Index	NCREIF ODCE
Prudential	Real Estate	NCREIF Property Index	NCREIF ODCE
UBS Realty Investors LLC	Real Estate	NCREIF Property Index	NCREIF ODCE
William Blair	Non-US Equity	MSCI All Country World Ex-US Growth Index	ACWI ex-US Growth Equity Universe
Acadian Asset Management	Non-US Equity	MSCI All Country World Ex-US Index	ACWI ex-US All Cap Equity Universe
Causeway	Non-US Equity	MSCI EAFE	ACWI ex-US Value Equity Universe
William Blair	Emerging Markets Equity	MSCI Emerging Markets	Emerging Markets Equity Universe

Mellon Lehman Brothers Aggregate Index Fund	Fixed Income	Barclays Capital Aggregate Index	All US Fixed Income Manager Universe
JP Morgan	Fixed Income	Income Barclays Capital Aggregate Index	All US Fixed Income Manager Universe
Loomis Sayles	Fixed Income	50% Barclays Capital Credit Index & 50% Barclays Capital Long Credit Index	All US Fixed Income Manager Universe
Loomis Strategic Alpha	Fixed Income	3-month Libor +3%	All US Fixed Income Manager Universe
Mondrian Investment Partners	Emerging Markets Fixed Income	JP Morgan GBI-EM Broad Diversified Index	Emerging Markets Fixed Income Unhedged Universe
Bridgewater	Better Beta	65% MSCI ACWI (Net) & 35% Barclays Capital Aggregate Index	All Global Balanced/ TAA Universe
Wellington	Global Asset Allocation	65% MSCI All Country World & 35% Barclays Capital Aggregate Index	All Global Balanced/TAA Universe
PIMCO	Global Asset Allocation	CPI + 4%	All Global Balanced /TAA Universe
Grosvenor	Absolute Return	HFRI Long Short	Alt Long-Short Universe
Various Private Equity Managers	Private Equity	Cambridge Associates All Private Equity	