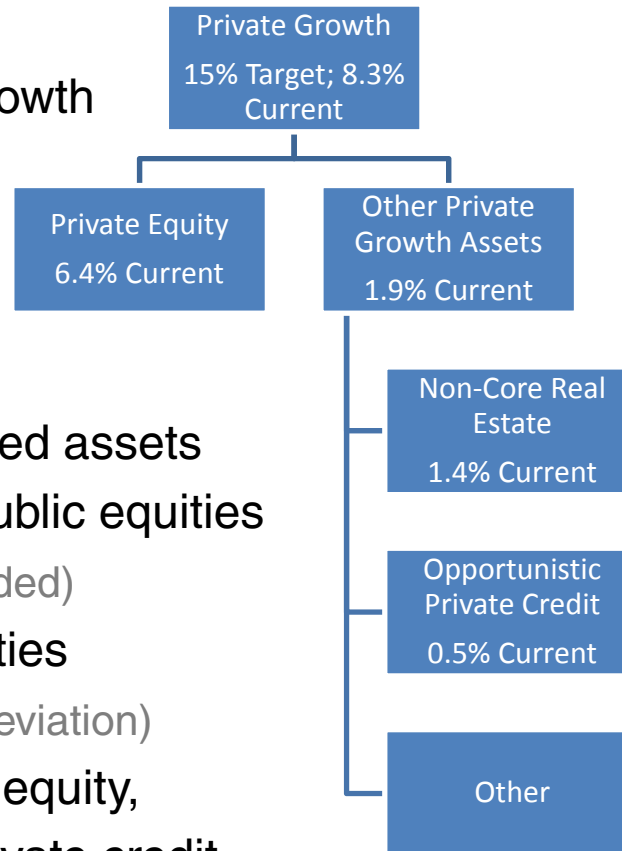


ERSRI New Asset Allocation Policy

Target allocation of 15% to Private Growth



Private Growth are illiquid equity-related assets

Seeking a 2% premium return over public equities

(Return assumption of 9.73% compounded)

Higher expected risk than public equities

(Risk assumption of 24.07% standard deviation)

Major sub-categories include: private equity, non-core real estate, opportunistic private credit

Largest sub-category is private equity

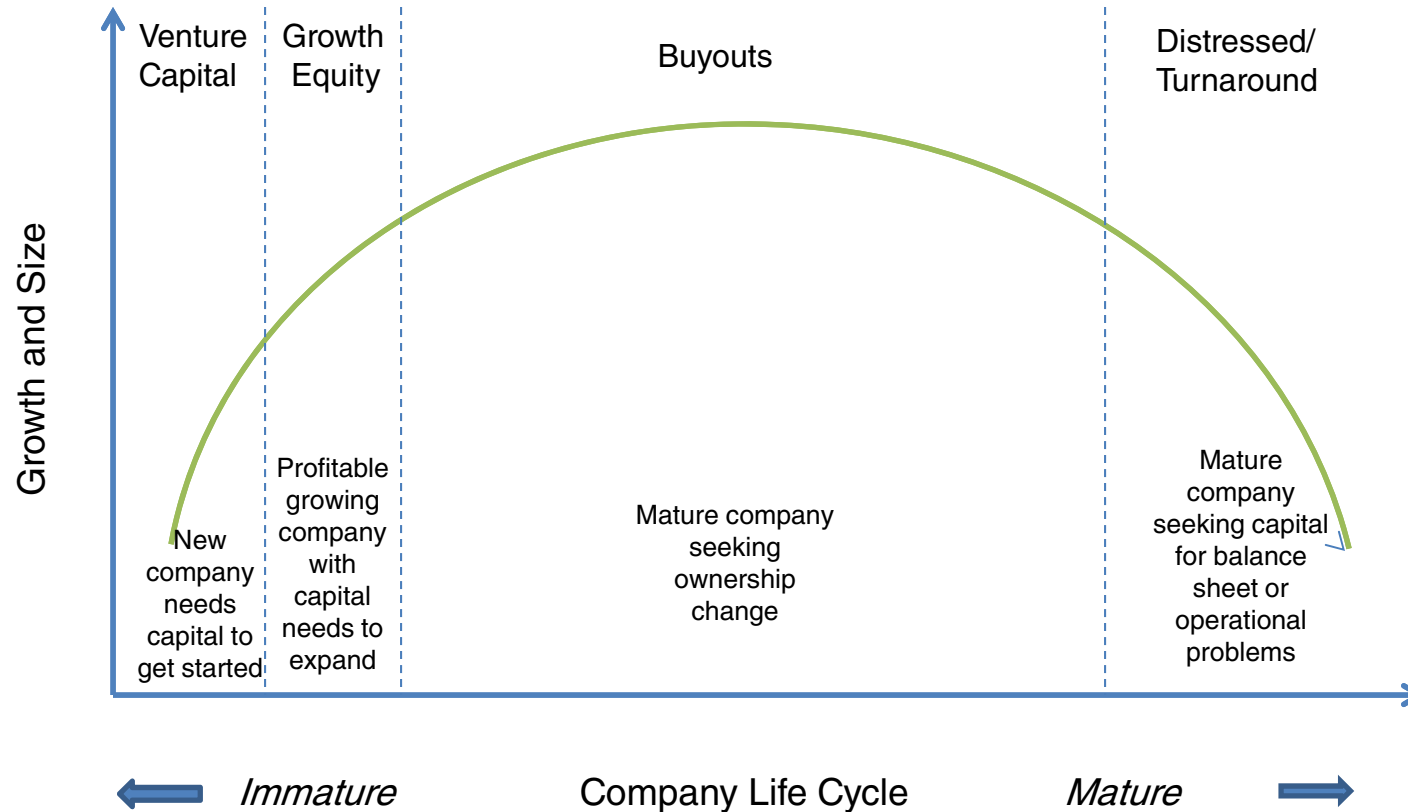
Sector and Strategy Allocations

What is the market?

What is attractive?

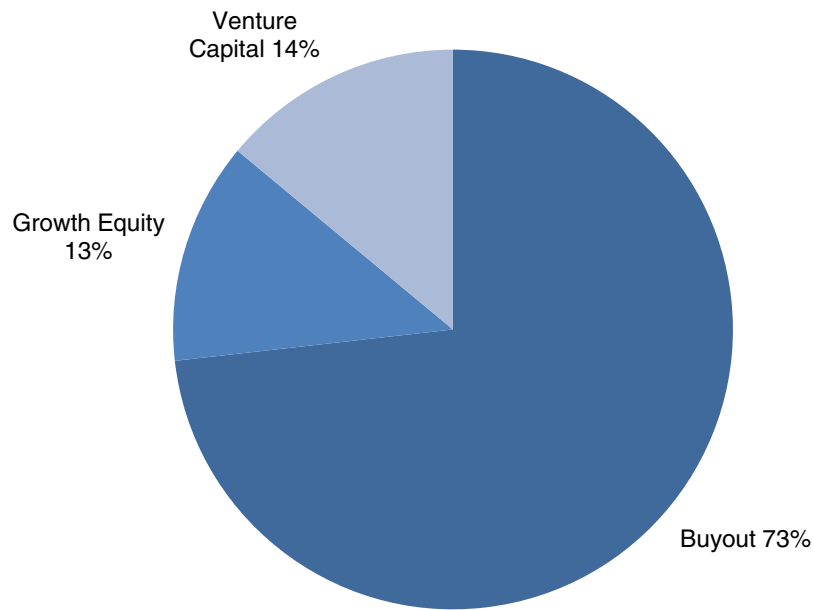
What is doable?

Global Private Equity Market – Strategy Definition

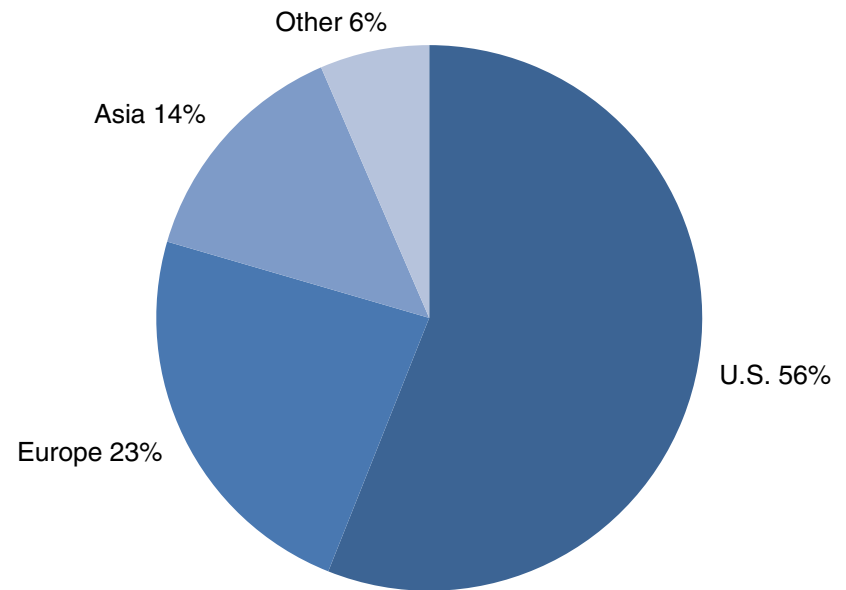


Global Private Equity Market – Size

Market by Strategy

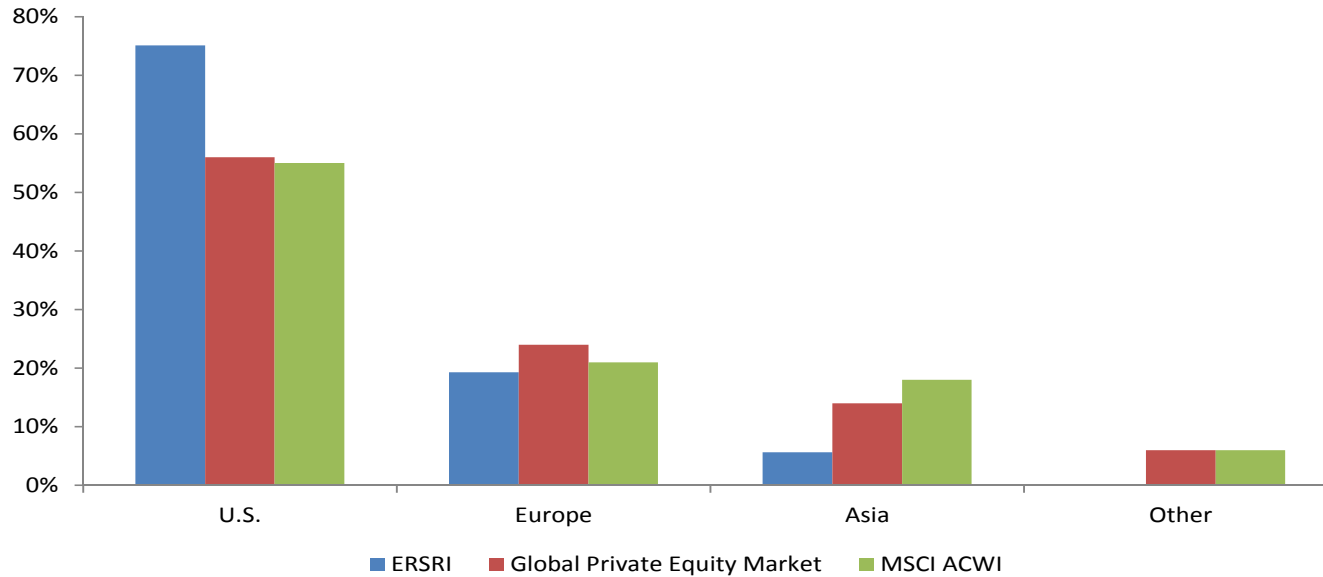


Market by Geography



Defined by cumulative capital raised over last five years (2011-2015)
the global private equity market is \$1.3 trillion in size.

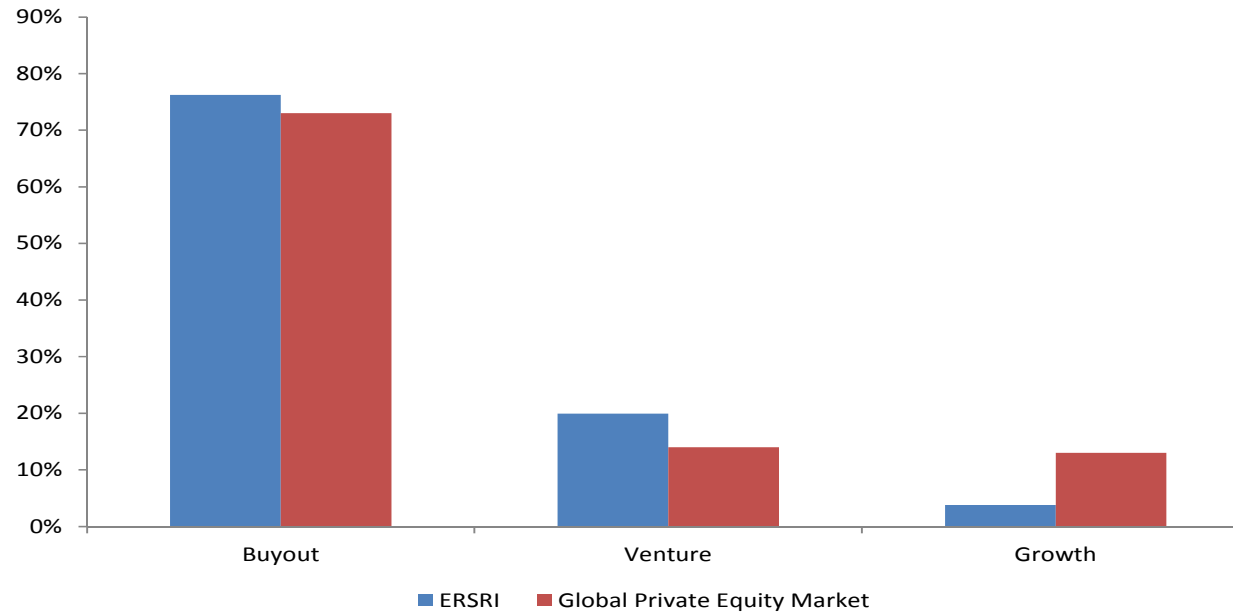
ERSRI Geographic Exposure



| Region | ERSRI | Global Private Equity Market | MSCI ACWI |
|-------------|-------|------------------------------|-----------|
| U.S./Canada | 74% | 56% | 55% |
| Europe | 20% | 23% | 21% |
| Asia | 6% | 14% | 18% |
| Other | 0% | 6% | 6% |

Note: ERSRI geographic exposures are as of 9/30/16 and defined by primary geographic target of each partnership.

ERSRI Strategy Exposure

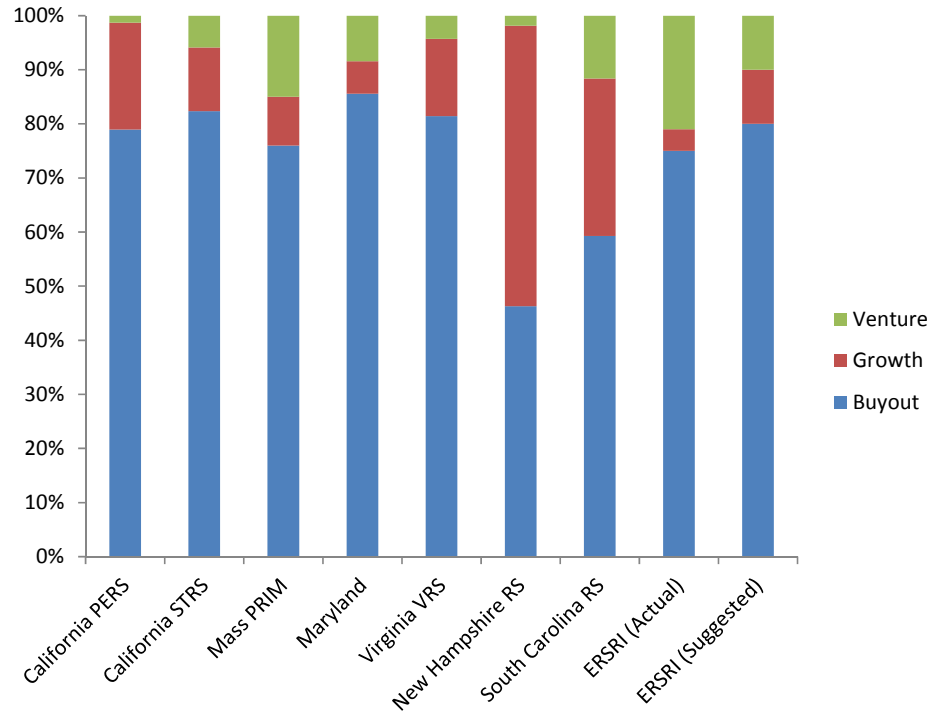


| Region | ERSRI | Global Private Equity Market |
|---------|-------|------------------------------|
| Buyout | 75% | 73% |
| Venture | 21% | 14% |
| Growth | 4% | 13% |

Note: ERSRI currently has a 2% exposure to secondaries. That exposure was allocated buyouts and venture.

Observations from other Public Funds

**Public Pension
Fund Private Equity Strategy Allocations**



Data based on 2015 CAFRs

Few public funds disclose strategy allocations

Includes only buyouts, growth equity, and venture capital

ERSRI's target allocation generally in line with other public funds

Cliffwater Assessment of Sub Strategies

| Strategy | Secular Outlook | Cyclical Outlook | Universe of Top Tier Managers | Investment Risk | Ease of Implementation | Fees |
|------------------|-----------------|------------------|-------------------------------|-----------------|------------------------|----------|
| US Large Buyouts | Moderate | Moderate | Good | Moderate | Good | Moderate |
| US Mid Market | Good | Moderate | Good | Moderate | Good | Moderate |
| US Small Buyouts | Good | Good | Good | High | Weak | High |
| Europe Buyouts | Good | Moderate | Good | Moderate | Good | Moderate |
| Asia Buyouts | Moderate | Moderate | Moderate | High | Weak | Moderate |
| Growth Equity | Good | Moderate | Good | High | Good | Moderate |
| Venture Capital | Good | Moderate | Moderate | High | Weak | High |

Commitment Strategy Considerations

Maintain time diversification (capital budget)

Be opportunistic

Target sectors reflect:

- Differentiation in strategy, risk, and implementation
- Sizable universe of managers and investment opportunity

Add two sectors to reflect secular developments in the market:

- Global buyout strategy for managers who invest across borders and can alter their geographic allocations opportunistically
- Sector focus buyout strategy to reflect the specialization trend in the industry and the value that specialization provides to performance

Target weights reflect:

- Size of the market universe and availability of opportunities
- Cyclical/secular outlook
- Ease of implementation

Recommended Model Portfolio

| Strategy | Current Portfolio | Target Portfolio | Range |
|--------------------------|-------------------|------------------|----------------|
| Total Buyout | <u>74%</u> | <u>80%</u> | <u>60-100%</u> |
| Global Buyout | 3% | 10% | 0%-20% |
| US Buyout | <u>49%</u> | <u>50%</u> | <u>30%-70%</u> |
| Large | 12% | 10% | 5-20% |
| Middle Market | 18% | 13% | 5-30% |
| Small | 11% | 15% | 0-30% |
| Sector Focused | 10% | 12% | 0-20% |
| Europe Buyouts | 17% | 12% | 10-30% |
| Asia Buyouts | 6% | 8% | 0-20% |
| Latin Am Buyouts | 0% | 0% | 0-5% |
| Growth Equity | 4% | 10% | 0-20% |
| Venture Capital | 20% | 10% | 0-20% |
| Other (e.g. secondaries) | 2% | 0% | 0-10% |

Commitment Plan

| Strategy Sector | Exposure | | | | Delta from Target | Commitments 2017-2020 | Projected | | Delta from Target |
|-----------------|--------------------|-------------|-------------|----------|----------------------|--------------------------|----------------------|-------------|----------------------|
| | Current | | Target | Target | | | 2020 YE Exposure | | |
| | \$ Amount | Pct | Pct | Range | | | \$ Amount | Pct | |
| Total Buyout | 565,313,493 | 74% | 80% | 50%-100% | -6% | 840,000,000 | 1,124,715,522 | 80% | 0.2% |
| Global Buyout | 20,587,752 | 3% | 10% | 0-20% | -7% | 130,000,000 | 142,352,651 | 10% | 0.2% |
| US Buyout | 375,858,119 | 49% | 50% | 30%-70% | -1% | 510,000,000 | 697,929,060 | 50% | -0.2% |
| Large | 87,958,115 | 12% | 10% | 5-20% | 2% | 90,000,000 | 133,979,058 | 10% | -0.4% |
| Middle Market | 134,021,138 | 18% | 13% | 5-30% | 5% | 120,000,000 | 187,010,569 | 13% | 0.3% |
| Small | 79,997,327 | 11% | 15% | 5-30% | -4% | 170,000,000 | 209,998,664 | 15% | 0.0% |
| Sector Focused | 73,881,539 | 10% | 12% | 0-20% | -2% | 130,000,000 | 166,940,770 | 12% | -0.1% |
| Europe Buyout | 125,974,904 | 17% | 12% | 10-30% | 5% | 110,000,000 | 172,987,452 | 12% | 0.3% |
| Asia Buyout | 42,892,718 | 6% | 8% | 0-20% | -2% | 90,000,000 | 111,446,359 | 8% | -0.1% |
| Latin Am Buyout | - | 0% | 0% | 0-5% | 0% | - | - | 0% | 0.0% |
| Growth Equity | 28,977,710 | 4% | 10% | 0-20% | -6% | 120,000,000 | 134,488,855 | 10% | -0.4% |
| Venture Capital | 151,711,974 | 20% | 10% | 0-20% | 10% | 60,000,000 | 135,855,987 | 10% | -0.3% |
| Other | 14,702,874 | 2% | 0% | 0-10% | 2% | - | 7,351,437 | 1% | 0.5% |
| Total | 760,706,051 | 100% | 100% | | 0% | 1,020,000,000 | 1,402,411,801 | 100% | 0.0% |

Commitment plan assumes private equity at 75% of Private Growth (25% non-core real estate/opportunistic private credit)

Notes: Exposure equals market value plus undrawn commitments; data as of 12/31/16 estimated

Private Equity Investment Policy Statement Considerations

Items to include in Private Equity IPS:

- *Strategic objective:* maximize risk-adjusted rates of return and enhance the equity return of the portfolio
- *Included strategies:* buyouts, growth equity, venture capital, special situations
- *Implementation approach:* commingled funds and customized managed accounts
- *Risk considerations:*
 - Time diversification
 - Include broad strategy allocations: buyouts, growth equity, venture capital, special situations
 - Broad geographic allocation ranges: North America, Europe, Asia, Latin America, Other
 - Industry diversification
 - Manager and fund concentration
- *Benchmark*

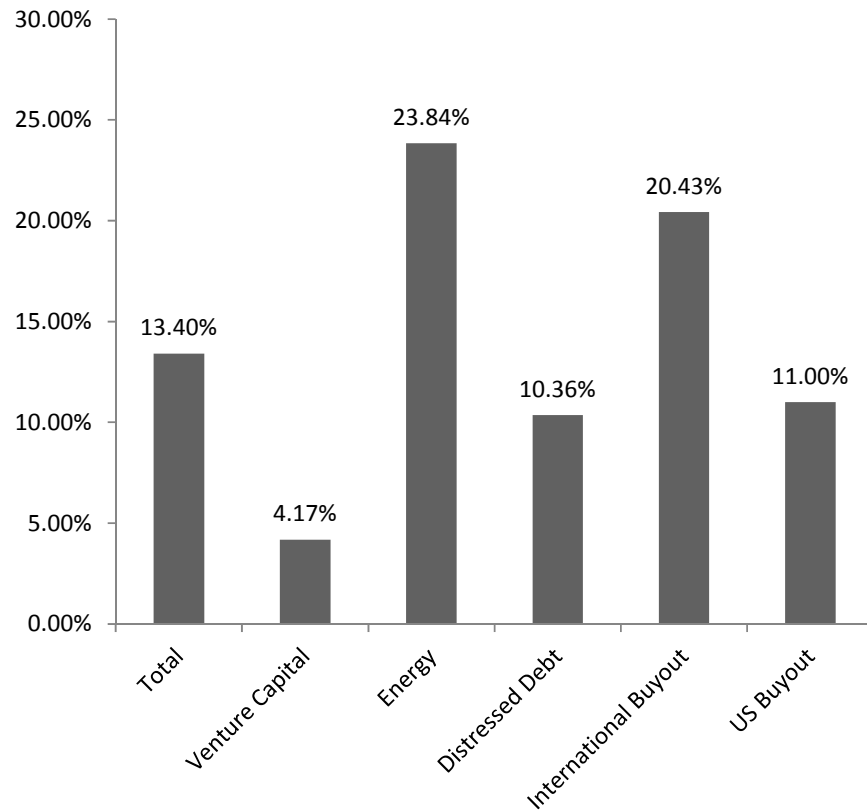
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Appendix

Performance by Strategy Sector and Vintage Years*

Performance by Strategy Sector

Since inception annualized internal rate of returns net of fees



Performance by Year versus Private Equity Universe**

Since inception annualized returns net of fees

| | Vintage Year | ERSRI PE Portfolio | Universe Median Return |
|----------------------|--------------|--------------------|------------------------|
| Superior Performance | 1998 | 10.86% | 8.18% |
| | 1999 | 9.97% | 0.22% |
| | 2000 | 14.74% | 3.03% |
| | 2001 | 31.61% | 9.51% |
| | 2002 | 17.71% | 10.30% |
| | 2003 | 14.26% | 10.02% |
| Under Performance | 2004 | 11.30% | 8.01% |
| | 2005 | 8.09% | 7.20% |
| | 2006 | 5.29% | 7.50% |
| | 2007 | 9.90% | 9.47% |
| No investments | 2008 | 7.17% | 8.69% |
| | 2009 | | 12.24% |
| | 2010 | | 12.66% |
| Recent investments | 2011 | 5.37% | 11.02% |
| | 2012 | 14.62% | 11.53% |
| | 2013 | 9.90% | 8.51% |
| | 2014 | 14.61% | 7.69% |

* Performance as of September 30, 2016

** Cambridge Global Private Equity/Venture Capital Universe

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