Erie County Medical Center Corporation

Statement of Investment Policy and Guidelines

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I. INTRODUCTION

In accordance with Public Authorities Law §2925 and its associated regulations, Public Authorities Law § 3636, and the Investment Guidelines for Public Authorities issued by the New York State Comptroller, an investment program involving public funds must include four basic ingredients – legality, safety, liquidity and reasonable return.

It is the responsibility of each public authority to determine and evaluate its own risk in all its investment transactions with due regard to prudent business principles and practices and diligence under the circumstances then prevailing that a knowledgeable and prudent investor would act. The financial resources of the public authority should be properly managed to achieve investment income consistent with sound investment practice.

This document defines the investment policies, objectives, and guidelines applicable to the Erie County Medical Center Corporation's ("Corporation") Investment Funds. It was developed by the Corporation's Investment Committee ("Committee") in conjunction with its Investment Management Consultant.

The purpose of this document is threefold. First, it will constitute the investment plan for these assets. Second, it will serve as a communication tool between the Committee and its investment manager(s). Third, these guidelines will provide a framework to measure the ongoing progress of the recommended structure, and as such should be reviewed annually and revised as necessary to reflect changes in available investment opportunities and market conditions or as a result of any recommendations from the periodic evaluation of the performance of the investment program or any audits of the investment program.

II. GENERAL INVESTMENT GUIDELINES AND OBJECTIVES

General Investment Return Objective

The long-term objective of the Corporation's Investment Funds is to generate returns which are sufficient to meet current and expected future financial requirements. To accomplish this, the Corporation seeks to earn the greatest total return possible, consistent within its general risk tolerance, eligible asset classes, and asset allocation strategies outlined in this document.

General Investment Risk Objective

Permanent loss of capital is the most significant risk to achievement of the Funds' objectives. The Committee will seek to avoid such losses through a robust approach to risk assessment. Risk considerations will be viewed from a total portfolio perspective rather than at the individual investment level.

Risk tolerance can be defined by the *ability* and *willingness* to take risk. Several factors influence the ability to take risk, including the Investment Funds' purpose, time horizon, liquidity needs, and any other unique factors such as their effect on organizational debt covenants, where applicable. Variables that affect the Corporation's willingness to take risk include market or economic conditions, valuation and interest rate levels, and the Corporation's strategic plans or operating environment.

It is recognized that volatility is a widely-used measure of risk in the short term and that market fluctuations may result in varying levels of interim performance. It is expected that volatility will be managed through specific asset allocation strategies and diversification based upon the appropriate investment time horizon. Diversification shall exist at multiple levels of the investment program, including asset class, sub-asset class, risk factor, investment manager type, and underlying exposures of each investment manager (e.g. prudent levels of sector and company/issuer diversification).

Asset Allocation Process
It is recognized that asset allocation is a key determinant of investment return variability. The Committee expects the asset allocation policies to reflect and be consistent with the investment objectives and risk tolerances expressed throughout this document. These policies are designed to increase the likelihood of achieving return objectives over a full market cycle and within acceptable risk parameters.

The Investment Committee and Management, with assistance from the Investment Management Consultant, shall engage in a thorough process to determine appropriate policy asset allocations for the Funds. The Investment Management Consultant shall recommend a policy asset allocation for each Fund and formulate forward-looking return and volatility projections based on its capital markets expectations.

Individual Fund objectives and constraints that serve as key inputs to determining policy asset allocation can be found in Appendix A of this document.

Performance Evaluation
Total Fund performance against objectives shall be viewed from a long-term perspective, generally a full market cycle (approximately 7+ years). This can be augmented with comparisons over rolling periods such as 3 or 5 years. The investment performance of the Funds, as well as their asset class components, shall be measured against commonly accepted performance benchmarks as shown in the Appendix B.

Permissible Investments
The asset allocation of the Funds is expected to include a wide range of asset classes. The addition or removal of asset classes will necessitate deliberation by the Investment Committee, Management, and Investment Consultant regarding the merits of an asset class from an organizational and total portfolio context. A list of asset classes currently included in the Corporation's Fund allocations can be found in Appendix B.

III. DELEGATION OF AUTHORITY AND RESPONSIBILITIES

Board of Directors and Investment Committee

The Board of Directors is charged by law with the responsibility for the management of the assets of the Corporation. The Board of Directors shall discharge its duties solely in the interest of the Corporation, with the care, skill, prudence and diligence under the circumstances then prevailing. In this regard, the Board of Directors, the Investment Committee, and Corporation management shall invest and manage Corporation funds as a prudent investor would, by considering the purposes, terms and other circumstances of the funds in the Corporation's care and by pursuing an overall investment strategy reasonably suited to the Corporation, and they shall require the same standard of prudence from investment managers and consultants they engage to assist them.

Within the broad framework of policy set by the Board of Directors, the Investment Committee shall have direct responsibility for the oversight and management of the invested assets of the Corporation and for the establishment of investment policies and procedures. Such oversight shall include:

A. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Corporation's assets.

B. Determining the Corporation's risk tolerance and investment horizon and communicating these to the appropriate parties.

C. Designating an appropriate Corporation individual as "Investment Officer" whose responsibility it will be to proscribe and maintain a control structure to protect investment assets from loss, theft, and misuse.

D. Developing and enacting proper control procedures (for example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines).

E. Advising and communicating with the Board of Directors as necessary with respect to investment matters.

F. Recommending to the Board of Directors proposed changes and revisions to this Investment Policy.

G. Reviewing any independent audits of the investment program if requested to do so by the Corporation's Audit Committee.

H. Prudently and diligently selecting qualified investment professionals in compliance with the Corporation's procurement requirements, including Investment Management Consultants, Investment Managers, and Custodians. Additional specialists such as attorneys, auditors, and others may be employed by the Board of Directors, acting on its own or through its Investment Committee, to assist in meeting its responsibilities and obligations to administer Corporation assets prudently.

I. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitoring investment objective progress.

Responsibilities of the Investment Managers

Investment Manager

The Corporation enters into agreements with selected investment managers who provide day-to-day investment management services to the Corporation. Each investment manager will have discretion to purchase, sell or hold the specific securities that will be used to meet the Corporation's investment objectives. Such appointments do not relieve the Committee from the responsibilities of overseeing the investment program.

Adherence to Investment guidelines

The investments are to be managed in accordance with the guidelines expressed herein, or expressed by separate written instructions, when deviation is deemed prudent and desirable by the Investment Committee. Written instructions amending this document must be authorized by the Investment Committee of the Board (Committee) and should be communicated through the Chief Investment Officer.

Discretionary Authority

The Investment Managers are expected to exercise complete investment discretion within the boundaries of the restrictions outlined in this Statement of Investment Policy and Guidelines.

Such discretion includes decisions to buy, hold, or sell equity or fixed-income securities (including cash equivalents) in amounts and proportions reflective of each manager's current investment strategy. However, the Committee is aware that its decision to invest in a commingled account and/or mutual fund may relieve the manager from strict adherence to all elements of the policy. In such case, the manager's strategy shall be dictated by its fund prospectus or other relevant governing documents.

Realized Gains/Losses

In addition to investment income, fiscal year net realized gains/losses are an important element of the Corporation's budgeting process. Specifically, the Corporation requires that its investment managers communicate, in advance, any intentions to realize fiscal year losses in excess of $250,000.

Reporting

The Investment Managers shall provide, on a timely basis, quarterly reports containing portfolio activity, valuations at market, and quarterly strategy updates.

Compliance with Prudency and Diversification Measures

As a fiduciary, each investment manager is expected to diversify the portfolio to minimize the risk of large losses. The manager is expected to invest the assets with care, skill, prudence, and diligence under the circumstances then prevailing. In this regard, the manager shall invest and manage Corporation funds as a prudent investor would, by considering the purposes, terms and other circumstances of the funds in the Corporation's care and by pursuing an overall investment strategy reasonably suited to the Corporation. Furthermore, the investment manager is expected to acknowledge its intention to comply with the Statement of Investment Policy and Guidelines as it currently exists or as modified by the Committee in the future.

Responsibilities of the Trustee / Custodian

The Trustee/Custodian will be selected by the Investment Committee and will provide full custodian services. It will maintain possession of securities owned by the Corporation, collect dividend and interest payments, and redeem maturing securities, and effect receipt and delivery following purchases and sales. The Trustee/Custodian may also perform regular accounting of assets owned, purchased, or sold, as well as movement of assets into and out of the Corporation accounts. In addition, the custodian will provide monthly documentation of portfolio activity and portfolio value.

The Trustee/Custodian is responsible for the safekeeping of Corporation assets, assuring protection from loss, theft or misuse, and timely/reliable auditing of earnings and transactions. Specific responsibilities of the Trustee/Custodian include:

1. Maintaining possession of securities owned by the Corporation, collecting dividend and interest payments, redeeming maturing securities, and effecting receipt and delivery following purchases and sales.
2. Performing regular accounting of assets owned, purchased, or sold, as well as movement of assets into and out of the Corporation accounts.
3. Providing monthly documentation of portfolio activity and portfolio value.
4. Furnishing to the Corporation's Investment Officer a copy of its "SSAE 16 Report" from its independent auditors on an annual basis.

Safekeeping Accounts
Securities purchased should be delivered against payment and held in a custodian safekeeping account in investment accounts segregated from the custodian's own assets.

Collateralization
As it pertains to demand deposits, time deposits, or certificates of deposit, the Corporation will seek to ensure New York State Public Authorities collateralization guidelines are followed for such assets through its relationship with custodial banking institutions. Given the nature of vehicles utilized in the Corporation's investment portfolios (i.e. pooled funds), it is not anticipated that collateralization guidelines shall apply to such funds. However, in the event it is deemed necessary that any of the Corporation's investment assets shall be collateralized, the Corporation shall ensure compliance.

Responsibilities of the Investment Management Consultant

Generally

The Investment Management Consultant may assist the Investment Committee in: establishing investment policy, objectives, and guidelines, including investment time horizon risk tolerance and total return objectives; selecting one or more investment managers; reviewing and evaluating such manager's performance over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

The Investment Management Consultant's role is to provide investment advice to the Investment Committee concerning the investment management of Corporation assets. Such advice will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy, objectives, risk tolerance, and guidelines and making recommendations to the Committee.

2. Conducting investment manager searches where appropriate and making recommendations as required.

3. Monitoring the performance of the Investment Manager(s) and providing the Committee periodic reports so that it may determine the Corporation's progress toward its investment objectives and adherence to its investment program compliance.

4. Monitoring the total fees, commissions, and other charges paid in rendering investment services to the Corporation, at least annually.

5. Communicating matters of policy, manager research, and manager performance to the Committee and making recommendations where appropriate.

6. Reviewing Corporation investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed members of the Committee.

7. Providing "due diligence" on investment managers such as any qualitative change to investment management organizations: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

8. Providing current Statement of Investment Policy and Guidelines to existing, replacement and additional Investment Managers when changes occur. This applies to any strategy with a separately-managed account (SMA) format and excludes commingled formats such as mutual funds.

9. Maintaining timely and appropriate communications with the Chief Financial Officer, Chief Investment Officer and Chairman of the Committee relative to matters of substance regarding:

    A. Changes in investment forecast, investment strategies, or changes in portfolio structure;

    B. Changes in ownership, organization, financial conditions, and key personnel within the investment management organization.

Communication

The Committee encourages, and the Investment Management Consultant is responsible for, frequent and open communication with the Committee on all significant matters pertaining to the investment of the Corporation's assets. These communications would generally be addressed to the Chief Investment Officer. In this manner, the Consultant will advise the Committee of any major changes in investment outlook, investment strategy, asset allocation, portfolio structure, market value of the investments, managers and other substantive matters affecting the assets under their advisement. The Consultant will advise the Committee promptly of any significant changes in the ownership, organization structure, financial condition, or senior personnel of their organization.

All documents, exhibits, and other written material, etc., which will be used during review meetings between the Committee and the Consultant, should be submitted to the Committee, at least one week in advance of these meetings. It is expected that these meetings will take place periodically at the Committee's direction.

The Committee recognizes that the Statement of Investment Policy and Guidelines requires periodic re-examination and perhaps revision if it is to continue to serve as a working document to encourage effective investment management. Whenever the Consultant believes that the Statement should be altered, it is the responsibility of the Consultant to initiate written communication with the Committee through the Chief Investment Officer.

IV. ADMINISTRATION AND REPORTING

Policy Review
This document shall be reviewed by the Investment Committee annually and the results of the review reported to the Board of Directors.

Portfolio Rebalancing
Since asset allocation is the most critical component of portfolio returns, it is desirable to rebalance when necessary to minimize deviations from policy allocations.

The Funds shall be rebalanced in the event any individual asset class allocation differs from its policy by more than 20% of the target weight, but with a minimum deviation threshold of 2% of the total portfolio value. For example, if the policy asset allocation for an asset class is 20% of the total portfolio, then the portfolio’s actual asset allocation must be below 16% or above 24% before rebalancing is required (20% rule). If, however, the policy asset allocation for an asset class is 3% of the total portfolio, then the portfolio’s actual allocation must be either below 1% or above 5% before rebalancing is required (2% rule). This approach is designed to keep the portfolios reasonably in line with their target policies while avoiding excessive rebalancing.

This rebalancing policy may be suspended or altered based on assessment of market, operational, or other relevant considerations subject to Investment Committee approval.

The Investment Management Consultant shall be responsible for making rebalancing recommendations to Management who, in turn, shall be responsible for providing the necessary instructions to the Custodian. Investment Committee approval is not required. From time-to-time, it may be deemed appropriate to forego portfolio rebalancing.

Compliance with the Law
All actions undertaken or contemplated by this document shall follow appropriate law and applicable state statutes.

Annual Investment Reporting
The Corporation shall submit an annual investment report to the Division of the Budget with copies to the Office of the State Comptroller, the Senate Finance Committee, and the Assembly Ways and Means Committee. Such report shall include:

1. Investment guidelines and any amendments to such guidelines since the last investment report;

2. An explanation of the investment guidelines and amendments;

3. The results of the annual independent audit;

4. The investment income record of the Corporation; and

5. A list of total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation since the last investment report.

Conflicts of Interest
All persons responsible for investment decisions or who are involved in the management of the portfolios or who are consulting to, or providing any advice or service whatsoever to Corporation's Investment Funds shall disclose in writing at the beginning of any discussion or consideration by the Investment Committee, any relationships, material beneficial ownership, or other material interest(s) which the person has or may reasonably be expected to have, with respect to any investment issue under consideration. The Investment Committee may require such persons to remove themselves from the decision-making process.

Operating Procedures
Investments should be made in accordance with the following Operating Procedures:

1. The investment selection process should utilize competitive quotations or negotiated prices, except in the purchase of government securities at their initial value.

2. Each disbursement of funds (and corresponding receipt and securities) or delivery of securities (and corresponding receipt of funds) should be based upon proper written authorization. If the authorization is initially given verbally, there should be written or telegraphic confirmation from the Investment Officer to the Custodian.

3. Payment of funds should only be made upon delivery of securities. Written confirmation of delivery should be obtained from the Custodian.

4. The process of initiating, reviewing and approving requests to buy and sell investments should be documented and retained for audit purpose. Dealer limits should be established and reviewed regularly.

5. Custodians must have prior authorization from ECMCC to deliver obligations and collateral. All transactions must be confirmed in writing to the authority. Delivery of obligations sold should only be made upon receipt of funds.

6. Custodial banks should be required to report whenever activity has occurred in ECMCC's custodial account.

7. There should be at least monthly verifications of both the principal amount and the market values of all investments and collateral. Appropriate listings should be obtained from the Custodian and compared against ECMCC's records.

A record of investments shall be maintained by the Investment officer. The records should identify the security, the fund for which held, the place where kept, date of disposition and amount realized and the market value and custodian of collateral.

Annual Independent Audits
ECMCC shall require an annual independent audit of all investments. The annual investment audit:

1. shall determine whether: ECMCC complies with its own investment policies; investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of authority investment assets; and a system of adequate internal controls is maintained;

2. shall determine whether ECMCC complied with the applicable laws, regulations and State Comptroller's Investment Guidelines; and

3. should be designed to the extent practical to satisfy both the common interests of ECMCC and the public officials accountable to others.

A written audit report should be prepared presenting the results of the annual independent audit of all investments and should include:

1. a description of the scope and objectives of the audit;

2. a statement that the audit was made in accordance with generally accepted government auditing standards;

3. a description of any material weaknesses found in the internal controls;

4. a description of all non-compliance with the authority's own investment policies as well as applicable laws, regulations and the State Comptroller's Investment Guidelines;

5. a statement of positive assurance of compliance on the items tested and negative assurance on those items not tested; and

6. a statement on any other material deficiency or finding identified during the audit not covered in (5) above.

The audit report shall be filed within 90 days after the close of the authority's fiscal year with the Coordinator of Public Authority Programs, Office of the State Comptroller, A.E. Smith Office Building, Albany, New York, 12236.

V. INVESTMENT MANAGER SELECTION AND GUIDELINES

Investment Manager Selection
The selection of Investment Managers must be based on prudent due diligence procedures and, when applicable, the Corporation's procurement requirements. Each Investment Manager must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 as Registered Investment Advisors or documented as exempt by the same laws.

The Investment Management Consultant shall assist in establishing criteria and identifying suitable candidates, which shall be periodically presented for the Investment Committee's consideration. At a minimum, selection criteria will include historical risk and return, correlation to asset class and investment style, experience of investment professionals, depth of research capability, strength of investment process, diversification of portfolios, assets under management, and consideration of the investment manager as a going concern. Applying these criteria, the Investment Committee shall establish an approved list of Investment Managers on a periodic basis.

Investment Manager Contracts and Guidelines

The Corporation intends to use the investment manager guidelines set forth in this document as a framework to help the Investment Managers achieve their investment objectives at a level of risk deemed acceptable. The policies and restrictions are designed to minimize interfering with Investment Managers' efforts to attain overall objectives and to minimize excluding them from appropriate investment objectives. This document allows the Investment Managers discretion over the diversification of assets for the purposes of increasing investment returns and/or reducing risk exposure. When appropriate, Investment Managers are given responsibility to shift the allocation of assets among industry sectors and individual securities to pursue opportunities presented by changes within the capital markets.

For mutual fund, commingled trust, partnership, or any other non-separately-managed account structure, it is recognized that such vehicles will invest according to the strategy outlined in their prospectus or any other relevant fund documentation. Thus, it is incumbent upon the Corporation, with assistance from the Investment Management Consultant, to ensure comfort with underlying investments in those vehicle types. For these types of pooled investment vehicles, it may not be practical to have a written contract between the Corporation and Investment Manager. Rather, it is expected that execution of subscription documents, limited partnership agreements, or any other relevant documentation will serve to secure the Corporation's financial interest in an Investment Manager's strategy. In addition, for purchase of mutual fund shares it is expected that the Trustee / Custodian will document the Corporation's financial interest in an Investment Manager's strategy while executing its duties.

For separately-managed account structures (SMAs), specific restrictions for an Investment Manager shall be identified in the Investment Management Agreement or other governing document for the account. In addition, the Investment Manager shall maintain procedures sufficient to secure the Corporation's financial interest in an investment, including, where applicable, appropriate collateral requirements. SMA Investment Managers shall also acknowledge receipt of this IPS in writing.

VI. INVESTMENT MANAGER PERFORMANCE MEASUREMENT

The performance for each Investment Manager shall be reported and measured against commonly accepted performance benchmarks as shown in Appendix B. It is expected that Investment Managers with actively-managed strategies shall outperform their benchmarks on an absolute and/or risk-adjusted basis over meaningful time frames, preferably full market cycles. For functional purposes, full market cycles are defined as seven years or longer. In addition, it is preferred that such Investment Managers rank favorably within an applicable peer universe over meaningful time frames such as rolling 3- to 5-year periods. While not the sole determinant, if an active manager exhibits underperformance over a full market cycle, its inclusion in the portfolio(s) shall be revisited along with the merits of active management within the manager's asset class, in general.

As mentioned above, when considering removal of an Investment Manager, performance shall not be the sole determinant. Rather, it shall be based upon a more comprehensive review including an understanding of the reasons for underperformance, continued suitability within the portfolio, and whether or not better options exist.

VII. ALLOWABLE AND PROHIBITED INVESTMENTS

For mutual fund, commingled trust, partnership, or any other non-separately-managed account structure, it is recognized that such vehicles will invest according to the strategy outlined in their prospectus or any other relevant fund documentation. Thus, it is incumbent upon the Investment Committee, with assistance from the Investment Management Consultant, to ensure comfort with underlying investments in those vehicle types.

For separately-managed account structures (SMAs), specific guidelines for investment managers are outlined below.

Allowable Investments

A. Fixed Income and Cash Equivalents

1. Instruments and Credit Quality

a. Instruments issued and fully guaranteed by the U.S. Government or any of its agencies and instrumentalities.

b. Instruments issued by domestic corporations, including corporate notes and floating rate notes, must be rated "Baa"/"BBB" or better at time of purchase by Moody's Investor Service or Standard and Poor's. Asset-backed securities and collateralized mortgage obligations must be rated "Aaa"/"AAA" by the rating agencies. If the domestic corporation has a senior debt rating of "Baa" or better, the issuer's commercial paper rating and/or CD rating must be one of "A1", "P1", or "F1". If the issuer does not have a senior debt rating, the issuer's commercial paper rating and/or CD rating must be any two of "A1", "P1", "F1" or have a letter of credit drawn on the issuer, meeting the above guidelines.

c. Obligations of domestic banks, including banker's acceptances, certificates of deposit, time deposits, notes, and other debt instruments.

d. Instruments of countries or foreign corporations rated at least "Aa"/"AA" by appropriate rating organization. Instruments issued by the U.S. agency of a foreign corporation are also permitted, subject to the same quality constraints. Instruments referred to in this section cannot comprise more than 20% of the total combined portfolio, at market.

e. The following types of Euro issues: banker's acceptances, time deposits, bonds, and floating rate notes of any issue rated "Aa"/"AA" or better by Standard and Poor's or Moody's.

f. Yankee securities are subject to the quality constraints outlined in section "d" above.

g. Securities resold under SEC Rule 144A subject to the quality constraints outlined in section "b" above.

h. Repurchase Agreements are permitted with such government dealers who have and maintain a minimum equity value of $50 million, as the investment manager shall, in its discretion, determine from time to time. Repurchase Agreements shall be subject to: 102% initial market value collateralization of the loaned amount, collateral market value is priced daily and always maintained above 100% of the loaned amount, and physical custody must be taken by the custodial bank in the form of direct obligations of the United States Government.

i. This guideline is intended to give the investment manager sufficient latitude to periodically take advantage of bond-quality yield spreads. The average cost- weighted quality shall be no less than 3.0 based on the following scale:

U.S. Government and Agencies	5.0
Aaa Bonds	4.0
Aa Bonds	3.0
A Bonds	2.0
Baa Bonds	1.0

2. Maturity

   a. Cash Equivalent Manager

      The weighted average maturity of the fund is at the discretion of the investment manager, however, no instrument may have a maturity greater than eighteen months. Issues with maturities greater than six months may not exceed 25% of the value of the portfolio:

      (1) Floating rate issues may have a longer maturity if the interest adjustment is based on an instrument with an effective maturity of less than six months.

      (2) A putable bond may be utilized if the put can be exercised within six months.

      (3) An asset-backed security, collateralized-mortgage obligation, or similar instrument, is permitted if the average life is projected to be less than six months. Issues of this type should be limited to an amount consistent with normal liquidity requirements, but should not exceed 25% of the value of the portfolio.

   b. Short-Term Fixed Income Manager

      The portfolio's maximum duration should be less than 120% of the Merrill 1-3 Treasury Index, and no instrument with a maturity greater than 5 years is permissible, except that:

      (1) Floating rate issues may have a longer maturity if the interest adjustment is based on an instrument with a maturity of less than 5 years.

      (2) A putable bond may be utilized if the put can be exercised within 5 years.

      (3) An asset-backed security, collateralized-mortgage obligation, or similar instrument, is permitted if the average life is projected to be less than three years at the date of purchase and subsequently less than five years. Issues of this type should be limited to an amount consistent with normal liquidity requirements, but should not exceed 15% of the value of the portfolio.

   c. Long-Term Fixed-Income Manager

      The portfolio's maximum duration should be less than 135% of the ML (7-10 yrs.) Gov't./Corp. Index.

3. Diversification

   a. The manager will maintain prudent diversification across instruments, market sectors, industries, and specific issuers.

   b. Except for issues guaranteed directly or indirectly by the U.S. Government, the combined holdings of securities from one issuer shall not constitute more than 5% of the fund. All letters of credit shall be part of the invested amount of the guarantor for purposes of the 5% rule.

B. Equities

1. Instruments and Credit Quality

   a. The managers will be invested in high-quality common stocks. Convertible bonds, convertible preferred stocks, preferred stocks and non-voting stocks are permitted if the risk/return characteristics are favorable versus the underlying common equity. American Depository Receipts are permitted. Specific constraints include the avoidance of restricted issues, which have limited marketability, excluding SEC Rule 144A securities.

b. There are no qualitative guidelines suggested with regard to domestic equity ratings, rankings, etc., except that prudent standards should be utilized by the investment managers. Convertible bonds will be considered as equity investments and must be rated "Baa"/"BBB" or better by both Moody's and Standard & Poor's.

2. Diversification

The investment managers should diversify the equity portfolio in an attempt to minimize the impact of substantial loss in any specific industry or issue. Therefore, no more than the greater of 20% of the total portfolio or two times the appropriate equity market weighting may be invested in any one economic sector as defined by Standard & Poor's for domestic equities or as defined by MSCI for international equities, valued at market. In addition, no more than 5% of the total portfolio may be invested in any one company, valued at cost, and no more than 10% valued at market.

Prohibited Investments

The following categories of securities are not considered appropriate:

A. Interest only and principal only portions of collateralized mortgage obligations, or similar securities,
B. Private placements,
C. Margin trading,
D. Options and futures, except for hedging purposes

APPENDIX A: FUND OBJECTIVES AND CONSTRAINTS

NYS RETIREMENT RESERVE FUND

Fund Purpose

The NYS Retirement Reserve Fund provides for short-term NYS pension obligations of the Corporation. This Fund is also sometimes referred to as "General Operating – ECMC" in Fund reporting.

Investment Objectives

The investment objectives of the Fund are to:

- provide for the funding of the NYS retirement system obligations when excess cash allows for short term investing;
- assure that safety of principal is paramount;
- consistently invest assets in a prudent, diversified, risk-averse manner;
- achieve the acceptable return possible within the specified risk parameters;
- adhere to the established guidelines.

Time Horizon

The assets are viewed as having a short-term time horizon.

Liquidity Needs

The Fund's cash flow is generally positive but it needs to maintain a high degree of liquidity to meet annual obligations.

Overall Risk Tolerance

The Fund can assume a low risk profile.

Asset Allocation

Given the nature of the Funds' objectives, there can be no volatility of results. Consequently, the Committee has decided to control volatility by setting up long-term asset allocation targets. The Committee's goal is to minimize risk which favors cash equivalent investments.

RETIREE HEALTH RESERVE FUND

Fund Purpose

The Retiree Health Reserve Fund provides for intermediate- to long-term spending needs consistent with retiree health expenses.

Investment Objectives

The investment objectives of the Fund are to:

- provide for the funding and payment of retiree health obligations;
- consistently invest assets in a prudent, high-quality, diversified, manner;
- achieve the optimal return possible within the specified risk parameters;
- adhere to the established guidelines.

Time Horizon

The assets are viewed as having a long-term time horizon.

Liquidity Needs

The Fund's cash flow is generally positive, but it needs to maintain a moderate degree of liquidity to meet unexpected needs.

Overall Risk Tolerance

The Fund can assume a low-to-moderate risk profile.

Asset Allocation

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term.

It is believed that the most significant decision to affect the overall volatility of results is that which controls the split among various asset classes, particularly the equity versus fixed-income ratio. Consequently, the Committee has decided to control this ratio by setting up long-term asset allocation targets. The Committee's goal is to maximize returns over the long term and has, therefore, taken a conservative investment posture that includes equity holdings, but favors fixed-income holdings.

W/C PROFESSIONAL LIABILITY RESERVE FUND

Fund Purpose

The WC/Professional Liability Reserve Fund provides for intermediate- to long-term spending needs consistent with actuarial determined estimates of workers' compensation and medical malpractice claims.

Investment Objectives

The investment objectives of the Fund are to:

- provide for the payment of workers' compensation and professional liability claims;
- consistently invest assets in a prudent, high-quality, diversified, manner;
- achieve the optimal return possible within the specified risk parameters;
- adhere to the established guidelines.

Time Horizon

The assets are viewed as having a long-term time horizon.

Liquidity Needs

The Fund's cash flow is generally positive, but it needs to maintain a moderate degree of liquidity to meet unexpected needs.

Overall Risk Tolerance

The Fund can assume a low-to-moderate risk profile.

Asset Allocation

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term.

It is believed that the most significant decision to affect the overall volatility of results is that which controls the split among various asset classes, particularly the equity versus fixed-income ratio. Consequently, the Committee has decided to control this ratio by setting up long-term asset allocation targets. The Committee's goal is to maximize returns over the long term and has, therefore, taken a conservative investment posture that includes equity holdings, but favors fixed-income holdings.

GENERAL DEPOSITORY & GENERAL OPERATING RESERVE

Fund Purpose

The General Depository Reserve provides funding and a source of liquidity for operating expenses of the Corporation. The General Operating Reserve provides Delivery System Reform Incentive Payments (DSRIP) to other district members of the Millennium Collaborative Care Performance Provider System (PPS).

Investment Objectives

The investment objectives of the Fund are to:

- provide the necessary funds and liquidity for operating expenses of the Corporation;
- assure that safety of principal is paramount;
- consistently invest assets in a prudent, diversified, risk-averse manner;
- achieve the acceptable return possible within the specified risk parameters;
- transfer excess liquidity assets as determined by management to the General Operating Reserve Fund;
- adhere to the established guidelines.

Time Horizon

The assets are viewed as having a short time horizon.

Liquidity Needs

The assets are viewed as having high liquidity needs.

Overall Risk Tolerance

The Fund will assume a very conservative risk profile.

Asset Allocation

Given the nature of the Funds' objectives, there can be no volatility of results. Consequently, the Committee has decided to control volatility by setting up long-term asset allocation targets. The Committee's goal is to minimize risk which favors cash equivalent investments.

DEBT SERVICE and DEBT SERVICE RESERVE FUNDS – 2004 SERIES and 2011 SERIES

Fund Purpose

The Debt Service Reserve Fund is used to satisfy necessary interest payments. The Debt Service Reserve Fund is held in contingency by the Trustee to offset principal and/or interest payments, if needed. Note, in 2017, Series 2011 was refunded and had a zero balance.

Investment Objectives

The investment objectives of the Fund are to:

- provide for the funding for debt service coverage;
- consistently invest assets in a prudent, high-quality, diversified manner;
- achieve the optimal return possible within the specified risk parameters;
- adhere to the established guidelines.

Time Horizon

The assets are viewed as having a short-to-intermediate time horizon.

Liquidity Needs

The assets are viewed as having moderate liquidity needs. The required funds must be available for disbursement on the May 1 and November 1 payment dates for the 2004 Series Funds; and on the First of Each Month for the 2011 Series Funds. Any shortfall would need to come from operations.

Overall Risk Tolerance

The Fund can assume a low-to-moderate risk profile.

Asset Allocation

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term.

It is believed that the most significant decision to affect the overall volatility of results is that which controls the split among various asset classes, particularly the equity versus fixed-income ratio.

Consequently, the Committee has decided to control this ratio by setting up long-term asset allocation targets. The Committee's goal is to maximize returns over the long term and has, therefore, taken a low-to-moderate investment posture which holds a modicum of equity holdings.

GNMA BOND RESERVE FUND

Fund Purpose

The GNMA Bond Reserve Fund originally held bonds used for construction of the Gates Vascular Institute with earnings from the fund paid to the The Grider Initiative, Inc. on an annual basis. The bonds issued for construction of the Gates Vascular Institute have since been redeemed and remaining funds are considered unrestricted.

Investment Objectives

The investment objectives of the Fund are to:

- provide for the unrestricted spending needs of the Corporation;
- consistently invest assets in a prudent, high-quality, diversified manner;
- achieve the optimal return possible within the specified risk parameters;
- adhere to the established guidelines.

Time Horizon

The assets are viewed as having a short time horizon.

Liquidity Needs

The assets are viewed as having high liquidity needs.

Overall Risk Tolerance

The Fund will assume a very conservative risk profile.

Asset Allocation

Given the nature of the Fund's objectives, there can be no volatility of results. Consequently, the Committee has decided to control volatility by setting up long-term asset allocation targets. The Committee's goal is to minimize risk which favors cash equivalent investments.

APPENDIX B: FUND ALLOCATIONS AND BENCHMARKS

	NYS Retirement Reserve (Gen Op-ECMC)	Retiree Health Reserve	WC / PL Reserve	General Operating DSRIP	GNMA Bond Reserve	Policy Benchmark
Growth Assets						
US Large Stocks		11%	11%			S&P 500
US Large Quality Stocks		4%	4%			NASDAQ US Dividend Achievers Select, S&P 500
US Small / Mid Stocks		4%	4%			S&P Completion Index
US Small Value Stocks		2%	2%			CRSP US Small Cap Value
US Stocks	*0%*	*21%*	*21%*	*0%*	*0%*	
Intl Large Stocks		9%	9%			FTSE Developed All Cap ex-US
Emerging Market Stocks		5%	5%			FTSE Emerging Markets All Cap China A Inclusion
International Stocks	*0%*	*14%*	*14%*	*0%*	*0%*	
Total Public Stocks	*0%*	*35%*	*35%*	*0%*	*0%*	
Total Growth Assets	0%	35%	35%	0%	0%	
Risk Reduction Assets						
Cash	100%	5%	5%	100%	100%	90-Day T-Bills
US Short Duration Fixed Income		20%	20%			Bloomberg Barclays US 1-5 Year Gov't / Credit
US Broad Fixed Income		35%	35%			Bloomberg Barclays US Aggregate
US Inflation Protected Fixed		5%	5%			Bloomberg Barclays US TIPS
Total Risk Reduction Assets	100%	65%	65%	100%	100%	
Total	100%	100%	100%	100%	100%	

Note: Policy asset allocation was excluded for the General Depository Fund since it is a bank deposit account.

APPENDIX C: DESIGNATED PARTIES AND PRIMARY CONTACTS

Erie County Medical Center Corporation

Chief Financial Officer
Jonathan Swiatkowski – (716) 898-6291
Director of Finance and Authorized Investment Decision Maker
Vanessa S. Hinderliter – (716) 898-3730

Mercer (Investment Consultant)

Christopher Adkerson CFA, CAIA, Partner – (314) 982-5717
Kyle Zotta, CFA, CAIA, Principal – (314) 982-5726

M&T Bank

Laurie G. Finn, Relationship Manager – (716) 848-7348

Wilmington Trust (Custodian)

Rachel Schlee, Assistant Vice President, Client Service Manager II – (716) 842-5211

U.S. Bank National Association, Debt Service Accounts Trustee

Christopher Grell, Vice President – (212) 951-6990