STATEMENT OF INVESTMENT POLICY

GENERAL

The Maryland-National Capital Park and Planning Commission (M-NCPPC) Employees' Retirement System (ERS), has established the Employees' Retirement Fund (the Fund) to provide for the future retirement benefits of Plan participants. The Fund shall be administered solely in the interest of its participants and beneficiaries and shall comply with appropriate fiduciary standards.

With respect to the Fund, the Board of Trustees (the Board) is authorized to formulate investment policies, develop investment manager guidelines and objectives, and approve the retention of qualified advisors and investment managers. This Statement of Investment Policy and the related Manager Guidelines and Objectives provide a framework for performing these functions.

The Fund shall be principally managed by professional investment managers or invested in professionally managed investment vehicles. In addition, the Board may, from time to time, directly invest a portion of the Fund.

Investment managers will have discretion within the constraints of these Policies and Guidelines and will be subject to regular review by the Board. Collectively, fund assets should be invested to obtain an appropriate long-term total return consistent with prudent risk taking. Special emphasis on liquidity or current income is not required, except as needed to meet obligations for pension benefit payments.

INVESTMENT POLICY

The Fund shall be diversified across investment classes and among investment managers in order to achieve return as compensation for investment risk. In accordance with this Policy, the Board has established the following target allocations for each asset class, as well as ranges of expected exposure:

Asset Class	Target Exposure	Expected Range
U.S. Equities	19%	14% - 24%
International Equities	19%	14% - 24%
Low Volatility Equities	8%	4% - 12%
Private Equity	5%	0% - 8%
Total Equities	**51%**	**46% - 56%**

Core Fixed Income	10%	7% - 13%
High Yield Fixed Income	7.5%	5% -10%
Bank Loans	4%	2% - 6%
Global Opportunistic Fixed Income	7.5%	5% - 10%
Total Fixed Income	**29%**	**24% - 34%**
Public Real Assets	5%	0% - 15%
Private Real Assets	15%	5% - 20%
Total Real Assets	**20%**	**10% - 25%**

Unless specifically intended, investment managers will specialize in one asset class or investment style. Investment manager mandates are expected to be fully invested with minimal cash or holdings outside the intended mandate. The assets of a manager with a multi-asset class assignment – e.g. public real assets – will be considered committed to asset classes in proportions determined by the manager's performance benchmark.

The Fund's asset allocation policy shall be reviewed by the Investment Committee and the Board approximately every three years and at any other time the Committee or the Board considers appropriate. Asset allocation exposures should be reviewed at least quarterly. Exposure reviews will consist of a comparison of each allocation to its target and expected range. If any allocation is out of its expected range, action will be taken to move the allocation closer to the target. Cash flows such as withdrawals to pay benefits or contributions should be used to move allocations closer to policy allocation targets.

INVESTMENT OBJECTIVES

The long-term investment objective of the Fund is as follows:

1. Achieve a total rate of return, net of fees, which exceeds the actuarial return assumption used for funding purposes.

2. Achieve a total rate of return, net of fees, which exceeds the Total Fund policy benchmark which is based on the asset class target exposures and corresponding benchmarks.

Long-term assumptions related to return and risk expectations for each asset class and total portfolio are located in the appendix.

INVESTMENT MANAGER GUIDELINES AND OBJECTIVES

Individual statements of Investment Manager Guidelines and Objectives shall be prepared for each investment manager type. These statements shall contain investment objectives and risk control provisions, which are appropriate for each investment manager's mandate. Taken in the aggregate, these statements shall be designed to implement the overall policies and objectives of the Fund.

In addition to complying with the appropriate Investment Manager Guidelines and Objectives, the role of each investment manager shall include:

a. The exercise of a high degree of professional care, skill, prudence, and diligence in the management of assets under its direction;

b. Thorough professional analysis and judgment with respect to all investments held in the account;

c. Diversification of investments within the asset class or investment style;

d. Full compliance with applicable fiduciary standards and any governmental regulations

Investment manager assignments may be implemented with pooled vehicles such as institutional commingled funds or mutual funds. In such instances, the ERS may not have control with respect to the strategies investment guidelines and objectives since they are written broadly to accommodate multiple investors.

In selecting and monitoring each investment manager, the Board shall examine whether, and conclude that, as to swap agreements, in accordance with, and within the meaning of, U.S. Commodity Futures Trading Commission ("CFTC") Regulation 23.450, such investment manager:

a. Has sufficient knowledge to evaluate each transaction and its risks;

b. Is not subject to a statutory disqualification;

c. Is independent of each swap dealer and major swap participant;

d. Undertakes a duty to act in the best interests of ERS;

e. Makes appropriate and timely disclosures to the Board, including, but not limited to, disclosures of all material conflicts of interest that could reasonably affect the judgment or decision making of the investment manager with respect to its obligations to ERS;

f. Evaluates, consistent with any guidelines provided by the Board, fair pricing and the appropriateness of the swap; and,

g. Is subject to restrictions on certain political contributions imposed by the CFTC, the U.S. Securities and Exchange Commission ("SEC"), or a self-regulatory organization subject to the jurisdiction of the CFTC or the SEC.

In furtherance of the foregoing, each investment manager shall represent in writing to the Board, to the Board's reasonable satisfaction, prior to the appointment of such investment manager on an ongoing basis, that such investment manager:

1. Has policies and procedures reasonably designed to ensure that it satisfies the requirements set forth in (a)-(g) above;

2. Meets the independence test in (c) above; and

3. Is legally obligated to comply with (a)-(g) above by agreement, condition of employment, law, rule, regulation, or other enforceable duty.

ASSET CLASS GUIDELINES AND OBJECTIVES

Public Equity Guidelines (US and International)

Public equities provide potential for long-term appreciation and growth of principal in exchange for assumption of moderate to high investment risk. The objective is to earn an equity risk premium to enhance long-term investment returns.

The following guidelines apply for investment in public equities:

- The US and International equity composites are expected to be "fully" invested at all times. Under normal conditions no more than 5% of the value of the composites should be held in cash equivalents at any time.
- The US and International equity composites are expected to remain "broadly diversified" by economic sector, industry and individual securities at all times. The composites should match the asset class benchmark in terms of capitalization and growth characteristics. Risk should be similar to that of the asset class benchmark.

Private Equity Guidelines

The objective of this allocation is to provide return enhancement to the overall portfolio. When measured over the long-term, returns are expected to exceed those available by investing in a diversified portfolio of publicly-traded equity securities. Any un-invested portion of the private equity allocation should remain invested in publicly-traded equity securities.

The composite is expected to remain "broadly diversified" by geographic location, investment type, vintage year and individual partnership investment at all times. The portfolio is expected to be diversified by geographic location with the following weightings: North America (approximately 50%), Europe (approximately 30%), and the Asia-Pacific region and other emerging markets (approximately 20%). These weightings may be adjusted at the discretion of the investment manager. The composite is expected to be diversified by the following investment types: buyouts (a private equity investment in a mature business), venture capital (a private equity investment in a new business), growth equity (a private equity investment in a growing business), distressed (a private equity investment in operationally-sound companies in financial distress) and special situations (private equity-like investments, such as mezzanine debt, asset-intensive assets or royalty streams, and other opportunistic funds). The investment manager may invest in secondary fund investments and direct co-investments on an opportunistic basis with a combined maximum limit of 20%. Investments should be diversified by vintage year. No single partnership investment is expected to be more than 20% of the private equity composite; however, it is recognized that this guideline shall not apply during initial funding.

Fixed Income Guidelines

Fixed income provides for modest return by lending funds and collecting current income (i.e. from regular interest payments). Returns may be enhanced by assumption of various risks such as duration, credit quality, or leverage; however, any risks assumed should be considered in the context of the environment for such strategies.

The fixed income portfolio is structured to include exposures to the following fixed income sub-classes:

- Core Fixed Income
- High Yield Fixed Income
- Bank Loans
- Global Opportunistic Fixed Income

The below guidelines apply for investment in fixed income. Additionally, specific guidelines are stated for fixed income sub-classes as applicable:

- The fixed income composite is expected to be "fully" invested at all times. Short-term or cash equivalents investments may play an important role in managing fixed income investments. Therefore, the fixed income composite may have up to 20% of its value in cash equivalents at any time.
- The fixed income composite is expected to be broadly diversified by issuer, sector, quality and maturity (duration) structure. Except for securities issued by the US Government and / or its Agencies, any single issuer is not expected to exceed 5% of the market value of the fixed income composite at any time.
- The duration of the fixed income sub-class is expected to be similar to that of the benchmark however investment managers may be employed to adjust duration based on the outlook for interest rates. Unless intended otherwise as part of a particular manager mandate, duration of each fixed income sub-class should typically remain with +/- 1.5 years of the sub-class benchmark.
- The fixed income composite is structured with a strategic investment to both investment grade and high yield securities. The credit quality, as measured by recognized rating agencies such as Standard & Poor's or Moody's, for each fixed income sub-class is expected to be similar to that of the designated sub-class benchmark.
- Build America Bonds (BABs) issued by Montgomery County, Maryland and Prince George's County, Maryland are prohibited investments.

Global Opportunistic Fixed Income

The objective of the Global Opportunistic Fixed Income allocation is to provide either return enhancement or diversification that is consistent with the long term strategic objectives of the portfolio. This portion of the fixed income composite may contain opportunistic investments and distressed securities. The implementation of this allocation will be outsourced to investment managers having flexible guidelines to invest globally, seeking to add value through a number of investment decisions such as duration management, yield curve positioning, sector/issue selection, country market selection and currency. Implementation will be limited to strategies accepted by other large institutional investors and managed by institutional quality managers.

Real Assets Guidelines

The objective of Real Assets is to provide a real rate of return (i.e. after inflation) and also diversification relative to equities and fixed income.

The Real Assets portfolio is structured to the following components:

- Private Real Assets
- Public Real Assets

Any un-invested portion of the Private Real Assets allocation should remain invested in Public Real Assets.

Private Real Assets

The Private Real Assets portfolio is expected to be "fully" invested at all times. Investments will be structured privately in the form of commingled or pooled vehicles such as limited partnerships and diversified among the following investment types: real estate, energy, mining, timber, agriculture, and infrastructure.

The Private Real Assets portfolio is expected to remain "broadly diversified" by geographic location, vintage year, and individual partnership investment at all times. The portfolio is expected to be diversified by geographic location with a minimum of 50% invested in the United States and no more than 30% invested in emerging markets. Investments should also be diversified by vintage year. Except for fund-of-funds, no single partnership commitment is expected to be more than 20% of the real assets portfolio, and no single partnership commitment is expected to be more than 20% of the portfolio of a fund-of-funds manager.

Public Real Assets

The Public Real Assets portfolio is expected to be "fully" invested at all times. Investments will be structured in public real assets investments including Natural Resource Stocks, Real Estate Securities (including REITs), Commodities, Inflation Indexed Bonds, and Infrastructure.

The Public Real Assets portfolio is expected to remain "broadly diversified" such that each sub-asset class may contribute to the portfolio's real return and risk profile.

Communications and Review

The Board will meet on a regular basis to review investment performance and compliance with the Statement of Investment Policy. The Board, or its designated sub-group, will also meet with each investment manager at least biennially for these purposes.

In addition to the regular reporting of investments and transactions, each manager shall provide, at least quarterly: (1) a written commentary in sufficient detail such that the ERS is apprised of account activity and performance and any material changes in personnel, philosophy, investment strategy or process, growth, level of commitment to product type or any organizational issues; and (2) a summary of transactions which lists brokers used and commissions generated. Each manager is also directed to contact the Administrator with any information of an important nature that is causing or could cause material impact on the Fund or the investment management organization.

Amendments and Confirmation

This Statement of Investment Policy shall be reviewed periodically by the Board and revised or confirmed, as appropriate.

If, at any time, an investment manager feels that the objectives cannot be met or that the guidelines unduly restrict performance, the Board should be notified in writing. Each manager is encouraged to suggest changes in the specific objectives and guidelines for their mandate or the overall Statement of Investment Policy.

Proxy Voting

The following general policies apply to proxy voting:

1. Investment managers shall vote all proxies in a manner, which is consistent with the best interests of the ERS and the Fund.
2. Votes involving the issue of share-voting rights will be voted in a manner, which is most in the direction of one share one vote.
3. Where the Board becomes aware of pending proxy issues of particular significance, the Trustees, or their designee, may communicate that information to the responsible investment manager.
4. Managers should be prepared to disclose and discuss their proxy voting decisions, upon request by the Board.
5. Equity managers are required to have proxy voting policies and shall provide the Board with copies of their policies.

DERIVATIVES POLICY STATEMENT

Objectives

This Derivatives Policy Statement is meant to supplement the Statement of Investment Policy. These guidelines identify and allow common derivative investments and strategies, which are consistent with the Statement of Investment Policy. The guidelines also require investment managers to follow certain controls, documentation, and risk management procedures.

Definition and Classification of Derivatives

A derivative is a security or contractual agreement that derives its value from some underlying security, commodity, currency, or index. These guidelines classify derivatives into four separate categories distributed across two classes: derivative contracts and derivative securities:

1. Derivative Contracts
   a. Forward-based derivatives, including forward contracts, futures contracts, swaps, and similar instruments.
   b. Option-based derivatives, including put options, call options, interest rate caps and floors, and similar instruments.
2. Derivative Securities
   a. Collateralized Mortgage Obligations (CMOs).
   b. Structured Notes.

Allowed Use of Derivatives

1. Derivative Contracts
   a. Hedging. To the extent that the non-derivative component of a portfolio is exposed to clearly defined risks and derivative contracts exist which can be used to reduce those risks, the investment managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures, subject to the documentation requirements below.
   b. Creation of Market Exposures. Investment managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class provided the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.
   c. Management of Country and Asset Exposure. Manager's charged with tactically changing the exposure of their portfolio to different countries and/or asset classes are permitted to use derivative contracts for this purpose.
2. Derivative Securities
   a. "Plain Vanilla" CMOs. For the purpose of this policy, we will define a "plain vanilla" CMO as one which can be shown the CMO is less exposed to interest rate and prepayment risk than the underlying collateral.
   b. Other CMOs. CMOs, which are not plain vanilla, are restricted to 5% of a manager's portfolio.
   c. Structured Notes. Structured notes may be used so long as the exposure implied by their payment formula would be allowed if created without use of structured notes.

Prohibited Uses of Derivatives

Any use of derivatives not listed above is prohibited without written approval of the Board. Investment managers are encouraged to solicit such approval if they believe the list above is too restrictive. By way of amplification, it is noted that the following two uses of derivatives are prohibited:

1. Leverage. Derivatives shall not be used to magnify exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used. Any use of leverage is prohibited unless expressly permitted by the Board and specified in the investment manager guidelines (or governing documents of the manager's fund).

2. Unrelated Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

Transaction-Level Risk Control Procedures and Documentation Requirements

For each over-the-counter derivative transaction, except foreign exchange forward contracts, investment managers are required to obtain at least two competitive bids or offers. For small-issue CMOs, it is acceptable to obtain competitive prices on similar securities.

For all derivatives transactions, investment managers should maintain appropriate records to support the derivatives used and employed for allowed strategies. In addition, the following requirements apply to derivative securities:

1. "Plain Vanilla" CMOs. Document the CMO is in fact "plain vanilla", according to the definition in Section 2.a. above.

2. Other CMOs. These CMOs must be stress tested to estimate how their value and duration will change with extreme changes in interest rates. An extreme change is one of at least 300 basis points.

3. Structured Notes. Document that note does not create exposures which would not be allowed if created without derivatives.

Portfolio-Level Risk Control Procedures and Documentation Requirements

1. Counterparty Credit Risk. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings of at least BBB- and Baa3 by S&P and Moody's, respectively (or equivalent rating).

2. Ongoing Monitoring of Risk Exposures. The duration and other risk exposure limits specified in the managers' guidelines are expected to be satisfied on an ongoing basis. Thus, managers must monitor changing risk exposures. Fixed income managers investing in CMOs should pay particular attention to the changing duration of their CMOs, and should anticipate potential

changes in duration at the time CMOs are purchased so that interest rate and prepayment rate changes do not inadvertently move the portfolio out of compliance.

3. Valuation of Holdings. The investment managers and custodian shall provide the Board with their pricing policies including a list of sources used. The Board should be notified of any exception to these policies. The custodian is required to obtain prices independent of the manager, or to notify the Board that independent prices are not available. The investment managers are required to reconcile the valuations of all derivatives positions with the custodian not less than monthly.

4. Quarterly Reporting. Each manager using derivatives shall submit within thirty days of the end of each quarter a report with the following information:

    a. A list of all derivative positions as of quarter-end.

    b. An assessment of how the derivatives positions affect the risk exposures of the total portfolio.

    c. An explanation of any significant pricing discrepancies between the manager and custodian bank.

    d. An explanation of any events of non-compliance.

    e. For managers of commingled funds, a list of derivative positions and assessment of the effect on the risk exposure of the portfolio.

Guidelines for use of Pooled Funds Which Employ Derivatives

Mutual funds and other types of commingled investment vehicles provide, under some circumstances, lower costs and better diversification than can be obtained with separately managed funds pursuing the same investment objectives. However, 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.

Therefore, commingled investment vehicles are exempt from all policies specified above, except 4.e. if:

1. The investment practices of the commingled fund are consistent with the spirit of this derivatives policy.

2. The benefits of using a commingled vehicle rather than a separate account are material.

FAIR CONSIDERATION / PUBLIC INTEREST POLICY

1. It is the policy of the Board that it does not discriminate against minority owned firms in its manager selection process. The Board desires that Staff and the Investment Consultant identify, research and evaluate qualified minority owned managers. The Board also desires that Investment Managers give consideration to such managers and brokers in their efforts to fulfill the Fund's investment objectives, but only in compliance with their respective fiduciary duties to the Funds.

Minority Managers – Criteria

As used in this Investment Policy, a minority manager shall be defined as an investment manager or broker that is U.S. domiciled and is majority-owned by one, or any combination, of the following groups: African American, Asians (including Pacific Islanders), Native American, Hispanic American, women and physically or mentally disabled individuals.

In addition to the requirements above, any qualified Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940. Any Broker must be properly licensed.

Measures to Prevent Discrimination in the Selection Process

The process utilized in the selection of Investment Managers is intended to be a competitive, objective process designed to ensure that the Plan has access to a broad array of quality service providers.

To procure investment management services, the administrator, in conjunction with a consultant, may employ a Request for Proposal ("RFP"). The RFP identifies the services sought, outlines the proposal specifications and selection process, and requests detailed information. The RFP is advertised to ensure that all qualified providers have an opportunity to bid. In addition to the advertisement, the Board's consultant will attempt to identify both minority and majority owned firms that meet the specifications of the mandate and, when appropriate, notify these firms of the outstanding RFP. There may be circumstances in which an RFP is not issued or advertised for an investment mandate. If a search is conducted without the use of an advertised RFP, the consultant will attempt to identify and include minority owned firms that meet the specifications of the mandate within the evaluation process. This is facilitated with the consultant's database which includes minority managers and there is no fee for managers to enter their information.

Following the collection of RFP responses or initial screening, the consultant will review, consolidate and synthesize the appropriate information into a review document. The Investment Monitoring Group ("IMG") will review the information received. The IMG may interview finalists, undertake site visits, contact references, confirm performance or other data, and conduct such additional due diligence as may be prudent under the circumstances. Upon completion of the initial due diligence, the IMG will present its recommendation to the Board for approval and final consideration. The finalist(s) recommended to the Board will present for final selection.

2. It is also the policy of the Board to encourage the participation of emerging managers in its manager selection process. The Board desires that Staff and the Investment Consultant identify, research and evaluate qualified emerging managers. The Board also desires that Investment Managers give consideration to such managers and brokers in their efforts to fulfill the Fund's investment objectives, but only in compliance with their respective fiduciary duties to the Fund. The Board desires that Staff and the Investment Consultant identify research and evaluate qualified emerging managers.

Emerging Managers – Criteria

As used in this Investment Policy, an emerging manager shall be defined as an investment manager or broker that is U.S. domiciled and

- must be registered under the Investment Advisors Act of 1940 or be exempt there from (and will maintain such registration or exemption); any broker must be properly licensed;
- must provide transparency of positions and transactions;
- must provide at least quarterly liquidity;
- must have a three-year historical, performance record verified by at least one consultant or accounting firm in accordance with Global Investment Performance Standards (GIPS);
- must have no more than $3.0 billion of total assets under management when hired.

It is the Board's intention to give such firms consideration in their efforts to fulfill the Fund's investment objective; however, the Board is not obligated to hire any qualified manager on behalf of the Fund if such hiring is inconsistent with its fiduciary duty to the Fund and its stakeholders.

In an effort to ensure the inclusion of qualified emerging managers in the process, the IMG will consider at least one such qualifying firm in its final evaluation process (consisting of an in-person presentation of the firm's capabilities). A qualifying firm will still need to meet the minimum stated criteria established in the search process (e.g. assets under management, track record, etc.). The IMG may recommend the Board grant an exception to the requirement to include one qualified emerging manager in the final evaluation process.

Divestment

From time to time the Board may determine that public policy considerations, including financial and reputational risks, warrant divestment from particular companies or regions. Divestment actions may be taken by the Board and memorialized in a resolution that then becomes a part of this Statement of Investment Policy, unless and until rescinded by subsequent action of the Board.

APPENDIX

The following chart details long-term assumptions used as a proxy for the return and risk expectations for each asset class and the total portfolio. These are provided by Maryland-National Capital Park and Planning Commission's consultant (Wilshire Associates) as of January 2017[1].

Asset Class	Expected Return (%)	Expected Risk (%)
U.S. Equity	6.25	17.00
International Equity (non-U.S)	6.45	18.75
Low Volatility Equity	6.45	13.40
Private Equity	8.75	28.00
U.S. Core Fixed Income	3.55	5.15
High Yield Fixed Income	4.95	10.00
Bank Loans	4.80	6.00
Global Opp. Fixed Income	6.00	9.00
Public Real Assets	4.90	7.40
Private Real Assets	8.15	10.90
Total Fund	**6.60**	**10.80**

The expected returns in the above table reflect market returns only. They do not include any excess return which may be generated through the use of active management within the ERS.

[1] Asset class return and risk assumptions are 'long-term' forecasts that cover at least the next ten years.

APPROVED BY:

The Investment Monitoring Group:	**The Board of Trustees:**
February 20, 2018	Approved May 6, 2014 Amended February 3, 2015 Amended April 4, 2017 Amended March 6, 2018
Date	Date