MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)
TRUSTEE DUE DILIGENCE POLICY

ADOPTED: June 11, 2007
REVIEWED: July 14, 2010
REVIEWED: March 13, 2013
AMENDED: March 12, 2014
AMENDED: December 14, 2016
REVIEWED: January 8, 2020
AMENDED: October 12, 2022

I Purpose

The Board of MCERA recognizes its constitutional and statutory fiduciary duty to administer the retirement system prudently for the benefit of the members and their beneficiaries. Prudent administration requires the Board to diversify its investments and to conduct and/or have its authorized designees conduct, periodic on-site or video conference examinations of individually held properties and hold meetings with MCERA's investment managers, limited liability partnerships, real estate managers, and other professional service providers to enable the Board to effectively monitor the performance of its investment professionals so as to minimize the risk of loss and maximize the rate of return. The Board adopts this Due Diligence Policy to promote the Board's ability to achieve these goals. The Board conducts such due diligence to complement the due diligence performed on its behalf by its investment consultant.

This Due Diligence Policy sets forth the guidelines governing the responsibilities of the Trustees and the Retirement Administrator in conducting due diligence activities in connection with MCERA's investment portfolio. These guidelines are intended to complement the Board's Education and Travel Expense Policies. The Board will exercise the due diligence activities described in this policy through its Investment Committee which is a standing committee comprised of all members of the Board of Retirement.

II Guidelines

General Provisions

1. Evaluation and Education. The Retirement Administrator shall be responsible for organizing and conducting on-site or video conference meetings with Trustees and investment managers, general partners, and other financial service providers. At a minimum, on-site or video conference meetings provide Trustees and staff with opportunities to:
    a. Evaluate an investment manager's team that serves MCERA and observe how the team members jointly carry out their fiduciary responsibilities to MCERA.
    b. Interview individuals who directly manage MCERA's account.
    c. Evaluate the significance of personnel shifts or other organizational changes that may affect MCERA's account.
    d. Observe the systems and controls utilized in the investment of the assets of MCERA.

e. Hold in-depth reviews regarding an investment manager's philosophy, style and approach to investing MCERA's assets.
f. Develop a better understanding of the significance of short-term periods of good or poor performance by a manager.

Retirement Administrator's Regular Due Diligence Responsibilities

The Retirement Administrator or a designee shall be responsible for conducting regular due diligence on each manager and consultant engaged by MCERA in the ordinary course of business and shall keep the Board apprised of any important facts, industry trends and other events that reasonably may affect the Board's continued retention of such manager, consultant or property. Such regular due diligence shall include analysis of performance reports, financial statements, technical standards and practices, advisor reports filed with federal and state governments, meetings and interviews, research on industry trends and developments, visits to real property and third party evaluations.

Regular Manager Presentations to the Investment Committee

The Investment Committee will meet with investment managers in the following asset classes for a performance evaluation on a two-year rotational basis as determined by the Investment Committee each year at their January meeting:

- Actively managed domestic and international equity and fixed income.
- Public Real Assets
- Private Real Estate
- Opportunistic
- Portfolio Overlay
- Securities Lending

Private equity managers will meet with the Investment Committee for a performance review on an annual basis.

The Investment Committee will determine annually when to conduct performance reviews of investment managers for passively managed investments in any asset classes.

All performance evaluation presentations may be made in-person or by video conference as determined by the Investment Committee.

Due Diligence Evaluations

Periodic on-site or video conference due diligence evaluations shall be scheduled with investment managers in the following asset classes at their primary place of business:

- Actively managed domestic and international equity and fixed income.
- Public Real Assets
- Private Real Estate
- Opportunistic

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Evaluations may be necessary on a more frequent basis if there have been significant personnel changes, a deterioration of investment returns, industry concentration concerns or to the extent there are unresolved issues relating to a manager. The requirement of periodic , on-site or video conference due diligence with private equity and limited liability partnership managers may be met, in some circumstances, by attendance at annual partnership or annual client meetings sponsored by the partnership in which MCERA is invested, or otherwise as approved by the Board. Where attendance at the annual meetings is not possible, the Retirement Administrator shall request that the manager provide copies of all materials presented at the meetings.

The Investment Committee will determine when to conduct due diligence meetings for passively managed investments in any asset classes, securities lending and the portfolio overlay program.

Due Diligence Meetings

On-site or video conference due diligence shall consist of one or more Trustees or the Retirement Administrator or his/her designee, but in no case may include a quorum of the Board. The Retirement Administrator shall agendize a proposed schedule for all due diligence to be performed during the year at the first regular meeting of the calendar year. The Board shall take appropriate action at that meeting. Changes in the approved schedule shall be made only upon subsequent Board approval. The Board Chair, with the consent of the Board, shall designate the Trustees who shall participate in each due diligence evaluation. The Retirement Administrator, or designee, shall participate in each on-site or video conference due diligence evaluation, unless excused from participation by the Board Chair. The Retirement Administrator shall coordinate all planned due diligence travel so as to maximize the effectiveness of the evaluations and minimize the cost of the necessary travel. The participants shall discuss their planned due diligence with the Board in advance of the trip.

Reporting

1. The Trustees and Retirement Administrator, or designee, participating in due diligence evaluation shall provide a written report to the Board for the next following regular Board meeting, but in no event later than 45 days following the completion of the evaluation, summarizing their findings and recommendations, if any, and accompanied by a completed questionnaire provided to the manager by MCERA. The Retirement Administrator shall make any materials obtained during the evaluation available to other Board members and staff for reference purposes and shall retain a copy for not less than five years following the completion of the evaluation.

2. The Retirement Administrator shall provide the Board annually with a report of all due diligence evaluations completed in the previous calendar year and those proposed for the upcoming calendar year.

New Investment Managers and Service Providers

Due diligence on prospective new investment managers and service providers shall be performed as part of the selection process. The Retirement Administrator will perform or cause to be performed all necessary and reasonable due diligence with respect to the final slate of investment managers or service providers being considered for engagement by MCERA. Due diligence may include those processes identified for on-going providers as well as other processes deemed reasonable by the Retirement Administrator after consultation with the investment consultant, MCERA's auditor, and/or other consultants or advisers the Retirement Administrator deems appropriate. The Retirement Administrator may direct such parties to independently perform due diligence activities and provide a written report of the results of such due diligence to the Retirement Administrator and/or the Board.

When recommending the engagement of an investment manager or service provider for Board approval, the Retirement Administrator shall provide the Board with a description of the due diligence activities that were conducted.

Once a search for a new investment manager or service provider has commenced, a due diligence "quiet period" shall be observed by all Trustees. During the "quiet period" Trustees shall not participate in any due diligence being conducted on any new investment manager or service provider.

A Board action to engage an investment manager or service provider is subject to negotiation and execution of the appropriate legal documentation. The final engagement also may be subject, at the Board's sole and exclusive determination, to further due diligence, including without limitation an on-site visit or video conference conducted in the manner described in this Due Diligence Policy.

Expenses

As provided by the Trustee Travel Expense Policy, MCERA shall reimburse Trustees and Staff for all reasonable and necessary expenses incurred in conducting due diligence evaluations as set forth in this Due Diligence Policy and in accordance with the Travel Expense Policy.

III <u>Policy Review</u>

The Board shall review this Due Diligence Policy at least every three years to assure its efficacy and relevance. This Policy may be amended from time to time by majority vote of the Board.

IV Certificate

I, Jeff Wickman, the duly appointed Retirement Administrator of the Marin County Employees' Retirement Association, hereby certify the amendment of this Policy.

Dated: October 12, 2022

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Jeff Wickman, Retirement Administrator