

Cash Portfolio IPS

The purpose of the Cash Portfolio is to effectively manage the total ERSRI cash holdings to meet the pension system's obligations – monthly benefit payments, private investment capital calls and other cash needs – while earning a stable cash market return.

The portfolio seeks to obtain a level of current income while prioritizing the preservation of principal and liquidity. The cash portfolio may seek to earn modestly superior risk-adjusted return relative to the benchmark primarily by taking modest duration and credit exposures consistent with the account guidelines.

Investments to be included in the Cash Portfolio include high quality U.S. dollar-denominated money market and fixed income securities of domestic and foreign issuers, U.S. Government securities, and repurchase agreements.

Eligible investments include;

- i. Obligations of the U.S. Government and foreign governments and their agencies or instrumentalities;
- ii. Supranational and other quasi-governmental organizations' debt obligations;
- iii. Obligations of banks and other financial services companies (including Yankee and Euro certificates of deposit, commercial paper, time deposits and bankers' acceptances);
- iv. Short-term corporate obligations, including commercial paper, notes, and bonds;
- v. Mortgage-backed securities and Asset-backed securities;
- vi. Overnight and term repurchase agreements and reverse repurchase agreements;
- vii. Municipal securities;
- viii. Variable and floating rate securities are permitted.
- ix. U.S. Treasury Separate Trading of Registered and Principal Securities ("STRIPS");
- x. Callable securities.

Credit Quality Guidelines

- Minimum Average Portfolio Quality: AA-
- Minimum Quality of any security at time of purchase: Investment Grade
- Minimum Quality of Short-Term issues: A2/P2
- No more than 15% of the portfolio will be invested in securities rated BBB or A2/P2.

Maturity and Concentration Guidelines

- i. The Cash Portfolio's assets will be managed to maintain a dollar-weighted average portfolio duration of 1-year or less.
- ii. The Investment Advisor will purchase only instruments with a remaining maturity of 3.08 years or less
- iii. MBS + ABS limited to 10% of portfolio
- iv. At the time of purchase, no more than 2% of the Portfolio's total assets will be invested in securities of any single issuer except that there is no limitation on the percentage of assets that may be invested in securities of the U.S. Government, its agencies or instrumentalities. Each repurchase agreement counterparty will be limited to 10% of the portfolio.
- v. No more than 25% of the total assets of the Portfolio may be invested in any one industry; except there is no limitation on the percentage of assets that may be invested in the financial services industry.
- vi. For securities that trade based on their weighted average maturity, the weighted average maturity will be used instead of the final maturity date for maturity and duration guideline purposes. For securities that have coupon reset dates and a weighted average life, the coupon reset date will be treated as the weighted average life for maturity guideline purposes. For securities that have coupon reset dates, the coupon reset date will be used for duration guideline purposes.

Risk that may impact the Cash Portfolio include:

- Interest Rate Risk
- Credit Risk

The benchmark for the Cash Portfolio will be the Bank of America Merrill Lynch 0-1 Year US Treasury Index.

It is accepted that the portfolio may produce negative monthly returns at times, particularly during periods of sharply rising interest rates or fixed income credit quality deterioration.

SIC Investment Philosophy – Cash Portfolio

- The SIC expects that the Cash Portfolio will produce stable returns that approximate the portfolio benchmark.
- The Cash Portfolio will play the following role for the total portfolio:
 - Liquidity

- Active management is permitted to the extent that liquidity and preservation of capital remain paramount.
 - The Manager is expected to control risk relative to the benchmark through adherence to the portfolio guidelines.

As of December 31, 2016, the strategic policy allocation to the Cash Portfolio is 3%.

Approved by RI SIC: _____