EMPLOYEES' RETIREMENT FUND

INTERNATIONAL AND GLOBAL EQUITY ASSET CLASS INVESTMENT POLICY

I. Purpose

To establish the investment policy and objectives for the international and global equity segments of the Employees' Retirement Fund of the City of Dallas (revised 6/11) ("the "Fund"). This policy in conjunction with the General Investment Policy (revised 6/11) allows for sufficient flexibility in the management process to capture investment opportunities, yet provide parameters that will ensure prudence and care in the execution of the international and global equity investment program.

The international and global equity segments are to be managed to:

a. enhance the Fund's total return and increase the Fund's assets through the exploitation of opportunities in both the non-dollar developed and emerging markets,

b. ensure protection of longer-term liabilities through equity investments, rather than less volatile fixed income investments which are better suited to protect shorter term liabilities.

c. provide diversification to the Fund's overall investment program and reduce risk through diversifying the equity asset investments. International and global equities display low correlation relative to other asset classes. Although international and global equities have a higher volatility than their US counterparts, they do display a low correlation to each other. Emerging markets display even higher volatility, but have a low correlation to both developed non-US markets and US stocks. By including both international and global developed and emerging markets equities in an investment portfolio, the Fund can boost its investment return while lowering the overall portfolio risk.

d. moderate the level of risk in the total equity portfolio by incorporating a strategic allocation to portfolios with an explicit low volatility objective relative to the broader global equity market. Low volatility strategies will generally have a higher allocation to sectors such as utilities, healthcare, and consumer staples which exhibit more stable fundamental characteristics and lower price variation (added 9/14).

II. Strategic Objectives

A. Primary Objective

To achieve the highest return possible consistent with the Board's desire (1) to control asset volatility and covariance risk with assumed liabilities, (2) to emphasize opportunities to add value through active management, and (3) to reduce the home country bias.

B. Secondary Objectives

1. The Fund's international and global equity investments are to achieve a rate of return that exceeds the rate of return of the Morgan Stanley Capital International All Country World ex. US Investable Market Index (IMI) (revised 6/11), and the Morgan Stanley Capital International All Country World Index respectively or other comparable (revised 6/11) indexes. Each individual manager will be tasked with a net of fees performance target in their guidelines.

2. Collectively, international and global equity investments are expected to exceed the actuarial assumed rate of interest.

III. Investment Approach

The investment approach shall be to identify equity opportunities across countries and industry sectors of developed markets and to invest opportunistically in emerging markets. The Fund shall also have exposure to small capitalization non-dollar equities.

The international and global equity managers will manage risk by
a. lowering stock-specific risk through issue diversification
b. diversifying the portfolio across markets
c. diversifying the portfolio across industries
d. judiciously using derivatives when permitted (revised 7/99)

The use of derivatives is prohibited unless specifically authorized in a manager's individual guidelines. Managers shall only be authorized to use derivatives if they can present a written detailed derivatives investment policy that addresses at a minimum the standard of care, the back office and accounting, valuation and reconciliation procedures, monitoring procedures and permitted uses and circumstances. Further, managers shall specifically demonstrate an understanding of and processes to manage: market, credit, liquidity, cash flow, basis, legal, settlement, operational, and other pertinent risks associated with the use of derivatives.

The strategic objectives of the use of derivatives are to facilitate risk management and to manage the cost of investing in publicly-traded stocks and bonds. Of the four basic strategies that can be achieved through the use of derivatives, only

substitution and risk control are permitted. Arbitrage and speculation are never permitted to be used as a strategy. Any derivative transaction that results in the leveraging of the portfolio is strictly prohibited.

Derivatives can be divided into seven classes. Permitted instruments include: futures contracts; options on futures; warrants; options; currency forward contracts; swaps; and structured notes (revised 12/16)., ~~Derivatives can be divided into seven classes. Two of these classes, options on futures and warrants, are prohibited investments except warrants that are attached to securities purchased. The other five classes: futures contracts, options, currency forward contracts, swaps, and structured notes, are permitted when the manager is authorized to invest in and holds investments in the underlying cash market instrument.~~

The listing requirements for permitted derivatives are that they must be either exchange traded or traded over-the-counter.

Over-the-counter traded derivatives are subject to counter-party risk. Managers shall prepare, maintain, and review a detailed counter-party credit policy for non-exchange traded derivatives that outlines a standard of care in selecting appropriate counter-parties. Counter-party requirements are as follows:

a. counter-party creditworthiness shall be equivalent to "investment grade" of "A3" as defined by Moody's Investor Services or "A-" by Standard and Poor's. The use of counter-parties holding a split rating with one of the ratings below A3/A- is prohibited. Managers shall notify the Executive Director if a counter-party is downgraded below A3/A- while an instrument held in the portfolio is outstanding with that counter-party. The use of unrated counter-parties is prohibited unless that counter-party has a written unconditional guarantee from a rated counter-party. The rated counter-party must meet the requirements listed above~~.~~ (revised 01/07)~~.~~.

b. For non-exchange traded derivatives, individual counter-party exposure, including the Fund's master custodial bank, is limited to 33% of the notional amount of the derivative exposure of the portfolio being managed for the Fund.

c. Any entity acting as a counter-party shall be regulated in either the United States or the United Kingdom.

~~d.~~ The manager shall, where applicable and enforceable, use master agreements permitting the netting of counter-party exposures to minimize credit risk.

d.

e.

f. Managers are prohibited from "name washing" where credit guarantees extend through to another party or parties, regardless of which party holds a higher rating.

The Board may at its discretion in terms of time and content request reports from the manager on the use of derivatives in the Fund's portfolio **(revised 7/99).**

IV. Investment Process

General Strategies

1. The international and global equity assets are to be managed across regions and market capitalizations (revised 6/11) in both developed and emerging markets to add value principally through country selection and stock selection.

2. Exposure to emerging markets will be limited and controlled by individual investment manager guidelines, and they will be used to add value to developed market portfolios.

V. Investment Implementation

A. External Management

The Fund shall retain qualified registered money managers (or those which are exempt from registration, i.e. banks or insurance companies) in sufficient number to diversify manager risk, being careful not to over-diversify and thereby increase cost.

B. Qualifications

The selected managers must have demonstrated expertise in all areas of international equity investments with espoused investment approaches consistent with this policy. Selected managers must adhere to a set of guidelines which outline the strategic role their firm is to fulfill.

Attest:

By: _____ Date: _____
Employees' Retirement Fund of the City of Dallas
Chair

By: _____ Date: _____

Employees' Retirement Fund of the City of Dallas
Executive Director

Date last revised: ~~June 14, 2011~~December 13, 2016 ~~September 9, 2014~~