



STATE OF NEW MEXICO
Educational Retirement Board

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REQUEST FOR PROPOSAL
ACTIVE EMERGING MARKETS EQUITY INVESTMENT MANAGEMENT SERVICES

RFP #2015-07-01 (INV)

July 30, 2014

Notice: New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

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PART 1

PURPOSE AND SCOPE OF SERVICES

A. PURPOSE

1. The State of New Mexico Educational Retirement Board (“NMERB”) is issuing this Request for Proposal (“RFP”) to hire one investment management firm (“Manager” or “Offeror”) to provide investment management services for an active Emerging Markets Equity mandate. NMERB seeks proposals from Offerors that actively manage a portfolio of equities against the MSCI Emerging Markets Index (Net of Dividends) and derive a portion of their value-add from top down allocation decisions (i.e., country allocation decisions). The expected total mandate is approximately four hundred million dollars (\$400,000,000). The Manager’s performance objective will be to produce an annualized return (net of all management fees) that exceeds the MSCI Emerging Markets Index (Net of Dividends) over a full market cycle.
2. Such services shall conform to NMERB’s investment rules, Investment Policy Statement, and statutory investment requirements as they may be amended from time to time. NMERB’s current Investment Policy Statement (see Appendix E, pages 48-74), NMERB’s Amended and Restated Policy Regarding Placement Agent Disclosures (Appendix E, pages 75-84), NMERB’s Campaign Contributions Disclosure Form (Appendix E, pages 85-88), the NMERB Investment Policies and Practices (2 NMAC 82.8, Appendix E, pages 89-93) and the Investment Statutes (UPIA-NMSA 1978, Section 45-7-601 through 612 and NMSA 1978 Section 22-11-13, Appendix E, pages 94-99) are attached to this RFP.

B. SCOPE OF SERVICES

The Manager will be required to provide the following scope of services to NMERB:

1. Invest allocated funds in conformity with the investment policy and guidelines of NMERB as defined in the contract established between NMERB and the Manager.
2. Provide periodic reports and information relating to the Manager’s investment strategy and other information pertaining to the investment of NMERB’s funds as requested by NMERB. Provide monthly reports on portfolio appraisals, performance evaluation and attribution, and trading activities.
3. Maintain a good working relationship with NMERB staff and its consultant by providing timely information regarding material changes in the firm’s organizational structure, staffing, investment philosophies, and any other information NMERB staff may require in evaluating the performance of the portfolio.

The scope of services defined in the final contract between NMERB and the Manager will be binding and will supersede this section of the RFP if different from the scope of services defined here.

PART 2

ADMINISTRATIVE INFORMATION

A. INSTRUCTIONS FOR SUBMITTING PROPOSALS

1. Managers responding to this RFP must provide answers to the questions posed in Appendix C of this RFP. All proposals must be complete in every respect and must answer concisely and clearly all questions posed by the RFP. NMERB will not accept late proposals, which will be returned unopened to the Manager.
2. Offerors shall submit proposals with a cover letter stating that the **Manager meets each and all of the minimum requirements listed in Appendix A of this RFP** and that the Manager is able and willing to provide the type and level of services required to fulfill the mandate proposed in this RFP as noted in Part 1.B on page 3 of this RFP. An officer of the Offeror or a designated agent empowered to bind the Offeror in a contract shall sign the cover letter and the offer made by the proposal and any clarifications to that proposal. The Offeror must also identify in the cover letter any sections of the proposal that they consider confidential. (See Part 2.C on page 5 of this RFP - Disclosure of Proposal Content.)
3. Offerors must complete and sign the responses required by the NMERB's Amended and Restated Policy Regarding Placement Agent Disclosures (Appendix E, pages 75-84) and NMERB's Campaign Contributions Disclosure Form (Appendix E, pages 85-88).
4. Proposal answers should follow the order of questions in Appendix C of this RFP. In response to each question asked in Appendix C, restate the question (denoted by a number or a letter) in bold font followed by your answers stated in regular font. Responses should be thorough and answer the specific question asked (including the issues addressed in the bullet points following a question). A Microsoft Word compatible version of Appendix C is available upon request to Matthew Brady at NEPC at mbrady@nepc.com.
5. Offeror must clearly reference supporting material to the appropriate question. Please do not use information and materials which are strictly promotional in nature. The submission of such material may cause the disqualification of the proposal.
6. Verbal communication with NMERB staff during the selection process is greatly discouraged. Written requests for clarification of questions or terms contained in the RFP should be directed to Matthew Brady at NEPC at mbrady@nepc.com on or

before 3 p.m. EST, August 8, 2014. In all cases, verbal communications will not override written communications.

7. **Proposals must be received at the NEPC Office no later than 3:00 p.m. EST, September 5, 2014.**
8. Offerors must submit one (1) complete paper copy to NEPC, LLC (“NEPC”) and one (1) complete paper copy of the proposal to NMERB, at the following addresses:

Original to:

NEPC, LLC
255 State Street
Boston, MA 02109
Attn: Matthew Brady

One copy to:

State of New Mexico Educational Retirement Board
701 Camino de los Marquez
Santa Fe, NM 87505-1826
Attn: Investments

In addition, the Offeror must e-mail a complete electronic version of its proposal to Matthew Brady at NEPC at mbrady@nepc.com and to NMERB at NMERB.Investments@state.nm.us. Please submit documents in Word format, single-spaced with 1” page margins. Font should be 11 point, preferably Times New Roman. Data should be submitted in Excel. Please do not send zipped files.

B. **REJECTION OF PROPOSALS**

1. Offerors responding to this RFP must restrict their proposal to the structure specified in this RFP. Alternate or substitute structures will be rejected.
2. NMERB reserves the right to reject any or all proposals in whole or in part received by this request due to noncompliance with the requirements of this RFP or for any other reason. NMERB will not pay for any information requested in this RFP, nor is it liable for any costs incurred by the submitting Offerors.
3. After evaluation of the proposals, selection, and approval by NMERB, all Offerors will be notified of the successful Manager.
4. NMERB reserves the right to not hire or to defer the hiring of a Manager for these management services.

C. **DISCLOSURE OF PROPOSAL CONTENT**

The laws of New Mexico require that at the conclusion of the selection process the contents of all proposals be placed in the public domain and be open to inspection by interested parties. Trade secrets or proprietary information that are recognized as such and protected by law may be withheld but only if designation of such sections is stated in the proposing Offeror’s cover letter and confidential information is **clearly identified** as such on each of the applicable pages within the body of the proposal.

Any proposal submitted which contains confidential information must be conspicuously marked on the outside as containing confidential information and each page upon which confidential information appears must be conspicuously marked as containing confidential information. Identification of the entire proposal as confidential may be deemed non-responsive and disqualify the Offeror.

If the Offeror designates any portion of the RFP as confidential, the Offeror must submit one “excised copy” of the proposal to both NMERB and NEPC from which the confidential information has been excised. This excised copy is in addition to the number of copies requested in Part 2.A.8 of this RFP. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the proposal as possible.

The Offeror’s failure to request confidential treatment of material will be deemed by NMERB as a waiver of any right to confidentiality that the Offeror may have had.

D. PROPOSAL OBLIGATIONS

The contents of the proposal and any clarifications thereto submitted by the successful Manager shall become part of the contractual obligation and will be incorporated by reference into the ensuing contract.

E. DISPOSITION OF PROPOSALS

All proposals become the property of NMERB and will not be returned to the Offeror. Late proposals will be returned to the Offeror unopened.

F. GRATUITIES

1. The laws of New Mexico provide that it is a felony to offer or promise to give anything of value or benefit to a state employee with the intent to influence that employee's duties. Evidence of violations of this statute will be turned over to the proper prosecuting attorney.
2. NMERB provides reimbursement for transportation, lodging, meals, and miscellaneous expenses for its employees.

G. NEW MEXICO STATUTES AND RULES

The terms and conditions of this RFP and the resulting contract shall be construed in accordance with the laws of New Mexico. Whenever differences exist between federal and state statutes or regulations affecting this procurement, interpretation shall be in the direction of that which is most beneficial to the interests of the State of New Mexico.

H. SIGNATURE OF OFFEROR'S AGENT

The offer made by the proposal and any clarifications to that proposal shall be signed by an officer of the Offeror or a designated agent empowered to bind the Offeror in a contract.

I. NMERB CONTRACT SIGNATORY

The NMERB Executive Director or Deputy Director are authorized to sign the contract.

J. AWARD OF MANDATE

NMERB reserves the right to award this contract to the Manager which will provide the best match to the requirements of the RFP and not necessarily to the Manager with the lowest fee or cost proposal. The successful Manager will be determined in accordance with the evaluation criteria defined by NMERB.

K. EVALUATION OF PROPOSALS

An Evaluation Committee will meet to evaluate and score the proposals. The Evaluation Committee will conduct finalist interviews and may conduct office visits with some candidate Managers. Determination of whether to conduct interviews and which Managers to interview is at the sole discretion of the Evaluation Committee. The NMERB Investment Committee may select a Manager without an interview upon recommendation of the Evaluation Committee.

L. EVALUATION CRITERIA

The Evaluation Committee will use the following criteria to evaluate the proposals:

I.	The Offeror's organization, experience, and staff qualifications	30%
II.	The Offeror's investment style and process	30%
III.	The Offeror's subject product history and investment performance	20%
IV.	The Offeror's resources	10%
V.	The Offeror's fee proposal	10%

PART 3

CONTRACTUAL REQUIREMENTS

The contract between NMERB and the successful Offeror shall contain substantially the same terms and conditions in the sample contract attached to this RFP at Appendix E, Sample ERB Investment Management Services Contract with NMERB Investment Policies, Rules & Statutes. The contract shall incorporate a fee schedule in the form prescribed by Appendix C, page 25, Fee Proposal Form. The contract shall also incorporate the warranties that appear at Appendix D,

page 27. Copies of NMERB's current Investment Policy (see Appendix E, pages 48-74) and the NMERB Investment Policies and Practices (2 NMAC 82.8, Appendix E, pages 89-93) and Investment Statutes (UPIA-NMSA 1978, Section 45-7-601 through 612 and NMSA 1978 Section 22-11-13, Appendix E, pages 94-99) shall be attached to the contract. While Offerors may suggest additional contractual terms and conditions, NMERB will not accept any terms and conditions that change the terms and conditions set forth by NMERB in the sample contract attached hereto at Appendix E. Any additional terms and conditions that NMERB may, at NMERB's sole discretion, accept will be incorporated into any final contract.

Pursuant to the terms of NMERB's investment management policy, the contract between NMERB and the successful Offeror shall incorporate Investment and Operational Guidelines that set the investment guidelines and administrative requirements for the active Emerging Markets Equity mandate to be managed by the Manager. The final form of Investment Manager Guidelines will also incorporate the investment approach, process, benchmark and portfolio characteristics that are acceptable to NMERB as applicable to the subject product proposed by the Offeror.

The initial term of the contract shall be for four years and is intended to commence on or about December 1, 2014. However, that the parties may agree to extend the term of the contract pursuant to the ERB Procurement Policy upon the same terms and conditions in effect at the time of the extension.

NMERB may, in its sole discretion, conduct discussions or negotiations with Offerors in accordance with the requirements of the NMERB's Investment Services Procurement Policy. It should be clearly understood, however, that NMERB reserves the right to accept proposals and make contract awards without conducting such discussions or negotiations. Furthermore, as a condition of submitting a proposal, all Offerors shall agree to provide the services required by this RFP and to adhere to all the requirements, specifications, terms, and conditions of this RFP. For these reasons, NMERB strongly recommends that Offerors review the RFP with their corporate counsel in advance of submitting a proposal. (Also see Part 5 - Form of Proposals and the Signature Page located in Appendix B.)

If NMERB elects to conduct discussions or negotiations with Offerors, NMERB may establish a common date for submissions of best and final fee offers, if appropriate. Offerors shall bear any and all costs incurred by them in the conduct of any discussions or negotiations, including travel to New Mexico for oral presentations or their costs associated with due diligence visits made by members of the RFP Evaluation Committee. Any additional terms and conditions which may be the subject of negotiation will be discussed only between NMERB and the Offeror who suggests them and shall not be deemed an opportunity to amend the Offeror's proposal in any other respect.

PART 4

TIMETABLE FOR THE PROCUREMENT

SCHEDULE OF EVENTS (all subject to change at discretion of NMERB):

1. **July 30, 2014** - RFP IS ISSUED
2. **August 8, 2014** - INQUIRIES - Inquiries and requests for interpretation or clarification of the RFP from potential bidders will be accepted only via email. All inquiries must be received no later than 3:00 pm EST, August 8, 2014. Email inquiries to Matthew Brady at NEPC at the following address:

Mbrady@nepc.com
3. **August 18, 2014** - RESPONSE TO INQUIRIES - Responses to and addenda resulting from requests for interpretation shall be emailed to all RFP recipients requesting the Responses to Inquiries. RFP recipients should request the Responses to Inquiries by email to Matthew Brady at NEPC at the following address:

Mbrady@nepc.com
4. **September 5, 2014** - PROPOSALS DUE - Original proposals must be received at the NEPC offices by 3:00 pm EST (see Part 2.A.8).
5. **September 29 – October 3, 2014** - ON-SITE VISITS, at discretion of NMERB.
6. **October 30, 2014** - FINALIST INTERVIEWS AND SELECTION OF MANAGER(S) - Members of the Evaluation Committee and the NMERB's Investment Committee will interview finalist firms and make a final selection of the Manager(s) at their regularly scheduled meeting in Albuquerque, New Mexico.
7. **October 31, 2014** - ANNOUNCEMENT OF SELECTION - NMERB will notify all firms that submitted a proposal of its selection, which shall be subject to successful negotiation of a contract with the selected firm.
8. **December 1, 2014** - CONTRACT BEGINS.

PART 5

FORM OF PROPOSALS

Proposals submitted in response to this RFP must be organized and submitted in the format described below using the applicable forms attached to the RFP and following the instructions in such forms. The hard copy, signed proposal must be printed on standard 8 ½" x 11" paper and placed within a binder. Within each section of the proposal, the Offeror should address the items

in the RFP in the order in which they appear in the RFP. For each form that is attached to the RFP, as required, each question should be repeated in its entirety before the answer. Proposals should stress completeness, clarity, and succinctness.

Any proposal that does not strictly adhere to the following format and does not address each specification and requirement within the RFP and the applicable forms may be deemed non-responsive:

- A.** Each proposal shall contain an index or table of contents near the front of the proposal listing the materials included in the proposal.

Offerors shall complete, sign and attach to the proposal a completed and signed Signature Page (Appendix B). This page must be signed by a signatory with the authority to bind the Offeror. The Signature Page must contain the following statement: “By signing this Signature Page, through the undersigned representative who has the authority to bind the Offeror, and by submitting a proposal in response to **RFP #2015-07-01 (INV)**, the Offeror agrees to perform the services required by such RFP and to accept and comply with all requirements, specifications, terms and conditions of the RFP if selected. Offeror further agrees to be bound by this proposal for a minimum of 180 days from the date the RFP was issued.” Additionally, by signing the Signature Page contained in Appendix B, the Offeror agrees to accept and comply with all the terms and conditions of the RFP.

Any proposals not bearing the appropriate signatures on the Signature Page contained in Appendix B will not meet the minimum qualification requirements of the RFP and will not be considered further in the evaluation process.

- B.** Offerors must complete and sign the responses required by the placement agent disclosure **and** the campaign contribution disclosure policies of NMERB (Appendix E, pages 75-84 and Appendix E, pages 85-88).
- C.** The Offeror may attach such other supplementary material as it sees fit to explain its proposal and any additional contractual terms and conditions that the Offeror may suggest (see Part 3 - Contractual Requirements).
- D.** The Offeror may request in writing the non-disclosure of confidential information contained in the proposal. Such data shall be clearly marked and identified as “confidential” and shall be easily separable from the proposal in order to facilitate any eventual public inspection of the non-confidential portions of the proposal. After the contract has been awarded, each proposal, except those portions for which the Offeror has made a valid written Request for Confidentiality, shall be open to public inspection. NMERB reserves the right to review the appropriateness and validity of a request for confidentiality (see Part 2.C - Disclosure of Proposal Content).

APPENDIX A
Request for Proposal
Active Emerging Markets Equity
Investment Management Services
RFP #2015-07-01 (INV)

MINIMUM QUALIFICATIONS COMPLIANCE

Each Offeror must certify that it meets all of the following minimum qualifications as of the date its proposal is submitted to NMERB. In order to certify, the Offeror shall complete and submit all forms required by this RFP and sign the Signature Page contained in Appendix B. **FAILURE TO MEET AND CERTIFY THE FOLLOWING SHALL RESULT IN THE REJECTION OF THE PROPOSAL FOR NON-RESPONSIVENESS.**

- A. Offeror must be an investment advisor registered with the SEC or otherwise exempt from registration. If the Offeror is exempt, the Offeror must include a written response to Item A in Appendix A, Minimum Qualifications Compliance, explaining the nature of exemption from registration. Offeror must be prepared to submit Form ADV Parts I and II as well as three references if selected as a finalist.
- B. Offeror must demonstrate: 1) that the assets under management in the proposed strategy exceed \$750 million; 2) that the strategy is long only (hedge funds will not be considered); 3) that the proposed strategy has a five-year GIPS compliant track record; 4) that the team responsible for managing the portfolio (i.e., portfolio managers and research analysts) has worked together continuously for at least the past five years and provide a written explanation of why the Offeror fulfills this requirement; 5) that a portion of their value add is generated from top down allocation decisions (i.e., country allocation decisions); and 6) that they are willing and able to acknowledge in writing that the Offeror would act as a fiduciary on behalf of the NMERB.
- C. Company Questionnaire
 - 1. Offeror must update all eVestment Alliance data specified in Part I of Appendix C through June 30, 2014, for all of the products for which they are submitting proposals. Additionally, Offerors must certify that all data for these products are complete and accurate and sign the Signature Page contained in Appendix B. If an Offeror does not already utilize the eVestment Alliance database, they can participate by establishing their firm in the database at no charge.
 - 2. Offeror must complete all questions in Part II of Appendix C, Company Questionnaire, and certify the accuracy and completeness of the data by signing the Signature Page contained in Appendix B.
- D. Offeror must agree to incorporate the warranties attached as Appendix D into any contract entered into as the result of a contract award made under this RFP (see Signature Page, Appendix B).

APPENDIX B
Request for Proposal
Active Emerging Markets Equity
Investment Management Services
RFP #2015-07-01 (INV)

SIGNATURE PAGE

1. MINIMUM QUALIFICATIONS COMPLIANCE

The Offeror hereby certifies that it meets all of the minimum qualifications detailed in Appendix A, Minimum Qualifications Compliance, and has provided written explanations as necessary. The Offeror has answered all questions and submitted all attachments requested in Appendix A, Minimum Qualifications Compliance. The Offeror agrees to submit Form ADV Parts I and II as well as three references if selected as a finalist.

2. COMPANY QUESTIONNAIRE CERTIFICATION

The Offeror certifies that the Firm and Product data in the eVestment Alliance database for the proposed product is correct, complete, and current through June 30, 2014. Offeror has completed all questions in Company Questionnaire, Part I. eVestment Alliance database, and Part II. NMERB Questions, accurately and completely.

3. WARRANTIES

Offeror agrees to incorporate the warranties listed in Appendix D, Warranties, into any contract entered into with NMERB.

4. PLACEMENT AGENT DISCLOSURE AND CAMPAIGN CONTRIBUTION DISCLOSURE

Offeror has completed, signed, and included in the proposal the responses required by the placement agent disclosure **and** the campaign contribution disclosure policies of NMERB (Appendix E, pages 75-84 and Appendix E, pages 85-88).

(continued on next page)

APPENDIX B
Request for Proposal
Active Emerging Markets Equity
Investment Management Services
RFP #2015-07-01 (INV)

SIGNATURE PAGE (continued)

FIRM NAME: _____

ADDRESS: _____

E-MAIL ADDRESS: _____

TELEPHONE #: _____

FACSIMILE #: _____

FEDERAL EMPLOYER IDENTIFICATION # _____

NEW MEXICO TAX # (if any) _____

CONTACT PERSON FOR PROPOSAL _____

By signing this Signature Page, through the undersigned representative who has the authority to bind the Offeror, and by submitting a proposal in response to **RFP #2015-07-01 (INV)**, the Offeror agrees to perform the services required by such RFP and to accept and comply with all requirements, specifications, terms and conditions of the RFP if selected. Offeror further agrees to be bound by this proposal for a minimum of 180 days from the date the RFP was issued.

SIGNED BY:

Name (print):

Title:

Date:

APPENDIX C
Request for Proposal
Active Emerging Markets Equity
Investment Management Services
RFP #2015-07-01 (INV)

COMPANY QUESTIONNAIRE

OFFEROR MUST COMPLETE A SEPARATE QUESTIONNAIRE
FOR EACH PROPOSED PRODUCT

Instructions: Offerors must complete all questions in Part II. NMERB Questions in addition to following the specific eVestment Alliance requirement in Part I of this Questionnaire.

PART I. eVESTMENT ALLIANCE DATABASE

In addition to the Offerors' responses to Part II. NMERB Questions, the Offeror's product and performance data will be analyzed through the use of a third party database currently utilized by our investment consultant, NEPC. The database is provided by eVestment Alliance and can be located on the web at: www.eVestmentalliance.com.

Populating the eVestment Alliance database with your firm and product information is essential to the completion of the RFP process. If the database is not fully populated, your firm's response will be considered incomplete and could be grounds for discontinuing consideration of your firm's product for this search.

The eVestment Alliance database gathers firm and product data including but not limited to:

- Assets under management;
- Qualitative description of firm and product;
- Investment professionals gained and lost;
- Investment professionals' tenure, work experience and education;
- Product characteristics;
- Holdings;
- Performance for vehicle recommended; and
- Composite description AIMR disclosures.

Please be sure to not leave fields blank. Respond as 0, none, or N/A only when necessary. You will not be contacted to fill in missing fields. Use additional comment fields provided to make qualifying notes as applicable.

In the space provided below, please list the name of the product *exactly* as it currently appears (or will appear) in your entry in the eVestment Alliance database.

Product Name: _____

If your firm does not already utilize the eVestment Alliance database, you can participate by sending an email with your contact information to: getmanager@evestmentalliance.com.

A representative from eVestment Alliance will contact you shortly thereafter to establish the firm in the database. There is no charge for supplying data to eVestment Alliance. After you have provided the information to eVestment Alliance, please print a copy of the information you have provided and return with your response to the RFP.

PART II. NMERB QUESTIONS WITH FEE PROPOSAL FORM

A. COMPANY BACKGROUND AND GENERAL DESCRIPTION

1. If your firm is not a Registered Investment Advisor under the Securities Act of 1940, please explain why your firm is exempt.
2. Give a brief history of the firm, including but not limited to:
 - a. the year of organization;
 - b. the date of SEC 1940 Act registration;
 - c. the date the firm began actively managing Emerging Markets Equity accounts for U.S. tax-exempt clients; and
 - d. the inception date of the proposed product.
3. Describe your firm's ownership structure, including affiliations, subsidiaries and employee ownership. Has your firm undergone ownership structure changes in the past three years or are ownership changes planned or anticipated at this time? Briefly explain. Provide an organizational chart diagramming the relationships between the professional staff as well as the parent-subsidiary, affiliate, or joint venture entities.
 - a. How many offices does your firm have? Include the number of investment professionals in each office.
 - b. Describe in which office investment decisions are made for Emerging Markets Equities and where the investment professionals responsible for managing the portfolio are located.
4. Provide details on the financial condition of your firm. Most recent annual reports filed with the SEC will be acceptable, but any recent material changes should be included. This is not a minimum requirement, but preference will be given to those managers that include this information.
5. List the insurance carriers supplying the coverage for SEC-required (17g-1) fidelity bonds, errors and omissions coverage and any other fiduciary coverage which your firm carries.
6. Over the past five years, has your organization or any of its affiliates or parent, or any officer or principal been involved in any business litigation, regulatory or legal

proceedings? If so, provide an explanation and indicate the current status. Finalists will be required to provide a complete Form ADV (Parts I and II).

7. Describe any potential conflicts of interest your firm may have in the management of this account.
8. Discuss the overall business objectives of your firm with respect to future growth. Comment on any present or planned areas of emphasis over the near future. Be sure to include in your response for each proposed product(s):
 - a. Total number of separate accounts that will be accepted;
 - b. Total number of clients that will be accepted;
 - c. Total assets that will be accepted; and
 - d. Future staffing requirements as they relate to growth in the number of accounts by product.
9. All respondents to this RFP must disclose any and all fees paid to NMERB's Consultant for any type of investment management services during the past 12 months. NMERB's current consultant is NEPC, LLC, and they are assisting NMERB with this search.
10. Complete the following charts as of June 30, 2014:

	AUM	AUM for Tax-Exempt Clients only	Number of Clients	Portfolio Managers	Research Analysts	Trading
Firm						
Emerging Markets Equities Only						

	Economist	Marketing	Admin	Client Service	Other (specify)	Total
Firm						
Emerging Markets Equities Only						

B. PERSONNEL

- 11. Provide a copy of the organizational chart for the team responsible for each proposed product.
- 12. List the Lead and back-up portfolio manager who will be responsible for managing each proposed product (s) and provide the following information:

Name of Portfolio Managers	Lead (L) or Back-up (B)	Title Responsibilities ¹	Years With Firm	Years Managing Product	Years of Experience ²
1.					
2.					
3.					
4.					
5.					

¹ Indicate whether individual has responsibilities for products other than the proposed product(s).
² Refer to Minimum Qualification under Section B on pages 1 and 2.

In addition, please include biographies for each of the key professionals for the proposed product(s), including educational qualifications and professional affiliations. Offerors shall include references for each professional that may be contacted by NMERB or its consultant to check the backgrounds of each professional.

- 13. Indicate when and why any senior personnel left or joined the firm in the last five years. In which products were they involved? Indicate job titles, years with the firm and who replaced such personnel.
- 14. Describe your firm’s back-up procedures in the event the key investment professional(s) assigned to this mandate should leave the firm or be transferred to other accounts or duties.
- 15. Describe your firm’s hiring and internal retention procedures for portfolio managers, research analysts and traders. What specific incentives are employed to ensure key professionals do not leave the firm either as a group or individually?

E. STANDARDS OF CONDUCT

- 16. Disclose any financial or other relationships that you have had with any NMERB Board member, consultant or NMERB employees. If there are no conflicts of interest, please state, “There are no conflicts of interest to report.”
- 17. Disclose any gifts (meals, tickets, anything of value over \$50, etc.) that you have given to any NMERB Board member, consultant or NMERB employee in the last 12

months. If there are items to disclose, please use the format below. If there are no items to disclose, please state, "There are no gifts to report."

No.	Date (mm/dd/yy)	Given to	Description of Gifts ¹	Value (US\$)

¹ Gifts could be in the form of meals, tickets, paid travel, anything of value over \$50, etc.

18. Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct? Does your firm have a written code of conduct or set of standards for professional behavior? Does your firm have written policies or procedures to address conflicts of interest? If so, please provide a copy in addition to an explanation as to how employee compliance is monitored.
19. What potential conflicts of interest are posed by other activities undertaken by the organization, if any? How are these addressed?
20. For the past ten (10) years, has the firm, its officers or principals or any affiliate ever:
 - a. Been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization?
 - b. Been a party to or settled any litigation concerning breach of fiduciary responsibility or other investment related matters?
 - c. Submitted a claim to your errors & omission, fiduciary liability and/or fidelity bond insurance carrier(s)?

If 'yes' to any of the above, please provide details and the current status or disposition.

F. CLIENTS

21. In the space below, provide references of five (5) large public pension plans (by portfolio asset size). Please secure advanced permission to contact these references.

Client Name	Mandate	Relationship since (month/year)	Assets Under Management (US\$ million)	Contact Name	Title	Telephone #	Email
1.							
2.							
3.							

4.							
5.							

22. Provide a list of accounts that have been lost from the proposed strategy within the last five (5) years using the format below:

Client Name	Mandate	Size of Fund (US\$ million)	Reason(s) for Termination
1.			
2.			
3.			
4.			
5.			

G. INVESTMENT PHILOSOPHY AND PROCESS

23. Please specify whether your firm is proposing a separate account or a pooled fund/mutual fund vehicle.
24. In one hundred words or less, please describe the source of the portfolio's outperformance relative to its index historically and describe why it is sustainable over time.
25. What unique attributes or competitive advantage does your firm or your proposed product have that distinguishes it from its competitors in the fulfillment of this assignment?
26. How is portfolio risk measured, monitored and controlled?
27. What is the expected level of tracking error for each proposed product(s) relative to its respective benchmark?
28. Are any derivatives used in the management of each proposed product(s)? If so, specifically list all instrument types, limitations, and risk control measures used to employ derivatives.
29. Describe what circumstances or market conditions would favor your product's strategy? When can it be expected to be "out of favor" or unrewarded?

30. What percent of the process is:
- a. Top down ___%
 - b. Bottom-up ___%
31. What percent of the process is:
- a. Quantitative ___%
 - b. Qualitative ___%
32. How are portfolios typically constructed relative to the benchmark's industry weightings? (Check only one)
- a. Indexed to sector weights _____
 - b. Moderate deviations _____
 - c. Substantial deviations _____
 - d. Benchmark agnostic _____
33. Identify the number of stocks:
- a. Total Universe _____
 - b. Closely Followed _____
 - c. Average Number in Portfolio _____
 - d. Range over Time _____
34. What portion of the 'value add' of the portfolio is generated from the following investment decisions? Please provide attribution analysis that supports the breakdown provided below.
- a. Industry/Sector Allocation ___%
 - b. Stock Selection ___%
 - c. Country/Geographic Selection ___%
 - d. Other ___%
- Total 100%

35. Address the following as they relate to your investment strategy and the portfolio construction process you use to implement your philosophy.
 - a. Investment Philosophy
 - b. Stock/Sector/Country/Geography Selection Process
 - c. Research Process
 - d. Portfolio Construction
36. NMERB has adopted a resolution to divest from the companies considered “Highest Offenders” under the targeted Sudan divestment model (the list is provided by the Genocide Intervention Network). Please respond by indicating your experience in working with clients with similar policies.

H. RESEARCH

37. Explain your firm’s research process if you have internal research capability. State the location(s) where such research is carried out and what specific research is conducted at each location.
38. What personnel are involved in the research process and what is their background and level of experience?
39. Sources of research (average rating should approximate 3):
1 = very important, 5 = less important

a. Internal	1	2	3	4	5
b. Computer Data Services	1	2	3	4	5
c. National Broker	1	2	3	4	5
d. Regional Broker	1	2	3	4	5
e. Company Visits	1	2	3	4	5
f. Other (State)	1	2	3	4	5

40. Focus of research (average rating should approximate 3):
1 = very important, 5 = less important

a. Economic Forecasts	1	2	3	4	5
b. Balance Sheet Fundamentals	1	2	3	4	5
c. Earnings Forecasts	1	2	3	4	5
d. Quantitative Screening	1	2	3	4	5
e. Technical Analysis	1	2	3	4	5
f. Company Management	1	2	3	4	5
g. Other (State)	1	2	3	4	5

41. Provide any commentary you feel would communicate the uniqueness of your firm's research efforts.

42. What securities databases do you employ? What are your firm's pricing sources for portfolio valuation?

I. TRADING

43. How do you monitor trading costs (market impact plus commissions)? How are transaction costs managed to reduce their negative impact on performance? What trading advantages do you have over other managers? Describe your trading process, including currency trading (if applicable), and how do you minimize/control the costs?

44. Is your firm or its parent or affiliate a broker/dealer? Does your firm trade for client accounts through this broker/dealer? NOTE: NMERB does not allow its investment managers to trade separately managed accounts or commingled trust accounts covered by this RFP with broker/dealers who are affiliated with the investment manager. NMERB considers any such trades as a conflict of interest and there are absolutely no exceptions to this policy.

45. List the broker/dealers your firm employs. How are they selected?

46. How are brokers monitored and compensated? What standards or requirements in trade execution has your firm set which must be met by broker/dealers?

47. What is the average commission per share for your U.S. tax-exempt clients?

48. Describe your firm's capabilities in accepting in-kind securities.

49. Discuss your policy in detail regarding 'soft dollars' including their current use. Provide the dollar values of these trades for the year ended June 30, 2014, broken down by those directed by clients and those directed by your firm for its use. Please indicate current brokerage relationships for directed business that benefit your firm and what services/products are provided.

50. Provide a copy of your firm's proxy voting policy. Describe your philosophy regarding corporate governance as practiced by your firm.

J. CLIENT SERVICE AND REPORTING

51. Which of your firm's offices would service this account? What services would specifically be provided by which office?

52. Who would be the client service officer? How often would he/she be available for client meetings?

53. How often would the investment advisory professional, portfolio manager, chief investment officer and/or firm president be available for client meetings?

54. Provide samples of client reports and indicate their frequency. What other communication is provided to clients (include description and/or samples of newsletters, seminars, research, etc.)

55. Can you provide trade date accounting? How often do you reconcile your portfolio and your returns with the custodian or client?

56. Are you able to provide accurate, audited asset and transaction statements within two to three weeks of month end in USD denominated values? Please provide a copy of your most recent transaction statement.

57. Describe any on-line information or reporting capabilities that you make available for client use.

K. COMMINGLED FUNDS (Maximum: Both sides of 1 page)

58. Who is the custodian for the proposed product(s)?

59. Is the custodian affiliated with your firm? How many years has this firm been in the custody business and how long has your firm worked with this custodian?

60. Describe your firm's pricing and your custodian's pricing (if available) of individual securities for fund valuation, including sources of price information. If a discrepancy exists, how is it resolved?

61. Briefly describe the following:

a. The internal and external accounting audit and statement reconciliation process.

b. The controls over the trade settlement process and the income reconciliation process.

c. Any procedures you use to ensure the security of your system and that of the custodian.

d. Any charges to transfer securities.

e. Any notice requirements for purchases and redemptions.

f. Any procedure to guarantee crediting of all dividends on payment date.

- g. Proxy voting process and whether you utilize third parties to assist in the process.
62. Who is the fund's auditor? How long as your firm contracted with this auditor? Has your firm ever received a qualified audit opinion? If so, when and why?
63. Do your proposed commingled fund product(s) participate in a securities lending program? Do you have proposed non-lending commingled fund product(s)?

L. PERFORMANCE

64. Using the format below for each proposed product, provide the performance (net of fees) on a calendar year basis of the product's separate account and pooled fund/mutual fund investment vehicle.

Product: _____

	as of 06/30/14	2013	2012	2011	2010	Since inception	Date of inception
Portfolio returns (<i>net of fees</i>)							
Index returns (<i>please specify</i>)							
Value added							
Tracking error							
Standard deviation							

Note: The performance history presented must be real time (not simulated or back-tested) and CFA Institute (CAI) Global Investment Performance Standards (GIPS) compliant.

65. Explain any significant levels of tracking error or levels of tracking error in excess of what is normally anticipated.

M. OTHER (Maximum: Both sides of 2 pages)

66. Summarize your emergency preparedness and back-up office/computer system plans. Have you ever had to activate any parts of the plan? If so, describe the effectiveness of the plan and any post-activity modifications to that plan.
67. Summarize your firm's investment guidelines for handling:
- a. Tenders, mergers and other corporate actions.
 - b. Cash management.
 - c. Dividend and income reinvestment.
 - d. Tax reclamation for Non-U.S. equities.

FEE PROPOSAL FORM

Offeror Firm Name: _____

PROPOSED FEES

NMERB endorses the use of performance fees for all active investment managers and the Offeror's fee proposal is a significant factor in evaluating the RFP response. The Offeror's structure of the proposed performance fee must follow the format presented below.

The Offeror should also provide an asset-based fee schedule.

Once the manager has been selected, refinements to the proposed fees may be necessary to determine the size of the funding increments, the timing of the funding and benchmark clarification. In no case with the refinement result in a fee that is higher than the fee contained herein.

PERFORMANCE FEES

The performance fee you propose will be used in the formula described below.

- I. Annual Fee = BF + PF
- II. Performance Fee = $(NF - BF)/(RER) \times (PR - MR - BF)$
- III. Maximum Fee = $BF + PF = 2(NF - BF) + BF$

Where:

BF = Base Fee (substantial discount from the normal fee)
PF = Performance Fee
NF = Normal Fee (manager's standard fee schedule)
RER = Required Excess Return (premium to be earned above the benchmark or market rate of return to earn the normal fee)
PR = Portfolio Return
MR = Market/Benchmark Return

The Maximum fee should be symmetrically balanced – i.e. the sum of the BF and the PF should be equal or close to equal to the BF plus two times the sum of the NF minus the BF. In no event can the MF (PF + BF) exceed the BF plus two times the sum of the NF minus the BF.

For the initial three quarters of the relationship, the manager will receive a fee equal to the Base Fee. After the end of the fourth quarter under management, an annualized fee calculation will be computed to award a performance fee due to the initial twelve-month period. If the Agreement is extended for the fifth through twelfth quarters, the annualized performance fee calculation will be made each quarter on a cumulative, annualized basis. Thereafter, the performance fee calculation will be based on the cumulative, annualized return for the immediately preceding twelve quarters.

Quotes are to be provided for the following:

Base Fee _____ %
Normal Fee _____ %
Maximum Fee _____ %

BENCHMARK

The benchmark will be as follows: The MSCI Emerging Markets Index (Net of Dividends) or another appropriate style based index. NMERB may, at its sole discretion, decide to use a more appropriate benchmark.

1. Are the fees presented above negotiable?
2. Will the fees presented above remain the same for the term of the contract (4 years initially)? If not, please explain.

Appendix D
Request for Proposal
Active Emerging Markets Equity
Investment Management Services
RFP #2015-07-01 (INV)

WARRANTIES

Offeror agrees to incorporate the following warranties into any contract entered into with NMERB:

- A. Offeror warrants that it is registered as an investment advisor under the Investment Advisors Act of 1940 and that it shall maintain such registration at all times during the term of the contract (unless exempt and explanation of exemption is attached).
- B. Offeror warrants that it meets or will meet before the award of a contract the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond applicable to Contractor's actions under the Contract (unless exempt and explanation of exemption is attached).
- C. Offeror warrants that it will not delegate its fiduciary responsibilities assumed pursuant to the Contract.
- D. Offeror warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations, required by a government or governmental authority, including the State of New Mexico, for acts contemplated by the contract.
- E. Offeror warrants that it has a positive net worth at the effective date of any Contract that may be awarded. Furthermore, Offeror warrants that it shall notify ERB, in writing, of any material adverse change to Offeror's net worth should it be awarded a Contract.

Appendix E
Request for Proposal
Active Emerging Markets Equity
Investment Management Services
RFP #2015-07-01 (INV)

SAMPLE ERB INVESTMENT MANAGEMENT SERVICES CONTRACT WITH
NMERB INVESTMENT POLICIES, RULES & STATUTES

Contract No. _____

STATE OF NEW MEXICO
NEW MEXICO EDUCATIONAL RETIREMENT BOARD

PROFESSIONAL SERVICES CONTRACT # _____

THIS AGREEMENT is made and entered into by and between the State of New Mexico, **NEW MEXICO EDUCATIONAL RETIREMENT BOARD**, hereinafter referred to as the "Agency", and *, hereinafter referred to as the "Contractor", and is effective as of _____.

RECITALS

The Parties enter into this Agreement based on the following recitals, which are material to the terms of this Agreement and are incorporated in this Agreement:

The ERB, an agency of the State of New Mexico, is the trustee of the educational retirement system established by the State and has the sole and exclusive fiduciary duty and responsibility for administration and investment of the trust fund held by ERB.

IT IS AGREED BETWEEN THE PARTIES

General

Terms and Definitions - Terms used in this Agreement and not defined herein shall be given the meaning ordinarily accorded such terms among persons engaged in the business of investment management, in particular, investment management for entities of a type and nature similar to ERB.

Exhibits - The following documents are attached hereto as Exhibits and incorporated herein for all intents and purposes:

- Exhibit A – Investment Guidelines
- Exhibit B – Management Fee Schedule
- Exhibit C – Contractor’s Warranties to ERB
- Exhibit D – NMERB Investment Policy Statement
- Exhibit E – NMERB Amended and Restated Policy Regarding Placement Agent Disclosures.
- Exhibit F – NMERB Campaign Contributions Disclosure Form
- Exhibit G – NMERB Rule 8: Investment Policies and Practices and Enabling Legislation

IT IS AGREED BETWEEN THE PARTIES:

1. Scope of Work.

The Contractor shall perform the following work:

A. Investment Management Services. The Contractor shall provide ERB with active investment management services for _____ investments and other permitted investments (also described herein as “securities” or “publicly traded securities”), as further described in this Agreement. Contractor shall provide such Investment Management Services with respect to the securities and other assets held in the Contractor’s Assigned Account (the “Assigned Account” or the “Contractor’s Assigned Account”) at ERB’s custodial bank (the “Custodial Bank”), and all other assets that may be added thereto from time to time. Under no circumstances is the Contractor permitted to have custody of ERB assets under this Agreement.

The services shall be provided in accordance with the terms and conditions of this Agreement, the Investment Guidelines and the Investment Policy Statement and other investment policies established by ERB, applicable state and federal statutes and regulations, and any specific directives or instructions issued by ERB to the Contractor.

(1) The Contractor’s Assigned Account includes those specific assets allocated to such Account by ERB, acting in its sole discretion, either at the effective date of this Agreement or at a later date, and assets that accrue from, or are acquired through, the investment or reinvestment of those assets allocated to the Assigned Account. ERB may, at any time, and upon written notification to the Contractor, assign additional assets to, or remove any and all assets from, the Assigned Account. ERB shall endeavor, but shall not be required, to give at least one (1) business day’s notice of the assignment or removal of assets from the Assigned Account. The assignment to, or removal of assets from, the Assigned Account shall be at the sole discretion of ERB. ERB makes no representation and provides no guaranty that any specific amount or quantity of assets will be allocated to the Assigned Account or that assets allocated to the Assigned Account will be so

allocated for any specified or minimum period of time. ERB's removal of assets from the Assigned Account, whether in whole or in part, shall not be considered a breach of this Agreement. Following removal of assets from the Assigned Account, Contractor shall have no authority to act with respect to assets removed.

(2) Pursuant to the terms of this Agreement, the Contractor is authorized on behalf of ERB to issue instructions to brokers to purchase or sell securities in conformity with the terms of this Agreement, and federal law and New Mexico law including but not limited to NMSA 1978, Section 22-11-13, as they may be amended from time to time, and any written objectives, guidelines, directives or instructions issued by ERB to the Contractor and in effect at the time of the purchase or sale. Securities purchased shall be held in the name of ERB in the Contractor's Assigned Account by the Custodial Bank. The Contractor acknowledges its responsibility to purchase and sell securities in accordance with the terms of this Agreement and in accordance with fiduciary obligations owed to ERB. The Contractor will execute transactions on the basis of best execution, which takes into account the quality of brokerage services including factors such as price, execution capability, creditworthiness and financial stability.

(3) The Contractor shall have full discretion to make sales and purchases of securities under this Agreement, provided that such sales and purchases conform to federal and New Mexico law (including but not limited to NMSA 1978, Section 22-11-13 as they may be amended from time to time, attached as Exhibit G), and ERB objectives, guidelines, directives or instructions issued by ERB to the Contractor and in effect at the time of the purchase or sale (including but not limited to the Investment Guidelines attached hereto as Exhibit A, the ERB Investment Policy Statement attached hereto as Exhibit D, and ERB Investment Policies and Practices (Rules) attached hereto as Exhibit G). ERB agrees that it will provide prior written notice to the Contractor of any and all material changes to all relevant statutes and the Assigned Account's objectives, guidelines, etc. that would affect the Contractor's ability to manage the Assigned Account. Such notice will be provided sufficiently in advance to allow the Contractor to implement such changes.

(4) With regard to the services provided under this Agreement, the Contractor holds itself out as an expert in the business of making and handling of investments or investment management, in particular, investment management for entities of a type and nature similar to the ERB (a "professional investment manager"). The Contractor represents itself as being possessed of greater knowledge and skill than an ordinary person or entity not engaged in the business of investment management (an "ordinary person"). Accordingly, the Contractor acknowledges and agrees that it is under a duty to exercise a skill greater than that of an ordinary person and the manner in which investments are handled will be evaluated in light of Contractor's superior knowledge and skill as a professional investment manager. The Contractor further acknowledges that, in performing its duties under this Agreement, it is a fiduciary to ERB and shall at all times act in a fiduciary capacity to ERB as regards the Assigned Account. Contractor shall be liable to ERB for damages arising out of Contractor's purchase or sales of securities or other investment decisions pursuant to this Agreement, including but not

limited to proxy voting, that are not made according to the provisions contained in this Agreement or according to the standard of care set forth in this Paragraph I (A)(3).

(5) Contractor is a fiduciary with respect to the services provided to ERB under this Agreement. As a fiduciary, Contractor shall at all times perform its duties, obligations and responsibilities under this Agreement with, and shall at all times with respect to ERB use, the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor, who is knowledgeable about researching, performing due diligence, recommending, selecting and monitoring investments, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The forgoing fiduciary standard requires both substantive and procedural prudence. Contractor shall at all times determine what information is material and relevant to its decisions, obligations, duties and responsibilities as a fiduciary with respect to the services provided to ERB under this Agreement, and gather, examine, and understand that information and then make an informed and prudent decision based on its findings. Contractor has a fiduciary obligation to prudently select investments for the ERB investment program, as well as an ongoing fiduciary obligation to periodically evaluate the performance of such investments, and based on that evaluation, determine whether such investment remain suitable and prudent investments for ERB. Contractor represents and warrants that there are no federal, state or local statutory disqualifications that apply to Contractor that may impact its fiduciary status with respect to the services provided to ERB under this Agreement. Notwithstanding the foregoing, in the event that Contractor has other clients to whom Contractor owes a fiduciary duty that would require any action or inaction by Contractor that is inconsistent with any action or inaction required by Contractor's fiduciary duty to ERB under this Agreement, Contractor shall in good faith use its best efforts to treat ERB and such other clients in a fair and equitable manner.

(6) The Contractor shall provide to ERB and any consultant it engages to advise it on the selection and performance of investment managers (its "Investment Consultant") written monthly, quarterly, and annual asset statements showing market value of assets, and the name and number of shares of each security held under the Contractor's management. For purposes of calculating fees and performance, the market value of the assets will be determined by ERB's Custodial Bank. Statements will also set forth the percentage of any appreciation or depreciation of assets during the pertinent reporting period. The Contractor shall also provide such other oral or written reports as are reasonably requested by ERB. Contractor shall provide on a monthly basis written portfolio valuation data to ERB's Investment Consultant. Contractor shall also be required to reconcile its monthly statements with the Custodial Bank.

(7) At such times as directed by ERB, Contractor shall, at Contractor's sole expense, have a representative attend meetings of the ERB Board or the ERB Investment Committee at ERB's offices or such other location designated by ERB for the purpose of providing reports and information to the ERB regarding the securities and other assets under Contractor's management and on matters relating to economic forecasts, investment outlook, industry emphasis, and any other matters of a general or specific

nature as reasonably requested by ERB. ERB may have its Investment Consultant attend such meetings. Attendance shall not be less than at least once per annum and no more than four times per annum.

(8) ERB shall furnish the Contractor such evidence of authority of the persons authorized to act on behalf of ERB, together with their specimen signatures, as Contractor may reasonably request. ERB may revise the list of authorized persons from time to time by sending Contractor a revised list which has been certified by ERB or by a duly authorized agent of ERB.

(9) The Contractor warrants that it has a positive net worth at the effective date of this Agreement and agrees that it shall maintain a positive net worth throughout the term of this Agreement or any extension thereof. Furthermore, the Contractor shall notify ERB immediately, in writing, of any material, adverse change in Contractor's net worth.

(10) The Contractor must provide notification to ERB and its Investment Consultant promptly and in any event within ten (10) business days, of any changes in the firm's organizational relationships, professional staff, or services that materially impact the Contractor's ability to service the account.

(11) All cash in the Assigned Account will be held at ERB's Custodial Bank and invested in the Custodial Bank's Short Term Investment Fund. This cash position will be allocated to Contractor's Assigned Account and will be included both in Contractor's performance calculation and in the calculation of Contractor's fee.

(12) The Contractor shall provide to ERB at the inception of this Agreement a copy of the Contractor's proxy voting guidelines. Notwithstanding anything provided to the contrary in the Agreement (including the Exhibits thereto), the Contractor shall vote all proxies on behalf of ERB with respect to securities in the Assigned Account in accordance with the Contractor's proxy voting guidelines and shall keep accurate records of its votes. Proxies relating to certain non-U.S. issuers may require the Contractor to forgo control of such securities during a period of time prior to the vote, and, in such cases, the Contractor may in its discretion abstain from voting.

(13) The Contractor warrants that it has not received a "going concern" opinion from the auditor of its financial statements. Furthermore, the Contractor shall notify ERB promptly and in any event within ten (10) business days, in writing, of any material adverse change, or litigation, proposed regulatory action, or other action or event which might reasonably be expected to result in the issuance of such an opinion.

(14) Contractor may execute on behalf of ERB certain agreements, instruments and documents in connection with the services performed by it under this Agreement (collectively, the "investment-management related documents"). These may include, without limitation, brokerage agreements, clearing agreements, account documentation, futures and options agreements, swap agreements, other investment related agreements and any other agreements, documents or instruments Contractor believes are appropriate

or desirable in performing its duties under this Agreement, provided that such documents may not include an obligation for ERB to indemnify any party. Contractor shall maintain a listing, and copy, of all such investment-management related documents it executes and provide them to the ERB upon its request.

(15) Contractor will place orders for the execution of transactions for the Assigned Account in accordance with the policies and practices described in Part II of the Adviser's Form ADV as may be amended from time to time with notice to ERB of any material amendment within ten (10) business days following such amendment. ERB authorizes Contractor, at Contractor's discretion, to combine or aggregate ("batch") orders for the Assigned Account with orders of other clients and to allocate the aggregate amount of the investment among accounts (including accounts in which Contractor, its affiliates and/or their personnel have beneficial interests) in the manner in which Contractor shall determine appropriate. Contractor's current policies and practices with regard to batching of orders are described in Part II of the Contractor's Form ADV as may be amended from time to time.

2. Compensation.

A. The ERB shall pay the Contractor in full payment for services satisfactorily performed pursuant to the Scope of Work a fee calculated as described in the Management Fee Schedule (Exhibit B) upon receipt of a detailed statement. Contractor must submit a detailed statement accounting for all services performed and expenses incurred. All requests for payment that the Investment Manager submits to ERB shall include a description of the assets in the Investment Managers Assigned Accounts for the applicable period and the calculation of the "market value of account" for the applicable valuation dates in the manner described by Exhibit B for the calculation of fees. In the event of a disagreement between ERB and the manager as to the market value of securities or the "market value of account" for the purposes of any fee agreement, the market value of securities or "market value of account" as determined by ERB's custodial bank shall prevail. If the Agency finds that the services are not acceptable, within thirty days after the date of receipt of written notice from the Contractor that payment is requested, it shall provide the Contractor a letter of exception explaining the defect or objection to the services, and outlining steps the Contractor may take to provide remedial action. Upon certification by the Agency that the services have been received and accepted, payment shall be tendered to the Contractor within thirty days after the date of acceptance. If payment is made by mail, the payment shall be deemed tendered on the date it is postmarked. However, the agency shall not incur late charges, interest, or penalties for failure to make payment within the time specified herein.

B. Contractor shall pay all state and federal taxes assessed on the compensation received under this Agreement and shall identify and pay those taxes under the Contractor's federal and state identification number(s).

C. Payment is subject to availability of funds pursuant to the Appropriations Paragraph set forth below and to any negotiations between the parties from year to year pursuant to Paragraph 1, Scope of Work, and to approval by the DFA. All invoices MUST BE received by the Agency

no later than fifteen (15) days after the termination of the Fiscal Year in which the services were delivered. Invoices received after such date WILL NOT BE PAID.

3. Term.

This Agreement shall terminate on the fourth anniversary of the effective date of this Agreement, unless terminated pursuant to Paragraph 4 (Termination) or Paragraph 5 (Appropriations); provided, however, that the Parties may agree to extend the term of this Agreement by written amendment pursuant to the ERB Procurement Policy.

4. Termination.

A. This Agreement may be terminated by either of the Parties upon written notice delivered to the other Party at least thirty (30) days prior to the intended date of termination. By such termination, neither Party may nullify obligations already incurred for performance or failure to perform prior to the date of termination. This Agreement may be terminated immediately upon written notice to the Contractor, if the Contractor becomes unable to perform the services contracted for, as determined by the ERB or if, during the term of this Agreement, the Contractor or any of its officers, employees or agents is indicted for fraud, embezzlement or other crime. Contractor shall notify the ERB promptly, and in any event within ten (10) business days, if the Contractor or any of its employees or agents associated with the Assigned Account or any of its partners and members, officers, key executives and persons affiliated with the Contractor entering into this Agreement (the "Key Personnel") is indicted for fraud, embezzlement or other similar crime, including but not limited to misrepresentation, or violation of any federal or state securities law, rule or regulation, or, to the extent permissible in accordance with applicable law, upon receipt of any notice, letter, or information provided in writing that it is the subject of an investigation that might result in an indictment of the Contractor or any of its Key Personnel for fraud, embezzlement or other similar crime, including but not limited to misrepresentation, or violation of any federal or state securities law, rule or regulation. If this Agreement is terminated during a quarter, the ERB shall pay the Contractor a prorated fee for services actually provided during that quarter as provided in the Management Fee Schedule. *THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT WAIVE THE STATE OF NEW MEXICO'S OTHER LEGAL RIGHTS AND REMEDIES CAUSED BY THE CONTRACTOR'S DEFAULT/BREACH OF THIS AGREEMENT.*

B. Termination Management. Immediately upon receipt by either the Agency or the Contractor of notice of termination of this Agreement, the Contractor shall: (1) not engage in any further transactions with respect to the Assigned Account without the express written approval of the ERB; 2) comply with all directives issued by the Agency in the notice of termination as to the performance of work under this Agreement; (3) take such action as the ERB shall direct for termination of all services it provides pursuant to this Agreement; and 4) take such action as the Agency shall direct for the protection, preservation, retention or transfer of all property titled to the Agency and records generated under this Agreement.

C. If the Scope of Work is modified or this Agreement is terminated pursuant to the provisions of this Paragraph during a quarter, the ERB shall pay the Contractor a prorated fee for

services actually provided during that quarter as provided in the Management Fee Schedule. The Contractor shall not be entitled to any compensation or damages due to the modification of the Scope of Work or the termination of this Agreement pursuant to this Paragraph.

5. Appropriations.

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the Legislature of New Mexico for the performance of this Agreement. If sufficient appropriations and authorization are not made by the Legislature, this Agreement shall terminate immediately upon written notice being given by the Agency to the Contractor. The Agency's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final. If the Agency proposes an amendment to the Agreement to unilaterally reduce funding, the Contractor shall have the option to terminate the Agreement or to agree to the reduced funding, within thirty (30) days of receipt of the proposed amendment.

6. Status of Contractor.

The Contractor and its agents and employees are independent contractors performing professional services for the Agency and are not employees of the State of New Mexico. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of the State of New Mexico as a result of this Agreement. The Contractor acknowledges that all sums received hereunder are reportable by the Contractor for tax purposes, including without limitation, self-employment and business income tax. The Contractor agrees not to purport to bind the State of New Mexico unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

7. Assignment.

The Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without the prior written approval of the Agency.

8. Subcontracting.

The Contractor shall not subcontract any portion of the services to be performed under this Agreement without the prior written approval of the Agency. No such subcontract shall relieve the primary Contractor from its obligations and liabilities under this Agreement, nor shall any subcontract obligate direct payment from the Procuring Agency.

9. Release.

Final payment of the amounts due under this Agreement shall operate as a release of the Agency, its officers and employees, and the State of New Mexico from all liabilities, claims and obligations whatsoever arising from or under this Agreement.

10. Confidentiality.

Any confidential information provided to or developed by the Contractor in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Contractor without the prior written approval of the Agency. Other than names of members and local administrative units by which a member was employed; dates of employment, retirement and reported death; service credit; reported salary; and amounts of contributions made by members and local administrative units, Contractor shall not allow public inspection or disclosure of any information regarding a member or retired member to anyone except: (1) the member, retired member or the spouse or authorized representative of the member or retired member; (2) other persons specifically identified in a prior release and consent, in the form prescribed by the Educational Retirement Board, executed by the member, retired member, spouse or authorized representative; or (3) the attorney general, appropriate law enforcement agencies, the state auditor or the public education department or higher education department, if the information provided relates to contributions, payments or management of money received by, or the financial controls or procedures of, a local administrative unit. No person receiving information disclosed by a violation of Section 22-11-55 NMSA 1978 shall disclose that information to any other person unless authorized by an applicable confidentiality agreement, Educational Retirement Board rule or state law. Whoever knowingly violates a provision of the Section 22-11-55 NMSA 1978 is guilty of a petty misdemeanor and shall be sentenced in accordance with Section 31-19-1 NMSA 1978. Contractor will not disclose any information provided by the Procuring Agency, regardless of whether it is confidential, unless it first receives written permission from the Procuring Agency's Executive Director, Deputy Director, General Counsel, or Chief Information Officer. Contractor shall promptly notify Procuring Agency if they receive any requests for member or retiree information. Notwithstanding the above, the ERB hereby consents to the disclosure by Contractor of (i) the ERB's name to (1) brokers and dealers (including without limitation any futures brokers and futures commission merchants if futures are permitted by the Investment Guidelines) whether executing or clearing to effectuate Contractor's trading activities on behalf of the ERB under this Agreement and (2) consultants and prospective clients as part of a representative client list in connection with the completion of marketing materials provided that ERB is (a) presented in a manner similar to all other Contractor clients included in such marketing materials and (b) not shown to either be explicitly or implicitly endorsing or recommending Contractor for services or otherwise, and (ii) the Assigned Account's portfolio holdings to consultants and other third parties whose name and contact information are notified to Contractor by ERB, which notification may be amended from time to time, in connection with certain analysis or other services provided by such consultant or other third party.

11. Product of Service – Copyright.

Other than proprietary investment management materials owned by the Contractor, all materials developed or acquired by the Contractor specifically for ERB under this Agreement shall become the property of the ERB and the State of New Mexico and shall be delivered to the ERB within three (3) business days of its request. Other than proprietary investment management materials owned by the Contractor, nothing produced, in whole or in part, by the Contractor

specifically for ERB under this Agreement shall be the subject of an application for copyright or other claim of ownership by or on behalf of the Contractor.

12. Conflict of Interest; Governmental Conduct Act.

A. The Contractor represents and warrants that it presently has no interest and, during the term of this Agreement, shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under the Agreement.

B. The Contractor further represents and warrants that it has complied with, and, during the term of this Agreement, will continue to comply with, and that this Agreement complies with all applicable provisions of the Governmental Conduct Act, Chapter 10, Article 16 NMSA 1978. Without in anyway limiting the generality of the foregoing, the Contractor specifically represents and warrants that:

1) in accordance with NMSA 1978, § 10-16-4.3, the Contractor does not employ, has not employed, and will not employ during the term of this Agreement any Agency employee while such employee was or is employed by the Agency and participating directly or indirectly in the Agency's contracting process;

2) this Agreement complies with NMSA 1978, § 10-16-7(A) because (i) the Contractor is not a public officer or employee of the State; (ii) the Contractor is not a member of the family of a public officer or employee of the State; (iii) the Contractor is not a business in which a public officer or employee or the family of a public officer or employee has a substantial interest; or (iv) if the Contractor is a public officer or employee of the State, a member of the family of a public officer or employee of the State, or a business in which a public officer or employee of the State or the family of a public officer or employee of the State has a substantial interest, public notice was given as required by NMSA 1978, § 10-16-7(A) and this Agreement was awarded pursuant to a competitive process;

3) in accordance with NMSA 1978, § 10-16-8(A), (i) the Contractor is not, and has not been represented by, a person who has been a public officer or employee of the State within the preceding year and whose official act directly resulted in this Agreement and (ii) the Contractor is not, and has not been assisted in any way regarding this transaction by, a former public officer or employee of the State whose official act, while in State employment, directly resulted in the Agency's making this Agreement;

4) this Agreement complies with NMSA 1978, § 10-16-9(A) because (i) the Contractor is not a legislator; (ii) the Contractor is not a member of a legislator's family; (iii) the Contractor is not a business in which a legislator or a legislator's family has a substantial interest; or (iv) if the Contractor is a legislator, a member of a legislator's family, or a business in which a legislator or a legislator's family has a substantial interest, disclosure has been made as required by NMSA 1978, § 10-16-7(A), this Agreement is not a sole source or small purchase contract, and this Agreement was awarded in accordance with the provisions of the Procurement Code;

5) in accordance with NMSA 1978, § 10-16-13, the Contractor has not directly participated in the preparation of specifications, qualifications or evaluation criteria for this Agreement or any procurement related to this Agreement; and

6) in accordance with NMSA 1978, § 10-16-3 and § 10-16-13.3, the Contractor has not contributed, and during the term of this Agreement shall not contribute, anything of value to a public officer or employee of the Agency.

C. Contractor's representations and warranties in Paragraphs A and B of this Article 12 are material representations of fact upon which the Agency relied when this Agreement was entered into by the parties. Contractor shall provide immediate written notice to the Agency if, at any time during the term of this Agreement, Contractor learns that Contractor's representations and warranties in Paragraphs A and B of this Article 12 were erroneous on the effective date of this Agreement or have become erroneous by reason of new or changed circumstances. If it is later determined that Contractor's representations and warranties in Paragraphs A and B of this Article 12 were erroneous on the effective date of this Agreement or have become erroneous by reason of new or changed circumstances, in addition to other remedies available to the Agency and notwithstanding anything in the Agreement to the contrary, the Agency may immediately terminate the Agreement.

D. All terms defined in the Governmental Conduct Act have the same meaning in this Article 12(B).

13. Other Clients.

ERB understands that the Contractor performs investment management services for various other clients and agrees that the Contractor may give advice or take action with respect to any of its other clients that may differ from advice given or the timing or nature of action taken with respect to the ERB Assigned Account so long as it is the policy of the Contractor, to the extent practical, to allocate investment opportunities to the ERB Assigned Account over a period of time on a fair and equitable basis relative to other clients. The Contractor shall not have any obligation to purchase, sell or exchange any security for the ERB Assigned Account that the Contractor may purchase, sell or exchange for the account of any other client if, in the Contractor's opinion, such transaction or investment appears to be unsuitable, impractical or undesirable for the ERB Assigned Account.

14. Amendment.

This Agreement shall not be altered, changed or amended except by instrument in writing executed by the parties hereto and all other required signatories.

15. Merger.

This Agreement incorporates all the Agreements, covenants and understandings between the parties hereto concerning the subject matter hereof, and all such covenants, Agreements and

understandings have been merged into this written Agreement. No prior Agreement or understanding, oral or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement.

The terms and restrictions of the Investment Guidelines (Exhibit A) shall apply in determining the types of the Contractor's authorized investments. Contractor shall abide by the terms of the ERB Investment Policy Statement and as they may be amended from time to time. In the event that the ERB Board amends the Investment Policy Statement, ERB shall provide the Contractor with any such amendments, and the Contractor shall be bound to follow such amendments without the need to amend this Agreement.

16. Penalties for violation of law.

The Procurement Code, NMSA 1978 §§ 13-1-28 through 13-1-199, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for illegal bribes, gratuities and kickbacks.

17. Applicable Law.

The laws of the State of New Mexico shall govern this Agreement, without giving effect to its choice of law provisions. Venue shall be proper only in a New Mexico court of competent jurisdiction in accordance with NMSA 1978, § 38-3-1 (G). By execution of this Agreement, Contractor acknowledges and agrees to the jurisdiction of the courts of the State of New Mexico over any and all lawsuits arising under or out of any term of this Agreement.

18. Workers Compensation.

The Contractor agrees to comply with state laws and rules applicable to workers compensation benefits for its employees. If the Contractor fails to comply with the Workers Compensation Act and applicable rules when required to do so, this Agreement may be terminated by the Agency.

19. Records and Financial Audit.

The Contractor shall maintain detailed records that indicate transactions executed and securities held for the benefit of ERB during the Agreement's term and effect and retain them for a period of three (3) years from the date of final payment under this Agreement. The records shall be subject to inspection by the Agency, the Department of Finance and Administration and the State Auditor. The Agency shall have the right to audit billings both before and after payment. Payment under this Agreement shall not foreclose the right of the Agency to recover excessive or illegal payments

20. Indemnification.

The Contractor shall defend, indemnify and hold harmless the Agency and the State of New Mexico from all actions, proceeding, claims, demands, costs, damages, attorneys' fees and all other liabilities and expenses of any kind from any source which may arise out of the

performance of this Agreement, caused by the negligent act or failure to act of the Contractor, its officers, employees, servants, subcontractors or agents, or if caused by the actions of any client of the Contractor resulting in injury or damage to persons or property during the time when the Contractor or any officer, agent, employee, servant or subcontractor thereof has or is performing services pursuant to this Agreement. In the event that any action, suit or proceeding related to the services performed by the Contractor or any officer, agent, employee, servant or subcontractor under this Agreement is brought against the Contractor, the Contractor shall, as soon as practicable but no later than two (2) days after it receives notice thereof, notify the legal counsel of the Agency and the Risk Management Division of the New Mexico General Services Department by certified mail.

21. Public Disclosures.

Contractor acknowledges that the New Mexico Educational Retirement Board is a public entity subject to the laws, regulations and policies of New Mexico, including but not limited to the New Mexico Inspection of Public Records Act, § 14-2-1 NMSA 1978 et seq., the Open Meetings Act §10-15-1 NMSA 1978 et seq., and §22-11-54 NMSA 1978 regarding disclosure of third party marketers. Contractor acknowledges and agrees to be bound by the Educational Retirement Board's Policy Regarding Placement Agent Disclosures that is hereby attached to the Agreement as Exhibit E and by the Educational Retirement Board's Policy Regarding Campaign Contribution Disclosures that is hereby attached to the Agreement as Exhibit F. Neither Contractor nor any of its agents, employees, principles or any of its affiliates, subsidiaries or parent companies shall make any claim against ERB if ERB makes available to the public any report, notice or other information ERB receives from Contractor that ERB in good faith believes is required to be disclosed by such laws, regulations or policies.

22. Representations, Warranties and Acknowledgements.

A. Contractor represents that it is a bank as defined in the Investment Advisers Act of 1940 (the Act) and is therefore exempt from registration under the Act.

B. ERB represents and warrants to the Contractor as follows:

(1) ERB owns the assets of the Assigned Account and is (i) a "qualified institutional buyer" as defined by Regulation D under the Securities Act of 1933 (the "Securities Act"), (ii) an "accredited investor" as defined under the Securities Act, and (iii) a "qualified purchaser" as defined under the Investment Company Act of 1940.

(2) Investments held in the Assigned Account are acquired for ERB's own account solely for the purpose of investment and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act.

(3) ERB has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the Assigned Account being invested in an investment grade fixed income strategy.

(4) ERB understands that certain investments held in the Assigned Account may not have been registered under the Securities Act, and that the Assigned Account may have to hold such investments, and bear the economic risk of such investments, indefinitely unless a subsequent disposition thereof is registered under the Securities Act or exempt from registration.

(5) ERB has the power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution of this Agreement by all parties hereto and the performance of ERB's obligations hereunder have been duly authorized and no other proceedings are necessary to authorize this Agreement.

C. Neither the execution of this Agreement nor the acts contemplated hereby nor compliance by ERB with any provisions hereof will violate any statute, law, judgment, decree, order, regulation or rule of any court or governmental authority applicable to ERB

23. New Mexico Employees Health Coverage.

A. If Contractor has, or grows to, six (6) or more employees who work, or who are expected to work, an average of at least 20 hours per week over a six (6) month period during the term of the contract, Contractor certifies, by signing this agreement, to have in place, and agree to maintain for the term of the contract, health insurance for those employees and offer that health insurance to those employees if the expected annual value in the aggregate of any and all contracts between Contractor and the State exceed \$250,000 dollars.

B. Contractor agrees to maintain a record of the number of employees who have (a) accepted health insurance; (b) declined health insurance due to other health insurance coverage already in place; or (c) declined health insurance for other reasons. These records are subject to review and audit by a representative of the state.

C. Contractor agrees to advise all employees of the availability of State publicly financed health care coverage programs by providing each employee with, as a minimum, the following web site link to additional information: <http://insurenewmexico.state.nm.us/>.

24. Employee Pay Equity Reporting.

Contractor agrees if it has ten (10) or more New Mexico employees OR eight (8) or more employees in the same job classification, at any time during the term of this contract, to complete and submit the PE10-249 form on the annual anniversary of the initial report submittal for contracts up to one (1) year in duration. If contractor has (250) or more employees contractor must complete and submit the PE250 form on the annual anniversary of the initial report submittal for contracts up to one (1) year in duration. For contracts that extend beyond one (1) calendar year, or are extended beyond one (1) calendar year, contractor also agrees to complete and submit the PE10-249 or PE250 form, whichever is applicable, within thirty (30) days of the annual contract anniversary date of the initial submittal date or, if more than 180 days has elapsed since submittal of the last report, at the completion of the contract, whichever comes first. Should contractor not meet the size requirement for reporting at contract award but

subsequently grows such that they meet or exceed the size requirement for reporting, contractor agrees to provide the required report within ninety (90 days) of meeting or exceeding the size requirement. That submittal date shall serve as the basis for submittals required thereafter. Contractor also agrees to levy this requirement on any subcontractor(s) performing more than 10% of the dollar value of this contract if said subcontractor(s) meets, or grows to meet, the stated employee size thresholds during the term of the contract. Contractor further agrees that, should one or more subcontractor not meet the size requirement for reporting at contract award but subsequently grows such that they meet or exceed the size requirement for reporting, contractor will submit the required report, for each such subcontractor, within ninety (90 days) of that subcontractor meeting or exceeding the size requirement. Subsequent report submittals, on behalf of each such subcontractor, shall be due on the annual anniversary of the initial report submittal. Contractor shall submit the required form(s) to the State Purchasing Division of the General Services Department, and other departments as may be determined, on behalf of the applicable subcontractor(s) in accordance with the schedule contained in this paragraph. Contractor acknowledges that this subcontractor requirement applies even though contractor itself may not meet the size requirement for reporting and be required to report itself.

Notwithstanding the foregoing, if this Contract was procured pursuant to a solicitation, and if Contractor has already submitted the required report accompanying their response to such solicitation, the report does not need to be re-submitted with this Agreement.

25. Equal Opportunity Compliance.

The Contractor agrees to abide by all federal and state laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, pertaining to equal employment opportunity applicable to Contractor. In accordance with all such laws of the State of New Mexico, the Contractor agrees to assure that no person in the United States shall, on the grounds of race, religion, color, national origin, ancestry, sex, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If Contractor is found not to be in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct these deficiencies.

26. Invalid Term or Condition.

If any term or condition of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall not be affected and shall be valid and enforceable.

27. Notice of Penalties.

The New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

28. Enforcement of Agreement.

A party's failure to require strict performance of any provision of this Agreement shall not waive or diminish that party's right thereafter to demand strict compliance with that or any other

provision. No waiver by a party of any of its rights under this Agreement shall be effective unless express and in writing, and no effective waiver by a party of any of its rights shall be effective to waive any other rights.

29. Notices.

Notwithstanding the notice provision of this section, if Contractor has any question or concern regarding any issue, including but not limited to ethics, integrity or compliance with any statute, rule or law, Contractor shall immediately contact ERB’s Audit Committee by sending a letter by certified mail to the attention of the Chairman of the ERB Audit Committee at an address designated by the Chairman of the Audit Committee.

Any notice required to be given to either party by this Agreement shall be in writing and shall be delivered in person, by courier service or by U.S. mail, either first class or certified, return receipt requested, postage prepaid, as follows:

To the Agency:

State of New Mexico Educational Retirement Board
701 Camino de los Marquez
Santa Fe, NM 87505

And by e-mail:

To the Contractor:

30. Authority.

If Contractor is other than a natural person, the individual(s) signing this Agreement on behalf of Contractor represents and warrants that he or she has the power and authority to bind Contractor, and that no further action, resolution, or approval from Contractor is necessary to enter into a binding contract.

IN WITNESS WHEREOF, the parties have executed this Agreement as of April 26, 2013.

By: _____ Date: _____
Jan Goodwin
Executive Director

By: _____ Date: _____
Agency’s Legal Counsel – Certifying legal sufficiency

By: _____ Date: _____
Agency’s Chief Financial Officer

By: _____
Contractor

Date: _____

The New Mexico Taxation and Revenue Department has determined that this figure is not subject to gross receipts taxes as the work under contract is performed outside of the State of New Mexico.

By: _____
Taxation and Revenue Department

Date: _____

**New Mexico Educational Retirement Board
INVESTMENT MANAGEMENT SERVICES CONTRACT**

**EXHIBIT A
INVESTMENT GUIDELINES**

To Be Determined

Account Objective	TBD
Investment Objective	TBD
Investment Strategy	TBD
Permissible Investments	TBD
Non-Permissible Investments	In accordance with the Statutes and Policies of the Educational Retirement Board, Contractor may not: TBD
Primary Benchmark	TBD
Cash Holdings	TBD
Equity Diversification	TBD
Sector Risk	TBD

ERB retains the right to lend securities held in this portfolio. Fees earned on securities lending will not be credited to Contractor's performance record.

All asset allocation and investment decisions will be made by Contractor, at its discretion, based on ERB's objectives, economic and market conditions, the availability of particular investment opportunities and other considerations that Contractor deems relevant.

ERB may notify Contractor at any time not to invest any funds in the Account in specific securities or specific categories of securities or in either or both beyond a certain percentage of the Account and Contractor shall promptly follow those instructions.

Sudan Divestment:

ERB adopted a resolution on December 7, 2007 to divest equity holdings of the companies doing business with the government of Sudan. Specifically, NMERB requests the Investment Manager not purchase equity holdings identified as "Category 1: Highest Offenders" by Genocide Intervention Network (formally known as The Sudan Divestment Task Force). The list will be circulated by ERB staff on a quarterly basis.

EXHIBIT B
MANAGEMENT FEE SCHEDULE

TBD

EXHIBIT C
CONTRACTOR’S WARRANTIES TO ERB

Contractor warrants the following:

- A. Contractor warrants that it is registered as an investment advisor under the Investment Advisors Act of 1940 and that it shall maintain such registration at all times during the term of the contract (unless exempt and explanation of exemption is attached or provided at the time Contractor ceases to be so registered).
- B. Contractor warrants that it meets or will meet before the award of a contract the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond applicable to Contractor’s actions under the Contract (unless exempt, and explanation of exemption is attached).
- C. Contractor warrants that it will not delegate its fiduciary responsibilities as assumed in Paragraph I (A) (4) of this Contract.
- D. Contractor warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations, required by a government or governmental authority, including the State of New Mexico, for acts contemplated by the contract.
- E. Contractor warrants that it has a positive net worth at the effective date of this Contract. Furthermore, Contractor warrants that it shall notify ERB, in writing, of any material adverse change to Contractor’s net worth.

Authorized Signature

Date

EXHIBIT D
NMERB INVESTMENT POLICY STATEMENT

December 7, 2012

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PURPOSE OF THE STATEMENT

The New Mexico Educational Retirement Board (NMERB) is responsible for the administration of a defined benefit plan for New Mexico Educational employees. NMERB is governed by the New Mexico Constitution, Article XX, Section 22, the Educational Retirement Act, Chapter 22, Article 11 NMSA 1978, and the NMERB Rules, 2.82.1 through 2.82.12. NMAC. Section 22-11-13 authorizes the NMERB to invest or reinvest the Fund in accordance with the Uniform Prudent Investor Act, Sections 45-7-601 through 45-7-612 NMSA 1978. The NMERB will discharge its duties with respect to investing the Educational Retirement Fund (“Fund”):

- (a) Solely in the interest of, and for the exclusive purposes of, providing benefits to members and their beneficiaries and defraying reasonable expenses of administering the system.
- (b) By investing and managing the Fund as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the Fund. In complying with this duty, the NMERB will exercise reasonable care, skill and prudence. Individual investments will be evaluated in the context of the NMERB portfolio as a whole and not in isolation, as well as a part of the continuing overall investment strategy.
- (c) By using an asset allocation strategy that reflects the mission of the NMERB and is consistent with its fiduciary duty.

This Investment Policy Statement (IPS) establishes a policy for investment and management of the Fund and sets forth guidelines and procedures for investment practices. It is the aim of NMERB to assure members that contributions to the Fund will be prudently invested and managed prudently in light of the investment philosophy contained in this IPS and techniques tempered by experience and knowledge.

The IPS outlines objectives, restrictions and responsibilities so that:

1. The NMERB, the Investment Committee, staff, investment managers, investment consultants, custodians and other service providers understand the objectives and policies for the management of Fund assets.
2. Investment managers understand their charge and limitations concerning the Fund assets entrusted to them.
3. Investment consultants understand the overall environment for the management of Fund assets.
4. Custodians and other service providers understand their role in the oversight and management of Fund assets.

INVESTMENT PHILOSOPHY

NMERB’s investment philosophy and techniques will be based upon a set of widely accepted investment models. The investment philosophy is summarized by the following:

1. Strategic asset allocation has the most significant impact on investment results. NMERB will develop and maintain strategic asset allocation targets and ranges that optimally

attain the investment objectives described below. The *current* strategic asset allocation is set forth in Appendix A.

2. Some investment markets are more efficient than others. NMERB's investments will reflect this mix of market conditions. When appropriate, NMERB will seek to profit from capital market inefficiencies and market dislocations that may occur periodically.
3. Trading costs have a significant impact on returns. NMERB's investment positions will take trading costs into consideration.
4. Monitoring of investments and asset managers is a good administrative practice. Procedures for this are outlined in Appendix B.
5. Performance measurement and attribution are essential in assessing the effectiveness of investment strategies. Procedures for this are outlined in Appendix B.
6. Rebalancing of the Fund's assets in light of experience and expectations is necessary for attainment of investment objectives. Procedures for this are outlined in Appendix C.

GOALS

Return: To earn an inflation-adjusted return sufficient to attain a target funding level over a time period established by the NMERB.

Risk: To undertake an appropriate level of risk in light of experience and expectations such that it is neither too low to earn a reasonable return nor so high as to incur undue investment risk given the purpose of the Fund. The assets of the Fund will be diversified such that the risk of substantial losses within any single asset class or subclass, investment type, industry or sector distribution, maturity date, rating distribution, or geographical distribution is reduced.

CONSTRAINTS

Liquidity: The NMERB is a mature pension system. The cash outflow for pension benefits is expected to be higher than contribution inflows. The Fund must maintain an easily accessible balance of cash equivalents and other reasonably liquid assets to meet benefit obligations and operating expenses as detailed in the Asset Allocation listed in Appendix A.

Investment Horizon: NMERB and the Fund are permanent entities. Therefore, the investment horizon is long-term.

Tax Considerations: NMERB is a tax-exempt entity. Investment of Fund assets will be made with a focus on total return without the distinction normally made between returns from income and returns from capital gain. The investment managers may not be tax-exempt. The pass-through of tax liability of hedge funds, foreign tax, etc. will be addressed in contracts with individual investment managers, as necessary.

Restrictions on Investments, Prohibited Securities and Transactions: Allocation limits are listed below. These limits do not apply to the following alternative asset classes for which separate investment policies have been established: real estate, private equity, timber and agriculture, infrastructure, and hedge funds. The policies for these alternative asset classes are hereby incorporated by reference. In the case of a conflict in the provisions of this Investment

Policy and the provisions of the policy specific to an alternative asset class, the alternative policy provisions will have precedence.

1. The maximum allocation to a single active manager may not exceed 15% of the aggregate market value of the Fund.
2. NMERB has adopted a prohibition against direct investment in the securities of companies doing business in Sudan. NMERB will use the Sudan Company Report published by the Genocide Intervention Network (<http://www.genocideintervention.net/network>) to implement the prohibition.

ROLES AND RESPONSIBILITIES

This section gives details of the roles and responsibilities of the NMERB, Investment Committee, Investment Division, Investment Managers and Investment Consultants.

NMERB

The NMERB is vested with the authority to adopt the Investment Policy Statement and other policies as necessary and to direct their implementation, and may delegate any part of that authority at its discretion. The NMERB may select one or more general investment consultants. The NMERB will conduct the following reviews:

Actuarial study and valuation:	Annually
Actuarial experience study:	Every second year
Asset/Liability study:	Every third year

Investment Committee

An Investment Committee (IC) will be appointed in accordance with NMERB Rules. The duties of the IC include without limitation:

1. The IC will review the Investment Policy Statement periodically to recommend changes, if necessary, to the NMERB. The review must occur at least every three years, or more frequently at the discretion of the IC or NMERB. Should changes to the Investment Policy be recommended by the IC as a result of such a review, approval from NMERB would be required.
2. The IC will develop one or more asset allocation strategies and review the current plan periodically to recommend changes, if necessary, to the NMERB. The review must occur at least every two years and may occur more frequently at the discretion of the IC.
3. The IC will select external investment managers and investment consultants, except the general investment consultant, which will be selected by the NMERB. Potential managers and consultants will be evaluated based on criteria specific to the designated asset class and investment style.
4. The IC will monitor external investment managers on a continuing basis. The information included in the monitoring will include investment performance versus relevant market benchmarks, organizational changes, and adherence to assigned investment mandates and styles. Staff and the appropriate consultant[s] will assist the IC in this function by providing ongoing reporting.

5. The IC will monitor the Investment Division and internal investment managers on a continuing basis. Due diligence procedures similar to those used in monitoring external managers shall be followed, making the necessary adjustments in criteria for resources allocated to internal operations.
6. The IC will review in a timely manner the Investment Division and consultant's reports on external and internal investment managers' performance and attribution of the performance.
7. The IC will establish trading policies for internal investment managers.
8. The IC will establish Proxy Voting Policy and Guidelines for external and internal investment managers and custodians. The current Proxy Voting Policy and Guidelines are given in Appendix E.
9. The IC will review all aspects of the investment program periodically. The review must occur at least at the following frequency and more often, if necessary.

Asset allocation:	Every second year (subject to NMERB review and approval)
Investment performance:	Quarterly
Investment policy statement:	Every three years (subject to NMERB review and approval)

Investment Division

The Investment Division will supervise the management of Fund assets. To the extent that the Investment Division houses internal investment managers and analysts, it will manage the allocated moneys.

All investment staff members are expected to comply with the *Code of Ethics & Standards of Professional Conduct* published by the CFA Institute (2010, available at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>). The *Code and Standards* are incorporated by reference.

All investment staff members will be required to periodically pass a self-administered Ethics Exam for ethical awareness.

The duties of the Investment Division and its staff include, without limitation:

1. Staff will periodically evaluate and recommend changes, as needed, to the governing policies of the investment process. These items include, without limitation:
 - a. Investment policy;
 - b. Asset allocation strategies;
 - c. Selection of external managers;
 - d. Monitoring of external and internal managers;
 - e. Selection of investment consultants;
 - f. Proxy voting policy and guidelines;
 - g. Securities lending; and
 - h. Performance measurement and attribution.

2. Staff will implement and monitor strategic and tactical asset allocation strategies.
3. Staff will screen and recommend investment managers.
4. Staff will screen and recommend one or more specialist investment consultants.
5. Staff will screen and recommend one or more general consultants.
6. Staff will monitor investment managers and consultants.
7. Staff will prepare accurate, complete, and comparable investment performance reports and schedules of investment positions in a timely manner. A non-exhaustive list of reports includes:
 - a. Monthly investment summary
 - b. Quarterly proxy report
 - c. Quarterly broker commission
 - d. Reconciliation of records with those of custodian firms
8. Staff will monitor the custodial bank for accuracy and completeness of all activity of the Fund, including cash flows, trading transactions, dividends and interest.
9. Staff will monitor the manager of the securities lending program.
10. Staff will instruct and monitor proxy voting of investment managers and custodian firms.

Investment Managers

External investment managers will be considered fiduciaries while entrusted with the management of Fund assets. External investment managers will adhere to the Investment Policy, the terms and conditions of their contracts, and the ERB's Proxy Voting Policy and Guidelines.

Investment Consultants

Investment consultants, whether general or specialists, will act in a fiduciary capacity while providing consulting services to the NMERB. Consultants will adhere to the Investment Policy and the terms and conditions of their contracts. The investment consultants' duties include, without limitation:

1. Prepare and present periodic reports of investment performance;
2. Manager searches;
3. Manager evaluation;
4. Studies of asset allocation, asset and liability, actuarial assumptions, etc.; and
5. Guidance on policy and procedural matters.

Custodial Banks

The custodial banks will be required to perform the usual and customary duties normally expected of such banks. Custodial banks will be required to provide on-line records and reports, accounting reports, reconciliation services, and other service included in contract.

RISK CONTROLS

The Fund will be broadly diversified across and within asset classes to limit the volatility of the total Fund investment returns and to limit the impact of large losses on individual investments on the total Fund.

Further, NMERB seeks to limit exposure to any single manager or product. The NMERB may override these policies under special circumstances. These limits do not apply to the following alternative asset classes, for which separate investment policies have been established: real estate, private equity, timber and agriculture, infrastructure, and hedge funds. The allocation limitations are as follows:

1. The maximum allocation to a single active manager in its own investment products is 25%. Under this Policy, a single manager may manage up to 15% of the aggregate market value of the Fund.
2. There is no maximum allocation limitation for passive managers or passive investment products, as the absence of active management and business risk issues with passive investment management firms make any limitation unnecessary. Passive portfolios can be readily transferred to and managed by another firm in the unlikely occurrence of an event that could put the Fund's assets at risk.
3. Further contractual limitations will be imposed on managers as appropriate, with individual mandates as determined by Investment Division staff.
4. Manager compliance with restrictions will be monitored by Investment Division staff through reporting provided by the Custodian and other service providers.

APPENDIX A. ASSET ALLOCATION

The NMERB has adopted a strategic Asset Allocation Plan, containing weights, ranges and benchmarks for each asset class. Over time, the Plan is expected to achieve the NMERB's assumed overall rate of return on Fund investments of seven and seventy-five hundredths percent (7.75%). Minimum and maximum allocations provide a range within which assets may fluctuate. Achieving the target weights is a long-term goal. Investments in non-public markets such as private equity and real estate, take some time to implement. The NMERB recognizes that, in the short term, a particular asset position may represent an intermediate point in the process of attaining its target weight.

Asset Allocation Policy

Asset Class	Target Weight	Range	Benchmark
PUBLIC MARKETS			
EQUITIES			
<u>Domestic Equities:</u>	<u>22%</u>	15-30%	
Large Cap	20%	15-25%	S&P 500
Small/mid Cap	2%	0-5%	Russell 2000
<u>International Equities:</u>	<u>15%</u>	5-25%	
Developed	5%	0-10%	MSCI EAFE
Emerging Markets	10%	5-15%	MSCI Emerging Markets
Total Equities	37%	20-55%	
FIXED INCOME			
Opportunistic Credit	20%	0-30%	50% Merrill Lynch U.S. High Yield BB-B (2% constrained)/50% CSFB Levered Loan Index
Core Bonds	7%	0-15%	Barclays Capital Aggregate Bond Index
Emerging Market Debt	2%	0-8%	JP Morgan GBI-EM

			Global Diversified (Unhedged)
Total Fixed Income	29%	10-40%	
ALTERNATIVES			
Real Estate/REITS	5%	0-10%	NCREIF Property Index/ Wilshire REIT Index
Real Assets	7%	0-12%	CPI + 5%
Private Equity	8%	0-15%	Cambridge PE Index
Absolute Return	3%	0-10%	90 day t-bills + 2%/HFRI Fund of Funds: Conservative
Global Tactical Asset Allocation	5%	0-10%	60% MSCI World/40% Citigroup World Government Bond Index (WGBI)
Risk Parity	5%	0-10%	60% MSCI World/40% WGBI
Total Alternatives	32%	10- 40%	
Cash	1%	0% - 10%	

The minimum and maximum allocations serve as guidelines, allowing the assets in each asset class to fluctuate. At times, the Investment Committee may elect to exceed the target weights or deviate from the minimum and/or maximum allocations in a particular asset class. Any deviation must be approved by the Investment Committee and may not last for more than twelve months without the approval of the NMERB.

To ensure the greatest diversification possible, NMERB has structured its investments by style and sector within individual asset classes. The strategic role of each asset class in the NMERB's

Asset Allocation Policy is summarized below. Individual manager guidelines will be specified in the contracts with those managers.

ASSET CLASSES

Assets classes may be managed using traditional long-only management techniques or through alternative strategies. Alternative strategies include long/short strategies, portable alpha, and various types of derivatives, including futures, options and swap contracts. Hedging may be employed, depending upon the specific strategy and its goals.

Public Equities

Domestic Equity

The portfolio will be allocated to Domestic Equity as indicated in the asset allocation table above.

The NMERB believes that the domestic large cap equity market is a relatively efficient market offering little opportunity for active managers to add value in a traditional long-only strategy. Therefore, this exposure is implemented using the internally managed S&P 500 Index portfolio.

The NMERB believes small and mid-capitalization equities, in contrast to the large cap equity market, may offer more opportunities for active management to add value. Therefore, the small/mid cap portfolio will be allocated to one or more active managers. The choice of managers will generally seek to balance growth and value style exposures for the portfolio.

International Equity

The portfolio will be allocated to International Equity as indicated in the asset allocation table above. Similar to the structure in domestic equity, active and passive strategies, utilizing growth and value styles, may be equally weighted, with an additional weighting to core.

Fixed Income

NMERB's fixed income structure may include corporate and government issued debt including, but not limited to, mortgages, bank loans, loan participations, and structured notes. Credit quality will vary and may include the entire spectrum from U.S. Treasury securities to the debt of companies in bankruptcy. The specific credit criteria will depend upon the strategy employed by individual managers. Credit quality and other criteria specific to each manager and strategy will be addressed in each manager's contract.

Opportunistic Credit

This asset class will encompass a wide variety of global investment types including:

1. Investment grade bonds
2. High yield bonds
3. Convertible bonds
4. Leveraged loans
5. Mortgage loans, both residential and commercial

6. Distressed debt
7. Collateralized bond, loan or debt obligations,
8. Derivative instruments including but not limited to futures, swap contracts, options, currency forward contracts and swaptions

Core Fixed Income

Strategies employed in the Core Fixed Income Portfolio will be primarily traditional long-only. Investments will be primarily investment grade securities and primarily denominated in U.S. dollars. Derivatives may be employed to a limited extent. More specific manager guidelines will be included in each manager's contract.

Emerging Market Debt

This market consists primarily of sovereign government and corporate debt issued in less developed countries. Both types may be investment grade or below investment grade and may be denominated in U.S. Dollars or a foreign currency. Individual managers may employ traditional or alternative strategies and instruments or a combination of the two. Guidelines for strategies will be included in each manager's contract.

Non Traditional Asset Classes - Alternative Investments

Sub-classes within alternative investments include: real estate, private equity, hedge funds, real assets, and Global Tactical Asset Allocation. Separate investment policy statements have been developed for real estate, private equity, hedge funds, and real assets. A brief discussion of each category follows.

Real Estate

NMERB's real estate portfolio is designed to provide an intermediate level of return with a low correlation to either fixed income or equity markets. Publicly traded equity securities of Real Estate Investment Trusts (REITs) and private real estate investments held in partnerships or other structures may be included in this portfolio.

Private Equity

Private equity investments typically have a low correlation to other investment asset classes and should contribute to the reduction of risk and the enhancement of returns on a total investment portfolio basis. Primary investment vehicles will include limited partnerships and fund-of-funds. NMERB does not anticipate direct investments in individual private businesses.

Hedge Funds

Conservative hedge funds are expected to provide an absolute rate of return above that of fixed income. Flexibility in hedge fund investment allows the realization of profits in both rising and falling markets with a low correlation to the more traditional asset classes in the portfolio. Funds of hedge funds will be the preferred investment vehicle, with possible limited use of individual hedge funds.

Real Assets

The long-term objective of this asset class is to provide returns in excess of investment grade bonds with substantially less volatility than equity markets. This portfolio will include investments in infrastructure, natural resources, timber and agriculture.

The infrastructure portfolio will include investments in public assets that have semi-monopoly positions, such as toll roads, electricity generators and distributors, seaports and airports, pipelines, rail links, royalties, public/private partnerships and other similar assets. The primary investment vehicle is expected to be commingled funds but may take other forms.

Global Tactical Asset Allocation (GTAA)

Global Tactical Asset Allocation (“GTAA”) provides an additional layer of diversification to the Fund’s portfolio. The GTAA strategy is designed to strategically adjust the exposure to global stock, bond, commodity and currency markets, with the goal of outperforming broad market benchmarks over time. GTAA managers may utilize active or passive portfolios to accomplish this.

GTAA managers are expected to evaluate and invest in global investment instruments, including derivative instruments. Derivatives may be used to obtain market exposure or mitigate risk at the discretion of the individual manager within the guidelines of each manager’s contract.

Risk Parity

Risk parity is an approach to investment portfolio management which focuses on allocation of risk rather than the allocation of capital based on asset classes. The risk parity approach seeks to adjust various asset class allocations to the same risk level by leveraging or deleveraging the individual asset classes. The risk parity philosophy holds that by equalizing the risk, the risk parity portfolio can achieve greater diversification, have a higher Sharpe ratio and be more resistant to market downturns than a traditional portfolio.

APPENDIX B. INVESTMENT AND MANAGER PERFORMANCE MONITORING

NMERB's investments will be reviewed on a quarterly basis, at a minimum. Performance will be evaluated on a total return basis, which includes realized and unrealized gains and losses and investment income. For performance evaluation purposes, assets will be valued at the market values available to staff at the end of the quarter. Quarterly reports will contain detailed investment performance and attribution information. The General Consultant will be responsible for preparing the quarterly performance reports and will also prepare monthly "flash" reports.

The NMERB portfolio performance will be compared to a custom benchmark index. This index will be agreed upon by the IC and the General Consultant and will be consistent with the asset allocation targets in force at the time.

APPENDIX C. REBALANCING OF FUND'S ASSETS

Investment Division staff will be responsible for maintaining asset allocations within the ranges adopted in the Asset Allocation table presented in Appendix A.

Staff will have the discretion to determine the timing and magnitude of rebalancing within the defined ranges. The Investment Committee may authorize temporary deviations from the asset allocation ranges detailed in the Plan.

The NMERB recognizes that the implementation of a revised Asset Allocation Plan will necessitate a transition period. During this period, actual allocations may deviate from the Plan ranges as the new Plan is implemented.

APPENDIX D. PROXY VOTING POLICY AND GUIDELINES

NMERB's objective in proxy voting is to support proposals that maximize the value of the Fund's investments over the long term. Proxy voting guidelines have been developed to ensure that the Fund is able to provide adequate assets to pay retirement benefits to the members of the Plan. NMERB believes that each portfolio's Investment Manager is in the best position to assess the financial implications presented by proxy issues and the impact a particular vote may have on the value of a security. Consequently, NMERB generally assigns proxy voting responsibility to the Investment Managers responsible for the management of each Fund portfolio. The duty of loyalty requires that the voting fiduciary exercise proxy voting authority solely in the interests of members and beneficiaries of the NMERB. NMERB may retain the services of a proxy voting service to advise and assist staff in voting proxies for internally managed portfolios. Proxy voting will be in accordance with the guidelines listed below except in cases where the proxy voting service advice conflicts with the guidelines. In such cases, the Chief Investment Officer will direct that the vote be cast in the best interest of NMERB in his or her judgment. Such instances will be reported to the Board Chair prior to such vote being cast.

The following represents a list of common proxy issues and NMERB's guidelines for voting:

Board of Directors Issues

Corporate directors have a fiduciary duty to shareholders and the corporation they serve. Shareholders elect corporate directors to hire, monitor, compensate and, if necessary, terminate senior management. For directors to effectively discharge these responsibilities, they must be highly qualified, diligent in the performance of their duties, committed to high ethical standards, and independent of the company management they oversee. NMERB expects corporate boards to be composed of qualified individuals, at least two-thirds of whom are independent, who are open to shareholder input on issues facing the company, who challenge management with tough questions and goals, and who take action when needed to maximize the long-term value of the corporation. Additionally, NMERB believes that having an independent director serve as chairperson enhances the board's independence and effectiveness.

Election of Directors:

WITH MANAGEMENT

A board of directors should be representative of shareholders, include a majority of independent (outside) directors, be open to shareholder input on major policy issues, and operate in such a manner to maximize share value.

Stock Ownership Requirement:

AGAINST

A proposal to impose a stock ownership requirement would require directors to own a minimum amount of company stock in order to qualify as a director or remain on the board.

PROS: Directors may be more committed to making decisions which serve the best interests of shareholders if they personally own stock in the company.

CONS: Persons who would otherwise be qualified for a seat on the board may be prevented from serving, making it more difficult to attract and retain outside directors.

Classified (Staggered) Board:

AGAINST

Under a classified or staggered term board, the directors are divided into groups which serve staggered terms. A different group stands for election each year. Under an unclassified board, all directors stand for election annually. Classified boards may reduce the ability of shareholders to hold directors accountable annually.

PROS: Classification helps to ensure continuity of a corporate board, facilitating the board's ability to carry out long-term strategic plans.

CONS: A classified board is viewed by many as an anti-takeover device due to the difficulty and time consuming requirements necessary to change the composition of a corporate board.

Cumulative Voting:

FOR

In cumulative voting, a shareholder's vote is equivalent to the number of shares owned times the number of directors being elected. Cumulative voting allows shareholders to cast their votes in the election of directors for a single director or apportion them in any manner they choose. Cumulative voting is a method of obtaining minority shareholder representation on a board and of achieving a measure of board independence from management control.

PROS: Cumulative voting allows minority shareholders to obtain representation on the board of directors.

Directors elected by cumulative voting rather than the normal method may be truly "outside directors", and thus would be more likely to represent the shareholders' interests and not management's interests.

Cumulative voting can make it easier to replace incumbent management in the case of a change of control in the company.

CONS: Cumulative voting allows directors to represent the interest of the minority shareholders, or some special group instead of all shareholders.

Director/Officer Indemnification:

FOR

In response to the increased costs of Directors and Officers (D&O) Insurance and to liberal state laws, many companies have reduced D&O coverage and have increased the indemnification offered by the corporation. Financial protection afforded to directors and officers under state indemnification statutes depends to a great extent on the provisions in corporate charters, by-laws, or other agreements that the corporation adopts in order to give effect to those indemnification provisions that require express corporate implementation.

PROS: Broad Indemnification clauses and decreased liability for directors are instrumental in attracting highly qualified, competent directors.

CONS: Indemnification is theoretically unlimited and only practically limited by the indemnifying company's financial resources.

Independent Directors Must Comprise Majority of Board: *FOR*

The role of any director is to scrutinize the highest decision makers in the company. This proposal requires that a majority of the board of directors be independent. This may also include the requirement that board composition not include current or past employees of the company or parties to a contract paid by the company. Director independence is important in that, to the extent possible, it ensures that directors serve the interest of shareholders.

PROS: Objective decision-making is more likely to occur; this is in the best long-term interests of shareholders.

CONS: Relevant experience may be lacking and tendency to be more conservative is at issue. Interests may be superficial in comparison to interest of executives and management who may be more aware of and committed to company's performance.

Corporate Governance Issues

Issues in this category may have a significant impact on the value of Plan investment which will vary depending on the company and circumstances involved. Some of these proposals will occur in the context of an impending or ongoing contest for corporate control, while others will have a direct effect on the likelihood of material transactions such as tender offers, leveraged buyouts, mergers, acquisitions, restructuring and spin-offs. In deterring how to vote, the voting fiduciary is not required to maximize short term gains where disrupting the stability and continuity of the corporation is not consistent with the long-term economic best interests of Plan members and beneficiaries.

Ratification of Auditors: *WITH MANAGEMENT*

Management is generally allowed to appoint the auditors for the corporation. Shareholders may or may not ratify management's choice through a non-binding vote. Generally, shareholders should vote to approve management's decisions in this area unless circumstances indicate that management's switch in auditors is a result of the termination of the prior firm for its strict enforcement of accounting principles.

Submission of Corporate Governance Issues for Shareholder Approval: *FOR*

It is in the shareholders' best interests to be allowed to vote on corporate governance issues (as opposed to management making these decisions without allowing shareholders to vote on the issue).

Fair Price Provision: *AGAINST*

The fair price provision is a provision in the bylaws of some publicly traded companies

stating that a company seeking to acquire it must pay a “fair price” to targeted shareholders. Essentially, the fair price provision mandates that when shareholders decide to exercise the provision, the acquiring company must pay all shareholders the same amount per share in multi-tiered shares. The fair price is frequently defined to be the highest price the offeror paid for any of the shares it acquired in the target company during a specified period before the commencement of the tender offer. If exercised, it results in all shareholders being paid the same price in the event of a takeover. An acquirer may avoid such a pricing requirement by either obtaining a supermajority vote to approve a takeover or merger or having the proposed transaction approved by the target company’s board of directors. Once in place, fair price provisions are difficult to remove. They generally require as much as an 80 percent vote of shareholders to amend the provision.

PROS: Fair price provisions force the bidder to negotiate directly with the board of directors. The argument generally used is that the board is in a better position to assess the value of the business than the shareholders and can negotiate a higher bid.

Note: Fair price provisions prevent two-tier offers. In a two-tier offer, a higher price is paid for shares needed to obtain controlling interest than is paid for the remaining shares.

CONS: Fair price provisions can thwart any type of tender offer. If there is no tender offer, then none of the shareholders receive a premium.

Note: An SEC study indicates that stock prices fall an average of 1.3%, net of market transactions, following the announcement of a fair price agreement. Another SEC study found that there is very little difference in the premium paid for stock in a two-tier offer.

Supermajority Voting Provision:

AGAINST

The majority of state laws require only a simple majority vote to approve a change in the charter or bylaws. No state law requires more than a two-thirds vote. In contrast, a supermajority provision requires approval in excess of a simple majority vote. Companies will specify the size of the supermajority, which can be anywhere from 67 to 95 percent. Faced with potential voting requirements of 75 to 80 percent, changing bylaws and charters can be difficult if not impossible to alter. This results in the inability of corporate boards and management to be responsive or accountable to shareholders.

CONS: In general, provisions which require more than a majority to carry the vote are not regarded to be in the best interest of the shareholders.

Anti-Greenmail Provision:

FOR

Greenmail refers to the practice of a company purchasing a large block of its own stock from a shareholder at an above-market price to prevent the shareholder from taking over the company or engaging in a proxy fight. The price of the stock almost always declines after the “greenmail” payment is made and the payment is considered discriminatory over all other shareholders (paying greenmail allows management to treat shareholders of the same class differently). An anti-greenmail provision generally prevents the company

from repurchasing shares of its stock at an above average price without prior approval of a majority of its shareholders unless the same repurchase terms are offered to all shareholders. The interested shareholder is excluded from voting on this issue.

PROS: Funds used for reinvestment or for dividend payment may be exhausted by a greenmail payment. In addition, paying greenmail allows management to treat shareholders of the same class differently.

Note: A SEC study found that non-participating shareholders suffer substantial and significant share price declines and in general these transactions are not in the best interests of non-participating shareholders. The total net of market return for companies paying greenmail was -3.7%.

CONS: Paying greenmail leaves a company independent and current management in place.

**Combining Several Anti-Takeover Proposals With
An Anti-greenmail Proposal:**

AGAINST

It is in shareholders' best interests to be allowed to vote on anti-takeover proposals separately from anti-greenmail proposals.

Unequal Voting Rights:

AGAINST

Unequal voting rights limit the voting rights of some shareholders and expand those of others. Unequal voting rights may be used by management to concentrate voting power or controlling interest in the hands of management. Unequal voting rights involve a variety of recapitalization plans including: issuance of a second class of stock granting voting rights different from those of common stock; granting superior voting rights to certain long-term shareholders (usually management or founding family); or capping voting rights of shareholders who have acquired a significant percent of the outstanding common stock.

PROS: Unequal voting rights plans allow companies to raise capital while letting management or the founding family maintain control.

Note: It allows companies to expand without fear of being taken over, or to set up and fund philanthropic causes.

CONS: Shareholders no longer have the ability to elect outside directors since management controls the majority of votes.

Note: Unequal voting rights serve as a very strong anti-takeover mechanism which serves to entrench management. The inability to obtain voting control of a company will act as a deterrent for premium payment for shares. An SEC study shows that adopting unequal voting plans can have a significant negative impact on share prices.

**Opt Out of a State's Anti-Takeover Law or Reincorporate
in Another State:**

FOR

In general, it is not in the shareholders' best interests for the corporation to be restricted by strict anti-takeover laws.

Merger/Acquisition and Other Economic Issues: ***REVIEWED ON A CASE-BY-CASE BASIS***

Each individual issue will be reviewed to determine if it is in the shareholders' best interests.

New Security Issuance Issues

Increase in Authorized Common Stock: ***REVIEWED ON A CASE-BY-CASE BASIS***

Excessive increases in authorized stock will be evaluated to determine the potential uses of the new stock. If the additional stock could be used as an anti-takeover defense, a vote will be cast against the proposal.

Blank check preferred stock: ***AGAINST***

Blank check preferred stock provisions authorize management to create new classes of preferred stock with unspecified voting, conversion, distribution and other rights.

PROS: It can provide management with more flexibility in making certain financial decisions.

CONS: It can be used as a strong anti-takeover mechanism.

Redemption of Poison Pills: ***FOR, UNLESS CIO FEELS THAT A PARTICULAR ISSUER SHOULD RETAIN ITS POISON PILL***

The term 'poison pill' describes a family of shareholder rights agreements which, when triggered by an event such as a (hostile) tender offer or the accumulation of a specified percentage of shares by an acquirer, provide the shareholders of the target company with rights to purchase additional shares or to sell shares at very attractive prices. These rights, when triggered, impose significant economic penalties on a hostile acquirer and can make a corporate takeover prohibitively expensive. Redemptions of poison pills would eliminate any such shareholder rights agreements previously adopted.

PROS: Redemption of poison pills would remove a strong anti-takeover mechanism.

Preemptive Rights: ***AGAINST***

Preemptive rights require a corporation to offer rights to current shareholders in any issuance of new stock. This allows current shareholders to retain the same percentage ownership in the company held prior to the new issue.

CONS: Providing preemptive rights is costly to the corporation and little purpose is

served, since shareholders can purchase shares in the market if they want to retain the same percentage ownership.

Executive Compensation Issues

A reasonable and just compensation system is fundamental to the creation of long-term corporate value. However, the past two decades have seen an unprecedented growth in compensation only for top executives and a dramatic increase in the ratio between the compensation of executives and rank-and-file workers. By any standard, many of today's executive compensation packages are excessive. Too often, directors have awarded compensation packages that go well beyond what is required to attract and retain executives, and have rewarded even poorly performing CEOs. These executive pay excesses come at the expense of shareholders as well as the company and its employees. Fund fiduciaries, including voting fiduciaries, are therefore obligated to address the issue of excessive compensation. Executive compensation packages are generally composed of annual salary, annual incentive awards, long-term incentive awards, stock options and other forms of equity compensation. The structure of a CEO's compensation package influences whether the CEO focuses on boosting the corporation's day-to-day share price or concentrates on building long-term corporate value.

Golden Parachutes:

AGAINST

A golden parachute is a special type of employment contract that is triggered when a senior executive is fired, demoted, or resigns following a takeover or change in control of a corporation. The amount paid to an individual is generally three times that person's average compensation over the last five years.

PROS: Golden parachutes are designed to insure that executives will not oppose takeovers that are in the best interests of shareholders. Golden parachutes may be necessary in order to attract and retain qualified executives.

CONS: Golden parachutes can be considered anti-takeover devices.

Note: Golden parachutes eliminate the incentive for executives to do a good job of managing the company. Executives receive lucrative severance benefits whether or not the company does well.

Golden parachutes, especially those granted during a takeover, are viewed as an example of corporate managers benefiting at the expense of shareholders.

Employee Stock Ownership Plans:

REVIEWED ON A CASE-BY-CASE-BASIS TO DETERMINE IF IT IS IN THE SHAREHOLDERS' BEST INTERESTS

Employee stock ownership plans should be designed to provide incentives to employees and should not be excessive.

Proxy System Issues

Confidential Voting:

FOR

The purpose of confidential voting is to protect shareholders from management pressure to change their votes before the shareholder meeting at which those votes are cast. Management's knowledge of the voting results would be restricted to the total number of shares voted and the percent voted for and against each proposal. Confidential voting does not pertain to proxy vote disclosure after the shareholder meeting

PROS: Confidential voting would prevent a company's management from contacting shareholders and exerting pressure on shareholders to change their vote on a particular issue. Confidential or secret balloting is the heart of the American system of governance and this provision would also benefit the system of corporate governance.

CONS: Non-confidential or open voting records give management the ability to more thoroughly explain their position on major issues. It allows management and shareholders to freely exchange views and discuss resolutions.

Equal Access:

FOR

Equal access provisions allow shareholders equal access to the proxy process to propose proxy voting issues, and to management's proxy material in order to evaluate and propose a voting recommendation on proxy proposals.

PROS: It is in shareholders' best interests to have equal access to the proxy voting process.

Social Responsibility Issues

Resolutions Asking for a Report on Activities of the Company:

***REVIEWED ON A
CASE-BY-CASE BASIS***

Vote will be cast for the proposal, if the activity is either not fully regulated or if the problem is serious enough to deserve a separate communication to shareholders.

Resolutions Asking for Cessation of Activities or the Implementation of Pro –Active Policies:

***REVIEWED ON A
CASE-BY-CASE BASIS***

Votes will be cast against the proposal if (1) activity is sufficiently regulated; (2) activities refer to business operations in foreign countries where different regulations and the principles of sovereignty apply; or (3) it would impose a substantial financial burden on the company.

PROCEDURE 1. INVESTMENT MANAGER NOTIFICATION

The relationship between NMERB and the Investment Manager is one of significant importance and therefore timely communications of material changes is encouraged. Specifically, a manager under contract to NMERB must advise NMERB within 24 hours if at any time there is:

- a. a significant change in investment philosophy;
- b. a loss of one or more key management personnel;
- c. a new portfolio manager on the NMERB account;
- d. a change in ownership of the firm;
- e. a change in the ownership structure of the firm; or
- f. any occurrence that might potentially impact the management, professionalism, integrity, organizational structure or financial position of the management firm.

Should any of the situations outlined above occur, the manager must provide NMERB with a full explanation and the impact on the NMERB account. If deemed necessary by NMERB, the manager will be asked to meet with the Board, Investment Committee, or staff to review the relationship prior to approval of contract assignment.

PROCEDURE 2. ASSET PRICING PROCEDURE

This Policy establishes a process for the valuation of securities when a discrepancy appears in the master trustee bank's prices. The establishment of this policy includes the recognition that security prices provided by the master trustee bank's matrix pricing and third party pricing provider prices are subject to coverage limitations. Where pricing between NMERB's Investment Manager and the master trustee bank on NMERB's assets is disputed, this Policy will be implemented. A Manager may provide alternative prices where the level of pricing discrepancy is, at a minimum, the greater of \$1 per issue or 1% per issue.

The master trustee bank will provide official pricing for all NMERB portfolios with the following exceptions:

- I. Market values for specific markets where no third party pricing source is available may be priced by the portfolio manager.
- II. The portfolio manager provides any of the following pricing estimates, listed in order of preference:
 - A. the average of at least two dealer prices (bid-side);
 - B. the average of one dealer price (bid-side) and a quantitatively-based estimate; and
 - C. an estimated price resulting from one consistently applied quantitative methodology, subject to approval by the NMERB Investment staff.

Prices provided by the portfolio manager to be used by the master trustee bank will require monthly documentation that includes the following:

1. sources and/or quantitative calculation used to determine respective issue prices;
2. percentage difference between manager's price relative to the price generated by the master trustee bank;
3. aggregate percentage of the-portfolio's market value for securities priced by the manager; and
4. written concurrence of the portfolio manager's compliance officer indicating portfolio manager's implementation of and compliance with NMERB's Asset Pricing policy.

PROCEDURE 3. MANAGER RECONCILIATION PROCEDURE

DOMESTIC EQUITY (SEPARATELY MANAGED ACCOUNTS)

The New Mexico Educational Retirement Board (“NMERB”) seeks to ensure greater accuracy through the implementation of a monthly reconciliation reporting process. Each NMERB Investment Manager will provide written acknowledgment of the accuracy of the master trust bank’s statements and the performance results provided by NMERB’s investment consultant. This reconciliation is due with the next quarterly performance report following the current month reporting period.

Master Trust Bank Reconciliation

1. Verify each security market value. List those issues outside of a 1 basis point tolerance for market valuation differences.
2. Verify accrued dividends for each issue. List those issues with differences which would impact performance results by > 5 basis points.
3. Verify total securities traded but not settled at month-end.
4. Confirm corporate actions and income collection. Note significant differences.
5. Verify miscellaneous receivables and payables and their age. Note any issues for which receivables are deemed not collectible.

Investment Consultant Reconciliation

1. Review investment consultant portfolio return and benchmark calculation on a monthly basis. Note performance differential if > 10 basis points at the portfolio level.
2. On an annual basis, provide written agreement with investment consultant’s annual return calculations for portfolio and benchmark.

**NON-U.S. EQUITY
(SEPARATELY MANAGED ACCOUNTS)**

The New Mexico Educational Retirement Board (“NMERB”) seeks to ensure greater accuracy through the implementation of a monthly reconciliation reporting process. Each NMERB Investment Manager will provide written acknowledgment of the accuracy of the master trust bank’s statements and the performance results provided by NMERB’s investment consultant. This reconciliation is due with the next quarterly performance report following the current month reporting period.

Master Trust Bank Reconciliation

1. Verify each security market value. List those issues outside of a 1 basis point tolerance for market valuation differences with the exception of non-Japan Pacific Basin equities. For non-Japan Pacific Basin equities, list those issues outside of a 25 basis point tolerance for market valuation differences.
2. Verify accrued dividends for each issue. List those issues with differences which would impact performance results by > 5 basis points.
3. Verify total securities traded but not settled at month-end.
4. Confirm corporate actions and income collection. Note significant differences.
5. Verify miscellaneous receivables and payables and their age. Note any issues for which receivables are deemed not collectible.
6. Review tax reclamations receivables. Note any issues where aging presents a problem to collection.

Investment Consultant Reconciliation

1. Review investment consultant portfolio return and benchmark calculation on a monthly basis. Note performance differential if > 20 basis points at the portfolio level.
2. On an annual basis, provide written agreement with investment consultant’s annual return calculations for portfolio and benchmark.

FIXED INCOME
(SEPARATELY MANAGED ACCOUNTS)

The New Mexico Educational Retirement Board (“NMERB”) seeks to ensure greater accuracy through the implementation of a monthly reconciliation reporting process. Each NMERB Investment Manager will provide written acknowledgment of the accuracy of the master trust bank’s statements and the performance results provided by NMERB’s investment consultant. This reconciliation is due with the next quarterly performance report following the current month reporting period.

Master Trust Bank Reconciliation

1. Verify each security market value. List those issues outside of a 25 basis point tolerance for market valuation differences with the exception of high yield bonds. For high yield bonds, list those issues outside of a 50 basis point tolerance for market valuation differences.
2. Verify accrued interest for each issue. List those issues with differences which would impact performance results by > 5 basis points.
3. List any issues for which coupon or principal payments are past due.
4. Confirm corporate actions and income collection. Note significant differences.
5. Verify miscellaneous receivables and payables and their age. Note any issues for which receivables are deemed not collectible.
6. (Non-U.S.) Review tax reclamations receivables. Note any issues where aging presents a problem to collection.

Investment Consultant Reconciliation

1. Review investment consultant portfolio return and benchmark calculation on a monthly basis. Note performance differential if > 25 basis points at the portfolio level.
2. On an annual basis, provide written agreement with investment consultant’s annual return calculations for portfolio and benchmark.

EXHIBIT E
NMERB AMENDED AND RESTATED POLICY REGARDING
PLACEMENT AGENT DISCLOSURES

I. POLICY.

It is the policy (this “*Policy*”) of the Educational Retirement Board (the “*ERB*”) to require (a) complete and timely disclosure of all agreements or other arrangements (collectively, “*Agreements*”) with respect to any actual or proposed Compensation to be received by Placement Agents from Investment Managers and Investment Consultants in connection with the investment activity of the Educational Retirement Fund (the “*Fund*”), and (b) that Investment Managers bear all direct and indirect fees, costs and expenses associated with such Placement Agents. Certain capitalized terms used in this Policy are defined in Section III. This Policy is intended to:

- A. Assist the ERB in making Investment decisions that are consistent with its Investment Policy, dated June 10, 2011, as the same may be amended from time to time;
- B. Provide direction to Investment Managers and Investment Consultants in regard to the disclosures that are required to be made with respect to the actual and potential use of a Placement Agent in connection with any Investment;
- C. Provide additional information to the ERB’s staff and its advisors for use in evaluating proposed Investments and providing advice and recommendations to the ERB; and
- D. Facilitate transparency regarding ERB investment activity.

Disclosure of the identity of third party marketers, and any fee, commission or retainer paid to a third party marketer, is required by Section 22-11-54 NMSA 1978, the text of which is set forth below in its entirety.

§ 22-11-54. Disclosure of third-party marketers; penalty

- A. *The board shall not make any investment, other than investments in publicly traded equities or publicly traded fixed-income securities, unless the recipient of the investment discloses the identity of any third-party marketer who rendered services on behalf of the recipient in obtaining the investment and also discloses the amount of any fee, commission or retainer paid to the third-party marketer for the services rendered.*
- B. *Information disclosed pursuant to Subsection A of this section shall be included in the quarterly performance reports of the board.*
- C. *Any person who knowingly withholds information required by Subsection A of this section is guilty of a fourth degree felony and shall be punished by a fine of not more than twenty thousand dollars (\$20,000) or by imprisonment for a definite term not to exceed eighteen months or both.*
- D. *As used in this section, "third-party marketer" means a person who, on behalf of an investment fund manager or other person seeking an investment from the fund and under a written or implied agreement, receives a fee, commission or retainer for such services from the person seeking an investment from the fund.*

The term “third-party marketers” as used in Section 22-11-54 is incorporated in the term “Placement Agent” as used in this Policy.

The ERB has determined that the adoption of this Policy will facilitate implementation and enforcement of Section 22-11-54 and that the investment and reinvestment of the Fund pursuant to Section 22-11-13 will benefit from its adoption.

This Policy sets forth the ERB’s Placement Agent disclosure requirements. This Policy does not prohibit an Investment involving a Placement Agent, provided that this Policy is otherwise complied with. This Policy’s disclosure requirements are not intended to apply to a “placement agent” that does not receive any Compensation from an Investment Manager or Investment Consultant with respect to an Investment. For purposes of example only, if an Investment Manager retained a placement agent that neither directly nor indirectly provided services or a benefit to, or acted on behalf of, the Investment Manager in securing an Investment from the Fund, and such placement agent did not receive any Compensation related to such Investment, this Policy’s disclosure requirements would not apply to the services that such placement agent provided the Investment Manager with respect to any other investor.

II. EFFECTIVE DATE OF POLICY; APPLICATION.

This Policy, as amended and restated, is effective upon its adoption and applies to all Investments made by the Fund after the date of this Policy’s adoption. Investments of the Fund prior to effective date of this amended and restated Policy (the “Amended Policy Effective Date”) are subject to the Policy as it existed prior to the Amended Policy Effective Date.

In connection with Investments made by the Fund prior to the Amended Policy Effective Date, this Policy will apply to: (a) any new investment or commitment, co-investment and other similar investment and acquisition activity made after the Amended Policy Effective Date, and (b) any amendment of an agreement, contract or other document entered into after the Amended Policy Effective Date that extends the term of such agreement, renegotiates investment management fees, increases the amount of the Investment, or changes the Investment in any substantial manner, as determined by the ERB in its sole discretion. In neither event, however, will this Policy apply to the original Investment.

Notwithstanding the foregoing, the ERB encourages Investment Managers to voluntarily comply with this Policy and make the disclosures set forth herein with respect to Investments prior to the date of this Policy’s adoption. Although registration of a Placement Agent with an appropriate regulatory agency was not required before December 12, 2009, the voluntary disclosure should include a statement whether a Placement Agent was so registered. Investment Managers will not be required to update any voluntary disclosures made pursuant to this paragraph. In the event of such a voluntary disclosure, the remedies listed in Section VII, subparts C-F below shall not apply.

In cases where an Investment Manager entered into a contract or other agreement to retain a Placement Agent prior to the December 11, 2009 adoption of the ERB’s original Policy Regarding Placement Agent Disclosures, where that contract or agreement provided that the

Placement Agent would be entitled to compensation for any new Investment by the ERB after the initial Investment, registration with an appropriate regulatory agency as set forth below shall not be required in order for such compensation to be paid. The Investment Manager and Investment Consultants shall provide the disclosures required under Section IV and Section V, respectively, relating to the ERB's new Investment. In addition, the Investment Manager and Investment Consultant also shall provide a statement whether the Placement Agent was registered with an appropriate regulatory agency as set forth below at the time of the original Investment prior to December 11, 2009, and if not, whether the Placement Agent has since become registered with such an agency.

This Policy shall apply only to the ERB's and the Fund's participation in Investments and not to any underlying or secondary discretionary investments made by an Investment Manager. For purposes of example only, if a "placement agent" directly or indirectly provided services or a benefit to, or acted on behalf of, a third party seeking to secure an investment by a fund being managed by an Investment Manager, the activities of the "placement agent" representing such a third party would not be covered by this Policy.

III. DEFINITIONS.

A. Affiliate(s) – With respect to a specified Person, a second Person that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control, with respect to such specified Person.

B. Compensation – any actual or proposed fee, commission, retainer, economic benefit or other consideration or benefit, to be paid, provided, or given to a Placement Agent that is or will be paid, provided, or given with respect to any Investment.

C. Corporate Affiliate(s) – With respect to a specified Person, a second Person that directly, or indirectly through one or more intermediaries, ultimately (a) has one hundred percent (100%) economic interest and equity and voting control, (b) is under one hundred percent (100%) economic interest and equity and voting control, or (c) shares with one or more other Corporate Affiliates one hundred percent (100%) of the common economic interest and equity and voting control, with respect to such specified Person. Persons who are employees or contractors of the Investment Manager to whom the Investment is related shall be deemed to be a "Corporate Affiliate" of such Investment Manager for purposes of this Policy.

D. Immediate Family Member – a spouse, father, mother, child (including adopted and step-children), father-in-law, mother-in-law, daughter-in-law or son-in-law.

E. Investment – shall mean without limitation any direct or indirect investment in private investment funds, real estate, real property assets, or securities by the Fund for the ERB and shall include investments by an Investment Manager on behalf of the Fund for the ERB held in or through a managed account or separate account with respect to which the Investment Manager has decision making discretion. The term "Investment" as used

in this Policy shall not include investments in publicly traded equities or publicly traded fixed-income securities or investment.

F. Investment Consultant – a Person under contract with, or retained by, the ERB for the purpose of providing recommendations, advice or services relating to the investment, management and related activities of the Fund or a portion thereof but who does not exercise decision making discretion with respect to any Investment. The term Investment Consultant includes without limitation all principals, general partners, managers, officers, directors, members, Affiliates, and employees of the Investment Consultant. The term Investment Consultant does not include attorneys, actuaries, accountants, financial analysts, or economists under contract with the ERB to provide those professional services to the agency in connection with the investment, management and related activities of the Fund. Members of the foregoing professions who are under contract with or retained by the ERB primarily for the purpose of acting as Investment Consultants are not excluded from the definition of Investment Consultant. Employees of the ERB or the State of New Mexico whose responsibilities include managing or otherwise providing services with respect to any Investment are not Investment Consultants for purposes of this Policy.

G. Investment Manager – a Person that is seeking to be or that is retained by the ERB to make and/or manage Investments. The term Investment Manager includes without limitation all principals, general partners, managers, officers, directors, members, Affiliates, and employees of the Investment Manager. Employees of the ERB or the State of New Mexico whose responsibilities include managing or otherwise providing services with respect to any Investment are not Investment Managers for the purposes of this Policy.

H. Placement Agent – a Person that directly, or indirectly through one or more intermediaries, is hired, engaged, retained, or otherwise made use of, contracted with, represents, provides services or a benefit to, or acts on behalf of, or receives Compensation from, an Investment Manager, Investment Consultant or any other Person with respect to any actual or proposed Investment where such Compensation is related in whole or in part upon the ERB making or agreeing to such Investment. Placement Agents must be registered with an appropriate regulatory body (e.g., SEC, FINRA, or state regulator).

The term “Placement Agent” includes, but is not limited to, any Person who receives or seeks to receive Compensation for providing an introduction or access to the ERB or the Fund and any Person who receives Compensation who subcontracts with, assists, facilitates, or otherwise aids, a Placement Agent. The term “Placement Agent” does not include (a) Persons or firms acting in a broker or dealer capacity for publicly traded or over the counter transactions in publicly traded equity and debt securities, and (b) brokers or dealers of privately negotiated transactions in secondary limited partnership interests and individual private companies, real estate properties or similar transactions.

I. *Person* - an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, public corporation, or any other legal or commercial entity.

IV. INVESTMENT MANAGER RESPONSIBILITIES.

Investment Managers shall comply with Section 22-11-54, this Policy and any other applicable state and federal statutes and rules and fully cooperate with the ERB, its staff and its Investment Consultants to insure satisfactory compliance with such statutes, rules and this Policy. Investment Managers are required to:

A. Provide a statement disclosing whether a Placement Agent has been involved in the applicable Investment and if so, whether such Placement Agent is a Corporate Affiliate (the "*Placement Agent Information Disclosure*"), in a timely and complete manner to ERB Investment Division staff and its Investment Consultants, as applicable, as part of the ERB's Investment due diligence process.

B. If a Placement Agent has been involved in the applicable Investment and if such Placement Agent is not a Corporate Affiliate, then the following must also be included as part of the Placement Agent Information Disclosure:

1. A statement disclosing and otherwise identifying all of the natural persons employed, hired, engaged, retained or otherwise affiliated (including, but not limited to, third party contractors, advisors and consultants) with the Placement Agent that provided services with respect to the Investment being considered by the ERB.

2. A full resume for each partner, manager, principal, director, officer and supervisor (each a "*Senior Person*," and, collectively, "*Senior Personnel*") employed by or affiliated with the Placement Agent detailing that individual's education, professional designations, regulatory licenses, and investment experience. Each Senior Person's resume should state whether such Senior Person or an Immediate Family Member of the individual is, or was within the preceding three (3) years, a member of the ERB, its staff, or an Investment Consultant. All Senior Personnel must have a minimum of three (3) years experience in the securities or investment management industry.

3. Copies of all contracts, agreements, understandings and arrangements by and between the Investment Manager and the Placement Agent(s) with respect to the Investment being considered by the ERB.

4. Copies of all correspondence, letters, facsimiles, memoranda, and e-mails, by and between the Investment Manager and the Placement Agent(s) specifically related to or that otherwise specifically discuss ERB and the Investment being considered by the ERB.

5. A description of the Compensation provided or to be provided to a Placement Agent, including the value, timing, and nature of the Compensation with

respect to the ERB and the Investment being considered by the ERB.

6. A description of the services to be performed, or which are currently being performed, by the Placement Agent and a statement whether the Placement Agent is utilized with all prospective investors or a subset of prospective investors (e.g., public pension funds, pension funds within a certain geographic region, etc.).

7. The names of any board member of the ERB, its staff or Investment Consultants who may have communicated in any form with the Investment Manager regarding the hiring, engagement or retention of a Placement Agent with respect to the ERB and the Investment being considered by the ERB. Such communications shall not include communications (a) for the purpose of obtaining the disclosures required by this Policy, or (b) that were otherwise part of the ERB's and/or its Investment Consultants' Investment due diligence process and did not otherwise relate to the hiring, engagement or retention of a Placement Agent.

8. The Investment Manager must provide a statement that the Placement Agent (or any of its Affiliates, if applicable) is registered with one or more regulatory bodies (e.g., SEC, FINRA, or state regulator) and provide details of such registration, including any disciplinary actions, fines, or suspensions of registration.

9. A statement whether the Placement Agent, or any of its Affiliates, is registered as a lobbyist with the State of New Mexico.

C. If a Placement Agent has been involved in the applicable Investment and if such Placement Agent is a Corporate Affiliate, then the following must also be included as part of the Placement Agent Information Disclosure:

1. A statement disclosing and otherwise identifying all of the natural persons employed, hired, engaged, retained or otherwise affiliated (including but not limited to third party contractors, advisors and consultants) with the Placement Agent (collectively, the "*Placement Agent Personnel*") that provided services specifically with respect to ERB and the applicable Investment.

2. A general description of the Compensation provided or to be provided to the Placement Agent Personnel, including the value, timing, and nature of the Compensation specifically with respect to the Investment being considered by the ERB.

3. A description of the services to be performed, or which are currently being performed by, the Placement Agent Personnel and a statement whether the Placement Agent and Placement Agent Personnel are utilized with all prospective investors or a subset of prospective investors (e.g., public pension funds, pension funds within a certain geographic region, etc.).

4. The names of any board member of the ERB, its staff or consultants who may have communicated in any form with the Investment Manager or the Placement

Agent Personnel regarding the hiring, engagement or retention of a Placement Agent with respect to the Investment being considered by the ERB. Such communications shall not include communications (a) for the purpose of obtaining the disclosures required by this Policy, or (b) that were otherwise part of the ERB's and/or its Investment Consultants' Investment due diligence process and did not otherwise relate to the hiring, engagement or retention of a Placement Agent.

5. The Investment Manager must provide a statement that the Placement Agent (or any of its affiliates, if applicable) is registered with one or more regulatory bodies (e.g., SEC, FINRA, or state regulator) and provide details of such registration, including any disciplinary actions, fines, or suspensions of registration.

6. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with the State of New Mexico.

D. Provide updates of any changes to the information included in the Placement Agent Information Disclosure within fourteen (14) calendar days of the date that the Investment Manager knew or should have known of a change in the information originally provided. The foregoing update requirement will apply to the Placement Agent Disclosure in the form and substance it was provided as of the day it was provided based on the facts and circumstances at such time, i.e., there is no continuing obligation to update the Placement Agent Disclosure with respect to events that occur subsequent to such date.

E. Represent and warrant the accuracy of the information provided in the Placement Agent Information Disclosure in any final written agreement with respect to the Investment to which the Investment Manager and the ERB are a party. In addition, such written agreement shall, among other things, incorporate the continuing obligation to update such information as set forth in Section IV(D), and the ERB remedies set forth in Section VII.

V. INVESTMENT CONSULTANT RESPONSIBILITIES.

Investment Consultants shall comply with Section 22-11-54, this Policy, and any other applicable state and federal statutes and rules and fully cooperate with the ERB and its staff to insure satisfactory compliance with such statutes, rules and this Policy.

A. The use of Placement Agents to secure a contract or other agreement to provide Investment Consultant services to the ERB is prohibited; Placement Agents may not provide services or a benefit to, or act on behalf of, an Investment Consultant seeking to provide such services to the ERB.

B. Investment Consultants evaluating and recommending an Investment to the ERB are required to:

1. Provide potential Investment Managers with a copy of this Policy, the current standard form template of the ERB Investment Manager disclosure letter, and the current standard form template of the ERB Placement Agent disclosure letter in the event there is a Placement Agent (collectively, the “ERB Form Disclosures”) at the time that discussions are initiated with respect to a proposed Investment being considered by the ERB, regardless of which party initiates the discussion.

2. Provide a written statement to the ERB Investment Division staff disclosing whether, to the best of its knowledge, a Placement Agent has been hired, engaged or retained by the Investment Manager or any of its principals, partners, employees, directors, supervisors, officers, managers, general partners or owners with respect to an Investment being considered by the ERB or that was otherwise underwritten or recommended by the Investment Consultant.

3. Confirm to the ERB in writing that the ERB Form Disclosures have been satisfactorily completed and provided to the ERB Investment Division staff prior to the completion of the ERB Investment due diligence process and, in any event, before any recommendation is made to the ERB or any of its committees or subcommittees regarding such prospective Investment (the information being provided pursuant to Section V(B)(2) and (3) collectively being the “Investment Consultant Placement Agent Disclosure”).

4. Provide updates of any changes to the information in the Investment Consultant Placement Agent Disclosure within fourteen (14) calendar days of the date that the Investment Consultant knew or should have known of a change in the information originally provided. The foregoing update requirement will apply to the Investment Consultant Placement Agent Disclosure in the form and substance it was provided as of the day it was provided based on the facts and circumstances at such time, i.e., there is no continuing obligation to update the Investment Consultant Placement Agent Disclosure with respect to events that occur subsequent to such date.

5. Represent and warrant in a recommendation provided by the Investment Consultant with respect to a proposed Investment being considered by the ERB, the accuracy of the information provided in the Investment Consultant Placement Agent Information Disclosure, to the best of its knowledge at the time the recommendation was made. In addition, such written recommendation must, among other things, incorporate the continuing obligation to update such information as set forth in Section V(D).

6. As requested by the ERB or its general Investment Consultant, compile a quarterly report, with respect to each Investment recommended or otherwise underwritten by the Investment Consultant, containing the names and amount of Compensation agreed to be provided to each Placement Agent, if any, in connection with each Investment required to be reported pursuant to this Policy.

VI. PLACEMENT AGENT RESPONSIBILITIES.

Placement Agents, including Placement Agents that are Corporate Affiliates of the applicable Investment Manager, shall comply with Section 22-11-54, this Policy and any other applicable state and federal statutes and rules and fully cooperate with the ERB and its staff to insure satisfactory compliance with such statutes, rules and this Policy. Placement Agents are required to:

- A. Be registered with an appropriate regulatory or oversight body (e.g., SEC, FINRA, or state regulator), comply with all requirements of the regulatory or oversight body pertaining to such registration and the Placement Agent's activities, and maintain such registration in good standing for a period of six (6) months beyond the date of the closing of the applicable Investment.
- B. Provide the ERB Investment Division staff, the applicable Investment Consultant, and the applicable Investment Manager written notice of any alleged infractions of the regulatory or oversight body's rules, regulations, or guidelines that apply to the Placement Agent, or change in status of the Placement Agent's registration, immediately upon receipt of notice of such infraction for a period of six (6) months beyond the date of the closing of the applicable Investment.
- C. In all communications with members of the ERB and its staff, regardless of the location or setting in which the communication occurs, identify themselves as Placement Agents, if they have not previously done so, in communications with the individual member of the ERB or staff member.

VII. ERB RESPONSIBILITIES.

Under the direction of the ERB, staff is responsible for:

- A. Confirming that the Investment Manager and Investment Consultant have received a copy of this Policy and the ERB Form Disclosures, as the same may be amended from time to time, at the time that discussions are initiated with respect to the proposed Investment, regardless of which party initiates the discussion.
- B. Confirming that the Placement Agent Information Disclosure has been satisfactorily completed and received prior to the completion of any due diligence and before any recommendation is made to the ERB or any of its committees or subcommittees regarding the proposed Investment.
- C. Declining to retain or initiate an Investment with any Investment Manager if the Placement Agent Information Disclosure reveals that a Placement Agent or one of the Senior Personnel of the Placement Agent is not registered with an appropriate regulatory body or if such registration has been suspended or revoked.

D. Declining to retain or initiate an agreement or other contract with an Investment Consultant if the Placement Agent Information Disclosure has not been properly provided in accordance with this Policy.

E. Securing, in the final written agreement between ERB and the Investment Manager, the following remedies in the event it is discovered that the Investment Manager knew or should have known about any material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy:

1. The reimbursement of the greater of any management, advisory or consulting fees for a period of two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent; and

2. The authority, at the ERB's sole discretion, to terminate immediately any agreement with the Investment Manager without penalty, to withdraw without penalty from a limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions and paying any fees on these uncalled commitments to a limited partnership, limited liability company or other investment vehicle without penalty.

F. Confirming that Investment Managers enter into a written contract providing that the Investment Manager shall bear all direct and indirect fees, costs and expenses associated with any Placement Agent and that the ERB shall not directly or indirectly bear any such fees, costs or expenses.

G. Prohibiting any Investment Manager from soliciting new investments from ERB for a two (2) year period after the ERB or its staff or consultants become aware of a material violation of this Policy.

H. Confirming that a copy of the completed Investment Consultant Placement Agent Disclosure and the Placement Agent Information Disclosure are available to the ERB and any of its committees whenever a decision to make a proposed Investment is presented for consideration or approval.

I. Compiling a quarterly report containing the names and amount of Compensation agreed to be provided to each Placement Agent by each Investment Manager as reported in the Placement Agent Information Disclosures, and providing the report to the Board.

J. Reporting to the ERB at least quarterly any material violations of this Policy.

EXHIBIT F
NMERB CAMPAIGN CONTRIBUTIONS DISCLOSURE FORM

Pursuant to the Procurement Code, Sections 13-1-28, et seq., NMSA 1978 and NMSA 1978, § 13-1-191.1 (2006), as amended by Laws of 2007, Chapter 234, any prospective contractor seeking to enter into a contract with any state agency or local public body **for professional services, a design and build project delivery system, or the design and installation of measures the primary purpose of which is to conserve natural resources** must file this form with that state agency or local public body. This form must be filed even if the contract qualifies as a small purchase or a sole source contract. The prospective contractor must disclose whether they, a family member or a representative of the prospective contractor has made a campaign contribution to an applicable public official of the state or a local public body during the two years prior to the date on which the contractor submits a proposal or, in the case of a sole source or small purchase contract, the two years prior to the date the contractor signs the contract, if the aggregate total of contributions given by the prospective contractor, a family member or a representative of the prospective contractor to the public official exceeds two hundred and fifty dollars (\$250) over the two year period.

Furthermore, the state agency or local public body may cancel a solicitation or proposed award for a proposed contract pursuant to Section 13-1-181 NMSA 1978 or a contract that is executed may be ratified or terminated pursuant to Section 13-1-182 NMSA 1978 of the Procurement Code if: 1) a prospective contractor, a family member of the prospective contractor, or a representative of the prospective contractor gives a campaign contribution or other thing of value to an applicable public official or the applicable public official's employees during the pendency of the procurement process or 2) a prospective contractor fails to submit a fully completed disclosure statement pursuant to the law.

The state agency or local public body that procures the services or items of tangible personal property shall indicate on the form the name or names of every applicable public official, if any, for which disclosure is required by a prospective contractor.

THIS FORM MUST BE INCLUDED IN THE REQUEST FOR PROPOSALS AND MUST BE FILED BY ANY PROSPECTIVE CONTRACTOR WHETHER OR NOT THEY, THEIR FAMILY MEMBER, OR THEIR REPRESENTATIVE HAS MADE ANY CONTRIBUTIONS SUBJECT TO DISCLOSURE.

The following definitions apply:

“Applicable public official” means a person elected to an office or a person appointed to complete a term of an elected office, who has the authority to award or influence the award of the contract for which the prospective contractor is submitting a competitive sealed proposal or who has the authority to negotiate a sole source or small purchase contract that may be awarded without submission of a sealed competitive proposal.

“Campaign Contribution” means a gift, subscription, loan, advance or deposit of money or other thing of value, including the estimated value of an in-kind contribution, that is made to or

received by an applicable public official or any person authorized to raise, collect or expend contributions on that official's behalf for the purpose of electing the official to statewide or local office. "Campaign Contribution" includes the payment of a debt incurred in an election campaign, but does not include the value of services provided without compensation or unreimbursed travel or other personal expenses of individuals who volunteer a portion or all of their time on behalf of a candidate or political committee, nor does it include the administrative or solicitation expenses of a political committee that are paid by an organization that sponsors the committee.

"Family member" means spouse, father, mother, child, father-in-law, mother-in-law, daughter-in-law or son-in-law of (a) a prospective contractor, if the prospective contractor is a natural person; or (b) an owner of a prospective contractor.

"Pendency of the procurement process" means the time period commencing with the public notice of the request for proposals and ending with the award of the contract or the cancellation of the request for proposals.

"Prospective contractor" means a person or business that is subject to the competitive sealed proposal process set forth in the Procurement Code or is not required to submit a competitive sealed proposal because that person or business qualifies for a sole source or a small purchase contract.

"Representative of a prospective contractor" means an officer or director of a corporation, a member or manager of a limited liability corporation, a partner of a partnership or a trustee of a trust of the prospective contractor.

NMERB Name(s) and Titles of Applicable Public Officials: Governor Susana Martinez, Attorney General Gary King, State Treasurer James Lewis, Secretary of Public Education Hanna Skandera, or New Mexico Educational Retirement Board members: Mary Lou Cameron, H. Russell Goff, Bradley Day, Larry Magid or Beulah M. Woodfin, or to a political committee that is intended to aid or promote the nomination or election of any candidate to a state office if the committee is: 1) established by any of the foregoing persons or their agents; 2) established in consultation with or at the request of any of the foregoing persons or their agents; or 3) controlled by one of the foregoing persons or their agents.

SAMPLE DISCLOSURE/REPORTING FORMS ATTACHED

SAMPLE DISCLOSURE/REPORTING FORM
ATTACHMENT "A"

[Letterhead of General Partner or Manager]

DISCLOSURE OF CONTRIBUTIONS BY PROSPECTIVE CONTRACTOR

Contribution Made To:¹ _____

Contribution Made By: _____

Relation to Prospective Contractor: _____

Date Contribution(s) Made: _____

Amount(s) of Contribution(s) _____

Nature of Contribution(s) _____

Purpose of Contribution(s) _____

(Attach extra pages if necessary)

Signature

Date

Title (position)

¹ Include all campaign contributions made to Governor Susana Martinez, Attorney General Gary King, State Treasurer James Lewis, Secretary of Public Education Hanna Skandera, or New Mexico Educational Retirement Board members: Mary Lou Cameron, H. Russell Goff, Bradley Day, Larry Magid or Beulah M. Woodfin, or to a political committee that is intended to aid or promote the nomination or election of any candidate to a state office if the committee is: 1) established by any of the foregoing persons or their agents; 2) established in consultation with or at the request of any of the foregoing persons or their agents; or 3) controlled by one of the foregoing persons or their agents.

SAMPLE DISCLOSURE/REPORTING FORM
ATTACHMENT "B"

[Letterhead of General Partner or Manager]

NO CONTRIBUTIONS IN THE AGGREGATE TOTAL OVER TWO HUNDRED FIFTY DOLLARS (\$250) WERE MADE to Governor Susana Martinez, Attorney General Gary King, State Treasurer James Lewis, Secretary of Public Education Hanna Skandera, or New Mexico Educational Retirement Board members: Mary Lou Cameron, H. Russell Goff, Bradley Day, Larry Magid or Beulah M. Woodfin, or to a political committee that is intended to aid or promote the nomination or election of any candidate to a state office if the committee is: 1) established by any of the foregoing persons or their agents; 2) established in consultation with or at the request of any of the foregoing persons or their agents; or 3) controlled by one of the foregoing persons or their agents by me, a family member or representative.

Signature

Date

Title (Position)

EXHIBIT G
NMERB RULE 8: INVESTMENT POLICIES AND PRACTICES AND ENABLING
LEGISLATION

This rule was filed as 2 NMAC 82.8.

TITLE 2 PUBLIC FINANCE
CHAPTER 82 EDUCATIONAL RETIREMENT
PART 8 INVESTMENT POLICIES AND PRACTICES

2.82.8.1 ISSUING AGENCY: Educational Retirement Board, P. O. Box 26129,
Santa Fe, New Mexico 87502-0129.
[6-30-99; 2.82.8.1 NMAC - Rn, 2 NMAC 82.8.1, 1-30-2004]

2.82.8.2 SCOPE: This rule establishes guidelines for investment of the ERA fund
for the educational retirement board, the director of the agency, the investment committee and
the investment division staff.
[6-30-99; 2.82.8.2 NMAC - Rn, 2 NMAC 82.8.2, 1-30-2004]

2.82.8.3 STATUTORY AUTHORITY: The Educational Retirement Act,
Sections 22-11-1 to 22-11-53, NMSA 1978.
[6-30-99; 2.82.8.3 NMAC - Rn, 2 NMAC 82.8.3, 1-30-2004]

2.82.8.4 DURATION: Permanent.
[6-30-99; 2.82.8.4 NMAC - Rn, 2 NMAC 82.8.4, 1-30-2004]

2.82.8.5 EFFECTIVE DATE: June 30, 1999, unless a later date is cited at the end
of a section or paragraph.
[6-30-99; 2.82.8.5 NMAC - Rn, 2 NMAC 82.8.5, 1-30-2004]

2.82.8.6 OBJECTIVE: Explains the organization and composition of the
investment committee and investment division, and clarifies the policies and practices for
investment of the ERA fund.
[6-30-99; 2.82.8.6 NMAC - Rn, 2 NMAC 82.8.6, 1-30-2004]

2.82.8.7 DEFINITIONS: [RESERVED]

2.82.8.8 INVESTMENT COMMITTEE:

A. The investment committee shall be composed of the chairman who shall be an ex-officio member, two members of the board who shall be appointed by the chairman and approved by the board for a term of one year, and the director.

B. The investment committee shall meet regularly each calendar quarter with additional meetings as required. The committee shall elect a chairman annually who shall call special meetings and preside at all meetings. Three members of the committee shall constitute a quorum.

C. The investment committee shall have the following responsibilities:

- (1) to review all actions taken by the investment division in the management of the fund and recommend to the board specific action with regard to the continuation or change in the investment practices of the investment vision;
- (2) to review on a continuing basis the investment philosophy and investment guidelines of the fund, make policy recommendations to the board and generally oversee the investment activities of the fund;
- (3) to recommend the employment of the services of an investment advisory firm to assist and advise the board in the management of the fund;
- (4) to recommend the employment of the services of investment management firm(s) to manage a portion of the assets of the fund, either through separately managed accounts or through individual, common or collective trust funds;
- (5) to establish asset allocation guidelines, which shall define asset allocation targets and ranges, and to annually review/modify these guidelines; as set forth in the ERB investment objectives and guidelines which shall be approved by the investment committee and recommended for board approval.

D. The investment committee may at any time withdraw the authority of the investment division to execute orders on behalf of the fund. Authority cannot be denied retroactively.

E. Investment committee members may attend and participate in any regular or special investment committee meeting by telephone or other electronic device only if:

- (1) the member cannot attend the meeting due to an emergency or unforeseen circumstance;
- (2) the member's voice can clearly be heard by everyone in attendance of the meetings and the member clearly identifies himself before speaking or participating in a vote;
- (3) the member has not attended regular meetings electronically more than four times in a rolling twelve month period;
- (4) no more than two members who otherwise qualify for participation under this section may do so at the same meeting; and
- (5) the member otherwise complies with the Open Meetings Act.

[6-30-99; 2.82.8.8 NMAC - Rn, 2 NMAC 82.8.8, 1-30-2004; A, 3-14-2008]

2.82.8.9 INVESTMENT DIVISION:

A. The investment division of ERB shall be managed by the chief investment officer and the equity investment officer under the direction of the director.

B. The primary role of the investment division is to manage the assets of the retirement fund. Further, the objectives shall be to provide significant real returns (inflation adjusted) over long periods of time (5-10 years), as set forth in the ERB investment objectives and guidelines.

C. The investment officers shall be responsible for proposing changes to the long-term investment philosophy and investment guidelines. In addition, the investment officers shall implement strategic and tactical decisions which aid in achieving the objectives of the fund.

D. Within the guidelines set forth by the board and the state statutes regulating investments, the investment officers are authorized to purchase, sell or exchange securities as, in their judgment, market conditions dictate and such transactions are in the best interest of the fund. The final investment decision rests with the investment officers. Investment management firms shall have full discretion to manage the assets allocated to their management, within the directives of the board.

- E. Additional responsibilities for the investment division include:
- (1) monitoring the activities of ERB's fiscal agent in order to insure proper settlement of transactions and crediting of interest/ dividends;
 - (2) administering the securities lending program so as to maximize income and insure that sufficient collateral is available at all times;
 - (3) preparing following reports for approval by the investment committee and board:
 - (a) asset listing (monthly);
 - (b) investment summary reports (quarterly);
 - (c) proxy report (quarterly);
 - (d) broker commission report (annually);
 - (e) soft dollar report (annually);
 - (f) other reports as requested.
 - (4) coordinating with the accounting division to insure proper recording of securities transactions;
 - (5) voting proxies;
 - (6) administering the "soft dollar" program in accordance with ERB's written policy.
- [6-30-99; 2.82.8.9 NMAC - Rn, 2 NMAC 82.8.9, 1-30-2004]

2.82.8.10 INVESTMENT PHILOSOPHY:

A. Recognizing the important and perpetual nature of the fund and the fiduciary responsibilities of the board, the primary goal in investing the assets shall be to provide significant real returns adjusted for inflation with acceptable risk (volatility). The "prudent man" standard, as defined in the state statutes, shall apply. At the same time, with the dramatic growth of the fund and changes and volatility in the securities markets, the investment division must explore new areas of investment for purposes of diversification.

B. The primary equity strategy shall be to build a high quality, diversified portfolio of stocks. Both growth and value styles shall be included in the equity structure. A mid-cap or small-cap equity portfolio can add diversification to the board's equity strategy. Exposure to international equity investing can further add diversification benefits to the equity strategy.

C. Fixed income securities shall be managed using a rate anticipation style. The duration of the portfolio will be lengthened or shortened based on the outlook for interest rates. In addition, sector analysis, spread analysis and swaps will be used to increase the return on the portfolio. Exposure to international fixed income investing can add diversification benefits to the fixed income strategy.

[6-30-99; 2.82.8.10 NMAC - Rn & A, 2 NMAC 82.8.10, 1-30-2004]

2.82.8.11 POLICIES:

- A. Investment guidelines:
- (1) Fixed income securities:
 - (a) Eligible fixed income investments include the following:
 - (i) US treasury;
 - (ii) federal agencies;
 - (iii) US government sponsored enterprises (FNMA, FHLMC, etc.);
 - (iv) US corporations;
 - (v) repurchase agreements;
 - (vi) prime bankers' acceptances;

- (vii) yankee bonds;
- (viii) collateralized obligations held in trust that: are publicly traded and are registered with the United States securities and exchange commission; and have underlying collateral that is either an obligation of the United States government or else has a credit rating above or equal to BBB according to the Standard and Poor's rating system or Baa according to the Moody's investors rating system;
- (ix) bills, bonds or notes of governments other than the United States or their political subdivisions, agencies or instrumentality's;
- (x) bonds, notes or commercial paper of any corporation organized outside of the United States.
- (b) Domestic fixed income securities, managed internally by the investment division, at the time of purchase, must have at least a Baa3/Moody's and BBB-/S & P rating; Yankee bonds, at the time of purchase, must have at least an A/Moody's and A/S & P rating; and international fixed income securities, at the time of purchase, must have a minimum rating equivalent to A/Moody's and A/S & P rating.
- (c) At least 90 percent of domestic fixed income securities, managed externally by a paid investment manager, at the time of purchase, may have a minimum rating of at least a Caa3 Moody's and a CCC-S&P rating.
- (d) Not more than 2 percent of the fund (at market value) may be invested in a single corporate issuer.

(2) Equities:

(a) Eligible equity investments include the following:

- (i) common stock or preferred stock of U. S. corporations. Stock must be listed on a national exchange or on the N.A.S.D. national market;
 - (ii) American depositary receipts of foreign corporations. Securities must be listed on a national stock exchange or on the N.A.S.D. national market;
 - (iii) common stock or preferred stock of corporations organized outside of the United States. Stock must be listed on a national or foreign stock exchange.
- (b) Not more than 10 percent of the voting stock of a corporation may be owned by the fund.

B. Broker policy: Given the fiduciary responsibilities of the board and the investment officers' regard to the management of the assets of the retirement fund, the board adopts the following policies relating to the execution of the securities orders:

(1) Equities. The brokerage community provides important services necessary for the successful management of the retirement fund. Recognizing that the value of the services varies widely from firm to firm, the equity investment officer is directed to allocate commission business based on his/her judgement of the overall quality of service provided by each brokerage firm. The SEC, in release no. 34-23170 dated April 23, 1986, states that in judging the quality of service consideration should be given to "the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness to the money manager." When all factors are equal within the above guidelines, preference shall be given to brokerage firms with offices in New Mexico.

(2) Fixed income. Recognizing the difference in the nature of the equity and fixed income markets, i.e., no central market for fixed income securities, fixed income trades will be executed through firms, which originate ideas and are able to offer/bid securities on a continuing competitive basis. When, in the judgment of the fixed income investment officer market conditions permit, offerings and bids will be solicited on a competitive basis.

(3) Soft dollar policy. The investment officers with approval of the director, and concurrence by

the legislature, are authorized to use "soft dollars" to pay for research services and equipment which assist in the investment decision - making process as related to the management of the assets of the ERB retirement fund. Section 28(e) of the SEC Act of 1934, SEC interpretive release no. 34 -23170 dated April 23, 1986 and any subsequent interpretative releases shall be used as guidelines in this procedure.

[6-30-99; 2.82.8.11 NMAC - Rn & A, 2 NMAC 82.8.11, 1-30-2004]

HISTORY OF 2.82.8 NMAC:

Pre-NMAC History: The material in this part was derived from that previously filed with the State Records Center and Archives under:

ERB 67-3, Rules and Procedures, filed 6/30/67.

ERB 78-1, Rules and Procedures, filed 8/7/78.

ERB Rule VIII, Investment Policies and Practices, filed 7/2/82.

ERB Rule VIII, Investment Policies and Practices, filed 3/13/89.

History of Repealed Material: [RESERVED]

Uniform Prudent Investor Act (UPIA)

West's New Mexico Statutes Annotated Currentness

Chapter 45. Uniform Probate Code

[Article 7](#). Trust Administration

→ Part 6. Uniform Prudent Investor Act ([Refs & Annos](#))

[§ 45-7-601. Short title](#)

Sections 45-7-601 through [45-7-612 NMSA 1978](#) may be cited as the "Uniform Prudent Investor Act."

[§ 45-7-602. Prudent investor rule](#)

A. Except as otherwise provided in Subsection B of this section, a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in the Uniform Prudent Investor Act.

B. The prudent investor rule, a default rule, may be expanded, restricted, eliminated or otherwise altered by the provisions of a trust. A trustee is not liable to a beneficiary to the extent that the trustee acted in reasonable reliance on the provisions of the trust.

[§ 45-7-603. Standard of care; portfolio strategy; risk and return objectives](#)

A. A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution.

B. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.

C. Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries:

- (1) general economic conditions;
- (2) the possible effect of inflation or deflation;
- (3) the expected tax consequences of investment decisions or strategies;
- (4) the role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interest in closely held enterprises, tangible and intangible personal property and real property;

- (5) the expected total return from income and the appreciation of capital;
- (6) other resources of the beneficiaries;
- (7) needs for liquidity, regularity of income and preservation or appreciation of capital; and
- (8) an asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries.

D. A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.

E. A trustee may invest in any kind of property or type of investment consistent with the standards of the Uniform Prudent Investor Act.

F. A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee's representation that the trustee has special skills or expertise, has a duty to use those special skills or expertise.

§ 45-7-604. Diversification

A trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying.

§ 45-7-605. Duties at inception of trusteeship

Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and make and implement decisions concerning the retention and disposition of assets, in order to bring the trust portfolio into compliance with the purposes, terms, distribution requirements and other circumstances of the trust, and with the requirements of the Uniform Prudent Investor Act.

§ 45-7-606. Loyalty

A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

§ 45-7-607. Impartiality

If a trust has two or more beneficiaries, the trustee shall act impartially in investing and managing the trust assets, taking into account any differing interests of the beneficiaries.

§ 45-7-608. Investment costs

In investing and managing trust assets, a trustee may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the trust and the skills of the trustee.

§ 45-7-609. Reviewing compliance

Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of a trustee's decision or action and not by hindsight.

§ 45-7-610. Delegation of investment and management functions

A. A trustee may delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances. The trustee shall exercise reasonable care, skill and caution in:

- (1) selecting an agent;
- (2) establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust; and
- (3) periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

B. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

C. A trustee who complies with the requirements of Subsection A of this section is not liable to the beneficiaries or to the trust for the decisions or actions of the agent to whom the function was delegated.

D. By accepting the delegation of a trust function from the trustee of a trust that is subject to the law of this state, an agent submits to the jurisdiction of the courts of this state.

§ 45-7-611. Language invoking standard

The following terms or comparable language in the provisions of a trust, unless otherwise limited or modified, authorizes any investment or strategy permitted under the Uniform Prudent Investor Act: "investments permissible by law for investment of trust funds," "legal investments," "authorized investments," "using the judgment and care under the circumstances then prevailing that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital," "prudent man rule," "prudent trustee rule," "prudent person rule" and "prudent investor rule."

§ 45-7-612. Application to existing trusts

The Uniform Prudent Investor Act applies to trusts existing on and created after its effective date. As applied to trusts existing on its effective date, the Uniform Prudent Investor Act governs only decisions or actions occurring after that date.

Current through the Second Regular Session of the 47th Legislature
END OF DOCUMENT

(2006)

New Mexico Statute 22-11-13

ARTICLE 11. EDUCATIONAL RETIREMENT

GO TO CODE STATUTES OF NEW MEXICO ARCHIVE DIRECTORY

N.M. Stat. Ann. § 22-11-13 (2005)

§ 22-11-13. Board authority to invest the fund; prudent investor standard; indemnification of board

A. The board is authorized to invest or reinvest the fund in accordance with the Uniform Prudent Investor Act [[45-7-601 NMSA](#) 1978].

B. The board shall provide quarterly performance reports to the legislative finance committee and the department of finance and administration. Annually, the board shall ratify and provide its written investment policy, including any amendments, to the legislative finance committee and the department of finance and administration.

C. The board or its designated agent may enter into contracts for the temporary exchange of securities for the use by broker-dealers, banks or other recognized institutional investors, for periods not to exceed one year, for a specified fee or consideration. Such a contract shall not be entered into unless the contract is fully secured by a collateralized, irrevocable letter of credit running to the board, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. This collateral shall be delivered to the state fiscal agent or its designee contemporaneously with the transfer of funds or delivery of the securities. Such contract may authorize the board to invest cash collateral in instruments or securities that are authorized fund investments and may authorize payment of a fee from the fund or from income generated by the investment of cash collateral to the borrower of securities providing cash as collateral. The board may apportion income derived from the investment of cash collateral to pay its agent in securities lending transactions.

D. Commissions paid for the purchase or sale of any securities pursuant to the provisions of the Educational Retirement Act [[22-11-1 NMSA](#) 1978] shall not exceed brokerage rates prescribed and approved by national stock exchanges or by industry practice.

E. Securities purchased for the fund shall be held in the custody of the state treasurer. At the direction of the board, the state treasurer shall deposit with a bank or trust company the securities for safekeeping or servicing.

F. The board may consult with the state investment council or the state investment officer; may request from the state investment council or the state investment officer any information, advice or recommendations with respect to investment of the fund; may utilize the services of the state investment council or the state investment officer; and may act upon any advice or recommendations of the state investment council or the state investment officer. The state investment council or the state investment officer shall render investment advisory services to

the board upon request and without expense to the board. The board may also employ the investment management services and related management services of a trust company or national bank exercising trust powers or of an investment counseling firm or brokers for the purchase and sale of securities, commission recapture and transitioning services and may pay reasonable compensation for those services from funds administered by the board.

G. Members of the board, jointly and individually, shall be indemnified from the fund by the state from all claims, demands, suits, actions, damages, judgments, costs, charges and expenses, including court costs and attorney fees, and against all liability, losses and damages of any nature whatsoever that members shall or may at any time sustain by reason of any decision made in the performance of their duties pursuant to this section.

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