METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

REPORT TO THE HUMAN RESOURCES COMMITTEE

RECOMMENDATION TO APPROVE THE REVISED INVESTMENT POLICIES FOR THE SPONSORED RETIREMENT PLANS AND THE EMPLOYEE WELFARE BENEFITS TRUST

JANUARY 2015

Requested Action

The Human Resources Committee is requested to approve and recommend that the Board of Directors approve changes to the:

- Investment Policy Statement for the sponsored Retirement Plans; and
- Investment Policy Statement for the Employee Welfare Benefits Trust (VEBA Trust).

Background

- Current Investment Policy Statement:
  - – Adopted in 1996 and last amended in 2010
  - – Covers:
    - Retirement Plan for General Employees;
    - Retirement Plan for Police Officers and Firefighters; and
    - Employee Welfare Benefits Trust (VEBA Trust).
  - – Proposed revisions are primarily administrative to incorporate industry best practice and to refine editorial clarity.

Proposed Revisions

- Divide current consolidated Investment Policy Statement into individual statements for the Retirement Plans and VEBA Trust.
- Apply Employee Retirement Income Security Act standards to Investment Policy Statements to provide procedures for investment-related decision making.

Proposed Revisions – Retirement Plans

- Updated formal market sector benchmarks used to align with current market indices.
- Updated manager's performance standards.
  - More detailed performance measurement standards have been added for active and passive managers for all asset classes.
  - Modified various manager restrictions on investments to protect the portfolio against unfavorable outcomes within an asset class.

Proposed Revisions – Retirement Plans

- Provides manager specific guidelines:
  - For separate accounts, the investment manager is asked to review and sign guidelines.
  - For mutual funds or commingled funds, the fund prospectus takes precedence; however, the investment consultant is charged with determining if the fund approximates general guideline criteria.

Proposed Revisions – VEBA Trust

- Established separate Investment Policy Statement for the VEBA Trust.
  - Asset allocation remains 70 percent equity and 30 percent fixed; provides minimum and maximum targets for each sector, i.e. large cap, mid-cap, fixed income.
  - Incorporates a customized or composite index benchmark used to measure total plan performance.

Proposed Revisions – VEBA Trust

- Adds investment performance standards for mutual funds, and separate performance standards for active and passive managers.
- Adds language to require investment consultant to advise the Retirement Committee when rebalancing is appropriate.

Recommendation

Staff requests that the Human Resources Committee approve and recommend that the Board of Directors approve changes to the:

- Investment Policy Statement for the sponsored Retirement Plans; and
- Investment Policy Statement for the VEBA Trust.

Ronald Reagan Washington National Airport

Dulles Corridor Metrorail Project

Dulles Toll Road

Washington Dulles International Airport

METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

REPORT TO THE HUMAN RESOURCES COMMITTEE

INVESTMENT POLICY STATEMENTS FOR THE AIRPORTS AUTHORITY SPONSORED RETIREMENT PLANS AND THE EMPLOYEE WELFARE BENEFITS TRUST

JANUARY 2015

ACTION REQUESTED

The Human Resources Committee is requested to approve and recommend that the Board of Directors approve changes to the Investment Policy Statements for the sponsored Retirement Plans (Retirement Plans) and the Employee Welfare Benefits Trust (known as the VEBA Trust).

BACKGROUND

The Investment Policy Statement (Attachment I), formally adopted in 1996 and amended in 2003, 2007, and 2010 governs the investment strategy for the Retirement Plans and VEBA Trust. It establishes guidelines for the Plan's investment portfolio in the areas that most influence the investment returns and funded status of the Plans. The Investment Policy Statement also incorporates accountability standards that are used to monitor the progress of the portfolio's investment program and to evaluate the contributions of the managers hired on behalf of the Plans.

The Retirement Committee, working with its Investment Advisor (Bogdahn Group) and Plan Counsel (Venable), has updated and restated the Investment Policy Statement for the Retirement Plans and created a separate Investment Policy Statement for the VEBA Trust. The Investment guidelines for the VEBA Trust are currently incorporated in the Investment Policy Statement for the Retirement Plans. Both Investment Policy Statements have been updated to reflect best practices and refine editorial clarity.

Both Retirement Plans continue to be well funded. As of the last Retirement Plans' valuation (12/31/2013), the Retirement Plan for General Employees was 111 percent funded and the Retirement Plan for Police Officers and Firefighters was 110 percent funded on a market value basis.

The VEBA Trust was established to provide funding for the Airports Authority's obligation for retiree medical benefits. With the changes to the design of the retiree healthcare plans (implementation of Medicare Advantage Plans and Employer

Group Waiver Plan) for 2015, the Plans' actuary has projected that the VEBA Trust will be 77 percent funded as of 1/1/2015.

HIGHLIGHTS OF PROPOSED CHANGES

The following are highlights of the proposed changes to the Retirement Plans and VEBA Trust Investment Policies:

Retirement Plans

- Investment Policy Statement Document - Divides the current Investment Policy into two separate Investment Policies - one for the Retirement Plans and one for the VEBA Trust. This recognizes that the Retirement Plans and the VEBA Trust are different types of plans and have different investment objectives.
- ERISA Standards - While the Retirement Plans are not subject to the Employee Retirement Income Security Act (ERISA), the Investment Policy Statement is consistent with ERISA standards.
- Index Benchmarks - The market benchmarks used to measure each of the fund manager's performance has been updated.
- Performance Measurement - The revised Investment Policy Statement includes additional detailed performance standards for all asset classes. Standards are provided for active and passive managers for domestic and foreign equity, fixed income, convertible bond and real estate.
- Asset Class Guidelines - The Investment Policy Statement modifies manager restrictions on investments as follows:
    - Eliminates a restriction for a manager from investing in any stock with a market capitalization of less than $20 million.
    - Adds 10 percent restriction on investment in foreign issuers.
    - The current guidelines have been further clarified stipulating that individual securities must be investment grade, but the determination of whether a security is investment grade has been revised. The current guidelines prohibit equity investments including swaps, venture capital issues and loans of portfolio securities. The prohibitions against certain illiquid equity investments have been revised to clarify that the plans cannot invest in equity investments that are illiquid. They also prohibit certain investments, including direct oil, gas, and mineral exploration investments, and nominally public issues for which the market is severely restricted.

- Manager Specific Guidelines - The following manager specific guidelines were incorporated.
    - For separate accounts, the investment manager is asked to review and sign guidelines.
    - For mutual funds or commingled funds, the fund prospectus takes precedence; however, the investment consultant is charged with determining if the fund approximates general guideline criteria.

VEBA Trust

- Investment Policy Statement Document - Establishes a separate Investment Policy Statement for the VEBA Trust (Attachment II).
- Asset Allocation - Asset allocation remains 70 percent equities and 30 percent fixed income; however, the revised Investment Policy Statement adds minimum and maximum target rages as follows.

Asset Allocation	Minimum	Target	Maximum
Large Cap Core Equity	35 percent	45 percent	55 percent
Mid-Cap Equity	5 percent	10 percent	15 percent
International Equity	10 percent	15 percent	20 percent
Domestic Fixed Income	20 percent	30 percent	40 percent

- Index Benchmarks - Creates a custom composite benchmark index for the VEBA Trust (45 percent S&P Index (for large cap equity), 10 percent S&P Completion Index TR (all other equities), 15 percent MSCI EAFE (for international equity), and 30 percent Barclays Capital Aggregate Bond Index (for bonds).
- Performance Measurement - Creates investment performance benchmarks for each investment category, similar to those in Retirement Plans' Investment Policy Statement.
- Manager Specific Guidelines - Adds investment performance standards for mutual funds, and separate performance standards for active and passive managers.
- Rebalancing - Requires investment consultant to advise the Retirement Committee when rebalancing is appropriate.

RECOMMENDATION

That the Human Resources Committee approve and recommend that the Board of Directors approve the revised Investment Policy Statement for the Retirement Plans and the Investment Policy Statement for the VEBA Trust.

Prepared by:
Office of Human Resources
December 2014

Attachment I - Investment Policy Statement for the Retirement Plans
Attachment II - Investment Policy Statement for the VEBA Trust

PROPOSED RESOLUTION

Approving the Revised Investment Policies
for the Sponsored Retirement Plans and
the Employee Welfare Benefits Trust

WHEREAS, The Metropolitan Washington Airports Authority (Airports Authority) maintains a number of retirement plans for its employees, including two defined benefit plans – the Metropolitan Washington Airports Authority Retirement Plan and the Metropolitan Washington Airports Authority Retirement Plan for Police Officers and Firefighters (Retirement Plans);

WHEREAS, The Airports Authority also maintains a separate Employee Welfare Benefits Trust (Benefits Trust) to fund retiree health coverage for eligible retirees of the Airports Authority;

WHEREAS, In 1996, the Airports Authority adopted an Investment Policy for the Retirement Plans and the Benefits Trust (Investment Policy) which is administered by the Retirement Program Committee and which governs the investment strategy for the Retirement Plans and Benefits Trust; and amendments to this policy were made in 2003, 2007 and 2010;

WHEREAS, Staff have proposed revisions to the Investment Policy which would create a separate policy for the Retirement Plans and for the Benefits Trust, given the differing nature of these programs, and would reflect current best practices in each policy;

WHEREAS, The proposed separate investment policies were reviewed by the Retirement Program Committee at a meeting on December 2, 2014, and have been presented to and reviewed by the Human Resources Committee at its Janaury 2015 meeting, and both Committees have recommended the approval of the seprate policies by the Board of Directors; now, therefore, be it

RESOLVED, That the proposed separate investment policies – the “Statement of Overall Investment Objectives and Policy” for the Retirement Plans and the “Statement of Overall Investment Objectives and Policy” for the Benefits Trust – as presented to the Human Resources Committee at its January 2015 meeting, are hereby approved and adopted.

For Consideration by the Human Resources Committee and
the Board of Directors on January 21, 2015

Attachment I

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
RETIREMENT PLANS

Statement of Overall Investment Objectives and Policy

January 2015

CONTENTS

I. Introduction

The Retirement Committee of the Metropolitan Washington Airports Authority Retirement Plans (the “Retirement Committee”) hereby adopts this Statement of Investment Objectives and Policy (“Statement”) for the Metropolitan Washington Airports Authority Retirement Plan and the Metropolitan Washington Airports Authority Police Officers and Firefighters Retirement Plan (the “Retirement Plans”). Each person or entity with the power to manage, acquire, or dispose of any asset of the Retirement Plans (an “Investment Manager”) shall agree to these objectives and policy and manager specific guidelines. To the extent that the assets of the Retirement Plans are invested in one or more mutual funds or commingled funds, the Retirement Committee recognizes that the investment in such mutual fund or commingled fund will be subject to the investment objectives and policies of the mutual fund or commingled fund and that the Retirement Committee (through its Investment Consultant) will need to determine the extent to which the investment objectives and policies of the mutual fund or commingled fund are consistent with the investment policies and guidelines of the Retirement Plans.

The Retirement Committee desires to achieve investment results that will culminate in promised plan benefits being ultimately paid to plan participants and their beneficiaries. The assets of the Plan shall, at all times, be invested in such manner as to be in full accordance with the provisions of applicable law as such law may be amended from time to time in the future. While the Retirement Plans are not subject to the Employee Retirement Income Security Act 1974 (“ERISA”), the Retirement Committee has elected to apply ERISA standards to the limited extent specified herein.

The Statement is intended to provide the Retirement Committee the Investment Consultant and the Investment Manager(s) with a foundation from which to formulate specific investment strategies and goals, so that the Retirement Committee can effectively evaluate the performance of the Investment Manager(s) and oversee the management of the Plan in a prudent manner. The objective of this Statement is also to foster an effective working relationship with the Investment Manager(s) through a discipline of good communication.

This Statement is not intended to remain static. The Retirement Committee, and its Investment Consultant, will periodically review and update this Statement as necessary. Recommendations from the Investment Manager(s) for modifying this statement are expected where investment conditions so warrant.

The Retirement Committee will report quarterly and, if requested, more frequently, to the Human Resources Committee of the Board of Directors as to the funded status of the Retirement Plans. In addition, changes will not be made to this Statement without the advice, counsel and approval of the Human Resources Committee.

This document sets forth the following:

1. The investment policies and objectives which the Retirement Committee judges to be appropriate and prudent to implement its strategic plan for the investment of the Plan’s assets;
2. The general investment policies, objectives and performance expectations for the Investment Manager(s);
3. The provision of guidelines for the Retirement Committee’s ongoing supervision of the investment of the Plan’s assets to ensure that the Plan remains invested in accordance with this Statement;
4. Accounting and reporting guidelines for purposes of measuring the performance of the Investment Manager(s);
5. Proxy voting policies; and

6. Brokerage and trading policies.

II. Plan Investment Policies

A. Asset Allocation and Investment Manager Structure

It is not the intention of the Retirement Committee to become involved in day-to-day investment decisions. Therefore, the assets are allocated to one or more professional Investment Managers or to one or more mutual funds or commingled investment funds in a manner consistent with the Statement.

In order to provide an appropriate level of diversification for the Plan, Investment Managers with complementary or diverse investment styles may be retained. Each Manager will be required to sign and acknowledge these objectives and policies, as well as guidelines specific to the Plan's investment style. It is understood that mutual funds or commingled investment funds must adhere to guidelines and policies established for the mutual fund or commingled investment fund, and which are independent of the guidelines set forth in this document. Plan assets may be invested in mutual funds or commingled funds, provided that such investment is consistent with the overall investment policy of the Retirement Plans, as reflected in this Statement and as determined by the Retirement Committee.

Asset Allocation Policy

The investment strategy that the Retirement Committee has adopted for the overall allocation of the Plan's asset is as follows:

Asset Allocation	Minimum	Target	Maximum
Large Cap Equity	20%	30%	40%
Small Cap Equity	5%	10%	15%
International Equity	15%	20%	25%
Domestic Fixed Income	10%	20%	30%
Convertible Bonds	5%	10%	15%
Real Estate	5%	10%	15%

B. Rebalancing Guidelines

It is the Retirement Committee's responsibility, with the assistance of the Investment Consultant, to monitor the asset allocation within the parameters described above. They will do so by giving specific instructions as to the range of allowable asset classifications to each Investment Manager and directing the Investment Consultant to monitor the asset classifications actually held by Managers and any mutual fund or commingled investment funds. Because markets do not move in concert, actual allocations are expected to deviate somewhat from the targets. The assets in each Retirement Plan will be rebalanced appropriately when allocations are no longer within the prescribed limits. Such rebalancing will be accomplished within two calendar quarters of the deviation from the prescribed limits. The Investment Consultant shall notify the Retirement Committee when rebalancing is appropriate (with such notification being made in time for the Retirement Committee to approve rebalancing within the time frame established by these guidelines).

III. Investment Objectives

The investment horizon of the Plan is long-term. The Plan's primary investment objective is to maximize the total rate of return subject to the preservation of capital.

Preservation of capital encompasses two goals:

- minimizing the risk of loss of principal for the Plan as a whole; and
- minimizing the erosion of principal value through inflation.

The primary means by which capital preservation is to be achieved is through diversification of the Plan's investment across various asset classes. Within each asset group, further diversification is to be achieved through investment in securities across numerous industries and sectors as determined by the investment manager(s) in accordance with this Statement and the manager-specific guidelines, which will be signed by both the manager(s) and the Retirement Committee and will incorporate, by reference, all of the provisions of this statement, except to the extent the investment manager's product may not conform precisely to this statement, in which case the difference will be set forth in the attached Exhibits A-H. To the extent that the assets of the Retirement Plans are invested in one or more mutual funds or commingled investment funds, the Investment Consultant shall advise the Retirement Committee of any material differences between the investment objectives, policies and guidelines of the mutual fund or commingled fund and the provisions of this statement.

The long-term performance expectations for the entire Plan are as follows:

A. Customized Index

Over a complete market cycle (typically 3 to 5 years), the total Plan performance has a goal of outperforming a weighted passive portfolio comprising a mix of <u>30% S&P 500 Index, 10% Russell 2000 Index, 10% MSCI EAFE Net Index, 20% Barclays Capital Aggregate Index, 10% BofA ML Convertible Bonds US Inv Grade Index, and 10% NCREIF ODCE Equal Weighted Index.</u>

B. Manager-Specific Benchmarks

Benchmarks specific to each managed portfolio are outlined in Exhibits A-H of this document. Performance versus said benchmarks will be judged over a complete market cycle (typically 3 to 5 years).

IV. Performance Measurement

The performance expectations of the Retirement Committee are hereby communicated to the Investment Manager(s), consistent within their respective guidelines found in Exhibits A-H. These will include comparisons to benchmark returns and standard deviations, as well as agreed-upon universe comparisons.

The performance expectations of the Retirement Committee with respect to mutual funds or commingled investment funds will be monitored by the Investment Consultant.

Quarterly performance will be evaluated to test progress toward attainment of longer-term goals. It is understood that there are likely to be short-term periods during which performance deviates from market indices, and during such times, greater emphasis shall be placed on performance comparisons with managers or comingled investment funds employing similar styles. In order to be consistent among the multiple investment portfolios of the Retirement Plans, and for universe comparisons to remain valid, rates of return shown in the performance reports produced by the Investment Consultant will be both gross and net of fees. However, each Investment Manager and mutual fund or commingled investment fund is expected to outperform its respective benchmark on a net-of-fee basis as detailed below. Each Manager is required to report its performance on a before and after fee basis as outlined in Section VI. (Communication and Reporting Requirements). The Investment Consultant shall determine the performance of each mutual fund or commingled investment fund on a before- and after-fee basis as outlined in Section VI.

The respective benchmark and universe for each Investment Manager or mutual fund or commingled investment fund will be stated in the Manager-Specific guidelines found in Exhibits A-H of this document.

Domestic Equity Portfolio

Active Managers

1. Achieve a rate of return, net of fees, which exceeds the Investment Manager's respective index/benchmark over a complete market cycle (typically 3-5 years).

2. Achieve a positive risk (standard deviation)/reward trade-off when compared to the Investment Manager's respective index/benchmark.

3. Achieve annualized performance results, which rank above the universe median for equity managers with similar characteristics over a complete market cycle (typically 3-5 years).

Passive Managers

1. Achieve a rate of return from dividend income and capital appreciation, which matches the Investment Manager's respective index/benchmark, less investment management fees, over a complete market cycle (3 to 5 years).

2. Achieve a positive risk/reward trade-off similar to the Investment Manager's respective index/benchmark.

Domestic Fixed Income Portfolio

Active Managers

1. Achieve a rate of return, net of fees, which exceeds the Investment Manager's respective index/benchmark over a complete market cycle (typically 3-5 years).

2. Achieve a positive risk (standard deviation)/reward trade-off when compared to the Investment Manager's respective index/benchmark.

3. Achieve annualized performance results, which rank above the universe median for fixed income managers with similar style characteristics over a complete market cycle (typically 3-5 years).

Passive Managers

1. Achieve a rate of return from interest income and capital appreciation which matches the Investment Manager's respective index/benchmark, less investment management fees, over a complete market cycle (3 to 5 years) on an after-fee basis.

2. Achieve a positive risk/reward trade-off similar to the Investment Manager's respective index/benchmark.

Foreign Equity Portfolio

1. Achieve a rate of return which exceeds the Investment Manager's respective index/benchmark over a complete market cycle (typically 3-5 years) on an after-fee basis.

2. Achieve a positive risk/reward trade-off when compared to the Investment Manager's respective index/benchmark.

3. Achieve annualized performance results which rank above the universe median for international equity managers with similar style characteristics over a complete market cycle (typically 3-5 years).

Convertible Bond Portfolio

1. Achieve a rate of return which exceeds the Investment Managers' respective index/benchmark over a complete market cycle (3-5 years) on an after-fee basis.

2. Achieve a positive risk/reward trade-off when compared to the Investment Manager respective index/benchmark.

3. Achieve annualized performance results which rank above the universe median for convertible bond managers with similar style characteristics over a complete market cycle (typically 3-5 years).

Real Estate Portfolios

1. Achieve a rate of return which exceeds the Investment Managers' respective index/benchmark over a complete market cycle (3-5 years) on an after-fee basis.

2. Achieve a positive risk/reward trade-off when compared to the Investment Managers' respective index/benchmark.

The individual manager(s) benchmark(s) and universe(s) will be stated in the manager-specific guidelines found in Exhibits A-H of this document.

V. Portfolio Investment Policies

A. General

The Retirement Committee has sole discretion to select and replace the Investment Manager(s) and to allocate assets among Investment Managers and mutual funds or commingled investment funds.

The Retirement Committee shall review periodically the portfolio of each Investment Manager and shall endeavor at least annually to review the investments, returns, changes in staff, market environment, and any other pertinent items with respect to each Investment Manager (and each investment manager under a mutual fund or commingled investment fund). The Investment Consultant shall monitor the Plan's portfolio on an ongoing basis consistent with its fiduciary duty and the terms of its Agreement with the Plan.

The Investment Manager(s) are expected to prudently perform their fiduciary duties with respect to the Retirement Plans (within the meaning of ERISA) and shall conform to all applicable laws governing the investment of the Retirement Plans (as well as the provisions of ERISA).

The Investment Manager(s) is prohibited from entering into any transactions for the Retirement Plans which are not authorized by this Policy or their specific guidelines, without the advance written consent of the Retirement Committee.

The Asset Class Investment Guidelines set forth in paragraph B below shall not apply with respect to mutual fund or commingled fund accounts. The internal guidelines applicable to any such mutual fund or commingled fund account shall apply instead.

B. Asset Class Investment Guidelines

1. Domestic Equity

Exceptions to these guidelines will be noted in the Manager-Specific Guidelines found in Exhibits A-H of this document.

a. Equity investments shall be made with a view toward achieving a total rate of return (market appreciation plus dividend income). All equity investments shall be in companies whose respective market capitalizations are consistent with the Investment Manager's specific benchmark.

b. All securities shall be of a class listed on a national securities exchange or traded in the over-the-counter market and quoted on the National Association of Securities Dealers Automatic Quotation Service.

c. Industry and sector allocations should ensure prudent diversification and risk control.

d. Investment in any issuer should be limited to the greater of 5% of the portfolio based on market value, or two times the issuer's relative weight within the relevant benchmark index.

e. The maximum total portfolio investment in any one company shall be less than 5% of that company's outstanding voting stock and less than 5% in value of all outstanding shares of all classes of stock of the issuer (assuming all conversions had been made by the portfolio).

f. The Investment Managers are prohibited from investing in commodities, private placements, direct real estate investments, direct oil, gas and mineral exploration investments, and nominally public issues for which the market is severely restricted.

g. The Investment Managers are prohibited from investing in letter or restricted stock, options, futures and forward contracts and/or any other derivative instrument.

h. The Investment Managers are prohibited from engaging in short sales, margin transactions or other specialized investment activities.

i. The Investment Manager(s) shall not purchase securities whose issuers have currently filed a petition for bankruptcy. Securities of issuers that file for bankruptcy subsequent to purchase resulting in violation of this restriction may be held at the Investment Manager's discretion. However, written notice including the Investment Manager's position on the issue and intended action shall be promptly submitted to the Retirement Committee.

j. The Investment Manager(s) may invest in equity securities of foreign issuers subject to the above restrictions and to a maximum of 10% of the equity portfolio based on market value. These holdings shall be limited to those denominated in U.S. dollars and listed and traded on major domestic exchanges.

2. Domestic Fixed Income

Exceptions to these guidelines will be noted in the Manager-Specific Guidelines found in Exhibits A-H of this document.

The fixed income portion of the Plan's assets shall be invested in marketable fixed income securities of the first four quality grades as established by one or more of the nationally recognized bond ratings services. The average quality of all the Bond holdings in each Investment Manager's portfolio should be maintained at A or better. The following instruments are acceptable:

a. Commercial Paper or Variable Rate Notes rated P-1 Moody's, A1 by Standard & Poor's or F1 by Fitch.

b. Certificates of Deposit and Bankers Acceptances rated A or better by Moody's Investor's Service or equivalent by Standard & Poor's.

c. United States Treasury Bonds, Notes and Bills.

d. Debt instruments of the U.S. Government or its Agencies.

e. CMBS and ABS securities.

f. Publicly traded dollar-denominated U.S. corporate debt, sovereign and supranational entities rated the equivalent of Baa3/BBB- or better by Moody's Investors Services, Standard & Poor's, or Fitch Investor's Services. In case of a split rating among the three rating services, the Investment Manager shall defer to the middle rating. In the event that ratings are provided by only two agencies, the Investment Manager shall defer to the lowest rating; if only one agency assigns a rating, then the Investment Manager may accept it as the assigned rating.

Other restrictions are as follows:

a. Portfolio duration should be ±20% of the benchmark.

b. Securities downgraded by any or all rating agencies (outlined in Item 2e above) subsequent to purchase resulting in violation of quality guidelines may be held at the Investment Manager's discretion. However, written notice including the Investment Manager's position on the issue and intended action shall be promptly submitted to the Retirement Committee and its Investment Consultant.

c. The Investment Managers may not hold more than 5% of the portfolio in any one issuer's securities other than direct obligations of the U.S. Government or its agencies based on market value.

d. Unrated securities may not be purchased without prior written approval of the Retirement Committee. If an Investment Manager ranks an unrated security as investment grade, prior written approval from the Retirement Committee must be received before purchase.

e. The Investment Managers may invest up to 5% of the portfolio in preferred stock, warrants and convertible securities when prudent opportunities exist based on market value.

f. The Investment Managers may invest in fixed income securities of foreign issuers subject to the above restrictions and to a maximum of 15% of the fixed income portfolio based on market value. These holdings shall be limited to those denominated in U.S. dollars and listed or traded on major domestic exchanges.

g. Private Placements are explicitly prohibited, with the exception of 144A securities, which can be included up to 5% of the fixed income portfolio based on market value.

h. The Investment Managers may not use derivative securities to increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities or to acquire exposure to changes in the value of assets or indexes that by themselves would not be purchased for the portfolio. Under no circumstances will an Investment Manager undertake a derivative investment possessing elements of leverage or that is non-covered or leveraged to the extent that it would cause portfolio duration to exceed the limits implied by the benchmark. The Investment Manager(s) will report on the use of permissible derivatives on a quarterly basis to the Retirement Committee.

i. The Investment Managers may not engage in short sales or margin purchase.

3. Foreign Equity

a. A domestic equity Investment Manager may include the securities of foreign companies traded on U.S. exchanges or in U.S. markets in an amount not to exceed at purchase 10% of its portfolio (measured at fair market value).

b. An international Investment Manager may invest in foreign securities traded on foreign exchanges in accordance with its specific policy guidelines and consistent with the guidelines for domestic equity investments (except the guidelines set forth in Section V.B.1(b) and (j) of this Statement.)

4. Convertible Securities

a. Invest primarily in convertible securities such as bonds, debentures, corporate notes and preferred stocks or other securities that are convertible into common stock or the cash value of stock or a basket or index of equity securities.

b. Rule 144A securities (convertible debt and equity) are permitted. Common stock, preferred stock and non-convertible debt (other than cash) are permitted up to 20% of the portfolio. However, no more than 10% of the portfolio may be invested in preferred stock.

c. There are no overall credit quality restrictions. However, it is expected that no more than 25% of the portfolio will be invested in below investment grade securities (below BBB-). Also, no more than 5% of the portfolio will be invested in securities rated CCC- or below or of comparable quality. In case of a split rating, the Investment Manager shall defer to the lowest rating.

d. The portfolio delta should be between 0.40 and 0.80.

e. No sector may exceed 25% of the total portfolio or 2X the benchmark weight, whichever is greater, at market value.

f. Positions should not exceed 5% at market value.

g. Up to 10% of the portfolio, at market value, may be invested in International Convertibles. This pertains to both non-USD-denominated securities and countries.

5. Real Estate

The Real Estate portion of the Plan's assets may be invested in pooled Real Estate vehicles, limited partnerships, limited liability partnerships, limited liability companies or other types of Real Estate investments as determined by the Retirement Committee in consultation with the Investment Consultant.

6. Cash and Cash Equivalents

Uninvested cash balances should be kept to a minimum through the prompt investment of available funds in short-term or more permanent security holdings. Investment Managers may invest in commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the portfolio's principal value. To the extent permitted by their Investment Management Agreement and applicable law, Investment Managers may utilize internally managed money market funds for this purpose, provided that they earn a competitive yield, and upon obtaining advance written approval from the Retirement Committee. All such assets must represent maturities of one year or less at time of purchase. Commercial paper assets must be rated A-1 or P-1 by Standard & Poor's and Moody's, respectively. The Investment Managers may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest). The Investment Managers also may not invest more than 5% of the portfolio's market value in the obligations of a single issuer, with the exception of the U.S. Government or its agencies. Within the limitations mentioned above and the targets established in the "Manager-Specific Guidelines," the Investment Manager has complete discretion to allocate and select short-term cash and equivalent securities.

7. Other Investments

The Retirement Committee, after consulting with its Investment Consultant, may authorize the use of any other investment for the Plan provided that such investment is considered prudent for a pension fund. Assets that provide appropriate diversification (specifically low correlation with existing assets) will be considered and noted in this section.

8. Corrective Action

In the event a limitation herein is exceeded because of a change in market value, corporate event, or securities downgrade, the Investment Manager shall take such action as the Investment Manager deems prudent to cause the portfolio to return to compliance with the guidelines as soon as feasible, consistent with its fiduciary duty, but no later than 90 days after the changes. Written notice shall be promptly submitted to the Retirement Committee and its Investment

Consultant, which includes the Investment Manager's position on the issue and intended action.

VI. Communication and Reporting Requirements

In addition to any requirement under the Manager's Investment Management Agreement, the following requirements shall apply to Investment Managers.

A. The Investment Manager(s) is required to provide reports (as applicable) to the Retirement Committee and its Investment Consultant. Reports should have the following frequency and include the following:

1. Quarterly market and book value of all security holdings.
2. Quarterly performance results compared with designated benchmarks.
3. Quarterly brokerage commission report.
4. Quarterly equity and fixed income turnover ratio report.
5. Quarterly derivative use report, if appropriate.
6. Quarterly quality ratings of the fixed income investments, including average quality.
7. Notice of changes in organizational structure, ownership and key personnel of the firm (no longer than 14 calendar days after such occurrence).
8. Notice of litigation brought by a client or former client against the investment manager relating to Investment Advisory services provided by the investment manager and any enforcement proceeding that would have an effect on the investment manager if the investment manager has been notified by a regulatory agency that it is the subject of such enforcement proceeding (as soon as possible, not to exceed 14 days).
9. Notice of any disciplinary proceeding threatened, pending or instituted against the investment manager, within 14 days of notice of such actions.
10. Annual filing of Form ADV with the Securities and Exchange Commission.

To the extent applicable, the Investment Consultant shall monitor each mutual fund or commingled investment fund and shall provide reports (as applicable) to the Retirement Committee with respect to the above reporting requirements.

B. The Investment Manager(s) must meet with the Retirement Committee and the Investment Consultant as often as may be reasonably required. The Manager shall provide the Retirement Committee and the Investment Consultant a written summary, which addresses the subjects identified below, at least seven days prior to each of its meetings:

1. Performance for the Past Period: Standard time periods for each report will be Last Quarter, Year to Date, Latest 12 Months, and 3 Years and 5 Years since inception. Returns (for time periods greater than one year) should be annualized and calculated on a time-weighted basis for the total portfolio. All returns should include income and dividends and be reported both as gross and net of investment management and brokerage fees.

2. Rationale for Performance Results: Discussion of the rationale for performance results, relating them specifically to the individual investment strategy and tactical decisions implemented by the Investment Manager during the current review period.

3. Specific Near-Term Strategy: Discussion of the Investment Manager's specific strategy for the portfolio over the near-term period, with specific reference to asset mix (including cash position) and expected portfolio characteristics.

4. Changes in Investment Manager's Firm: Discussion of any relevant changes in the Investment Manager's firm, including professionals.

5. Changes in the Retirement Committee' Requirements: Discussion of proposed modifications to the investment program and strategy, including this Statement, if any.

These meetings will also provide the Investment Manager(s) with the opportunity to explain how their investment strategy/outlook has evolved since previous meetings.

C. The Investment Manager(s) shall be responsible for reviewing these guidelines on an ongoing basis. Whenever the Investment Manager(s) believes that any particular guideline or objective should be changed or deleted, it is the responsibility of the Manager(s) to initiate formal communication with the Retirement Committee.

D. The Investment Manager(s) may not act upon written or oral instructions from any person except the full Retirement Committee or its duly authorized representatives.

VII. Brokerage and Trading Requirements

In addition to any requirement under the Manager's Investment Management Agreement, the following requirements shall apply to Investment Managers.

A. The Investment Manager agrees to maintain records of its brokerage practices, including records of the broker used on each transaction and the amount paid to each such broker. The Investment Manager agrees to disclose such information to the Retirement Committee or the Investment Consultant upon request. In placing portfolio transaction orders on behalf of the Plan, the Investment Manager shall use its best efforts to obtain best execution of orders through responsible broker/dealer firms at the most favorable prices and at reasonably competitive commission rates.

B. As to investments in any security for which the Investment Manager or any of its affiliates is a market maker, the Investment Manager agrees that it will not effect the transaction for that investment through itself or any of its affiliates unless (a) the

Investment Manager is able to demonstrate in writing after the transaction that such trade is lawful, and would not constitute a non-exempt prohibited transaction under ERISA, and (b) the Investment Manager provides the Retirement Committee and the Investment Consultant with written notice of such investment after the transaction.

Section VIII – Proxy Voting Procedures

The Retirement Committee requires that the Investment Manager(s) exercise its authority with regard to proxy voting, in accordance with its fiduciary duty under law.

The Investment Manager(s) shall issue semi-annual reports on the proxy voting actions taken, including:

(1) Affirmation that all stock holdings with votes due have, in fact, been voted;

(2) Description of any proposed changes in proxy voting policies or procedures;

(3) Confirmation that all votes cast were consistent with established policy;

(4) Explanation of any votes not cast or of any votes cast that were not consistent with established policy; and

(5) Summary listing of all votes cast.

****

IN WITNESS WHEREOF, this document has been approved and executed by the undersigned on this ________________ day of January 2015 the Retirement Committee of the Metropolitan Washington Airports Authority Retirement Plans.

Retirement Committee
Metropolitan Washington Airports Authority
Retirement Plans

Date: ________________________ By: _________________________________

By: _________________________________

Exhibit A. Manager-Specific Guidelines

These Manager-Specific Guidelines are an exhibit to the Metropolitan Washington Airports Authority Retirement Plans **"Statement" of Overall Investment Objectives and Policy**. By its signature below, the Investment Manager agrees to these Guidelines as well as the terms and conditions of the Statement, which is incorporated herein by reference.

Manager: **Agincourt Capital Management, LLC**
Mandate: Core Fixed Income
Index Benchmark: Barclays Capital Aggregate Bond Index
Universe: Core Fixed Income

Asset Allocation:	**Lower Limit**	**Target**	**Upper Limit**
Domestic Fixed Income:	100%	100%	100%

Modification of Restrictions:

Retirement Committee
Metropolitan Washington Airports Authority Retirement Plans

Date: ______________________ By: ______________________________

By: ______________________________

Agincourt Capital Management, LLC

Date: ______________________ By:______________________________

Exhibit B. Manager-Specific Guidelines

These Manager-Specific Guidelines are an exhibit to the Metropolitan Washington Airports Authority Retirement Plans **"Statement" of Overall Investment Objectives and Policy**. By its signature below, the Investment Manager agrees to these Guidelines as well as the terms and conditions of the Statement, which is incorporated herein by reference.

Manager: **Advent Capital Management, LLC**
Mandate: Convertibles
Index Benchmark: BofA ML Convertible Bonds
Universe: US Convertible Bonds

Asset Allocation:	Lower Limit	Target	Upper Limit
Convertibles	100%	100%	100%

Modification of Restrictions:

Retirement Committee
Metropolitan Washington Airports
Authority Retirement Plans

Date: ______________________ By: ______________________________

By: ______________________________

Advent Capital Management, LLC

Date: ______________________ By: ______________________________

Exhibit C. Manager-Specific Guidelines

These Manager-Specific Guidelines are an exhibit to the Metropolitan Washington Airports Authority Retirement Plans **“Statement" of Overall Investment Objectives and Policy**. By its signature below, the Investment Manager agrees to these Guidelines as well as the terms and conditions of the Statement, which is incorporated herein by reference.

Manager: **UBS Real Estate Investors LLC**
Mandate: Real Estate
Index Benchmark: NCREIF ODCE (equal weighted) Index
Universe: N/A

Asset Allocation:	Lower Limit	Target	Upper Limit
Real Estate:	100%	100%	100%

Modification of Restrictions:

All investments made on behalf of the Metropolitan Washington Airports Authority Retirement Plans in the UBS Trumbull Property Plan shall be invested in accordance with and consistent with any limitations, restrictions or modifications as outlined in the UBS Trumbull Property Plan prospectus. The prospectus shall override any restrictions or stipulations as outlined in this document.

Retirement Committee
Metropolitan Washington Airports Authority Retirement Plans

Date: ______________________ By: ______________________________

By: ______________________________

UBS Real Estate Investors LLC

Date: ______________________ By: ______________________________

Exhibit D. Manager-Specific Guidelines

These Manager-Specific Guidelines are an exhibit to the Metropolitan Washington Airports Authority Retirement Plans **“Statement" of Overall Investment Objectives and Policy**. By its signature below, the Investment Manager agrees to these Guidelines as well as the terms and conditions of the Statement, which is incorporated herein by reference.

Manager: **Grantham, Mayo, Van Otterloo & Co. LLC**
Mandate: International Equity
Index Benchmark: MSCI EAFE (net) Index
Universe: Foreign Equity

Asset Allocation:	Lower Limit	Target	Upper Limit
International Equity:	100%	100%	100%

<u>Modification of Restrictions</u>:

All investments made on behalf of the Metropolitan Washington Airports Authority Retirement Plans in Grantham, Mayo, Van Otterloo & Co. LLC’s International Equity Fund shall be invested in accordance with and consistent with any limitations, restrictions or modifications as outlined in the Grantham, Mayo, Van Otterloo & Co. LLC’s International Equity Fund’s Declaration and Declaration of Trust. The Plan Declaration and Declaration of Trust shall override any restrictions or stipulations as outlined in this document.

Retirement Committee
Metropolitan Washington Airports
Authority Retirement Plans

Date: ________________________ By: ________________________________

By: ________________________________

Grantham, Mayo, Van Otterloo & Co. LLC

Date: ________________________ By: ________________________________

Exhibit E. Manager-Specific Guidelines

These Manager-Specific Guidelines are an exhibit to the Metropolitan Washington Airports Authority Retirement Plans **“Statement" of Overall Investment Objectives and Policy**. By its signature below, the Investment Manager agrees to these Guidelines as well as the terms and conditions of the Statement, which is incorporated herein by reference.

Manager: **T. Rowe Price**
Mandate: Small Cap Core
Index Benchmark: Russell 2000 Index
Universe: US Small Cap Core

Asset Allocation:	Lower Limit	Target	Upper Limit
Small Cap Core:	100%	100%	100%

Modification of Restrictions:

All investments made on behalf of the Metropolitan Washington Airports Authority Retirement Plans in T. Rowe Price Small Cap Core Fund shall be invested in accordance with and consistent with any limitations, restrictions or modifications as outlined in the T. Rowe Price Small Cap Core Fund’s Declaration and Declaration of Trust. The Plan Declaration and Declaration of Trust shall override any restrictions or stipulations as outlined in this document.

Retirement Committee
Metropolitan Washington Airports Authority Retirement Plans

Date: ________________________ By: ________________________

By: ________________________

T. Rowe Price

Date: ________________________ By: ________________________

Exhibit F Manager-Specific Guidelines

These Manager-Specific Guidelines are an exhibit to the Metropolitan Washington Airports Authority Retirement Plans **"Statement" of Overall Investment Objectives and Policy**. By its signature below, the Investment Manager agrees to these Guidelines as well as the terms and conditions of the Statement, which is incorporated herein by reference.

Manager: **DePrince, Race & Zollo, Inc.**
Mandate: Large Cap Value
Index Benchmark: Russell 1000 Value Index
Universe: US Large Cap Value

Asset Allocation:	Lower Limit	Target	Upper Limit
Large Cap Value:	100%	100%	100%

Modification of Restrictions:

Retirement Committee
Metropolitan Washington Airports Authority Retirement Plans

Date: ______________________ By: ______________________________

By: ______________________________

DePrince, Race & Zollo, Inc.

Date: ______________________ By: ______________________________

Exhibit G. Manager-Specific Guidelines

These Manager-Specific Guidelines are an exhibit to the Metropolitan Washington Airports Authority Retirement Plans **“Statement" of Overall Investment Objectives and Policy**. By its signature below, the Investment Manager agrees to these Guidelines as well as the terms and conditions of the Statement, which is incorporated herein by reference.

Manager: **The Vanguard Group**
Mandate: Large Cap Core
Index Benchmark: S&P 500 Index
Universe: US Large Cap Core

Asset Allocation:	Lower Limit	Target	Upper Limit
Large Cap Core:	100%	100%	100%

Modification of Restrictions:

All investments made on behalf of the Metropolitan Washington Airports Authority Retirement Plans in The Vanguard Group Large Cap Core Fund shall be invested in accordance with and consistent with any limitations, restrictions or modifications as outlined in The Vanguard Group Large Cap Core Fund’s Declaration and Declaration of Trust. The Plan Declaration and Declaration of Trust shall override any restrictions or stipulations as outlined in this document.

Retirement Committee
Metropolitan Washington Airports
Authority Retirement Plans

Date: ________________________ By: _________________________________

By: _________________________________

The Vanguard Group

Date: ___________________________ By: _________________________________

Exhibit H. Manager-Specific Guidelines

These Manager-Specific Guidelines are an exhibit to the Metropolitan Washington Airports Authority Retirement Plans **“Statement" of Overall Investment Objectives and Policy**. By its signature below, the Investment Manager agrees to these Guidelines as well as the terms and conditions of the Statement, which is incorporated herein by reference.

Manager: **GE Asset Management**
Mandate: US Premier Growth Equity
Index Benchmark: Russell 1000 Growth
Universe: US Large Cap Growth

Asset Allocation:	Lower Limit	Target	Upper Limit
Large Cap Growth:	100%	100%	100%

<u>Modification of Restrictions</u>:

All investments made on behalf of the Metropolitan Washington Airports Authority Retirement Plans in GE Institutional Premier Growth Equity shall be invested in accordance with and consistent with any limitations, restrictions or modifications as outlined in the GE Institutional Premier Growth Equity’s Declaration and Declaration of Trust. The Plan Declaration and Declaration of Trust shall override any restrictions or stipulations as outlined in this document.

Retirement Committee
Metropolitan Washington Airports
Authority Retirement Plans

Date: ________________________ By: ________________________________

By: ________________________________

GE Asset Management

Date: ________________________ By: ________________________________

Attachment II

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY VEBA FUND

Statement of Overall Investment Objectives and Policy

January 2015

CONTENTS

I. INTRODUCTION

The Retirement Committee of the Metropolitan Washington Airports Authority (“Retirement Committee”) hereby adopts this Statement of Investment Objectives and Policy (“Statement”) with respect to the Metropolitan Washington Airports Authority Employee Welfare Benefits Trust (the “VEBA Fund” or “Fund”). Each person or entity with the power to manage, acquire, or dispose of any asset of the Fund (an “Investment Manager” or “Manager”) shall agree to these objectives and policy and manager specific guidelines. To the extent that the assets of the Fund are invested in one or more mutual or commingled funds, the Retirement Committee recognizes that the investment in such mutual and/or commingled funds will be subject to the investment objectives and policies (and prospectus) of the mutual or commingled fund and that the Retirement Committee (through one or more qualified investment consultants retained by the Committee (“Investment Consultants”)) will need to determine the extent to which the investment objectives and policies of the mutual or commingled fund are consistent with the investment policies and guidelines of the Fund.

The Retirement Committee desires to achieve investment results that will culminate in promised plan benefits being ultimately paid to plan participants and their beneficiaries. The assets of the Fund shall, at all times, be invested in such manner as to be in full accordance with the provisions of applicable law as such law may be amended from time to time in the future. While the Fund is not subject to The Employee Retirement Income Security Act 1974 (“ERISA”), the Retirement Committee has elected to apply ERISA standards to the limited extent specified herein. The Statement is intended to provide the Retirement Committee, the Investment Consultant and the Investment Manager(s) with a foundation from which to formulate specific investment strategies and goals, so that the Retirement Committee can effectively evaluate the performance of the Investment Manager(s) and oversee the management of the Fund in a prudent manner. The objective of this Statement is also to foster an effective working relationship with the Investment Manager(s) through a discipline of good communication.

This Statement is not intended to remain static. The Retirement Committee and its Investment Consultant will periodically review and update this Statement as necessary. Recommendations from the Investment Manager(s) for modifying this statement are expected where investment conditions so warrant.

The Retirement Committee will report quarterly and, if requested, more frequently, to the Human Resources Committee of the Board of Directors as to the funded status of the VEBA Fund. In addition, changes will not be made to this Statement without the advice, counsel and approval of the Human Resources Committee.

This document sets forth the following:

1. The investment policies and objectives which the Retirement Committee judges to be appropriate and prudent to implement its strategic plan for the investment of the Fund's assets;

2. The general investment policies, objectives and performance expectations for the Investment Manager(s);

3. The provision of guidelines for the Retirement Committee's ongoing supervision of the investment of the Fund's assets to ensure that the Fund remains invested in accordance with this Statement;

4. Accounting and reporting guidelines for purposes of measuring the performance of the Investment Manager(s);

5. Proxy voting policies; and

6. Brokerage and trading policies.

II. FUND INVESTMENT POLICIES

A. Asset Allocation and Investment Manager Structure

It is not the intention of the Retirement Committee to become involved in day-to-day investment decisions. Therefore, the assets are allocated to one or more professional Investment Managers or to one or more mutual or commingled investment funds in a manner consistent with the Statement.

In order to provide an appropriate level of diversification for the Fund, Investment Managers with complementary or diverse investment styles may be retained. Each Manager will be required to sign and acknowledge these objectives and policies as well as guidelines specific to its investment style. It is understood that mutual or commingled investment funds must adhere to guidelines and policies established for the mutual or commingled investment funds, and which are independent of the guidelines set forth in this document. Fund assets may be invested in mutual or commingled funds, provided that such investment is consistent with the overall investment policy of the Fund, as reflected in this Statement and as determined by the Retirement Committee.

Asset Allocation Policy

The investment strategy that the Retirement Committee has adopted for the overall allocation of the Fund's asset are as follows:

Asset Allocation	Minimum	Target	Maximum
Large Cap Core Equity	35%	45%	55%
Mid-Cap Equity	5%	10%	15%
Domestic Fixed Income	20%	30%	40%
International Equity	10%	15%	20%

B. Rebalancing Guidelines

It is the Retirement Committee's responsibility, with the assistance of the Investment Consultant, to monitor the asset allocation within the parameters described above. It will do so by giving specific instructions as to the range of allowable asset classifications to each individual Investment Manager (other than a mutual fund or commingled fund) and directing the Investment Consultant to monitor the asset classifications actually held by Managers and any mutual or commingled investment funds. Because markets do not move in concert, actual allocations are expected to deviate somewhat from the targets. The Fund will be rebalanced appropriately when allocations are no longer within the prescribed limits. Such rebalancing will be accomplished within two calendar quarters of the deviation from the prescribed limits. The Investment Consultant shall notify the Retirement Committee when rebalancing is appropriate (with such notification being made in time for the Retirement Committee to approve rebalancing within the time frame established by this Statement).

III. INVESTMENT OBJECTIVES

The investment horizon of the Fund is long term. The Fund's primary investment objective is to maximize the total rate of return subject to the preservation of capital.

Preservation of capital encompasses two goals:

- minimizing the risk of loss of principal for the Fund as a whole; and
- minimizing the erosion of principal value through inflation.

The primary means by which capital preservation is to be achieved is through diversification of the Fund's investment across various asset classes. Within each asset group, further diversification is to be achieved through investment in securities across numerous industries and sectors as determined by the Investment Manager(s) in accordance with this Statement or manager specific guidelines applicable to a separate (non-commingled) account, which manager specific guidelines will be signed by both the manager(s) and the Retirement Committee. To the extent that the assets of the Fund are invested in one or more mutual or commingled investment funds, the Investment Consultant shall advise the Retirement Committee of any material differences between the investment objectives, policies and guidelines of the mutual or commingled fund, and the provisions of this Statement.

The long-term performance expectations for the Fund are as follows:

A. Customized Index

Over a complete market cycle (typically 3 to 5 years), the total Fund performance has a goal of meeting or exceeding (net of fees) a weighted passive portfolio comprised of a mix of 45% S&P 500 Index, 10% S&P Completion Index TR, 30% Barclays Capital Aggregate, and 15% MSCI EAFE (net).

B. Manager Specific Benchmarks

Benchmarks specific to each managed portfolio/mutual or commingled investment fund are outlined in Exhibit A of this document. Performance versus said benchmarks will be judged over a complete market cycle (typically 3 to 5 years).

IV. PERFORMANCE MEASUREMENT

The performance expectations of the Retirement Committee are hereby communicated to the Investment Manager(s) consistent within their respective guidelines found in Exhibit A. These will include comparisons to benchmark returns and standard deviations as well as agreed upon universe comparisons. The performance expectations of the Retirement Committee with respect to mutual or commingled investment funds will be monitored by the Investment Consultant.

Quarterly performance will be evaluated to test progress toward attainment of long-term goals. It is understood that there are likely to be short-term periods during which performance deviates from market indices, and during such times, greater emphasis shall be placed on performance comparisons with managers or commingled investment funds employing similar styles. In order to be consistent among the Fund's multiple investment portfolios, and for universe comparisons to remain valid, rates of return shown in the performance reports produced by the Investment Consultant will be consistent with the return shown so that net performance will be compared to net performance universes and gross to gross. However, each Investment Manager and commingled investment fund is expected to meet or outperform its respective benchmark on a net of fee basis as detailed below. Each Manager is required to report its performance on a before and after fee basis as outlined in Section VI Communication and Reporting Requirements. The Investment Consultant shall determine the performance of each mutual or commingled investment fund on a before and after fee basis as outlined in Section VI Communication and Reporting Requirements.

Domestic Equity Portfolio

Active Managers

1. Achieve a rate of return, net of fees, which exceeds the Investment Manager's respective index/benchmark over a complete market cycle (typically 3 to 5 years).

2. Achieve a positive risk (standard deviation)/reward trade-off when compared to the Investment Manager's respective index/benchmark.

3. Achieve annualized performance results, which rank above the universe median for equity managers with similar characteristics over a complete market cycle (typically 3 to 5 years).

Passive Managers

1. Achieve a rate of return from dividend income and capital appreciation, which matches the Investment Manager's respective index/benchmark, less investment management fees, over a complete market cycle (3 to 5 years).

2. Achieve a positive risk/reward trade-off similar to the Investment Manager's respective index/benchmark.

Domestic Fixed Income Portfolio

Active Managers

1. Achieve a rate of return, net of fees, which exceeds the Investment Manager's respective index/benchmark over a complete market cycle (typically 3 to 5 years).

2. Achieve a positive risk (standard deviation)/reward trade-off when compared to the Investment Manager's respective index/benchmark.

3. Achieve annualized performance results, which rank above the universe median for fixed income managers with similar style characteristics over a complete market cycle (typically 3 to 5 years).

Passive Managers

1. Achieve a rate of return from interest income and capital appreciation which matches the Investment Manager's respective index/benchmark, less investment management fees, over a complete market cycle (3 to 5 years) on an after fee basis.

2. Achieve a positive risk/reward trade-off similar to the Investment Manager's respective index/benchmark.

International Equity Portfolio

1. Achieve a rate of return which exceeds the Investment Manager's respective index/benchmark over a complete market cycle (typically 3 to 5 years), net of fees.

2. Achieve a positive risk/reward trade-off when compared to the Investment Manager's respective index/benchmark.

3. Achieve annualized performance results, which rank above the universe median for international equity managers with similar style characteristics over a complete market cycle (typically 3 to 5 years).

V. PORTFOLIO INVESTMENT POLICIES

A. General

The Retirement Committee has sole discretion to select and replace the Investment Manager(s) and to allocate assets among Investment Managers and mutual or commingled investment funds.

The Retirement Committee shall review periodically the portfolio of each Investment Manager and shall endeavor at least annually to review the investments, returns, changes in staff, market environment, and any other pertinent items with respect to each Investment Manager (and each Investment Manager under a mutual or commingled investment fund). The Investment Consultant shall monitor the Fund's portfolio on an ongoing basis consistent with its fiduciary duty and the terms of its Agreement with the Fund.

The Investment Manager(s) are expected to perform their fiduciary duties with respect to the Fund prudently (within the meaning of ERISA) and shall conform to all applicable laws governing the investment of the Fund (as well as the provisions of ERISA).

The Investment Manager(s) is prohibited from entering into any transactions for the Fund, which are not authorized by this Policy or their specific guidelines, without the advance written consent of the Retirement Committee.

The Asset Class Investment Guidelines set forth in paragraph B below shall not apply with respect to mutual or commingled fund accounts. The internal guidelines applicable to any such mutual or commingled fund account shall apply instead.

B. Asset Class Investment Guidelines

1. Domestic Equity

Exceptions to these guidelines will be noted in the Manager Specific Guidelines found in Exhibit A of this document.

a. Equity investments shall be made with a view towards achieving a total rate of return (market appreciation plus dividend income). All equity investments shall be of companies whose respective market capitalizations are consistent with the Investment Manager's specific benchmark.

b. All securities shall be of a class listed on a national securities exchange or traded in the over-the-counter market and quoted on the National Association of Securities Dealers Automatic Quotation Service.

c. Industry and sector allocations should ensure prudent diversification and risk control.

d. Investment in any issuer should be limited to the greater of 5% of the portfolio based on market value, or two times the issuer's relative weight within the relevant benchmark index.

e. The maximum total portfolio investment in any one company shall be less than 5% of that company's outstanding voting stock and less than 5% in value of all outstanding shares of all classes of stock of the issuer (assuming all conversions had been made by the portfolio).

f. The Investment Managers are prohibited from investing in commodities, private placements that are direct real estate investments, direct oil, gas and mineral exploration investments, and nominally public issues for which the market is severely restricted.

g. The Investment Managers are prohibited from investing in letter or restricted stock, options, futures and forward contracts and/or any other derivative instrument.

h. The Investment Managers are prohibited from engaging in short sales, margin transactions, or other specialized investment activities.

i. The Investment Manager(s) shall not purchase securities whose issuers have currently filed a petition for bankruptcy. Securities of issuers that file for bankruptcy subsequent to purchase resulting in violation of this restriction may be held at the Investment Manager's discretion. However, written notice including Investment Manager's position on the issue and intended action shall be promptly submitted to the Retirement Committee.

j. The Investment Manager(s) may invest in equity securities of foreign issuers subject to the above restrictions and to a maximum of 10% of the equity portfolio based on market value. These holdings shall be limited to those denominated in U.S. dollars and listed and traded on major domestic exchanges.

2. Domestic Fixed Income

Exceptions to these guidelines will be noted in the Manager Specific Guidelines found in Exhibit A of this document.

The fixed income portion of the Fund's assets shall be invested in marketable fixed income securities of the first four quality grades as established by one or more of the nationally recognized bond ratings services. The average quality of all the Bond holdings in each Investment Manager's portfolio should be maintained at A or better. The following instruments are acceptable:

a. Commercial Paper or Variable Rate Notes rated P-1 Moody's, A1 by Standard & Poor's, or F1 by Fitch.

b. Certificates of Deposit and Bankers Acceptances rated A or better by Moody's Investor's Service or equivalent by Standard & Poor's.

c. United States Treasury Bonds, Notes, and Bills.

d. Debt instruments of the U.S. Government or its Agencies.

e. Publicly traded dollar denominated U.S. corporate debt, sovereign and supranational entities rated the equivalent of Baa3/BBB- or better by Moody's Investors Services, Standard & Poor's, or Fitch Investor's Services. In case of split rating among the three rating services, the Investment Manager shall defer to the middle rating. In the event that ratings are provided only by two agencies, the Investment Manager shall defer to the lowest rating; if only one agency assigns a rating, then the Investment Manager may accept it as the assigned rating.

Other restrictions are as follows:

a. Portfolio duration should not be more than 1 year greater than the benchmark.

b. Securities downgraded by any or all rating agencies (outlined in Item 2e above) subsequent to purchase resulting in violation of quality guidelines may be held at the Investment Manager's discretion. However, written notice including the Investment Manager's position on the issue and intended action shall be promptly submitted to the Retirement Committee and its Investment Consultant.

c. The Investment Managers may not hold more than 5% of the portfolio in any one issuer's securities other than direct obligations of the U.S. Government or its agencies based on market value.

d. Unrated securities may not be purchased without prior written approval of the Retirement Committee. If an Investment Manager ranks an unrated security as investment grade, prior written approval from the Retirement Committee must be received before purchase.

e. The Investment Managers may invest up to 5% of the portfolio in preferred stock, warrants and convertible securities when prudent opportunities exist based on market value.

f. The Investment Managers may invest in fixed income securities of foreign issuers subject to the above restrictions and to a maximum of 10% of the fixed income portfolio based on market value. These holdings shall be limited to those denominated in U.S. dollars and listed or traded on major domestic exchanges.

g. Private Placements are explicitly prohibited with the exception of 144A securities, which can be included up to 5% of the fixed income portfolio based on market value.

h. The Investment Managers may not use derivative securities to increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities or to acquire exposure to changes in the value of assets or indexes that by themselves would not be purchased for the portfolio. Under no circumstances will an Investment Manager undertake a derivative investment possessing elements of leverage or that is non-covered or leveraged to the extent that it would cause portfolio duration to exceed the limits implied by the benchmark. The Investment Manager(s) will report on the use of permissible derivatives on a quarterly basis to the Retirement Committee.

i. The Investment Managers may not engage in short sales or margin purchase.

3. Foreign Equity

a. A domestic equity Investment Manager may include the securities of foreign companies traded on U.S. exchanges or in U.S. markets in an amount not to exceed at purchase 10% of its portfolio (measured at fair market value).

b. An international Investment Manager may invest in foreign securities traded on foreign exchanges in accordance with its specific policy guidelines and consistent with the guidelines for domestic equity investments (except the guidelines set forth in Section V.B.1(b) and (j) of this Statement.)

c. An International Investment Manager is allowed to hedge foreign currency exposure as he/she determines necessary to reduce overall portfolio risk.

4. Cash and Cash Equivalents

Uninvested cash balances should be kept to a minimum through the prompt investment of available funds in short-term or more permanent security holdings. Investment Managers may invest in commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the portfolio's principal value. To the extent permitted by their Investment Management Agreement and applicable law, Investment Managers may utilize internally managed money market funds for this purpose, provided that they earn a competitive yield, and upon obtaining advance written approval from the Retirement Committee. All such assets must represent maturities of one year or less at time of purchase. Commercial paper assets must be rated A-1 or P-1 by Standard & Poor's and Moody's, respectively. The Investment Managers may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest). The Investment Managers also may not invest more than 5% of the portfolio's market value in the obligations of a single issuer, with the exception of the U.S. Government or its agencies. Within the limitations mentioned above and the targets established in the "Manager Specific Guidelines," the Investment Manager has complete discretion to allocate and select short-term cash and equivalent securities.

5. Other Investments

The Retirement Committee, after consulting with their Investment Consultant, may authorize the use of any other investment for the Plan provided that such investment is considered prudent for a pension fund. Assets that provide appropriate diversification (specifically low correlation with existing assets) will be considered and noted in this section.

6. Corrective Action

In the event a limitation herein is exceeded due to a change in market value, corporate event, or securities downgrade, the Investment Manager shall take such action as the Investment Manager deems prudent to cause the portfolio to return to compliance with the guidelines as soon as feasible, consistent with its fiduciary duty, but no later than 90 days. Written notice shall be promptly submitted to the Retirement Committee and its Investment Consultant, which includes the Investment Manager's position on the issue and intended action.

VI. COMMUNICATION AND REPORTING REQUIREMENTS

In addition to any requirement under the Manager's Investment Management Agreement, the following requirements shall apply to Investment Managers.

A. The Investment Manager(s) are required to provide reports (as applicable) to the Retirement Committee and their Investment Consultant. Reports should have the following frequency and include the following:

1. Quarterly market and book value of all security holdings.
2. Quarterly performance results compared with designated benchmarks.
3. Quarterly brokerage commission report.
4. Quarterly equity and fixed income turnover ratio report.
5. Quarterly derivative use report, if appropriate.
6. Quarterly quality ratings of the fixed income investments, including average quality.

7. Notice of changes in organizational structure, ownership, and key personnel of the firm (No longer than 14 calendar days after such occurrence).

8. Notice of litigation brought by a client or former client against the Investment Manager relating to Investment Advisory services provided by the Investment Manager and any enforcement proceeding that would have an effect on the Investment Manager if the Investment Manager has been notified by a regulatory agency that it is the subject of such enforcement proceeding (as soon as possible, not to exceed 14 days).

9. Notice of any disciplinary proceeding threatened, pending, or instituted against the Investment Manager, within 14 days of notice of such actions.

10. Annual filing of Form ADV with the Securities and Exchange Commission.

To the extent applicable, the Investment Consultant shall monitor each mutual or commingled investment fund and shall provide reports (as applicable) to the Retirement Committee with respect to the above reporting requirements.

B. The Investment Manager(s) must meet with the Retirement Committee and the Investment Consultant as often as may be reasonably required. The Manager shall provide the Retirement Committee and the Investment Consultant a written summary, which addresses the subjects identified below, at least seven days prior to each of its meetings:

1. Performance for the Past Period: Standard time periods for each report will be Last Quarter, Year to Date, Latest 12 Months, 3 Years and 5 Years, since inception. Returns (for time periods greater than one year) should be annualized and calculated on a time-weighted basis for the total portfolio. All returns should include income and dividends and be reported both gross and net of investment management and brokerage fees.

2. Rationale for Performance Results: Discussion of the rationale for performance results, relating them specifically to the individual investment strategy and tactical decisions implemented by the Investment Manager during the current review period.

3. Specific Near-Term Strategy: Discussion of the Investment Manager's specific strategy for the portfolio over the near-term period, with specific reference to asset mix (including cash position) and expected portfolio characteristics.

4. Changes in Investment Manager's Firm: Discussion of any relevant changes in the Investment Manager's firm, including professionals.

5. Changes in the Retirement Committee's Requirements: Discussion of proposed modifications to the investment program and strategy including this Statement, if any.

These meetings will also provide the Investment Manager(s) with the opportunity to explain how their investment strategy/outlook has evolved since previous meetings.

C. The Investment Manager(s) shall be responsible for reviewing these guidelines on an ongoing basis. Whenever the Investment Manager(s) believes that any particular guideline or objective should be changed or deleted, it is the responsibility of the Manager(s) to initiate formal communication with the Retirement Committee.

D. The Investment Manager(s) may not act upon written or oral instructions from any person except the full Retirement Committee or its duly authorized representatives.

VII. BROKERAGE AND TRADING REQUIREMENTS

In addition to any requirement under the Manager's Investment Management Agreement, the following requirements shall apply to Investment Managers.

A. The Investment Manager agrees to maintain records of its brokerage practices, including records of the broker used on each transaction and the amount paid to each such broker. The Investment Manager agrees to disclose such information to the Retirement Committee or the Investment Consultant upon request. In placing portfolio transaction orders on behalf of the Fund, the Investment Manager shall use its best efforts to obtain best execution of orders through responsible broker/dealer firms at the most favorable prices and at reasonably competitive commission rates.

B. As to investments in any security for which the Investment Manager or any of its affiliates is a market maker, the Investment Manager agrees that it will not effect the transaction for that investment through itself or any of its affiliates unless (a) the Investment Manager is able to demonstrate in writing after the transaction that such trade is lawful, and would not constitute a non-exempt prohibited transaction under ERISA and (b) the Investment Manager provides the Retirement Committee and the Investment Consultant with written notice of such investment after the transaction.

VIII. PROXY VOTING PROCEDURES

The Retirement Committee requires that the Investment Manager(s) exercise their authority with regard to proxy voting, in accordance with its fiduciary duty under law.

The Investment Manager(s) shall issue semi-annual reports on the proxy voting actions taken, including:

1. Affirmation that all stock holdings with votes due have, in fact, been voted;
2. Description of any proposed changes in proxy voting policies or procedures;
3. Confirmation that all votes cast were consistent with established policy;
4. Explanation of any votes not cast or of any votes cast that were not consistent with established policy; and
5. Summary of the listing of all votes cast.

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IN WITNESS WHEREOF, this document has been approved and executed by the undersigned on this ___ day of January, 2015, on behalf of the Retirement Committee of the Metropolitan Washington Airports Authority VEBA Fund.

Retirement Committee
Metropolitan Washington Airports Authority

Date: ______________________________ **By:** ________________________

Date: ______________________________ **By:** ________________________

SECTION IX – EXHIBIT A: MANAGER SPECIFIC GUIDELINES

Employee Welfare Benefits Trust Portfolio

Investment Manager	Style	Benchmark
Vanguard Institutional Index Fund	Large Cap Core Equity	S&P 500 Index
Vanguard Extended Market Index Fund	Mid-Cap Equity	Ext. Market Policy Index
Vanguard Developed Market Index Fund	International Equity	MSCI EAFE (Net)
Vanguard Bond Index Fund	Core-Fixed Income	Barclays U.S. Aggregate