

Investment Compliance Annual Report

January 1 - December 31, 2023







ERS Investment Compliance Program is responsible to monitor and detect issues of non-compliance with the ERS Investment Policy Statement and Investment Implementation Plan. Daily, monthly and quarterly procedures are performed to monitor investment activity compliance and ensure ethics compliance for investment related personnel. Quarterly compliance reports are submitted to the ERS Board of Trustees to aid in overseeing ERS investments. For further information on compliance areas covered under the Investment Compliance Program see *Appendix A*.

This annual report is a compilation of Board quarterly reports and Investment Compliance for January 1, 2023 - December 31, 2023. No significant issues were identified that required investigation or response from ERS Investment Division management.





Investment Compliance

Compliance Area	Function	Description	Compliance Rating
Portfolio Compliance	Diversification	Compliance with asset class diversification guidelines	
	Active Risk	Compliance with Active Risk Budgets (tracking error limits)	
	Alternative Investment	Compliance with individual asset class diversification guidelines and conflict of interest reporting requirements.	
Regulatory	Scrutinized Investments	State and Federal scrutinized investments properly identified and	
Other Programs	Proxy Voting	All votes cast and in accordance with ERS Proxy Voting Guidelines.	
	Securities Lending	Loaned securities properly collateralized and within set cap limits	

 Significant Compliance Risk	 Moderate Compliance Risk	 Low Compliance Risk	 No exceptions
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Ethics Compliance—Investment Related Persons

Compliance Area	Function	Description	Compliance Rating
Ethics Compliance	Misuse of Information - Front Running/Insider Trading	All employees must obtain pre-approval to trade individual securities for personal trading.	
	Conflict of Interest - Outside Relationships	All outside relationships (employment, board participation) are reported to determine any conflict of interest with ERS investments.	
	Conflict of Interest - Gifts	All gifts received by Investments staff are reported to determine acceptability based on value.	
	Standards of Conduct	Quarterly/Annual affirmations are completed to ensure there is an understanding as to ethical requirements related to responsibilities including update/reporting any required information including outside business/organization relationships and necessary brokerage accounts.	

 Significant Compliance Risk	 Moderate Compliance Risk	 Low Compliance Risk	 No exceptions
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Ethics Compliance Requirements by Position

	122 Employees	6 Trustees	7 IAC
Annual Affirmation of compliance	✓	✓	✓
Quarterly Affirmation of compliance	✓		
Personal trade monitoring (Investments staff only)	✓		
Outside Business affiliation disclosure	✓	✓	✓

Appendix A—Investment Compliance Background

Portfolio Diversification	<p>Diversification allows for appropriate management of investment risk. The ERS Investment Policy Statement and Investment Implementation Plan establishes diversification guidelines related to the following areas:</p> <ul style="list-style-type: none"> • Asset class allocation (Trust level) • Strategy allocation (asset class level) • Geographic (asset class level) • Individual investment/partner limits (Trust and asset class level)
Active Risk	<p>Active risk refers to the amount of risk in the portfolio that is attributable to Investment staff decisions and is measured by tracking error. The ERS Investment Policy Statement and Investment Implementation Plan establishes tracking error guidelines relative to established benchmarks for all public asset classes.</p>
Scrutinized Investments	<p>ERS monitors investments that have been identified as “Scrutinized Investments” in accordance with state and/or federal law. For scrutinized investments currently held, Investments staff evaluate if divestment is consistent with its fiduciary duties to the Trust. The list of scrutinized companies is periodically provided by State and Federal agencies related to the following:</p> <ul style="list-style-type: none"> • Companies that Boycott Energy Companies • Companies that Boycott Israel • Companies with business operations in Iran/Sudan • Chinese military companies
Security Lending	<p>Securities lending involves the lending of securities by one party to another party facilitated by a brokerage firm (securities lending agent). The securities agent is required to meet state regulations and implement the program in accordance with written guidelines. The primary objective of the ERS securities lending program is to capture the intrinsic value of a securities lending program while minimizing risk.</p>
Proxy Voting	<p>The right to vote proxies for securities held by ERS has economic value. In voting proxies, ERS considers only those factors that relate to the economic value of ERS’ investment, and such votes should be cast in accordance with ERS’ economic best interest as specified in ERS Proxy Voting Guidelines. ERS utilizes an independent proxy advisory service to vote on behalf of ERS according to its guidelines.</p>
Personal Trading	<p>Employee trades are monitored by ERS for Investments staff to prevent front running and insider trading. Personal trading is monitored through disclosure of personal brokerage accounts and all trading activity within those accounts.</p>
Conflict of Interest	<p>Outside business associations are required to be disclosed and reviewed for possible conflicts of interest for Employees, Trustees and Investment Advisory Committee Members.</p>
Affirmations	<p>All Covered Persons are required to periodically affirm their understanding of and commitment to the ERS Ethics Policies related to investment activities.</p>