



El Camino Charter High School

Special Board Meeting

Date and Time

Thursday April 23, 2020 at 5:00 PM PDT

Location

Teleconference Only - please see below.

SPECIAL BOARD MEETING

For board meeting materials, please go to the school's main office, or call (818) 595-7500. Some board meeting materials are also posted in the school's website (<https://ecrchs.net> - click the ECR Board tab).

INSTRUCTIONS FOR PRESENTATIONS TO THE BOARD BY PARENTS/GUARDIANS AND CITIZENS

El Camino Real Alliance ("ECRA") welcomes your participation at ECRA's Board meetings. The purpose of a public meeting of the Board of Directors ("Board") is to conduct the affairs of ECRA in public. Your participation assures us of continuing community interest in our charter school. To assist you in the ease of speaking/participating in our meetings, the following guidelines are provided:

1. Agendas are available to all audience members at the door to the meeting.
2. "Request to Speak" forms are available to all audience members who wish to speak on any agenda items or under the general category of "Public Comments." "Public Comments" is set aside for members of the audience to raise issues that are not specifically on the agenda. However, due to public meeting laws, the Board can only listen to your issue, not respond or take action. These presentations are limited to three (3) minutes and total time allotted to non-agenda items will not exceed thirty (30) minutes. A member of the public who requires the use of a translator, in order to receive the same opportunity as others to directly address the Board, shall have twice the allotted time to speak. The Board may give direction to staff to respond to your concern or you may be offered the option of returning with a citizen-requested item.
3. You may also complete a "Request to Speak" form to address the Board on Agenda items. With regard to such agenda items, you may specify that agenda item on your "Request to Speak" form and you will be given an opportunity to speak for up to three (3) minutes before the item, and total time allocated to agenda items will not exceed six (6) minutes for a discussion item and nine (9) minutes per vote item. A member of the public who requires the use of a translator, in order to receive the same opportunity as others to directly address the Board, shall have twice the allotted time to speak, and the total allocated time shall be appropriately increased as well.
4. When addressing the Board, speakers are requested to adhere to the time limits set forth. In order to maintain allotted time limits, the Board Chair may modify speaker time allocations or the total amount of allotted time for an item.
5. Any public records relating to an agenda item for an open session of the Board which are distributed to all, or a majority of all, of the Board members shall be available for public inspection at 5440 Valley Circle Blvd., Woodland Hills, California, 91367.

Consent Agenda: All matters listed under the consent agenda are considered by the Board to be routine and will be approved/enacted by the Board in one motion in the form listed below. Unless specifically requested by a Board member for further discussion or removed from the agenda, there will be no discussion of these items prior to the Board votes on them. The Executive Director recommends approval of all consent agenda items.

PARTICIPATING TELEPHONICALLY

To participate in the Board meeting telephonically, please call (872) 240-3412, access code 356-668-517. Please note that, in order to conduct an orderly meeting, all members of the public will be placed on mute during the Board meeting, except during public comments. If you would like to speak on a specific agenda item, please advise the Board during the public comments section. Note that members of the public attending a meeting conducted via teleconference do not need to give their name when entering the conference call.

If you have any questions or issues, please contact Daniel Chang at d.chang@ecrchs.net.

In compliance with the Americans with Disabilities Act (ADA) and upon request, El Camino Real Alliance may furnish reasonable auxiliary aids and services to qualified individuals with disabilities. Requests for disability related modifications or accommodations shall be made 24 hours prior to the meeting to Daniel Chang, in person, by email at d.chang@ecrchs.net, or by calling (818) 595-7537.

Agenda

	Purpose	Presenter	Time
I. Opening Items			5:00 PM
Opening Items			
A. Call the Meeting to Order		Scott Silverstein	1 m
B. Record Attendance and Guests		Daniel Chang	1 m
C. Public Comments		Public	20 m
II. School Business			5:22 PM
A. Discuss Investment Policy Statements: ECRA OPEB and General Account	Discuss	Scott Silverstein	10 m
The Board will discuss the Investment Policy Statements for ECRA's OPEB (lifetime benefits) and General Account.			
III. Closing Items			5:32 PM
A. Adjourn Meeting	Vote	Scott Silverstein	1 m

Cover Sheet

Discuss Investment Policy Statements: ECRA OPEB and General Account

Section: II. School Business
Item: A. Discuss Investment Policy Statements: ECRA OPEB and General Account
Purpose: Discuss
Submitted by:
Related Material: ECRA General IPS, 04212020.pdf
ECRA OPEB IPS, 04212020.pdf

EL CAMINO REAL CHARTER HIGH SCHOOL GENERAL ACCOUNT

INVESTMENT POLICY STATEMENT

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- J. Risk and Diversification
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A. DEFINITIONS

Asset Allocation – The division of the total portfolio into different percentages by asset class.

Asset Manager – Any banking or financial institution engaged by the Trust for the purpose of managing the investment, sale and liquidation of assets of the general account.

Authorized Officer – As to ECRA, the Chief Financial Officer of ECRA or any designee of the Chief Financial Officer of ECRA. As to the Trust, the Executive Director of the Trust or any designee of the Executive Director.

Board – Board of Directors of ECRA.

Custodian – A financial institution that provides safekeeping of securities, transaction processing, and/or portfolio reporting services.

ECRA – El Camino Real Alliance, a California nonprofit public benefit corporation that commenced operation in August 2011 of El Camino Real Charter High School.

Executive Director – Chief Financial Officer of ECRA or any designee of the Chief Financial Officer of ECRA.

Fixed Income Securities – Investment instruments that promise to pay a future return set in advance, including bonds (which usually pay a fixed coupon interest rate every six months), mortgage securities, and guaranteed investment contracts (GICs).

Investment Consultant – Assists in developing an investment policy, asset allocation strategy and investment manager structure. The Investment Consultant will act as a fiduciary with regard to oversight of the general account.

School – El Camino Real Charter High School, a California public charter school under a conversion charter approved by Los Angeles Unified School District.

Trust – **El Camino Real Charter High School General Account Trust** as a common law trust for the purpose of holding assets solely for the general purposes of the School according to the Trust Agreement dated **xxxxxxx**.

B. SCOPE

This Investment Policy Statement (“IPS” or “Policy”) applies to the investment activities of ECRA in carrying out the investment programs of the general account of the School. Its purpose is to provide a clear understanding of the objectives, goals, risk tolerance, and investment guidelines established for the portfolio and the Trust.

C. STRUCTURE

The Board is responsible for creation of, approval of, and updates to the Investment Policy Statement.

The Executive Director is designated to advise the Board on issues related to the IPS including responsibility to review the Policy annually for appropriateness and completeness while ascertaining the need for updates and monitoring the Trust for compliance with the Policy.

A copy of this Investment Policy Statement shall be given to each firm retained to provide investment services to the Trust, and each such firm shall acknowledge in writing receipt of the document and acceptance of its content.

D. INVESTMENT OBJECTIVES

The long-term investment objective of the Trust is to serve the operational needs of the School. The goal of the Trust is to use both active and passive management strategies to invest in funds and individual securities.

The Trust will seek to achieve a balance between income and growth while preserving capital. Each investment transaction shall seek to avoid losses from securities defaults or erosion of market value. Fixed income securities will be primary in providing income while mitigating risk. Duration and credit risk will be monitored amongst fixed income investments. Equity and alternative investments will provide opportunity for income enhancement and growth.

Liquidity concerns will be addressed such that the investment portfolio shall maintain sufficient liquidity to meet all cash requirements reasonably anticipated over a 36 month period.

The portfolio shall be designed to provide an appropriate level of income and growth given the economic environment and anticipated liquidity needs when each investment is made. Fixed income asset classes under consideration are stable value, investment grade and U.S. Treasury bonds, high quality core bond, and structured credit. Equity of a defensive or value style orientation can provide an illiquidity premium over the fixed income investments. Alternative investments that provide alpha over short duration Treasuries may be included. Overall the Trust portfolio is expected to have a level of risk on par with a balanced fund of high-quality bonds and defensive equities. The portfolio will consider the Trust's investment risk and liquidity needs and costs. Recognizing that occasional losses due to market volatility are inevitable, each investment must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been achieved.

E. PERFORMANCE MEASUREMENTS

Performance measures comparing investments in various asset classes to their relevant benchmark should be provided at regular intervals. The Executive Director shall review the specific benchmarks relative to the asset classes and asset allocation at least annually but preferably quarterly and revise as needed. The fund's annualized returns will be reviewed quarterly and compared to established and appropriate benchmarks. In consideration of overall long-term performance targets, any significant variances between benchmarks and actual manager or asset class performance will be assessed. Appropriate modifications to specific investments will be executed as deemed necessary.

F. INVESTMENT AND FIDUCIARY STANDARDS

A prudent expert standard requires the assessment of prudence expected from a professional investment manager to an individual investment with reference solely to its own characteristics rather than to its relationship to the entire portfolio. This standard shall be applied by the Executive Director and in the contexts of oversight and administration of the overall portfolio.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

Any person or firm retained for purposes of investing or making recommendations for the investment or monitoring of the Trust's assets will be held to the higher standard of a prudent expert. Such person or firm will exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

Pursuant to this investment policy, the Executive Director shall refrain from personal business activities that conflict with proper execution of the investment program or impairs the Executive Director's ability to make impartial investment decisions. Any material financial interests that may be related to the performance of the Trust's investment portfolio shall be disclosed promptly to the Board. Any revenue sharing or commissions between the aforementioned are prohibited.

The Executive Director may choose to utilize an Investment Consultant other than the Asset Manager to assist in strategic investment planning of the Trust. This includes providing assistance in maintaining the investment policy, asset allocation strategy and Investment Manager structure. The Investment Consultant will act as a fiduciary with regard to the oversight of Trust assets. The Executive Director may utilize an Asset Manager to invest the assets of the Trust. The Asset Manager should feel free to recommend appropriate changes to the investment policy to the Executive Director and/or Investment Consultant for further consideration. The Asset Manager will act as a fiduciary with regard to the management of the Trust assets.

To the extent reasonably feasible, the following are general guidelines the Executive Director will follow for the selection of the Asset Manager: 1. Utilize a competitive process for selection when feasible. 2. State the expected responsibilities of the Asset Manager in writing. 3. Determine the criteria to be used for the selection process.

The Executive Director may terminate an Asset Manager at any time for any reason, including, but not limited to, the following: 1. Qualitative changes – personnel changes or other organizational issues of the firm; 2. Quantitative changes – underperformance relative to investment objectives and style deviations; 3. Policy issues – violation of investment policies or legal issues; and 4. Communication – failure to adhere to reporting requirements.

The Executive Director, Investment Consultant and Asset Manager, in performing their investment duties, shall comply with fiduciary standards. In case of conflict with any law authorizing investments, investment and fiduciary standards, the law shall prevail.

Such investment duties shall be discharged with respect to the Trust solely in the interests of the School. The investment process shall be mindful of defraying reasonable expenses of administering the Trust. By adhering to the Prudent Expert standard, attention will be made to diversification of Trust assets so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

G. PERMITTED INVESTMENTS

The Executive Director shall be authorized to invest and reinvest Trust assets in any Permitted Investment provided by the Trust Agreement, provided such investments are consistent with this policy. If the Trust has investments that either exceed the applicable limit or do not satisfy the applicable investment standard, such excess or investment not in compliance with the policy may be continued until such time as it is economically feasible to dispose of such investment. However, no additional investment may be made in the investment category which exceeds the applicable limit.

Listed below are investments authorized by the Executive Director and Asset Managers:

- Cash and Cash Equivalents (including all money market instruments with a maturity of one year or less)
- Treasury Securities,
- Mutual Funds,
- Exchange Traded Funds,
- Equity Investments, and

- Corporate Bonds (predominately investment grade rated securities with an overall average credit rating of A or better).

H. MATURITY AND LIQUIDITY

The investment portfolio shall be constructed to provide adequate liquidity and preservation of capital with a conservative level of return for payment of general obligations of the School as they come due. Anticipated cash flow requirements shall be determined by the Board on a periodic basis.

I. PORTFOLIO COMPOSITION

The Asset Manager will utilize the following investment guidelines and limits on security issues, issuers, and maturities. The purpose of strategic asset allocation is to provide an optimal mix of investments that has the potential to produce desired returns, at appropriate levels of risk, with reasonable costs, such that asset cash flows will adequately meet current and future liabilities. Recommended target allocations for each asset class (within appropriate allocation ranges for each class of investment) are as follows:

Equities – 5%-15% [centered at 10%]; These investments are the main drivers of growth and return in the portfolio. Diversification among stock investments should be achieved globally (US and international), across capitalization levels (large, mid, small), through investment styles (value and growth), and amongst managers.

Within the equity portion of the portfolio, sub-categories by asset class are:

- US Large Cap 50% -- 70% [centered at 55%]
- International Developed and Emerging Markets 10% -- 30% [centered at 20%]
- US Small and Mid Cap 15% -- 35% [centered at 25%]

Fixed Income – 75%-95% [centered at 85%];

Fixed income investments will seek a high current income consistent with the preservation of capital. It will target this through a diversified core bond portfolio of high quality securities. Allocations are primarily earmarked for core bond sectors (U.S. Treasuries, investment-grade corporate credit and securitized debt). However, the Asset Manager is allowed the flexibility to invest in non-core bond sectors such as high yield corporate credit, bank loans, emerging market debt, and Treasury Inflation-Protected Securities (TIPS).

Within the fixed income portion of the portfolio, sub-categories by asset class and general guide to allocation weights within fixed income are:

- Core Bond 60% -- 100% [centered at 90%]:
 - US Treasuries (10% -- 40% [centered at 30%])
 - Investment Grade Corporate Credits (10% -- 40% [centered at 30%])
 - Structured Products (10% -- 40% [centered at 30%])
 - [includes Mortgage-Backed Securities (MBS), Commercial Mortgage-Backed Securities (CMBS), Asset-Backed Securities (ABS) and Collateralized Loan Obligations (CLOs)]

Non-Core Bond (provides additional flexibility in a Core-Plus strategy) 0% -- 20% [centered at 5%]:

[includes High Yield Corporate Credits, Bank Loans, Emerging Market Debt]

Inflation Protected Bond 0% -- 20% [centered at 5%]:

[U.S. Treasury Inflation-Protected Securities (TIPS)]

Alternative Investments – 0%-15% [centered at 5%]; These investments should afford volatility dampening and diversification in the overall portfolio, while providing the opportunity for uncorrelated returns. Alternative investment strategies include, but are not limited to, investment vehicles with the following objectives: market-neutral, absolute return, global macro, long/short, commodities, managed futures and arbitrage.

Cash and Cash Equivalents – Cash is maintained to provide liquidity for periodic planned expenditures of the School. It will not be held as a strategic investment but will be allowed to build up within the asset classes the Asset Manager normally invests. Generally, levels of cash will be held at the discretion of the Asset Manager during times of market uncertainty.

Once a target asset allocation has been established, the Executive Director will review the portfolio's asset allocations at least annually to ensure the average allocation over time is within the target allocation limits established. The review will assess the need for revisions to the allocations, or whether a rebalance back to the target allocation is necessary. Should any portion of the portfolio asset allocation exceed the limits established, the Asset Manager will rebalance assets back to the target mix over a reasonable period.

J. RISK AND DIVERSIFICATION

Acceptable risk levels shall be consistent with investment return objectives for the Trust. The Executive Director has determined that risk tolerance shall be based on long-term horizons covering a full “market cycle” (120 months). Prevailing theory and historical data indicate the positive relationship between the level of risk assumed and the level of return that can be expected in an investment program. Decisions relating to the acceptable risk exposures of the Trust portfolio will not be made without consideration of the intended purpose for the Trust assets. Factors to be considered include historic and forecasted capital market assumptions, ECRA's evolving tolerance for risk, time horizons and the liquidity requirements of the Trust.

Investment guidelines and regular monitoring provide controls for identifying and limiting risk of loss from concentration of assets invested in a single issuer or highly correlated asset classes. Risk and diversification strategies shall be reviewed and revised, if necessary, on a regular periodic basis, not less than annually. This review will be within the context of prevailing and projected market conditions, as well as evolving needs of the Trust. In order to improve the long-term return potential,

assets in the Trust shall be diversified among equities, fixed income, alternatives and other securities to minimize overall portfolio risk within a level consistent with the target expected return.

K. SECURITY TURNOVER

Recognizing the importance of providing flexibility to the Asset Manager to adjust the asset mix in changing market conditions, there shall be no specific limitation regarding asset turnover. However, efforts to minimize turnover shall be made in order to control costs consistent with risk parameters.

L. INTERNAL CONTROLS

The Executive Director shall establish and monitor a set of written internal controls designed to protect Trust assets and ensure proper accounting and reporting of the securities transactions. The controls shall be reviewed by independent certified public accountants as part of any financial audit periodically required. The internal controls should be designed to prevent losses of funds which might arise from fraud, error, misrepresentation by third parties, or imprudent actions by ECRA administrators or employees.

M. REPORTING

The custodian shall provide the Executive Director monthly statements that include a detailed description of:

- a. Holdings by asset class (valued at both market and cost);
- b. Individual asset holdings (valued at both market and cost);
- c. Asset purchases and divestments;
- d. Investment income (gross and net of fees);
- e. Trust deposits and withdrawals;
- f. Expenses paid on behalf of the Trust; and
- g. Commission expenses incurred, listed by broker.

The Investment Consultant may provide a quarterly performance review that will include aggregate holdings in each asset class, time-weighted returns and investment performance compared to appropriate benchmarks.

The Executive Director may meet at least quarterly with the Investment Consultant to review the investment performance of the Trust.

The Asset Manager shall keep the Executive Director and the Investment Consultant apprised of any material changes including, but not limited to, the following areas: ownership, organizational structure, financial condition, senior staffing changes, investment outlook, and investment strategy and asset allocation.

EL CAMINO REAL ALLIANCE PUBLIC SCHOOL EMPLOYEE RETIREMENT HEALTHCARE BENEFITS TRUST

INVESTMENT POLICY STATEMENT

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A. DEFINITIONS

Actuary – Business professional that assembles facts and analyzes the consequences of risks and returns to make planning decisions relating to the financial reporting and funding requirements of the retirement healthcare benefit plans and related trust.

Asset Allocation – The division of the total portfolio into different percentages by asset class.

Asset Manager – Any banking or financial institution engaged by the Trust for the purpose of managing the investment, sale and liquidation of assets of the retirement healthcare benefits trust.

Authorized Officer – As to ECRA, the Chief Financial Officer of ECRA or any designee of the Chief Financial Officer of ECRA. As to the Trust, the Executive Director of the Trust or any designee of the Executive Director.

Board – Board of Directors of ECRA.

Custodian – A financial institution that provides safekeeping of securities, transaction processing, and/or portfolio reporting services.

ECRA – El Camino Real Alliance, a California nonprofit public benefit corporation that commenced operation in August 2011 of El Camino Real Charter High School.

Executive Director – Chief Financial Officer of ECRA or any designee of the Chief Financial Officer of ECRA.

Fixed Income Securities – Investment instruments that promise to pay a future return set in advance, including bonds (which usually pay a fixed coupon interest rate every six months), mortgage securities, and guaranteed investment contracts (GICs).

Investment Consultant – Assists in developing an investment policy, asset allocation strategy and investment manager structure. The Investment Consultant will act as a fiduciary with regard to oversight of the retirement healthcare benefits trust.

OPEB – Related to ECRA retirement healthcare benefits, any post-employment benefit other than pension plan benefits, including but not limited to medical, prescription drug, dental, and vision insurance.

Plan Benefit Services Agreement – The agreement between ECRA and the Trust pursuant to which ECRA agrees to make payments to the Trust as consideration solely for Plan Benefits and related services to be procured or provided by the Trust to or for the benefit of the Plans and Plan Beneficiaries.

School – El Camino Real Charter High School, a California public charter school under a conversion charter approved by Los Angeles Unified School District.

Trust – El Camino Real Alliance Public School Employee Retirement Healthcare Benefits Trust as a common law trust for the purpose of holding assets solely for the benefit of one or more specified retirement healthcare benefit plans sponsored and provided to qualified public school employees and beneficiaries by ECRA according to the Trust Agreement dated June 1, 2015.

B. SCOPE

This Investment Policy Statement (“IPS” or “Policy”) applies to the investment activities of ECRA in carrying out the investment programs of the retirement healthcare benefit plans of the School. Its purpose is to provide a clear understanding of the objectives, goals, risk tolerance, and investment guidelines established for the portfolio and the Trust.

C. STRUCTURE

The Board is responsible for creation of, approval of, and updates to the Investment Policy Statement.

The Executive Director is designated to advise the Board on issues related to the IPS including responsibility to review the Policy annually for appropriateness and completeness while ascertaining the need for updates and monitoring the Trust for compliance with the Policy.

A copy of this Investment Policy Statement shall be given to each firm retained to provide investment services to the Trust, and each such firm shall acknowledge in writing receipt of the document and acceptance of its content.

D. INVESTMENT OBJECTIVES

The long-term investment objective of the Trust is to serve participants in providing for their retirement healthcare benefit needs. The goal of the Trust is to use both active and passive management strategies to invest in funds and individual securities.

The Trust will seek to achieve growth equal to the actuarial return on assets assumption while preserving capital. Each investment transaction shall seek to avoid losses from securities defaults or erosion of market value. Fixed income securities will be utilized to assist in mitigating sequence of return risk of equities. Duration and credit risk will be monitored amongst fixed income investments.

Liquidity concerns will be addressed such that the investment portfolio shall maintain sufficient liquidity to meet all cash requirements reasonably anticipated over the upcoming 12 months.

The investment portfolio shall be designed to attain the assumed actuarial rate of return over a full market cycle (120 months). The portfolio will consider the Trust's investment risk, liquidity needs and costs. Recognizing that occasional losses due to market volatility are inevitable, each investment must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been achieved.

E. PERFORMANCE MEASUREMENTS

Performance measures comparing investments in various asset classes to their relevant benchmark should be provided at regular intervals. The Executive Director shall review the specific benchmarks relative to the asset classes and asset allocation at least annually but preferably quarterly and revise as needed. The fund's annualized returns will be reviewed quarterly and compared to established and appropriate benchmarks. In consideration of overall long-term performance targets, any significant variances between benchmarks and actual manager or asset class performance will be assessed. Appropriate modifications to specific investments will be executed as deemed necessary.

F. INVESTMENT AND FIDUCIARY STANDARDS

The Employee Retirement Income Security Act of 1974 (ERISA) sets minimum standards for voluntarily established retirement and healthcare plans to provide protection for participants. ERISA prescribes a "prudent expert" standard based on the prudence expected from a professional investment manager. The prudent expert standard requires the assessment of prudence to an individual investment with reference solely to its own characteristics rather than to its relationship to the entire portfolio. This standard shall be applied by the Executive Director and in the contexts of oversight and administration of the overall portfolio.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

Any person or firm retained for purposes of investing or making recommendations for the investment or monitoring of the Trust's assets will be held to the higher standard of a prudent expert. Such person

or firm will exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

Pursuant to this investment policy, the Executive Director shall refrain from personal business activities that conflict with proper execution of the investment program or impairs the Executive Director's ability to make impartial investment decisions. Any material financial interests that may be related to the performance of the Trust's investment portfolio shall be disclosed promptly to the Board. Any revenue sharing or commissions between the aforementioned are prohibited.

The Executive Director may choose to utilize an Investment Consultant other than the Asset Manager to assist in strategic investment planning of the Trust. This includes providing assistance in maintaining the investment policy, asset allocation strategy and Investment Manager structure. The Investment Consultant will act as a fiduciary with regard to the oversight of Trust assets. The Executive Director may utilize an Asset Manager to invest the assets of the Trust. The Asset Manager should feel free to recommend appropriate changes to the investment policy to the Executive Director and/or Investment Consultant for further consideration. The Asset Manager will act as a fiduciary with regard to the management of the Trust assets.

To the extent reasonably feasible, the following are general guidelines the Executive Director will follow for the selection of the Asset Manager: 1. Utilize a competitive process for selection when feasible. 2. State the expected responsibilities of the Asset Manager in writing. 3. Determine the criteria to be used for the selection process.

The Executive Director may terminate an Asset Manager at any time for any reason, including, but not limited to, the following: 1. Qualitative changes – personnel changes or other organizational issues of the firm; 2. Quantitative changes – underperformance relative to investment objectives and style deviations; 3. Policy issues – violation of investment policies or legal issues; and 4. Communication – failure to adhere to reporting requirements.

The Executive Director, Investment Consultant and Asset Manager, in performing their investment duties, shall comply with fiduciary standards. In case of conflict with any law authorizing investments, investment and fiduciary standards, the law shall prevail.

Such investment duties shall be discharged with respect to the Trust solely in the interests of the participants and beneficiaries, for the exclusive purpose of providing benefits to participants and beneficiaries of the plans. The investment process shall be mindful of defraying reasonable expenses of administering the Trust. By adhering to the Prudent Expert standard, attention will be made to diversification of Trust assets so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

G. PERMITTED INVESTMENTS

The Executive Director shall be authorized to invest and reinvest Trust assets in any Permitted Investment provided by the Trust Agreement, provided such investments are consistent with this policy. If the Trust has investments that either exceed the applicable limit or do not satisfy the applicable investment standard, such excess or investment not in compliance with the policy may be

continued until such time as it is economically feasible to dispose of such investment. However, no additional investment may be made in the investment category which exceeds the applicable limit.

Listed below are investments authorized by the Executive Director and Asset Managers:

- Cash and Cash Equivalents (including all money market instruments with a maturity of one year or less)
- Treasury Securities,
- Mutual Funds,
- Exchange Traded Funds,
- Equity Investments, and
- Corporate Bonds (predominately investment grade rated securities with an overall average credit rating of A or better).

H. MATURITY AND LIQUIDITY

The investment portfolio shall be constructed to provide adequate liquidity for payment of plan obligations as they come due. Anticipated cash flow requirements shall be determined by expected benefit payments from the actuarial valuation.

I. PORTFOLIO COMPOSITION

The Asset Manager will utilize the following investment guidelines and limits on security issues, issuers, and maturities. The purpose of strategic asset allocation is to provide an optimal mix of investments that has the potential to produce desired returns, at appropriate levels of risk, with reasonable costs, such that asset cash flows will adequately meet current and future liabilities. Recommended target allocations for each asset class (within appropriate allocation ranges for each class of investment) are as follows:

Equities – 30%-70% [centered at 55%]; These investments are the main drivers of growth and return in the portfolio. Diversification among stock investments should be achieved globally (US and international), across capitalization levels (large, mid, small), through investment styles (value and growth), and amongst managers.

Within the equity portion of the portfolio, sub-categories by asset class are:

- US Large Cap 40% -- 70% [centered at 48%]
- International Developed Markets 20% -- 35% [centered at 27%]
- US Mid Cap 5% -- 18% [centered at 13%]
- US Small Cap 2% -- 13% [centered at 7%]
- International Emerging Markets 2% -- 10% [centered at 5%]

Fixed Income – 30%-50% [centered at 40%]; These investments provide steady income and diversification while mitigating volatility of the equity portion of the portfolio. Strategies employed in various fixed income vehicles could offer lower correlation to equity investments, safety, stability, more predictability, or some combination of these factors. To minimize default risk, the Trust should be invested in primarily high-quality taxable bonds.

Alternative Investments – 0%-15% [centered at 5%]; These investments should afford volatility dampening and diversification in the overall portfolio, while providing the opportunity for uncorrelated returns. Alternative investment strategies include, but are not limited to, investment vehicles with the following objectives: market-neutral, absolute return, global macro, long/short, commodities, managed futures and arbitrage.

Cash and Cash Equivalents – Normally a subset of Fixed Income, cash is maintained to provide liquidity for periodic benefit distributions. It will not be held as a strategic investment but will be allowed to build up within the asset classes the Asset Manager normally invests. Generally, levels of cash will be held at the discretion of the Asset Manager during times of market uncertainty.

Once a target asset allocation has been established, the Executive Director will review the portfolio's asset allocations at least annually to ensure the average allocation over time is within the target allocation limits established. The review will assess the need for revisions to the allocations, or whether a rebalance back to the target allocation is necessary. Should any portion of the portfolio asset allocation exceed the limits established, the Asset Manager will rebalance assets back to the target mix over a reasonable period.

J. RISK AND DIVERSIFICATION

Acceptable risk levels shall be consistent with investment return objectives (according to actuarial funding valuation) for the Plans and the Trust. The Executive Director has determined that risk tolerance shall be based on long-term horizons covering a full “market cycle” (120 months). Prevailing theory and historical data indicate the positive relationship between the level of risk assumed and the level of return that can be expected in an investment program. The same risk and return variables that influence investment returns will also impact the funded status of the retirement healthcare plans. Decisions relating to the acceptable risk exposures of the Trust portfolio will not be made without consideration of the OPEB liabilities. Factors to be considered include historic and forecasted capital market assumptions, ECRA's evolving tolerance for risk, time horizons and the funded status of the Plan.

Investment guidelines and regular monitoring provide controls for identifying and limiting risk of loss from concentration of assets invested in a single issuer or highly correlated asset classes. Risk and diversification strategies shall be reviewed and revised, if necessary, on a regular periodic basis, not less than annually. This review will be within the context of prevailing and projected market conditions, as well as evolving needs of the Trust. In order to improve the long-term return potential, assets in the Trust shall be diversified among equities, fixed income, alternatives and other securities to minimize overall portfolio risk within a level consistent with the target expected return.

K. SECURITY TURNOVER

Recognizing the importance of providing flexibility to the Asset Manager to adjust the asset mix in changing market conditions, there shall be no specific limitation regarding asset turnover. However, efforts to minimize turnover shall be made in order to control costs consistent with risk parameters.

L. INTERNAL CONTROLS

The Executive Director shall establish and monitor a set of written internal controls designed to protect Trust assets and ensure proper accounting and reporting of the securities transactions. The controls shall be reviewed by independent certified public accountants as part of any financial audit periodically required. The internal controls should be designed to prevent losses of funds which might arise from fraud, error, misrepresentation by third parties, or imprudent actions by plan administrators or employees.

M. REPORTING

The custodian shall provide the Executive Director monthly statements that include a detailed description of:

- a. Holdings by asset class (valued at both market and cost);
- b. Individual asset holdings (valued at both market and cost);
- c. Asset purchases and divestments;
- d. Investment income (gross and net of fees);
- e. Trust deposits and withdrawals;
- f. Expenses paid on behalf of the Trust; and
- g. Commission expenses incurred, listed by broker.

The Investment Consultant may provide a quarterly performance review that will include aggregate holdings in each asset class, time-weighted returns and investment performance compared to appropriate benchmarks.

The Executive Director may meet at least quarterly with the Investment Consultant to review the investment performance of the Trust.

The Asset Manager shall keep the Executive Director and the Investment Consultant apprised of any material changes including, but not limited to, the following areas: ownership, organizational structure, financial condition, senior staffing changes, investment outlook, and investment strategy and asset allocation.

The Executive Director shall meet at least annually with the Actuary to review the annual actuarial report. The Actuary will provide information which will enable the Executive Director to review, monitor, and select appropriate actuarial assumptions as required under the actuarial standards of practice.